Are Cheaper Products Considered Less Ethical by Consumers? Exploring the Role of Price as an Inferential Cue of Ethicality

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Abstract

In the absence of concrete product information, consumers can draw inter-attribute inferences by relying on available diagnostic cues to make predictions about an unknown product attribute. This paper examines the role of price as an inference cue for consumer perceived ethicality, depending on the product category. Conducting a 2 (FMCG: price low vs. high) by 2 (durable: price low vs. high) between-subjects experimental design, our results show that while cheaper durable goods are perceived to be less ethical, there are no differences in consumers' perceived ethicality between high and low priced products in the FMCG category. Implications for theory-building, marketing managers and consumers are discussed as well as future research opportunities derived.

Key Words: Ethical consumption, inference making, consumer perceived ethicality (CPE)

Track: Social Responsibility & Ethics

1. Introduction

Demand for ethical (e.g., sustainable, fair trade, green, anti animal-testing) products is rising steadily, so is the amount of research investigating questions related to responsible consumers, consumer reactions to CSR and sustainability initiatives, as well as ethical branding (Brunk & DeBoer, 2018; Gershoff & Frels, 2015; Lacey, Kennett-Hensel, & Manolis, 2015; Luchs, Walker Naylor, Irwin, & Raghunathan, 2010; Madrigal & Boush, 2008; Trudel & Cotte, 2009; White, MacDonnell, & Ellard, 2012; Xie, Bagozzi, & Gronhaug, 2015). The majority of this research assumes - or manipulates by means of experimental scenarios - that the consumer is knowledgeable about a company or brand's ethical endeavours (e.g., Luchs et al., 2010; Madrigal & Boush, 2008; Trudel & Cotte, 2009). However, this is not always the case - nor possible - in the age of information overload and busy lifestyles. In the absence of concrete information, consumers can turn to heuristic processing by drawing inferences about the ethicality of a product (Brunk, 2010a; Gruber, Schlegelmilch, & Houston, 2014; Green & Peloza, 2014).

Highly publicized corporate scandals contribute to consumers' increasing demand for more responsible and sustainable business conduct. The collapse of a textile factory in Bangladesh, which cost the lives of thousands of factory workers (Yardley, 2013) or the exploitation of animals and farmers in the food industry (Bakir, 2018; Kirchhoff, 2016) are only some examples. Many of these cases have one thing in common: Low-priced products at the cost of humane manufacturing conditions. We therefore ask: In the absence of concrete information about a brand's ethical business conduct, would consumers automatically consider a low-priced brand as less ethical? Our research aims to answer this question by exploring the role of price as an inferential cue of Consumer Perceived Ethicality (CPE), defined as the aggregate moral impression consumers have of a brand (Brunk, 2012).

2. Theoretical Background and Hypotheses

When consumers have limited information to make judgements and decisions, they often draw inferences by relying on available diagnostic cues to make predictions about an unknown product attribute (Cronley, Posavac, Meyer, Kardes, & Kellaris, 2005; Huber & McCan, 1982; Kardes, Posavac, & Cronley, 2004). In other words, by drawing inferences consumers create meaning beyond existing information (Gruber et al., 2014). One way to do this is through building inter-attribute correlations between an unknown attribute and a known attribute of the same product (Broniarczyk & Alba, 1994; Dick, Chakravarti, & Biehal, 1990; Ross & Creyer, 1992). A prominent example for a perceived inter-attribute correlation would

be to infer a product's quality from its price (Broniarczyk & Alba, 1994; Dick et al., 1990). Price has been identified as an important cue for inference making (Lichtenstein, Ridgway, & Netemeyer, 1993). While from an economics point of view price is negatively related to purchase intent (the higher the price the lower the demand), a high price not only has negative connotations. For example, consumer research has shown that price is positively related to quality. Here, a high price can function as a positive quality cue, thus encouraging consumers to buy a product (Broniarczyk & Alba, 1994; Cronley et al., 2005; Lichtenstein et al., 1993; Rao & Monroe, 1989). The underlying attribution is that superior product components or manufacturing techniques result in higher costs and consequently in higher prices (Bolton, Warlop, & Alba, 2003; Broniarczyk & Alba, 1994).

