

MEASURING THE IMPORTANCE OF ETHICAL CONSUMERISM: A MULTI-COUNTRY EMPIRICAL INVESTIGATION

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Abstract

This paper describes the results of several large empirical studies that investigated the impact of social product attributes on consumer purchase intentions. Our results show that some consumers are willing to pay for more socially acceptable products, but that most of those consumers do not think about the social product features of the products they purchase. Furthermore, our analyses demonstrate that consumers can be segmented based on their preferences for (or against) social product features and that these segments are not country-specific.

Over the past decade there has been a growing debate about the importance of ethical consumerism (Auger et al. 2003, Bhattacharya and Sen 2004, Sen and Bhattacharya 2001). This debate has become increasingly complex since the “ethical” component of ethical consumerism has evolved substantially from an almost exclusive focus on environmental issues (i.e., green consumerism) to a concept that more broadly incorporates matters of conscience. These can include a variety of issues such as animal welfare, labor standards, human rights, health-related issues, and, of course, environmental issues (Carrigan, Szmigin, and Wright 2004; Crane 2001; Strong 1996).

In its broadest form, ethical consumerism can be defined as “the conscious and deliberate choice to make certain consumption choices due to personal and moral beliefs” (Crane and Matten 2004). Hence, consumers can express their ethical concerns about products and organizations in two ways: (1) by choosing to purchase a product that meets certain ethical (or social) standards (e.g., not manufactured by children or not tested on animals), or (2) by choosing not to purchase a product

that fails to meet those criteria. The critical aspect of ethical consumerism from an organizational point of view thus centers around the purchasing decisions of consumers.

Recent studies on ethical consumerism suggest that consumers are giving increasing consideration to the ethical components of products and business processes and that these concerns have financial implications for the businesses involved (Carrigan, Szmigin, and Wright 2004; Mason 2000, Rogers 1998, Uusitalo and Oksanen 2004). For example, a large-scale survey by MORI found that over one-third of consumers in the United Kingdom were seriously concerned with ethical issues (Mason 2000). The same survey also suggested that the potential for ethical products could be as high as 30 per cent of U.K. consumer markets. Similarly, a 2005 poll by Global Market Institute (GMI) across a wide range of countries including the United States, United Kingdom, India, Australia, Canada, and countries throughout Europe found that 54 percent of consumers would be prepared to pay more for organic, environmentally friendly, or fair-trade products.

A related trend toward more consumer activism with respect to the “social behaviors” of organizations can also be seen in recent, highly publicized developments such as the increasing number of large-scale protests directed at multinational corporations and international organizations. In fact, demonstrators have often become the main focus of news reports during large-scale meetings such as those of the WTO, World Bank, IMF, G7, UN, and World Economic Forum. The number of groups focusing their attention on the social behaviors of companies also seems to have increased in recent years (Argenti 2004). For example, Elliott and Freeman (2001) identified over forty anti-sweatshop organizations in the U.S. alone, a large number considering the focus of those organizations on a single issue. Even larger numbers of groups and members can be found in areas such as environmental protectionism, human rights, and animal rights with such large and well-established organizations as Greenpeace, Amnesty International, and the World Wildlife Fund.

The breadth of issues associated with ethical consumerism suggests that it has wide-ranging implications for managers and can affect the strategic decisions firms are making—from entering and selling into foreign markets to outsourcing work to specific countries. For example, the importance consumers attach to the use of child labor in production could affect decisions about the use of offshore production, the selection of a country in which to produce, the human resources policies of sub-contractors, and/or whether or not to sell a particular product in a specific country market. Therefore, it is clear that businesses need to better understand the preferences of consumers with respect to the ethical and social features of products, especially when these businesses are involved internationally. Unfortunately, determining these preferences can be quite challenging given the relatively sensitive nature of the issues under consideration. The next section will highlight some of the main problems associated with research on ethical consumerism followed by a discussion of our research that focused on mitigating some of these problems.

Problems with Existing Research on Ethical Consumerism

Despite the apparent importance of ethical consumerism, most of the conclusions from the study mentioned above (and similar studies in both commercial and academic domains) are based on survey results that ask respondents to simply rank the importance of a list of ethical issues. They do not force consumers to trade off ethical features of products against traditional utilitarian features such as brand or price, nor do they question the point at which one social cause takes precedent over more mundane aspects of life (such as interest rates or petrol prices). Hence, it is not unreasonable to believe that these surveys overstate the importance of ethical features, since there are clearly more socially acceptable answers. For example, few people would answer that they do not care about the use of child labor or the amount of pollution involved in the manufacturing of the products they consume when there is no cost in hiding their true preferences.

