



UNIVERSITY OF LEEDS

This is a repository copy of *Business Unethicality as an Impediment to Consumer Trust: The Moderating Role of Demographic and Cultural Characteristics*.

White Rose Research Online URL for this paper:
<http://eprints.whiterose.ac.uk/85915/>

Version: Accepted Version

Article:

Leonidou, LC, Kvasova, O, Leonidou, CN orcid.org/0000-0003-1831-9733 et al. (1 more author) (2013) *Business Unethicality as an Impediment to Consumer Trust: The Moderating Role of Demographic and Cultural Characteristics*. *Journal of Business Ethics*, 112 (3). pp. 397-415. ISSN 0167-4544

<https://doi.org/10.1007/s10551-012-1267-9>

© 2012, Springer Verlag. This is an author produced version of a paper published in *Journal of Business Ethics*. Uploaded in accordance with the publisher's self-archiving policy.

Reuse

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

Takedown

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing eprints@whiterose.ac.uk including the URL of the record and the reason for the withdrawal request.



eprints@whiterose.ac.uk
<https://eprints.whiterose.ac.uk/>

Business unethicity as an impediment to consumer trust: The moderating role of demographic and cultural characteristics

by

Dr. Leonidas C. Leonidou

Professor of Marketing
University of Cyprus

Dr. Olga Kvasova

PhD in Marketing

Dr. Constantinos N. Leonidou

Associate Professor of Marketing
University of Leeds

Dr. Simos Chari

Lecturer in Marketing
University of Leeds

Journal of Business Ethics

Submitted 15-7-2011; Revised 05-12-2011; Revised 17-02-2012; Accepted 18-02-2012; Available online 27-03-2012.

Abstract

The article reports the findings of a study conducted among 387 consumers regarding their perceptions of the unethicity of business practices of firms and how these affect their response behavior, in terms of trust, satisfaction, and loyalty. The study confirmed that high levels of perceived corporate unethicity decrease consumer trust. This in turn reduces consumer satisfaction, which ultimately has negative effects on customer loyalty. It was also revealed that, although both consumer gender and urbanity have a moderating effect on the link between perceived unethicity and trust, the age group and level of education of the consumer did not exhibit such an effect. With regard to consumer cultural characteristics, both high uncertainty avoidance and low individualism were found to increase the negative impact of business unethicity on trust, as opposed to power distance and masculinity that did not have any moderating effect on this relationship. Implications for managers are extracted from the study findings, as well as directions for future research.

Keywords

Business ethics; trust; satisfaction; loyalty; consumer demographics; cultural orientation.

Address of Correspondence

Dr. Constantinos N. Leonidou, Senior Lecturer in Marketing,
Leeds University Business School, University of Leeds, Maurice Keyworth Building, Leeds,
LS2 9JT, United Kingdom, Phone: +44 (0) 113 343 6855, E-mail: C.Leonidou@leeds.ac.uk

Acknowledgements

The authors would like to express their appreciation to the Section Editor and the anonymous reviewers of the Journal for their insightful comments, constructive input, and useful guidance on earlier versions of the manuscript. The authors would also like to thank

Crystalleni Paridi and Marina Vasiliou for their assistance in collecting the data for the purposes of this study.

About the authors

Dr. Leonidas C. Leonidou (Ph.D., M.Sc., University of Bath) is a professor of marketing at the School of Economics and Management of the University of Cyprus. His current research interests are in the areas of international marketing/purchasing, relationship marketing, strategic marketing, and marketing in emerging economies. He has published extensively in these fields and his articles appeared in various journals, such as the European Journal of Marketing, Industrial Marketing Management, Journal of the Academy of Marketing Science, Journal of Business Research, Journal of International Business Studies, Journal of International Marketing, and Journal of World Business.

Contact details: Department of Public and Business Administration, School of Economics and Management, University of Cyprus, P.O. Box 20537, CY-1678 Nicosia, Cyprus.