Price-quality inferences may be stronger in some product categories than others. For example, if absolute price differences within a category are low, like usually the case for fast moving consumer goods (FMCG), consumers may not automatically expect a product to be higher in quality if it is only slightly more expensive (Zeithaml, 1988). On the other hand, Rao and Monroe (1989) argue that when absolute price differences are high, such as when buying durables, consumers are more likely to make price-quality inferences. Given these products are comparatively more expensive and purchased less frequently, the purchase decision is riskier for consumers. Thus, they rely on their well-established assumption that higher priced products provide higher quality (Rao & Monroe, 1989).

Since information about the ethical conduct of companies is not always trustworthy nor readily available, recent research has started to explore consumer inferences related to CSR and ethicality (Brunk, 2010a; Gruber et al., 2014; Green & Peloza, 2014). For example, in the absence of concrete information, consumers can draw inferences about the ethicality of a product by employing a variety of country/origin-, category-, company- and product-related cues (Brunk, 2010a; Gruber et al., 2014). In addition to a product's name (Klink & Wu 2017), one such product-related cue is price. In this case high-priced products would be perceived as more ethical than low-priced products, because a higher price is assumed to cover the costs for responsible production (Gruber et al., 2014). Cheap products, on the other hand, are likely to evoke perceptions of unethical manufacturing conditions due to the assumption that in order to offer a low price to the end consumer, manufacturers must cut corners (Brunk, 2010a). We therefore hypothesize that:

H1: A low product price (vs. a high product price) negatively influences CPE.

A factor, that hitherto has attracted little attention in research into ethicality inferences, are differences between product categories. As mentioned previously, products are often

categorized into fast moving consumer goods and durable goods. Compared to fast moving consumer goods (FMCG), durable goods are pricier, bought less frequently and the purchase decision therefore entails a higher risk (Dacko, 2008; Grewal, Mehta, & Kardes, 2004; Laurent & Kapferer, 1985). Since previous research suggests that consumers are more likely to draw price-quality inferences when purchasing high-priced products (Zeithaml, 1988; Rao & Monroe, 1989) price-ethicality inferences may follow a similar pattern, thus we hypothesize that:

H2: A low product price has a stronger negative influence on CPE for durable goods (vs. for FMCG).

3. Method

For the purpose of exploring differences in CPE, depending on price and product category, we conducted a web-based survey in a central European country implementing a 2 (FMCG: price low vs. high) by 2 (durable: price low vs. high) between-subjects experimental design. To test ethical inferences clean off any pre-existing brand associations, we used fictitious brands (vs. of established brands) as experimental stimuli (Trudel & Cotte, 2009).

Milk and a t-shirt were used to represent the FMCG and durable conditions respectively. Due to the relatively low price for milk, consumer risk for choosing the 'right' product is assumed to be low. Thus, fresh milk called "ELSA" (0.59 € vs. 1.69 €) served as a stimulus for the FMCG conditions. Clothes, on the other hand, can be categorized as durable products. Absolute price differences can be larger, reaching from low discounter prices to those of luxurious designer brands. A basic unisex t-shirt from a brand called "VIOLA" (4.95 € vs. 69.95 €) served as stimulus for the durable good conditions. High and low-price manipulations were chosen by attempting to represent a similar relative price increase/decrease versus the in-market average of these product categories.

The questionnaire including the four different conditions (FMCG-high price, FMCG-low price, durable-high price, durable-low price) was pre-tested to optimize comprehensiveness, clarity and effectiveness of the manipulations. The final questionnaire started with a brief introduction and a text describing the product (milk or t-shirt), whereby carefully omitting any ethics- or CSR-related criteria (cf. Brunk, 2010b), ending with the product's retail price. A product picture was included to increase credibility. After that, the dependent variable CPE (Brunk, 2012) was measured and subsequently other relevant data collected.

Participants were recruited online and via personal contacts to achieve demographic variety (purposive sampling) and randomly assigned to one of the four conditions. In order to

reduce the risk of assigning vegans or lactose-intolerant consumers to the milk condition, participants were first screened whether they drink or buy milk. Category-rejecters were re-directed to the t-shirt conditions. This aimed to avoid evaluation biases by negatively pre-disposed consumers.