At the core of this problem is an issue referred to as “incentive compatibility”—that is, the extent to which the structure of the survey instrument allows or forces respondents to reveal their “true” underlying behavior, preference or attitude (Carson, Groves, and Machina 2000). This is potentially a serious problem for research on ethical consumerism given the sensitivity of the issues under investigation, the lack of any penalty for not revealing the “truth,” and the obvious intent of the research to tap into ethical attitudes and behavior. In effect, incentive compatibility takes the form of a social desirability bias. As Schwarz (1999: 97) put it, “respondents may want to edit their private judgment before they report it to the researcher, due to reasons of social desirability and self-presentation.”

The existing survey-based research on ethical consumerism also suffered from a number of other weaknesses that may affect the reliability and interpretability of their results. Two of the most relevant for our research are the features of rating scales and their informational content. The first issue is fairly obvious. The wording used in rating scales is critical, and vague wording can lead to erroneous conclusions (Schwarz, Grayson, and Knauper 1998). For example, a recent study by Uusitalo and Oksanen (2004) found that 70 percent of Finish respondents stated that a firm’s business ethics had “some influence” on their purchase behavior. This relatively vague label begs for more information—how much “influence” is “some influence” and is one person’s “some influence” equivalent to another person’s “some influence”?

The second issue, the informational content of the rating scale, is much less obvious. In short, rating scales (and more generally questionnaires) are often an important source of information for respondents. That is, respondents draw on the information embedded in rating scales (and questionnaires) to arrive at an answer (Schwarz 1999). Furthermore, research also shows that respondents utilize this information more heavily when the behavior is poorly represented in memory and/or when the behavior is ill defined, which are clearly the case when asking respondents about ethical and social issues.

As a result, several researchers have proposed that a lack of incentive compatibility in traditional survey instruments has led to an attitude-behavior gap with respect to the impact of ethical issues on consumer purchases (Boulstridge and Carrigan 2000, Carrigan and Attala 2001, Ulrich and Sarasin 1995). That is, consumers indicate in surveys that ethical issues are important but do not change their purchase behaviors accordingly. Using experimental methodologies, primarily choice experiments and best-worst scaling, we have attempted to deal with the aforementioned problems and gain a better understanding of consumers' "true preferences" with respect to social and ethical issues. The next section will describe our research as well as the main results and implications of two of our large-scale empirical studies.

The Research Projects

Over the past several years, we have conducted a number of large-scale empirical studies with several hundred consumers across a variety of countries. Our main objectives have been to answer a series of questions with respect to ethical consumerism:

1. Do consumers know about the ethical features of the products they purchase?
2. Are there groups of consumers who are willing to pay more for socially desirable products?
3. If so, how much are they willing to pay for those products?
4. Are there differences between different country markets in answers to the previous three questions?

In addition to beginning a dialogue around these very fundamental issues, our work has the added benefit of introducing to the field rigorous experimental methodologies, in the form of choice experiments and best-worst scaling experiments, to more effectively deal with some of the problems of the survey methods outlined previously.

Choice experiments enabled us to more accurately answer our questions since they force individuals to trade-off the ethical features of products against more traditional features (Auger et al. 2003, Auger and Devinney 2006, Louviere, Hensher, and Swait 2000). This provides a more realistic simulation of the purchase process, since consumers are forced to make such trade-offs (usually specific features against the price of the product) when they make actual purchases. In effect, we treated ethical features (e.g., the use of child labor or poor working conditions) as any other product feature and included them as part of a set of features that described specific products (see Appendix 1 for an example of a choice experiment).

Our experiments were conducted in two large-scale studies with over one thousand respondents from eight countries: Australia, Hong Kong, Germany, Spain, Turkey, India, South Korea, and the United States. We specifically chose those countries in an attempt to maximize differences in culture, level of economic development, geographic location, and religious beliefs. Those, and other demographic variables such as age, education, and gender, have been shown to impact ethical

beliefs in previous research (Al-Khatib, Stanton, and Rawwas 2005, Al-Khatib, Vitell, and Rawwas 1997, Rawwas 2001, Rawwas, Patzer, and Vitell 1998).