Telephone: +357-22893614

Fax: +357-22895030

E-mail: leonidas@ucy.ac.cy

Dr. Olga Kvasova holds a PhD in marketing from Lulea University of Technology, Sweden; MBA from Cyprus International Institute of Management; and MA in Linguistics and International Communication from Voronezh State University, Russia. Her research interests are: sustainability, business ethics, and consumer behavior. Her work has appeared in European Journal of Marketing, Management International Review, and Journal of Marketing Management.

Contact details: Praxitelous 4, Limassol, 4520, Cyprus.

Telephone: +357-99016195

E-mail: olgakvasova@list.ru

Dr. Constantinos N. Leonidou (Ph.D., University of Leeds, MBA, Cardiff University) is an associate professor of marketing at Leeds University Business School, University of Leeds, UK. His main research interests focus on sustainability, international marketing, consumer behaviour, and advertising. His research has appeared in various journals, such as the European Journal of Marketing, Industrial Marketing Management, International Marketing Review, Journal of International Marketing, Journal of Marketing Management, and Journal of World Business.

Contact details: Leeds University Business School, University of Leeds, Maurice Keyworth Building, Leeds, LS2 9JT, United Kingdom.

Telephone: +44 (0) 113 343 6855

Fax: +44 (0) 113 343 4885

E-mail: C.Leonidou@leeds.ac.uk

Dr. Simos Chari (Ph.D., M.Sc. University of Leeds) is a lecturer in marketing at Leeds University Business School, University of Leeds, UK. His research interests are: decision making, strategy formulation processes, international marketing and advertising. His work has appeared in Journal of World Business.

Contact details: Leeds University Business School, University of Leeds, Maurice Keyworth Building, Leeds, LS2 9JT, United Kingdom.

Telephone: +44 (0) 113 343 8971

Fax: +44 (0) 113 343 4885

E-mail: S.Chari@leeds.ac.uk

Business unethicity as an impediment to consumer trust: The moderating role of demographic and cultural characteristics

Abstract

The article reports the findings of a study conducted among 387 consumers regarding their perceptions of the unethicity of business practices of firms and how these affect their response behavior, in terms of trust, satisfaction, and loyalty. The study confirmed that high levels of perceived corporate unethicity decrease consumer trust. This in turn reduces consumer satisfaction, which ultimately has negative effects on customer loyalty. It was also revealed that, although both consumer gender and urbanity have a moderating effect on the link between perceived unethicity and trust, the age group and level of education of the consumer did not exhibit such an effect. With regard to consumer cultural characteristics, both high uncertainty avoidance and low individualism were found to increase the negative impact of business unethicity on trust, as opposed to power distance and masculinity that did not have any moderating effect on this relationship. Implications for managers are extracted from the study findings, as well as directions for future research.

Keywords

Business ethics; trust; satisfaction; loyalty; consumer demographics; cultural orientation.

Business unethicity as an impediment to consumer trust: The moderating role of demographic and cultural characteristics

Introduction

Unethical corporate practices have often been an issue of major concern for business practitioners and academics alike, with numerous articles written on the subject in the last few decades (see, for example, reviews by Vitell (2003), O'Fallon and Butterfield (2005), and Schlegelmilch and Öberseder (2010)). This is because engagement in unethical behavior harms the firm's reputation among buyers, with all the negative effects that this may entail for its market and financial performance caused by non-repeated purchases, consumer boycotts, and penalty payments (Roman and Ruiz, 2005; Palmatier et al., 2006; Brunk, 2010; Valenzuela et al., 2010). Despite these negatives, the commercial press increasingly records cases of business unethicity, such as bribery (e.g., Siemens), exploiting cheap labor (e.g., Nike), overcharging (e.g., Bristol Myers), and selling unsafe products (e.g., Nestlé) (Post et al., 2002; Velasquez, 2006).

