

B Ethics and Consumers' Choice

This thesis is about the ethics in consumer choice. Ethics is a branch of philosophy addressing questions about actions raising a claim on morality. It is about the relationship between moral action and judgements. Values and customs of persons are studied. The main areas of questions that ethics as science deals with are happiness, freedom, good and evil. Ethics has been applied to various fields of life such as economics, business, politics, environment, etc. (PIEPER 1994, p. 17ff.; 100ff.). Morality is either used descriptively “to refer to some codes of conduct put forward by a society or, some other group, such as a religion, or accepted by an individual for her own behaviour” or “normatively to refer to a code of conduct that, given specified conditions, would be put forward by all rational persons” (GERT 2011). Importantly, “morality is a human creation that changes through time” (HARRIS 1999). Insofar, moral concepts refer to interpersonal relations and are a form of social-ethics while environmental-ethics deal with the relationship between individuals and the environment (KUTSCH 2002, p. 10). The purchase of Fair Trade products as well as charity can therefore be regarded as socially-ethically motivated (KUTSCH 2001, p. 174) while the purchase of organic products fits more into the concept of environmental-ethics. Accordingly, these two to some extent interrelated branches of ethics are relevant for the questions discussed in this dissertation.

2 Consumers' decision making

Consumers' decision making is a topic under investigation in different disciplines such as economics, political science, sociology or psychology. Furthermore, it is researched from the two poles of normative questions, such as the logic of decision making and the nature of rationality, on the one hand, and descriptive analysis of peoples beliefs and preferences, on the other hand (JUNGERMANN et al. 2005, p. 5; KAHNEMAN and TVERSKY 2008a). In economics, rational choice theory (see e.g. DIEKMANN and VOSS 2004) and behavioural economics (see e.g. PELZMANN 2000) exist to explain humans' decision making. The key topics of behavioural economics are the study of information processing including the information processing approach¹¹ which endorses bounded rationality (BETTMAN et al. 1998, p. 187) and heuristics (see e.g. GIGERENZER and TODD 1999 as well as the keyword 'adaptive

¹¹ For further information, see chapter 5.

toolbox¹²), framing effects, and Prospect Theory¹³ (see e.g. KAHNEMAN and TVERSKY 1979; THALER 2008).

The construct of preferences is regarded as a good indicator for purchase behaviour as each purchase decision is a preference decision and as such a statement towards the appraisal of the product attributes and their ability to fulfil individual consumers' demand (HAHN 1997, p. 8; TROMMSDORFF 2004, p. 490). Accordingly, preferences are a central determinant of purchase decisions (HILLIG 2006, p. 11), and hence consumers' choice. Therefore, the emphasis of this chapter lies on the concepts of preferences and the link to utility and choice. The chapter starts with the description of purchase decision models, and then focuses on preferences before decision making strategies are discussed in detail at the end of the chapter. The presentation of the decision making strategies provides background information for the study presented in chapter 5 which analyses experimentally the relevance of ethical and sustainable product features during consumers' information search process.¹⁴

2.1 The decision making process – Total and partial models of choice

The choice process involved in consumer purchase decisions has received a large amount of interest. As a result there are many models and theories to explain consumers' purchase behaviour. They differ with regard to the idea of man they are based on as well as with respect to the level of complexity. Microeconomic as well as behavioural science offer approaches to represent preferences and consumers' purchase choices. The most famous models in microeconomics are the neoclassical model¹⁵, Samuelson's revealed preference theory and the Lancaster approach. SAMUELSON's revealed preference theory (1937; 1948) applies the relative utility terminus preference and regards observable purchase decisions as preference expressions (see chapter 2.2). The LANCASTER approach (1966, p. 133f.) extends this view by assuming that individuals do not evaluate goods in a holistic way but as a bundle of utility providing attributes. Not the good per se (coffee, milk) but the properties or attributes or characteristics of the good (caffeine content, protein content) provide utility to the consumer. The advantage of the Lancaster model is that it can be shown that consumer preferences for

¹² The adaptive toolbox of GIGERENZER and TODD (1999) is a metaphor depicting how bounded rationality can be integrated in the human mind (MARTIGNON 2001, p. 148).