Each experiment required respondents to complete three sections: (1) evaluate their most recently purchased brand; (2) decide whether to purchase various profiles of products (either athletic shoes, bath soap, AA batteries, or laundry detergent); and (3) answer a series of socio-demographic questions.

We gathered data for four types of products: AA batteries, athletic shoes, bath soap, and laundry detergent. We selected these products for the following reasons. First, they enabled us to investigate the importance of different sets of social issues, namely a variety of environmental issues for batteries, bath soap, and laundry detergent and labor issues for athletic shoes. Second, the products were familiar to and purchased by most consumers in our samples including consumers from developing countries. Knowledge of the product categories and prior purchase experience were important since we also asked respondents to tell us about the attributes of their most recently purchased products. Prior purchase experience also facilitated the experimental tasks since respondents already understood the nature of the product attributes. Third, the products also differed in their level of consumer involvement in the purchase process. Specifically, athletic shoes are considered high involvement products compared to the other products since consumer search is more intensive and the price more noticeable to the consumer. In this paper, we focus our attention almost exclusively on athletic shoes since it is the only product category for which we have data for all respondents. We alternated the other three products randomly among our respondents so as to keep the time required to complete the experiments manageable.

The best-worst scaling (BWS) experiment was done only in our second study and focused on a broader set of issues. We selected the best-worst scaling method since it could effectively overcome a variety of problems in the use of rating scales across countries. BWS is a multiple-choice extension of the paired comparison approach that is scale-free and forces respondents to make a discriminating choice among the issues under consideration. As Finn and Louviere demonstrated (1992: 13), “BW scaling models the cognitive process by which respondents repeatedly choose the two objects in varying sets of three or more objects that they feel exhibit the largest perceptual difference on an underlying continuum of interest.”

In this research, the underlying continuum is the respondents’ degree of concern about a set of social and ethical issues (i.e., the objects). Specifically, the BW experiment examined sixteen social and ethical issues (see Appendix B for a list of issues and for an example of a BWS). The experiment required each individual to examine twenty sets of four issues and indicate which issue of the four they considered “most important” and which they considered “least important.” As such, there is a significantly reduced likelihood that we would encounter bias in the use of a rating scale since there is only one way to choose something as most (or least) important (Cohen and Neira 2003). That is, BWS scaling eliminates differences in the way that human subjects use rating scales, including cultural differences in

rating styles if they exist. The reader is directed to Marley and Louviere 2005 for a more complete description of the scale properties of the approach.

The Main Results and Implications

Our results over the two studies are fairly consistent. First, we found that the vast majority of consumers do not know about the social features of the products they buy. Figure 1 presents a summary of the most recent purchase results for athletic shoes across samples and countries. The results show that over 80 per cent of consumers across our studies did not know about the social features of their most recently purchased athletic shoes. Conversely, the vast majority (almost 90 percent overall) could remember the functional features of these same shoes. We found a similar pattern across the other three product categories, with the exception of AA batteries, for which consumers possessed much better knowledge of the ethical/social features. This was still a significant gap between knowledge of functional and social features for batteries, but the gap was much smaller.

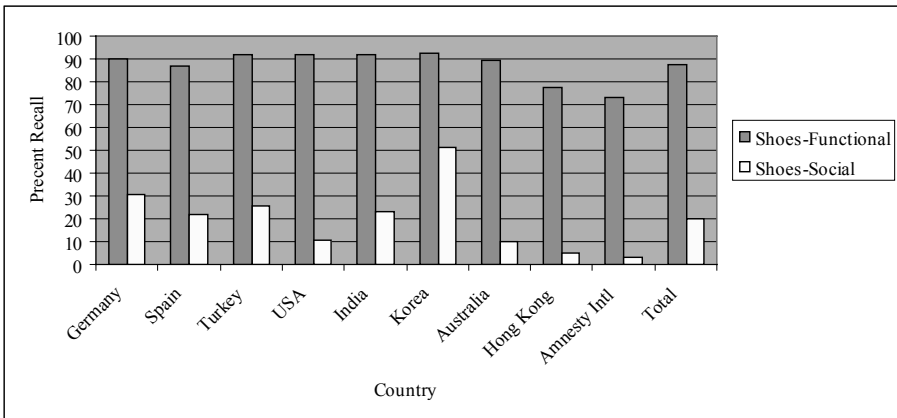


Figure 1. Knowledge of Most Recent Purchase of Shoes by Sample

These were not surprising results, given that companies do not publicize ethical transgressions. Hence, it is clear that part of the attitude-behavior gap when it comes to ethical consumerism can be explained by a lack of knowledge about products. That is, consumers may actually care about social features of the products they purchase but simply don't have the product-specific information required to make more informed decisions.