Although business unethicity is an important issue affecting both sellers and buyers, the extant literature has given disproportionately more attention to the former than the latter (e.g., Folkes and Kamins, 1999; Creyer and Ross, 1997; Carrigan and Attalla, 2001; Crane, 2005). Moreover, although existing consumer ethics studies have extended to some degree our understanding of consumer beliefs, attitudes, and behavior toward unethical business practices, research on how consumer ethical perceptions can influence trust, satisfaction, and loyalty is relatively scarce (Castaldo et al., 2009; Valenzuela et al., 2010). Furthermore, although consumer demographic and cultural characteristics are critical in shaping ethical perceptions and subsequent behavior, the role of these characteristics has not been clearly

established in the extant empirical literature (Ekin and Tezolmez, 1999; Jackson, 2001; Yoo and Donthu, 20002; Roxas and Stoneback, 2004; Srnka, 2004; Swaidan et al., 2006).

The need for a better understanding of consumers' perceptions of and responses to corporate unethical behavior is justifiable on four major grounds: first, as consumers are key stakeholders in the marketing exchange process, it is crucial to know their ethical perceptions in order to design effective business strategies and programs (Vitell, 2003); second, firms are increasingly relying on fewer, but more intense relationships with customers, and engagement in unethical practices is very likely to jeopardize these efforts (Geyskens et al., 1998); third, consumers are likely to take various punitive measures (e.g., boycotting goods), if they feel that their supplying organizations are acting unethically (Connolly and Prothero, 2003); finally, there is evidence that a growing number of consumers takes into consideration corporate social responsibility issues (such as ethics) in making their purchasing decisions (Creyer and Ross, 1997).

In light of the above, one of the key challenges facing contemporary organizations is to clearly define the effect of ethical issues in shaping consumer beliefs, attitudes, and behaviors, in order to effectively and efficiently manage their business strategies and tactics accordingly (Ralston et al., 1994). In this context, it is important to conceptualize the role of consumer demographic characteristics and cultural nuances in forming consumer responses to unethical business behavior, since there are signs in the extant ethics literature that these are critical in shaping consumer ethical judgments (Hunt and Vitell, 1986). Despite their crucial role, these demographic and cultural dimensions were examined in isolation from each other, and were not seen as potential factors moderating the effect of perceived business unethicality on consumer behavior (Swaidan et al., 2006). Such an analysis is of paramount importance for business managers, since the deployment of demographic and/or cultural criteria can facilitate better targeting of customers in the market.

Our study comes to fill these voids in the business ethics literature by building and testing a model that will provide answers to the following research questions: (a) What is the effect of perceived corporate business unethicity on consumer trust? (b) How does this trust (which is derived from the firm's ethical/unethical practices) subsequently affect the level of consumer satisfaction? (c) How does consumer satisfaction influence the level of consumer loyalty? and (d) What is the moderating effect of the demographic (i.e., gender, age, education, and urbanity) and cultural (i.e., power distance, uncertainty avoidance, individualism, and masculinity) characteristics of consumers on the link between perceived business unethicity and trust?

To address these questions, the remainder of the article is organized as follows: First, the pertinent literature is reviewed and gaps are identified. Then, the conceptual model is presented and the research hypotheses are formulated. The methodology adopted for the purposes of the study is subsequently explained. This is followed by an analysis of the results with regard to the testing of each of the hypotheses set. In the final three sections, we present the conclusions of the study, its managerial implications, and directions for further research.

Literature review

Firms engage in ethical business practices either as a result of their deliberate desire to do the right thing without any external pressure (an ethical approach), or their desire to convince the stakeholders that the firm acts in their best interests and should therefore be rewarded (a Machiavellian approach) (Joyner and Payne, 2002).¹ Irrespective of the underlying motive, the dominant view is that the firm's ethical behavior leads to superior performance, since buyers tend to associate themselves with ethical companies and keep their distance from companies adopting questionable ethical practices (Stodder, 1998; Joyner and Payne, 2002; Huang, 2008). The latter can take various forms, such as bribery, environmental pollution,

avoidance of tax obligations, concealing information, deceptive and insulting advertising, marketing of unsafe products, and influence buying (Post et al., 2002).