4. Findings

After the data collection was completed, blank and incomplete questionnaires were removed, leaving a total sample of 222 respondents aged between 18 and 76 (Nmale = 68; Mage = 39.43; SDage = 16.25) for the analysis. CPE was measured using the CPE-scale (Brunk, 2012). Respondents were asked to rate four statements ("I believe ELSA/VIOLA always adheres to the law", "I believe ELSA/VIOLA is a socially responsible brand", "I believe ELSA/VIOLA is a good brand", "I believe ELSA/VIOLA respects moral norms") on a seven-point Likert scale ranging from 1 = "strongly disagree" to 7 = "strongly agree", according to their perceptions of the brand. The CPE index reached an excellent Cronbach's α value of 0.924.

An ANOVA on CPE with category (FMCG vs. durable) and price (low vs. high) as between-subjects factors detected a significant main effect of price on CPE ratings ($F(1,218) = 14.700$, $p = 0.000$). A comparison of the means suggested that respondents in the low-price conditions ($M = 3.25$, $SD = 1.52$) evaluated CPE lower than respondents in the high-price conditions ($M = 4.01$, $SD = 1.33$).

Furthermore, a significant interaction effect between product category and price ($F(1,218) = 11.839$, $p = 0.001$) was found (see Figure 1). A contrast test revealed that the CPE means differed significantly in these two categories ($M = 2.73$, $SD = 1.41$ vs. $M = 3.87$, $SD = 1.43$, $p = 0.000$). Moreover, the results show that in the durable good condition CPE means differed significantly between low-priced products ($M = 2.73$, $SD = 1.41$) and high-priced products ($M = 4.08$, $SD = 1.19$, $p = 0.000$). Nevertheless, there was no significant difference in CPE means between the durable good-high price ($M = 4.08$, $SD = 1.19$) and the FMCG-high price conditions ($M = 3.94$, $SD = 1.47$, $p = 0.620$). Furthermore, there was no significant difference between CPE means in the FMCG-low price ($M = 3.87$, $SD = 1.43$) and the FMCG-high price condition ($M = 3.94$, $SD = 1.47$, $p = 0.784$). The main effect of price must therefore be interpreted considering the interaction effect of price and category. Hypothesis 1 suggested that low-priced products would be perceived as less ethical than high priced products. Since there was only a significant difference in CPE evaluations between the low and the high price in the durable good conditions but no significant difference for FMCG, only partial support is

found for Hypothesis 1. However, the results support Hypothesis 2 that a low product price has a stronger negative influence on CPE for durable goods compared to FMCG.

Although not originally hypothesized, the second main effect of product category was also found to be significant ($F(1,218) = 7.407$, $p = 0.007$) suggesting that, independent of product price, CPE is influenced by the product category. On average, participants in the FMCG conditions ($M = 3.91$, $SD = 1.44$) evaluated CPE higher than participants in the durable good conditions ($M = 3.34$, $SD = 1.47$). Nevertheless, the dominant interaction effect of category and price should not be neglected when interpreting this result, so it cannot be concluded that generally durables are perceived less ethical than FMCG. An overview of the mean evaluations in each condition is provided in Figure 2.