¹³ Prospect Theory describes decision making under risk. It is based on the findings that in risky situations preferences often violate the assumptions of expected utility theory (KAHNEMAN and TVERSKY 1979).

¹⁴ For an overview of consumers purchase behaviour, see e.g. KOTLER et al. (2007, pp. 305-355).

¹⁵ Because of the strict assumptions of the neoclassical household theory, such as product homogeneity, perfect information etc., this model is not appropriate for marketing issues, such as product differentiation (HAHN 1997, p. 18; MEFFERT 1993, p. 147f.).

goods differ according to the product attributes (HAHN 1997, p. 11ff.; TROMMSDORFF 2004, p. 490). The discrete choice approach (see chapters 3 and 6) relies on this assumption.¹⁶

Most of the non-microeconomic models and theories can be grouped into one of the three types of research approaches: behavioural approaches, neo-behavioural approaches and cognitive approaches.

Behavioural approaches concentrate on the observable and measurable variables of the purchase decision making. Observable are, on the one hand, the stimulus (S) affecting the individual (e.g. an attractive product) and, on the other hand, the response (R) to the stimulus (e.g. the purchase of the product). Non-observable psychological processes within the consumer are not taken into account and regarded as a black box. The purchase (R) is interpreted as a reaction to observable stimuli (S). These models are so-called black box models or SR models. Black box models regard e.g. marketing instruments such as the marketing budget for and the price of a product as input variable and the sales volume of a product as output.

Neo-behavioural approaches in contrast place emphasis on the processes which are executed in the organism (O), the individual itself. For this purpose latent constructs, such as attitudes¹⁷ the individual holds, are used to explain the non-observable processes in the organism. These models are called Stimulus-Organism-Response (SOR) models. They try to explain what happens inside the black box of the organism. For that purpose intrapersonal and interpersonal variables are used. Intrapersonal variables are activating processes (such as emotions, motives, preferences, and attitudes), and cognitive processes (such as perception, learning). Interpersonal variables are cultural influences, social classes and peer groups. Depending on the object of purchase, different variables interact and determine the purchase (MEFFERT 1993, p. 144ff.). And, depending on the theoretic foundations of an explanatory model, e.g. economy, psychology or sociology, the focus and therefore the factors and determinants influencing the purchase decision differ (LENSCH 2009, p. 75).

Cognitive approaches extend the neo-behavioural concept by including cognitive, motivational and emotional processes to account for the individual information processing of humans (MEFFERT 1992, p. 24ff.).

¹⁶ For the limitations of the approach developed by Lancaster as a "new approach to consumer theory", see HENDLER (1975). HENDLER (1975, p. 199) states that the approach is an "important special case of consumer choice rather than a general model of consumer demand".

¹⁷ Attitudes are regarded as latent or underlying variables that guide and influence behaviour (FISHBEIN and AJZEN 1975, p. 8).

SOR models can be summarised as structural models as they try to structure and order the external and internal factors and stimuli influencing the decision. Two kinds of structural models can be distinguished: total models and partial models. Total models try to incorporate all relevant variables influencing consumers' decision making while partial models concentrate on specific aspects of the decision making (MEFFERT 1992, p. 28). In the following the two total and two partial models that are most widely used (FOSCHT and SWOBODA 2007, p. 25) and relevant for this dissertation are explained in detail.¹⁸ They are relevant insofar as the questions posed to study participants covered many of the relevant aspects and determinants of the total models described and all of the constructs of the Theory of Planned Behaviour (see the appendices in chapters 5, 6 and 8).