The growing concern of consumers about corporate ethical issues can be attributed to three major reasons: (a) the greater amount of information about ethical matters in the mass media, as well as the greater exposure of cases involving unethical business practices (Strong, 1996); (b) the availability of a wide range of alternative products in the market, which enables ethics-conscious consumers to opt for more ethical suppliers (Strong, 1996); and (c) the fact that individuals living in developed countries (which are free from basic needs) are becoming increasingly more responsible regarding their consumption behavior (Show and Newholm, 2002; Dickinson and Carsky, 2005). Based on social identity theory, in their desire to satisfy the need for self-esteem, consumers prefer to get involved with companies characterized by a sound ethical reputation and avoid firms associated with unethical business actions (Valenzuela et al., 2010).

Several models have been devised to explain ethical decision-making by consumers, the most popular being those by Hunt and Vitell (1986; 1991), Ferrell and Gresham (1985), and Ferrell et al. (1989). According to these models, ethical decision-making consists of a fixed sequence of stages, which include moral perception, evaluation, judgment, intention, behavior, and behavioral evaluation. These models also show that ethical decision processes are influenced by both internal and external factors, which is in line with the following general categorization of influences over ethical behavior: (a) individual, referring to the demographic (e.g., age, gender, occupation) and/or personality (e.g., agreeableness, extroversion, emotional stability) characteristics of the consumer (Kay-Enders, 1996); (b) situational, including various situation-specific forces, such as referent groups, codes of conduct, and industry self-regulation (Ford and Richardson, 1994); and (c) environmental, concerning the special socio-cultural circumstances (e.g., family, social groups, and social

institutions) under which ethical decisions are made (Singhapakdi and Vitell, 1990).² An extra group of factors which is more rarely examined is issue-contingent (also called ‘moral intensity’), denoting the magnitude of consequences caused by particular behavior (Jones, 1991).

Indications in the literature suggest that the firm’s ethical or unethical behavior will yield a number of responses by consumers (Joyner and Payne, 2002). Some studies (e.g., Hennig-Thurau, 2004; Aheame et al., 2005; Huang, 2008) show that the ethical reputation of the firm will enhance consumer trust, which is considered to be one of the key determinants of relational commitment (Urban et al., 2000; Tax et al., 1998). Others (e.g., Oliver, 1997; Futrell, 2002; Roman and Ruiz, 2005) highlight the impact of perceived ethicality on consumer satisfaction, defined as the extent to which consumers’ expectations about the firm’s products and services are fulfilled (Oliver, 1997). Still others (e.g., Pelsmacker and Janssens, 2007; Ramsey et al., 2007; Valenzuela et al., 2010) emphasize the role of business ethics in building consumer loyalty.

Dennis (2007) argues that a consumer’s perception of corporate ethics produces a ‘halo effect’, in the sense that the firm’s ethicality will influence his/her judgement of another related area or overall behavior of the firm. For instance, the poor ethical image of a firm might negatively affect consumers’ evaluation of its products and, therefore, result in a lower level of willingness to purchase (Ramsey et al., 2007). Thus, the association between a firm’s ethical reputation and consumer reactions partially determines the broader issue of linking social aspects with financial dimensions of the firm’s performance (Castaldo et al., 2009). While some researchers (e.g., Orlitzky et al., 2003; Rubbens and Wessels, 2004) suggest that there is no guarantee that consumers will always choose ethical companies for their purchases (due mainly to the involvement of various other factors affecting consumer preferences),

there is growing evidence that a good ethical posture by the firm can favorably influence consumer behavior (Joyner and Payne, 2002).