Second, our results also showed that there are groups of consumers who are willing to pay for more socially acceptable products. For example, Figure 2 presents willingness-to-pay estimates for all the attributes of shoes (both functional and social) for our three samples of respondents in our first study. The figure shows that some consumers were willing to pay a significant amount for more socially desirable athletic shoes, especially for products not manufactured by children and made under safe working conditions. The figure also reveals, as we expected, that Amnesty

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International supporters were willing to pay more for socially desirable products than respondents from either Hong Kong or Australia (Amnesty International supporters were also based in Australia). What is more interesting is that consumers were not willing to sacrifice functional features of products for social ones. That is, some consumers were willing to pay more for more socially desirable products, but *only if* the products met minimum standards with respect to functional features.

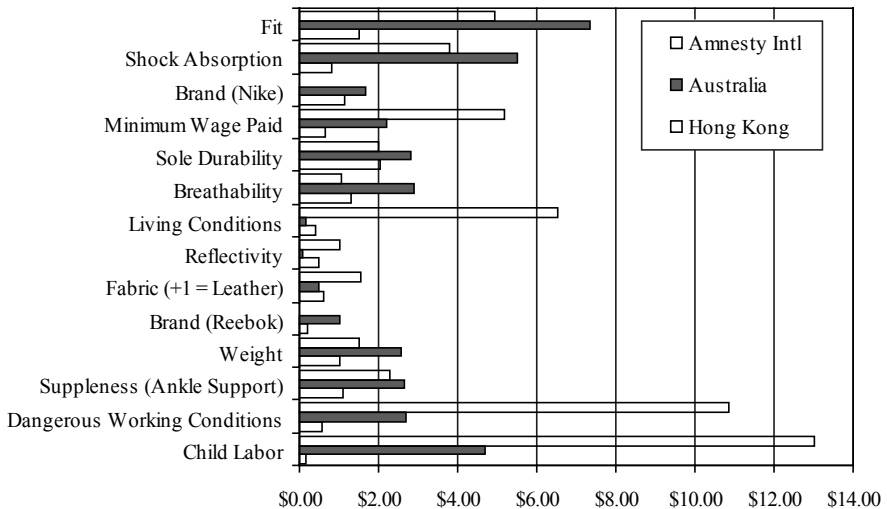


Figure 2. Willingness-to-Pay Estimates for Athletic Shoes—First Study

Third, choice experiments also enabled us to segment (or group) consumers based on their preferences. We used a relatively sophisticated type of regression analysis referred to as latent class regression analysis (LCRA) to accomplish this task (Andrews and Currim 2003a, Andrews and Currim 2003b, Kamakura and Russell 1989). LCRA allowed for the classification of individuals into segments (often called classes) and develops regression models for each of the segments simultaneously. These segments are referred to as latent segments since their formation does not depend on a group of pre-specified clustering variables (as is the case in traditional clustering methods). Instead, the latent segments are formed with discrete unobserved variables, which greatly improves the ability of researchers to identify meaningful segments in circumstances where observed variables (e.g., socio-demographics) have proven to be ineffective.

Figure 3 presents the standardized coefficients for LCRAs of product attributes on choice (i.e., the decision of whether or not to purchase a specific product) for athletic shoes for our second study. We also included six markers to indicate commonly-used levels of significance (i.e., $p = 0.05$; $p = 0.01$; $p = 0.001$) for easier interpretation of the results. Basically, all coefficients, with the exception of price, beyond the first marker ($p = 0.05$) are considered significantly different from zero (for price, we show price elasticity and all price coefficients were significant at the 0.05 level).