The model of BLACKWELL, MINIARD and ENGEL

The total model developed by BLACKWELL, MINIARD and ENGEL (2001) relates the variables influencing consumers' decision making in a unique manner (see Figure 1). It consists of three main components: the decision making process, the information process and the judgement process. The decision making process starts with the awareness of a problem which is activated by different stimuli affecting the individual such as marketing stimuli and e.g. those arising from family influences (input and influencing factors in Figure 1). In this phase, the consumer recognises a problem or need (e.g. I am thirsty) or responds to a marketing stimulus (e.g. the consumer passes a coffee store and is attracted by the aroma of coffee). A stimulated customer then needs to decide how much information (if any) is necessary to arrive at a decision. If the need is strong and there is a product or service that meets the need close to hand, then a purchase decision is likely to be made there and then.

The information search succeeds the first phase if no direct solution for the problem is available. Information is selected until the expected utility of the additional information is higher than the costs related to the information search. A shopper can obtain information from several sources such as family¹⁹, friends and neighbours, so-called commercial sources such

¹⁸ Other famous multidimensional models are the FISHBEIN model (1967) which exists in many modifications as well as the TROMMSDORFF model (1975) (BERNDT 1996, p. 64ff.; MEFFERT 1993, p. 152f.). The FISHBEIN model (1967) is based on the SOR model and incorporates attitudinal and social influences trying to explain the formation of behavioural intention, which is seen as the direct predecessor of evident behaviour. The TROMMSDORFF model (1975) is a compositional model using rating scales to assess attitudes (BERNDT 1996, p. 64ff.). Sociological models focus on the influence of social groups, such as families, on individuals' purchase decisions (MEFFERT 1993, p. 160).

For an overview of other models not described in this thesis, see also HAHN (1997, p. 10; 16); HELM and STEINER (2007, p. 33); KROEBER-RIEL and WEINBERG (2003, p. 50; 70); MEFFERT (1993, p. 143ff.).

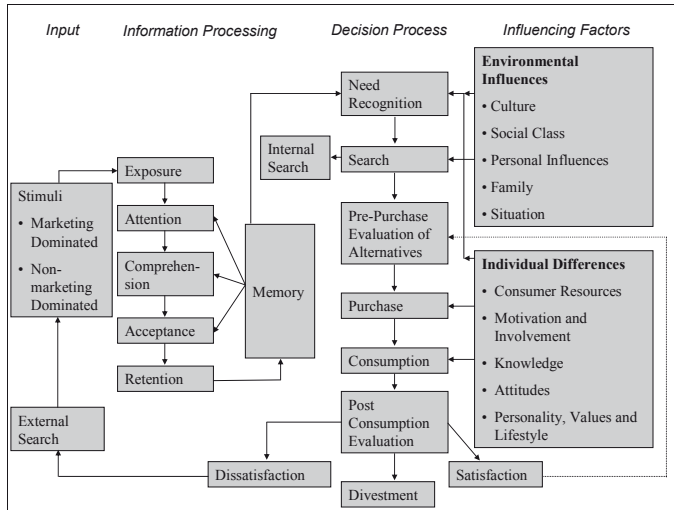
¹⁹ For the influence of family on individuals' choices, see e.g. KUTSCH (2005, p. 26ff.).

as advertising, salespeople, retailers, packaging and point-of-sale displays, public sources such as newspapers, radio, television, and consumer organisations as well as his/her own experiences with the product. The usefulness and influence of these sources of information vary by product and by customer.

In the evaluation stage, the shopper decides between the available alternative products, brands and services according to the personal preferences which are related to attitudes, personality, lifestyle, etc. of the consumer. These interpersonal variables are affected by norms and values. An important determinant of the degree of evaluation is whether the consumer feels 'involved' in the product. In this context, involvement refers to the degree of perceived relevance and personal importance that accompanies the choice. Where a purchase is 'highly involving', the customer is likely to carry out extensive assessment. So-called high involvement purchases are characterised by high expenditure or high personal risk – for example, making investments. In contrast, low involvement purchases (e.g. choosing some coffee for daily use in the supermarket) are presumed to have very simple evaluation processes.