Different segments of consumers tend to perceive and respond dissimilarly to the ethical or unethical business practices of firms. Examining how consumer demographic characteristics relate to perceived business ethicality is important, since the knowledge derived is useful in developing predictive models and mechanisms of control (Kelley et al., 1990). As a consequence, many scholars have tried to identify the links between consumer demographics and ethical perceptions, but the results of past research cannot be easily generalized, as findings have been heterogeneous (and sometimes antithetical) regarding the specific role played by certain demographic variables (Ekin and Tezolmez, 1999). In addition, although some variables (e.g., gender, age, education) have been extensively studied in the past, others (e.g., urbanity, income, occupation) have been relatively neglected.

A number of scholars have also stressed the role of Hofstede's (1980) cultural dimensions (i.e., power distance, uncertainty avoidance, individualism, masculinity) in influencing an individual's sensitivity to ethical situations. For example, Cohen et al. (1992) showed that national cultures differing in these dimensions may impede the acceptance and implementation of a professional code of ethics. Rawwas et al. (1998) examined the ethical attitudes of consumers in countries sharing similar types of ongoing war and terrorism, but varying significantly in terms of uncertainty avoidance and masculinity, and concluded that contrasting cultures result in dissimilar ethical standards. Singhapakdi et al. (1999) compared consumer ethical perceptions in countries with diametrically opposite levels of power distance and individualism, and reported some significant variations. Jackson (2001) found that different national levels of individualism and uncertainty avoidance provide explanations for differences in one's judgments of ethicality, consequential ethical attitudes, and professed behavior. Yoo and Donthu (2002) revealed that collectivism and uncertainty avoidance are

positively related to one's level of marketing ethics, while masculinity and power distance are negatively associated with it. Finally, Vitell et al. (2003) found that higher levels of uncertainty avoidance led to higher perceived relative importance of ethics, while power distance produced a significant negative effect on such perceptions.

Several observations can be made with regard to the previous review of the literature on consumer perceptions of business ethics: first, most of the extant literature converges on the fact that consumers increasingly prefer to get involved with companies acting ethically (Joyner and Payne, 2002; Dennis; 2007); second, a limited number of studies have investigated the influence of consumer perceptions of corporate unethical actions on their behavioral responses (Valenzuela et al., 2010); third, the link between consumer ethical perceptions and trust, satisfaction, or loyalty has been examined on a fragmented rather than holistic basis; fourth, the impact of demographic characteristics on consumer ethical perceptions has not been clearly established in previous studies (Ekin and Tezolmez, 1999; Srnka, 2004); finally, although cultural dimensions have been used to explain differences in ethical attitudes of consumers between countries, these were neither examined at the individual consumer level nor considered as potential moderators of ethical behavior (Cluston et al., 2000).

Conceptual model and hypotheses development

Figure 1 presents the conceptual model of the study, which comprises four major constructs, namely 'perceived business unethicality', 'trust', 'satisfaction', and 'loyalty'. The model indicates that business unethicality, as perceived by the consumer, has a negative effect on his/her trust. This subsequently reduces satisfaction levels and ultimately harms loyalty to the firm and its offerings. The model also examines the moderating role of four important demographic (i.e., gender, age, education, and urbanity) and cultural (i.e., power distance,

uncertainty avoidance, individualism, and masculinity) variables on the link between perceived business unethicity and trust. In total, there are eleven hypotheses (three main and eight moderating), which are elaborated in the following.

...insert Figure 1 about here...