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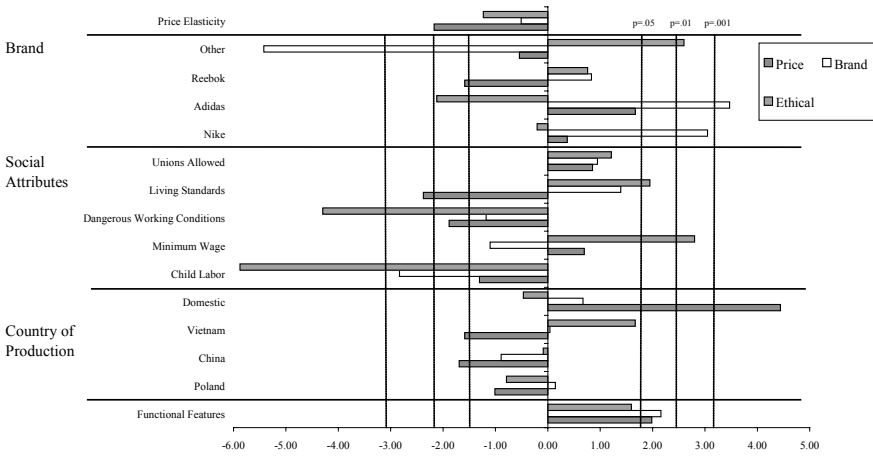


Figure 3: Segments of Socially Conscious Consumers for Shoes

The analysis clearly identified three distinct segments, namely brand, price, and ethical. The descriptors for the segments were selected by examining the dominant set(s) of attributes (i.e., the attributes with the largest standardized coefficients) within each segment. It is important to note that the wording for the social attributes is a mixture of “positive” and “negative” statements. We did this to ensure that respondents took the experimental task seriously and paid close attention to the levels of each attribute. As such, some of the coefficients are positive while others are negative. For example, child labor is strongly negative since an attribute level of “yes” would mean that the product was manufactured by children. Conversely, minimum wage is strongly positive since an attribute level of “yes” would signify that employees were paid above minimum wage. All coefficients for the social attributes in the ethical segment are in the correct and expected direction. That is, the signs of the coefficients indicate that the respondents in the ethical segment favored products that were more “socially desirable.”

Similar to the results from our first study, Figure 3 shows that the functional attributes, including brand and price, are not irrelevant to respondents in the ethical segment. For example, respondents in the ethical segment for shoes still show a fair amount of price sensitivity (much greater than for respondents in the brand segment) and a preference toward alternative brands (i.e., not well-known brands such as Nike and Adidas), among others. What these results suggest is that managers cannot simply ignore the core functional attributes of their products to create more socially acceptable ones. In other words, consumers do not appear willing to sacrifice functionality for social desirability. What these consumers are telling us is that they purchase products to fill a certain basic set of needs and that no amount of social desirability is likely to compensate for a failure to meet these basic needs.

Interestingly the segments derived were also not country-specific. That is, membership in a particular segment was only weakly related to the country of

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residence of the respondent. Figure 4 presents country memberships by segment for athletic shoes. The results show that all countries are represented in all three segments, with the exception of Korean respondents in the ethical segment. What we have consistently found across all of our studies is that there is considerably more variation in preferences *within* countries than *between* countries. What this implies is that rough segmentation approaches based on aggregate demographics must be approached with extreme caution, and the natural tendency in cross-cultural research to seek out differences can be biased.

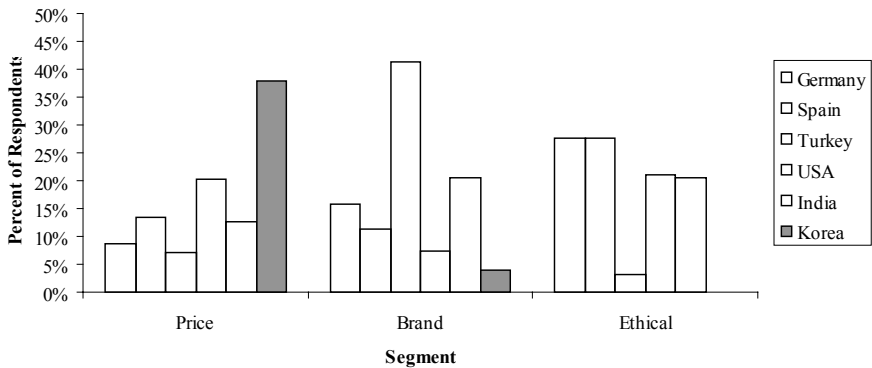


Figure 4: Country Membership by Segment for Athletic Shoes

In fact, what has been most surprising from our research is what we did not find. As just stated, we found few differences between the different country markets with respect to the importance of ethical consumerism. This is not to suggest that there were no differences at all, but that the differences were much smaller than expected or reported in previous research. Furthermore, our results also showed few differences based on typical demographic variables such as age, gender, education, and income. This is even more surprising given that we had specifically selected countries to maximize differences among those variables.