The final phase is the post-purchase evaluation of the decision. It is common for consumers to experience concerns after making a purchase decision. This arises from a concept that is known as 'cognitive dissonance'. The customer, having bought a product, may feel that an alternative would have been preferable. In this case the shopper will not repurchase, but is likely to switch brands next time (KOTLER et al. 2007, p. 335ff.).

The BLACKWELL, MINIARD and ENGEL (2001) model of consumer choice is primarily focussed on extensive purchase decision making but as simplification is also possible, e.g. by modification or skipping of some phases, limited and habitual decisions are also explainable (FOSCHT and SWOBODA 2007, p. 25). It is important to note that the decision making process part of the BLACKWELL, MINIARD and ENGEL (2001) model of consumer choice is used as 'the' schema to illustrate consumers' decision making process (see e.g. HELM and STEINER 2008, p. 33; KOTLER et al. 2007, p. 335ff.).

Figure 1: Blackwell, Miniard and Engel model of consumer choice

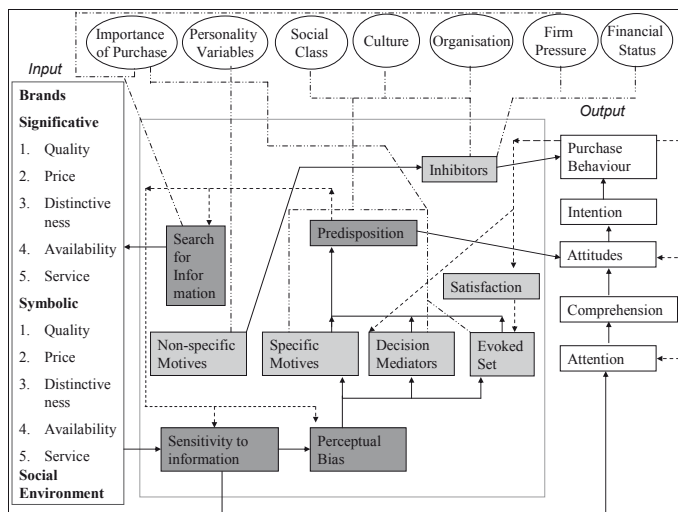
Source: BLACKWELL, MINIARD and ENGEL (2001, p. 83).

The model of HOWARD and SHETH

The second total model discussed in this thesis is the model of HOWARD and SHETH (1968). It is referred to as the most cited and most often used total model in the marketing literature (FOSCHT and SWOBODA 2007, p. 26). This integrative model incorporates most of the aspects of consumer behaviour and in particular the dynamics of purchase behaviour over time. It gets around the limitations of the phase model of BLACKWELL, MINIARD and ENGEL by using different constellations of the variables included in the model. The model resembles a SOR schema. It consists of four major elements: stimulus input variables, response variables, hypothetical constructs, and exogenous variables (see Figure 2). The central box consists of “various internal variables and processes, which taken together, show the state of the buyer” (HOWARD and SHETH 1968, p. 470). The variables within the central box are hypothetical constructs and non-observable. The hypothetical constructs are classified into two types: learning constructs (specific and non-specific motives, brand-potential of the evoked set, decision mediators, and predisposition towards brands, inhibitors and satisfaction with the purchase of the brand) and perceptual constructs (sensitivity to information, perceptual bias, search for information) (HOWARD and SHETH 1968, p. 472ff.). The values of the hypothetical constructs are “inferred from relations among the output intervening variables” (HOWARD and SHETH 1968, p. 470). Stimuli from the social environment of the consumer as well as the

brand marketing, such as price, influence the central box. The information cues of the brand emanate from the product itself or are symbolic as they e.g. arise from advertising. If provided and stored information differs, the consumer starts his search process depending on the personal attitudes towards the brand or the information source. For a detailed description of the variables, see HOWARD and SHETH (1968). As a result of the interaction of inputs and the internal state of the consumer, the outputs vary. Furthermore, the internal state of the consumer is influenced by seven external variables which appear as ellipses at the top of Figure 2.