Main hypotheses

Business ethics focuses on what the relationships of the companies are and ought to be with their stakeholders (Bird and Gandz, 1991). It refers to the moral principles that define right and wrong in business that go beyond legal issues (Ferrell, 2011). The firm's ethical approach to business activities is an important non-monetary factor that can enhance consumer trust in the firm (Valenzuela et al., 2010). This is because ethical firms are believed by consumers to: (a) be financially sound and reliable institutions (Grisaffe and Jaramillo, 2007; Hammann et al., 2009); (b) be highly reputable and brand leaders (Grisaffe and Jaramillo, 2007); (c) possess solidarity, role integrity, and mutuality (Pelton et al., 1999); and (d) generate more value for buyers (Valenzuela et al., 2010). A positive association between the firm's business ethicality and consumer trust was empirically confirmed by various studies, such as those by Bejou et al. (1998), Stodder (1998), Hennig-Thurau (2004), Aheame et al. (2005), and Huang (2008). In some other studies, trust was also shown to be cultivated by the perceived ethical actions of sales representatives, which is a component of the firm's overall business behavior (Lagace et al., 1991; Beatty et al., 1996; Kennedy et al., 2001; Roman and Ruiz, 2005). Conversely, consumers with more negative perceptions of a firm's business activities were found to trust the company less (e.g., Hosmer, 1995; Creyer and Ross, 1997; Carrigan and Attalla, 2001; Nebenzahl et al., 2001). Thus, trust, which is expressed in terms of a willingness to take risks and become vulnerable to another party, cannot be fostered in organizations behaving unethically, due to the feeling of uncertainty and ambiguity that these

situations create (Mayer et al., 1995; Castaldo et al., 2009). Based on the above, we may hypothesize that:

H₁: *The more the firm's business practices are perceived by consumer as unethical, the lower the level of his/her trust in the firm.*

Trust is the belief that a party's word or promise is reliable and that s/he will fulfill any obligations in an exchange process (Ramsey and Sohi, 1997). This has often been described as the 'cornerstone' of the long-term relationships between sellers and buyers (Spekman, 1988). Consumer trust in a firm's ethical behavior will inevitably affect his/her approval of its business activities, mainly because of its ability to moderate risks involved in a buying process (Mayer et al., 1995). Although trust might seem to be less important for a single transaction, its importance becomes evident when buying patterns shift from single transactions to repeat purchases (Chow and Holden, 1997). Consumers expect companies to behave in a decent and ethical way, and usually react negatively and punish firms when confronted by unethical business practices (De Paolo, 1987). This difference between expected and actual ethical activities of the firm is reflected in the amount of satisfaction gained by the consumer (Antón et al., 2007). In other words, consumer satisfaction is achieved when the consumer's expectations about the product performance are met or exceeded (Antón et al., 2007; Oliver, 1997). Earlier research defined satisfaction as transaction-specific product episodes, whereas recent studies tend to view it as the customer's overall experiences to date (cumulative satisfaction) (Johnson et al., 2001; Olsen, 2007). Satisfaction has been extensively studied in relation to trust in the extant marketing literature. Although some studies (e.g., Ganesan, 1994) view satisfaction as an antecedent of trust, the majority of researchers (e.g., Anderson and Narus, 1990; Geyskens et al., 1998) provide empirical evidence showing that satisfaction is a consequence of trust. Thus, when consumers feel that a firm's business behavior is sincere, honest, and ethical, as well as believe that its

actions will result in positive outcomes, they are likely to be highly satisfied with their exchange relationship with this firm (Ramsey and Sohi, 1997). In line with the above, we may posit that:

H₂: The higher the level of consumer trust in the firm, the higher the level of his/her satisfaction with the firm.

The high level of consumer satisfaction (resulting from the trust developed in the firm's business practices) will ultimately create a positive climate in an exchange relationship. Consumers attain high value from such relationships and it is, therefore, more rational for them to maintain, and even reinforce, these relationships, rather than running the risk of building new ones, where high uncertainty exists (Macintosh et al., 1992; Ramsey and Sohi, 1997). This is in line with the equity theory, since ethical business behavior can be considered to be an investment in the equity formation: if customers view the firm's unethical business practices as unfair, perceptions of inequity will emerge, which in turn may discourage the customer from doing business with this firm again (Roman and Ruiz, 2005). Although customer satisfaction per se does not always lead to repurchase (Reichheld and Aspinall, 1993; Dick and Basu, 1994), there are indications that, in the majority of cases, good experiences with a specific firm induce consumers to continue to make their purchases, increase future interactions, and commit themselves further (Antón et al., 2007). In this way, consumer loyalty to the firm is built up, which is viewed as the act of re-consumption (action loyalty), intended consumption (conative loyalty), or both (Oliver, 1999; Olsen et al., 2005), with all the favorable effects that this may have on the firm's financial performance (Wang, 2010).³ This positive relationship between customer satisfaction and loyalty has been empirically supported in various studies, such as those by, Ramsey and Sohi (1997), Kandampully and Suhartanto (2000), Yang and Peterson (2004), Fornell et al. (1996), and Olsen (2007). Thus, the following hypothesis can be formulated:

H₃: The higher the level of consumer satisfaction with the firm, the higher his/her loyalty to the firm.

Moderating hypotheses

Gender has been regarded by scholars in the business ethics literature as a key demographic variable influencing consumer ethical perceptions. Two major theories attempt to explain this phenomenon: (a) House's (1981) socialization theory, whereby a permanent gender identity is established through the socialization processes in childhood, resulting in "care orientation" in the case of females and "justice orientation" in the case of males (Gilligan, 1982); and (b) Eagly's (1987) social structural theory, which proposes that individuals behave according to the stereotypes associated with the social roles they occupy, with males behaving more aggressively, independently and results-oriented, as opposed to females who are more nurturing, caring and relationship-oriented (Franke et al., 1997; Roxas and Stoneback, 2004). These behavioral patterns can also be found within an ethical perspective, whereby there are indications that, compared to their male counterparts, females show less tolerance toward unethical practices (Franke et al., 1997) and, as a result, respond more negatively to them. In fact, the majority of previous studies (e.g., Whipple and Swords, 1992; Dawson, 1995; Lane, 1995; Rawwas, 1996; Hoffman, 1998; Reiss and Mitra, 1998; Ang et al., 2001) confirm that females are more sensitive to ethical issues than males, with only a few (e.g., Ekin and Telzomez, 1999) reporting that gender has no impact on ethical beliefs.⁴ It is more likely therefore for the negative effect of perceived unethical business behavior on trust to be more profound among female than male consumers. This is because, as opposed to men who view moral issues from a 'justice perspective' (focusing on individual rights, fair treatment, contractarian societal rules), women see moral issues from a 'care perspective', in which harmony, empathy, and compassion are considered crucial (Robin and Babin, 1997). Based on the above, we can posit that:

H4: The effect of perceived corporate unethicity on trust in the company will be stronger among female than male consumers.

The age group of the consumer has also been widely used as a criterion to explain differences among ethical perceptions of individuals. The argument here is that older people are more sensitive to unethical nuances than younger individuals, mainly because older people have been exposed longer to ethical standards and are therefore more likely to accept them (Mudrack, 1989; Serwinek, 1992). Moreover, as people get older, they can better crystallize what constitutes right or wrong, and consequently are more capable of understanding the detrimental consequences of unethical practices (Lerner, 1980; Kelley et al., 1990). Furthermore, older individuals are more conservative in their outlook and tend to disapprove of unethical behavior that jeopardizes society's current situation (Mudrack, 1989; Serwinek, 1992). Finally, Kohlberg's (1984) cognitive developmental view also suggests that older people are less tolerant of unethical behavior, since age is positively correlated with advances in moral insight. The greater ethical sensitivity of the elderly to unethical business behavior has been empirically confirmed in numerous studies (e.g., Harris, 1990; Muncy and Vitell, 1992; Fullerton et al., 1996; Malinowski and Berger, 1996; Erffmeyer et al., 1999; Ramsey et al., 2007), which allows us to hypothesize that:

H5: The effect of perceived corporate unethicity on trust in the company will be stronger among older than younger consumers.