The lack of cross-country differences is best exemplified by results from our Best-Worst scaling experiments. Figure 5 presents the results of our BWS experiment across the six countries in our sample. The results are quite revealing with respect to the lack of differences between countries. First, four issues clearly received consistently high ratings across all countries—human rights, child labor (although Koreans give it a neutral rating), safe working conditions, and good living conditions. Second, four other issues clearly and consistently received low ratings across all countries—recycled packaging, use of animal by-products, recycled material usage, and genetically modified materials. The remaining eight issues are viewed quite differentially by country. For example, the issue of animal rights is rated higher than average by Germany, Spain, and India, but lower than average by USA, Turkey, and Korea. In fact, animal rights has the lowest rating of any issue for the Korean sample. Hence, these analyses show a high level of consistency across the

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entire sample for half of the issues and some differences between the countries on the other half of the issues. What this indicates is all the countries are consistent with respect to extreme evaluations and differ mainly in what might be considered to be middle range ethical and social concerns.

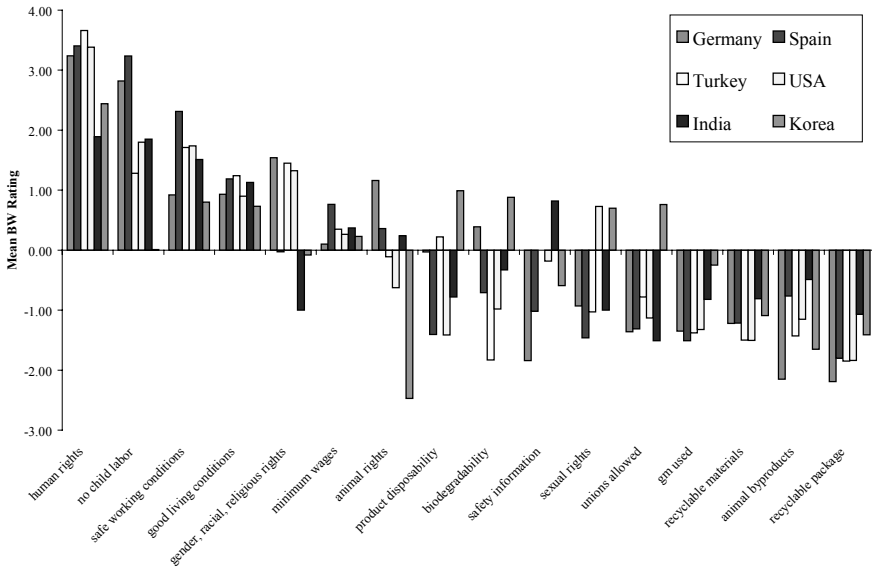


Figure 5: Results of Best-Worst Scaling Experiment Across Countries

Our main argument in this stream of research is that traditional survey methods are likely not only to overstate the importance of ethical issues, but to add unwanted variance into the measurement process by swamping the true preferences of consumers with spurious information. Our results (and our research more generally) highlight the importance of rigorous methodology and the potential problems associated with traditional survey methods. More importantly, this research demonstrates the importance of incentive compatibility within the field of ethical consumerism and the tendency of respondents to answer questions about ethical issues in a socially acceptable way. Though our research has focused primarily on ethical consumerism, its implications are thus relevant for anyone conducting and/or interpreting research that deals with sensitive issues.