Figure 2: Howard and Sheth model of buyer behaviour



Note: exogenous variables in ellipses. In the rectangular light grey box: hypothetical constructs. Out of these in light grey: learning constructs. In dark grey: perceptual constructs.

Source: HOWARD and SHETH (1968, p. 471).

While the didactic value of these total models is enormous, they can hardly be used in applied research due to their complexity and difficulties in variable specification. Partial models are preferable for the analysis of specific situations and markets (FOSCHT and SWOBODA 2007, p. 28).

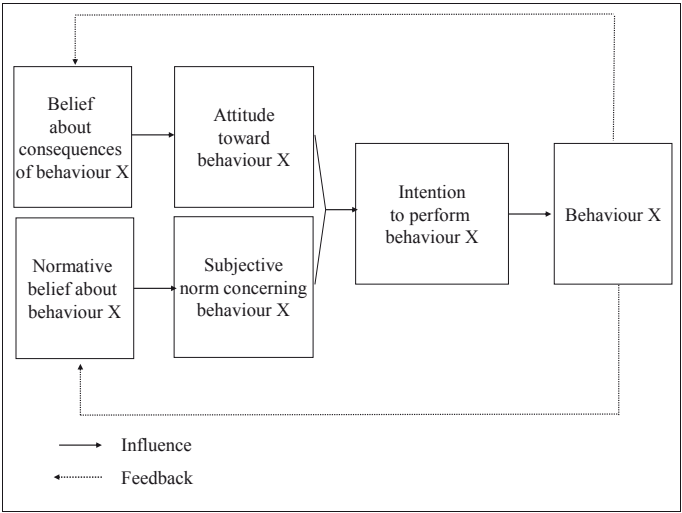
The Theory of Reasoned Action and the Theory of Planned Behaviour

The two partial models discussed in this dissertation are the Theory of Reasoned Action by FISHBEIN and AJZEN (1975) and the Theory of Planned Behaviour by AJZEN (1991) as both are used in the context of ethical consumption and charitable giving (see the respective

chapters of the dissertation). They originate from social psychology. In particular the Theory of Planned Behaviour has been applied to aspects of ethical consumer behaviour and ethical purchase (see e.g. SHAW and SHIU 2002) as well as green consumerism (see e.g. KALAFATIS et al. 1999). Both models concentrate on the relationship of attitude and behaviour and aim to predict a person's behaviour by means of the three components (in the case of the Theory of Reasoned Action) attitudes, subjective norms, and behavioural intention (the Theory of Planned Behaviour adds perceived behavioural control as fourth component).

According to the Theory of Reasoned Action (see Figure 3) a person's attitudes, subjective norms and behavioural intentions determine their actual behaviour; they are assumed to be reflected in a consumer's choice. It is assumed that behaviour is a direct function of intentions, which are indeed influenced by norms and attitudes. The Theory of Reasoned Action assumes that if consumers evaluate a suggested behaviour as positive (attitude), and if they think their significant others wanted them to perform the behaviour (subjective norm), this results in a higher motivation (intention) and they are more likely to behave accordingly (AJZEN 1991; MADDEN et al. 1992).