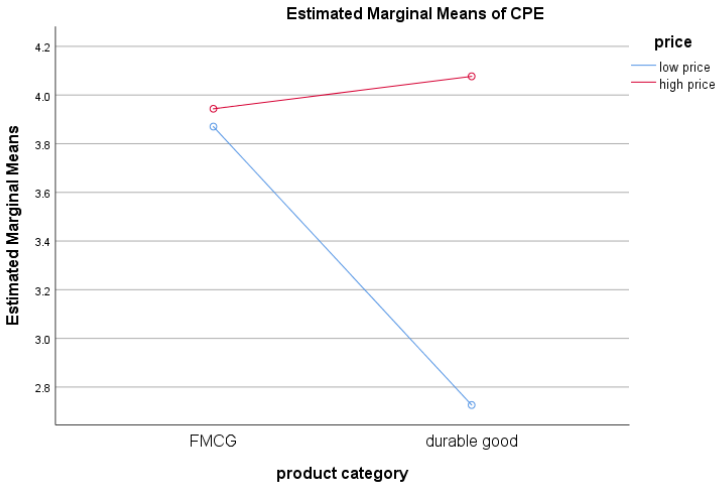

Figure 1: Effects of price and product category on CPE

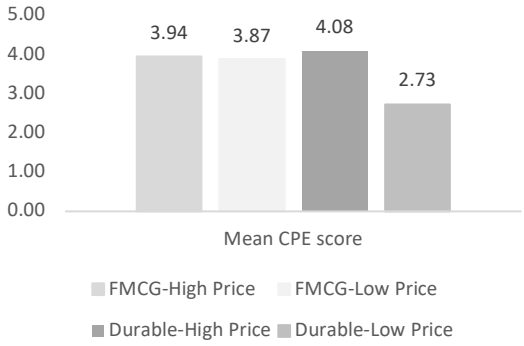

Figure 2: Mean CPE Scores per condition

5. Conclusion and Implications

The results of the present study are relevant for theory building and have implications for marketers as well as consumers. The fact that a product's price can not only act as a cue for inferring quality but also for ethicality expands insights from previous research into inter-attribute inferences and ethical perception formation. Ethicality has become an aspect consumers think and care about and in the absence of concrete information, a product's price can stimulate certain associations.

However, inferential effects differ depending on the product category. While cheaper durable goods are perceived as significantly less ethical by consumers compared to more expensive durable goods, for FMCG no significant difference could be found. This outcome is more extreme than expected but shares similarity with previous research on price-quality inferences (Rao & Monroe, 1989; Zeithaml, 1988) which suggests that these inferences

depend on absolute price differences in the product category. In line with this body of research, our study suggests that price-ethicality inferences appear less likely to occur in categories, where price differences are rather small, as it is generally the case for FMCG. An alternative explanation why ethicality perceptions did not differ in this category would be the purchase frequency of these goods. Since consumers buy FMCG more frequently, they may generally be better informed about certain product attributes, including ethics. Moreover, as ethical labels (e.g., fair trade, organic, no animal testing etc.) are widely-used on FMCG, consumers may rely on picking products with a certain label in accordance with their ethical concern. Thus, due to the explicit information provided by these labels, consumers do not need to resort to inference making. Conversely, consumers may be less familiar with ethical characteristics when evaluating durable goods, as they do not buy them as regularly (see Rao & Monroe, 1985 for price-quality parallels). The assumption that consumers are not sufficiently knowledgable about ethical attributes of durable goods could therefore explain that they are more likely to infer ethicality in this product category.

For marketers our findings suggest that premium-priced durable products can benefit from these positive inferences by being perceived as more ethical, even when this is not the case. However, it is important to emphasize that these favorable inferences can only occur in the absence of concrete information. In other words, once consumers are aware of actual CSR behavior or corporate conduct, they will no longer engage in inference making, thus eliminating this perceptual advantage. For low-priced durable products however, it is important to communicate ethical aspects to avoid being perceived as unethical. Marketers can attempt to preempt negative ethicality inferences by providing consumers with concrete information on ethical criteria (e.g., in their brand communication; by means of package design; applying an ethical label; or specific customer communication at the point-of-sale).

For consumers our findings suggest that they need to become aware of their perceptual bias. In other words, they should not simply expect more expensive products to be more ethical but question a product's ethicality regardless of its price. This implies that consumers must be willing to actively seek out information (e.g. independent product reviews by consumer watchdog and protection agencies) or rely on explicit information at the point-of-purchase or on the product itself (e.g. third-party labelling) in order to make an ethical choice.

6. Limitations and Suggestions for Future Research

This research set out to investigate whether, in the absence of concrete information, price can act as an inter-attribute inference cue of consumer perceived ethicality. Future research

should employ more elaborate research designs to investigate the underlying causes and specific attributions that lead to the observed inter-attribute inferences. One particular aspect that requires specific attention is the relationship between quality and ethicality. Given the empirical parallels between the price-quality inferences past research already established and the observed price-ethicality inferences in this study, future research should explore: (1) whether quality and ethicality are directly related, i.e.,when consumers perceive quality to be high, do they always perceive ethicality to be high and vice versa?; (2) in the case that quality and CPE are directly related, what is the direction of causality for this relationship?; and (3) what attributions in terms of concrete corporate mis/conduct are underlying consumers' inferences, e.g., if relatively cheaper durable goods are perceived to be of low quality, they might be associated with poor workmanship (Broniarczyk & Alba, 1994) as well as with inhumane manufacturing conditions (Gruber et al., 2014).

While our study found no significant differences in inference making depending on consumers' general attitude towards ethical shopping and CSR practices, base sizes for this analysis were small and future research should focus on whether price-ethicality inferences may differ across consumer groups of different ethical dispositions; depending on consumers' category involvement or certain demographics (e.g. gender or income).

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