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Appendix A: Hypothetical Product Profile for Athletic Shoes

Features of the Shoes	Features of Shoe #8
Shock absorption/cushioning	High
Weight	Heavier
Ankle support	Low cut
Sole durability	Short
Breathability/ventilation	High
Fabrication materials	Synthetic
Reflectivity at night	No
Comfort/fit	Low
Is child labor used in making the product?	No
Are workers paid above minimum wage?	Yes
Are workers' working conditions dangerous?	No
Are workers' living conditions at the factory acceptable?	No
Are workers allowed to unionize?	Yes
Country of production	Vietnam
Brand of shoes	Nike
Price	\$130
1. If the shoes described above were available in your local shops now, would you consider trying them? (Tick ONE box only) <input type="checkbox"/> No <input type="checkbox"/> Yes	
2. If the shoes described above were available in your local shops now, would you buy them instead of or in addition to your current shoes next time you shop for shoes? (Tick ONE box only) <input type="checkbox"/> No <input type="checkbox"/> Yes	

Appendix B: Best-Worst Experiment

In this section, we will present you with sixteen social and ethical issues. These will be organized in groups of four over the next two pages (a total of twenty groups or questions). For each group, select the one issue among the four that is least important to you and the one issue that is most important to you. Please make sure that you select only one least important and one most important for each group of four issues. We have included a description of the issues below; please keep them in mind throughout the rest of this section.

- **Animal rights**—describes the general treatment of animals for commercial purposes such as the use of animals for product testing, the displacement or killing of animals for natural resource exploitation (e.g., logging); or the cruel use of animals for entertainment.
- **Animal byproducts used**—Indicates that the product is made using animal byproducts such as animal fat or lard.
- **Product biodegradability**—indicates that the materials used to make a product can be broken down naturally and hence are safer for the environment.

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- **Products made from recyclables**—indicates that some or all of the materials used to make a product were obtained from recycled sources.
- **Product safety information provided**—means that information about the safe use of a product and/or potential dangers from using a product is/are included with the product.
- **Human rights**—describes the basic rights of all people as stated in the Universal Declaration of Human Rights such as the right to food, clothing, housing, education, etc.
- **Packaging recyclability**—indicates that part or all packaging materials can be recycled for future use (e.g., product packages, food containers, shipping boxes, etc.).
- **Product disposability**—indicates that a product can be disposed of without causing undue damage to the environment.
- **Paying minimum wages**—signifies that companies adhere to the minimum wage standards of the country (ies) in which they are operating.
- **Unions allowed**—indicates that unionization is legal within a country and that companies producing in that country do not attempt to prevent or curtail the unionization of their workers.
- **Minimum living conditions met**—means that companies supply their employees with basic and acceptable living accommodations when required.
- **Sexual rights**—indicates that discrimination against individuals based on their sexual orientation is not allowed.
- **Safe working conditions**—signifies that companies follow a set of procedures to create a safe working environment for their workers.
- **Child labor not used**—means that companies do not use workers under the minimum working age in the country (ies) in which they are operating.
- **Genetically modified material used**—indicates that the use of genetically modified (GM) materials is allowed within a country and that companies use GM materials in their products.
- **Gender, religious, racial rights**—indicates that discrimination based on gender, religion, or race is not allowed.

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—EXAMPLE—

In this example, sexual rights are least important and human rights are most important. Please notice that only **one issue** was selected in **each column (Least Important and Most Important)**.

Least Important	Most Important
<input type="checkbox"/> Animal rights <input checked="" type="checkbox"/> Sexual rights <input type="checkbox"/> Human rights <input type="checkbox"/> Gender, religious, racial rights	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> $\sqrt{\leftarrow}$ ONLY <input type="checkbox"/>

Question No.	Which issue matters LEAST to you? (tick ONLY ONE box for each question)	Sets of social and ethical issues for you to consider	Which issue matters MOST to you? (tick ONLY ONE box for each question)
1	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Animal rights Product biodegradability Products made from recyclables Product safety information provided	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
2	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Human rights Product biodegradability Packaging recyclability Product disposability	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
3	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Product biodegradability Paying minimum wages Unions allowed Minimum living conditions met	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
4	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Sexual rights Product biodegradability Safe working conditions Animal byproducts used	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
5	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Gender, religious, racial rights Product biodegradability Child labor not used Genetically modified material used	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
6	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Human rights Animal rights Gender, religious, racial rights Sexual rights	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
7	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Animal rights Packaging recyclability Paying minimum wages Safe working conditions	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
8	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Animal rights Product disposability Genetically modified material used Minimum living conditions met	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

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