Figure 3: Theory of Reasoned Action

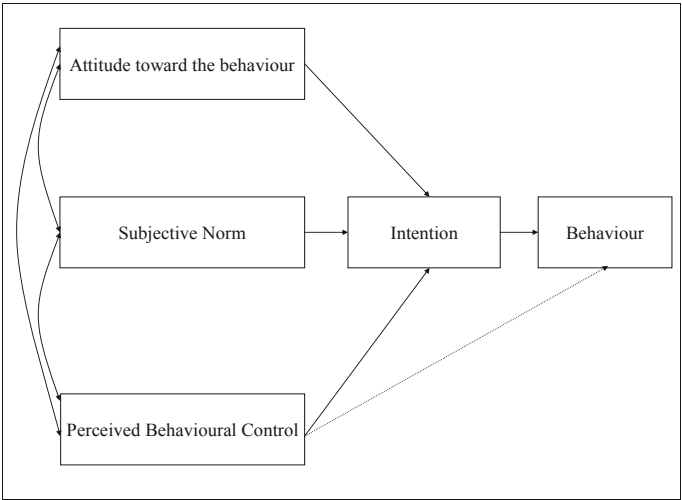


Source: FISHBEIN and AJZEN (1975, p. 16).

The Theory of Planned Behaviour (see Figure 4) extends the Theory of Reasoned Action by means of including a measure of individuals' perceived behavioural control. The extension accounts for the limitations in the Theory of Reasoned Action which arise mainly “in dealing

with behaviours over which people have incomplete volitional control” (AJZEN 1991, p. 181). This is, for example, the case when the time between intention and behaviour is long and unpredictable events happen and change the intention. The perceived behavioural control influences not only the intention but also the behaviour directly. The perceived behavioural control is understood as a person’s judgement of how well he/she can accomplish actions required to deal with future situations (AJZEN 1991, p. 184)²⁰. The Theory of Planned Behaviour shows that consumer (purchase) behaviour is not only influenced by values and beliefs but also by social pressure which follow from the motivation to comply with the social norms (WISWEDE 2000, p. 31f.).

Figure 4: Theory of Planned Behaviour



Source: AJZEN (1991, p. 182).

Types of purchase decisions

Especially for the two total models described earlier it is important that the following types of purchase decisions can be differentiated: extensive (also called rational behaviour), habitual, limited and impulsive (also called spontaneous) purchase decisions as well as socially dependent purchase behaviour. Hybrid forms are possible (MEFFERT 1993, p. 141ff.; FELSER 2007, p. 63).

²⁰ An example of a question revealing respondents’ perceived behavioural control that was posed in the study presented in chapter 6 is: “By means of donating to charity I can make a difference”.

Extensive decisions require a comparatively higher cognitive involvement than habitual decisions. The identification of the relevant decision criteria and the evaluation of the alternatives are more complex in extensive decision making than in any other type. The purchase of food can be rational (FELSER 2007, p. 63), e.g. when the consumer assesses all different types of coffee packages available under certain principles.

A typical example for **habitual** decision making is the choice of always the same product brand in the store without taking into account new available product alternatives; the behaviour is stable.

Limited decisions are close to habitual decisions. But here at least a few product alternatives form a choice set out of which the final product is chosen. In this case heuristics and rules-of-thumbs are applied due to the limited information available.

Impulsive or **spontaneous** decisions are a result of a stimulus right at the point of sale, without information processing, the formation of decision criteria and the consideration of alternatives, e.g. when the consumer decides to purchase a certain coffee just in front of the coffee shelf.

Socially dependant decision making arises when the presence or absence of e.g. a friend who is known for his/her preferences for a certain brand influences the decision (MEFFERT 1992, p. 40ff.).

To sum up, the plurality of models of consumer choice is due to the fact that consumer decision making is a fundamental part of consumer behaviour, but, at the same time, the way consumers assess and choose products varies widely and depends strongly on dimensions such as the personal circumstances but also the degree of risk which is related to the decision (which is e.g. high in extensive purchase decisions). We can maintain that a decision making process is composed of a series of stages the sequence of which depends on different influencing variables.

2.2 Preferences, utility and choice

Preferences, utility and choice are probably the most important terms for the description of the decision making process. Utility describes the subjective and evaluative absolute value a decision maker associates with an option (I like coffee) while preference is a relative measure of preferring one option over another (I prefer coffee (option A) to tea (option B) at a certain point of time) (BÖCKER 1986, p. 556; JUNGEMANN et al. 2005, p. 49ff). Preferences in this

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