With regard to the education level of the consumer, Kohlberg (1984) established a positive relationship between education and the ability to make moral judgments. While poorly educated people might be unable to analyze the complex relationships of the elements involved in a moral dilemma (and thus recognize the possible consequences of a particular unethical action), higher-educated individuals better understand unethical behavior, more fully conceive its negative consequences, and accordingly are more sensitive to unethical

practices (Kolberg, 1984; Goolsby and Hunt, 1992). Although some studies (e.g., Erffmeyer et al., 1999) have shown that better-educated individuals have lower levels of ethical behavior, the majority of researchers (e.g., Lane et al., 1988; Goolsby and Hunt, 1992; Wimbush et al., 1997) have reported that highly educated consumers tend to be less tolerant than those who are poorly educated of unethical issues. Based on the above, we may posit the following:

H₆: The effect of perceived corporate unethicity on trust in the company will be stronger among highly educated than poorly educated consumers.

The area of residence of the consumer, whether rural or urban, has been relatively neglected by previous research as a potential parameter influencing his/her ethical perceptions. However, research has indicated that people living in urban areas may show greater sensitivity to unethical business practices, as opposed to their rural counterparts, mainly because: (a) they usually have a higher level of education, which makes them more aware of past occurrences of unethical business behavior (and the problems associated with it), as well as allowing them to detect such behavior more easily; (b) they are more sophisticated shoppers, in the sense that they are more likely to shop at well-known and large-scale stores with quality customer service, where occurrences of business unethicity are often more observable; and (c) they are exposed to more complex and intense commercial activities, which result in higher expectations regarding the ethical level of suppliers (Sun and Wu, 2004). The differential exposure theory also argues that urban residents are more exposed to ethical, environmental, and social problems than rural consumers, making them more sensitive to irresponsible business practices (Jones, Fly, and Cordell, 1999). Thus, consumer exposure on such issues can potentially have greater implications on feelings of trust among urban, rather than rural, consumers, since the former care, know, and are more

interested in such issues. Although there is no previous empirical evidence, based on the above argumentation, we may hypothesize that:

H7: The effect of perceived corporate unethicity on trust in the company will be stronger among urban than rural consumers.

With regard to cultural orientation, power distance is one of its dimensions, referring to the extent to which less powerful people accept that power is distributed unequally (Hofstede, 1997). Individuals with a high power distance tend to accept hierarchical relationships in institutions and organizations, respect the bounds of social status or class, treat superiors as inaccessible and irreproachable, and blindly obey higher authority. By contrast, low power distance individuals advocate the minimization of injustice, are less likely to tolerate class distinctions, stand out for informal relationships across social positions, and place little faith in authority (Vitell et al., 1993; Weaver, 2001; Singhapakdi et al. 1999). As such, individuals with more power distance are more concerned with the opinions of their superiors and tend to follow formal codes of ethics, while individuals with less power distance listen more to their peers and tend to follow their own informal codes of ethics (Singhapakdi et al. 1999; Vitell et al., 1993). Since business ethics rules are typically informal norms, they are unlikely to be taken into consideration by people of high power distance, due to the lack of coercive power even in cases of serious violations (Yoo and Donthu, 2002). In fact, previous studies (e.g., Yoo and Donthu, 2002; Vitell et al., 2003) found that power distance is a significant negative determinant of an individual's sensitivity to ethical norms. This implies that the impact of corporate unethicity on consumer trust will be more harmful in the case of consumers with lower power distance. Hence, the following hypothesis can be formulated:

H8: The effect of perceived corporate unethicity on trust in the company will be stronger among consumers with lower level of power distance.

Another cultural dimension is uncertainty avoidance, that is, the extent to which an individual feels uncomfortable in unstructured, unclear, unpredictable, or unknown situations and can effectively cope with them (Hofstede, 1997). In other words, uncertainty avoidance reflects the way in which people respond to the uncertainties and ambiguities in everyday life. Individuals characterized by a low degree of uncertainty avoidance tend to accept obscure situations without much discomfort, take risks easily, do not always follow generally accepted practices, and show tolerance of various opinions and behavior. This contrasts with the behavior of individuals with strong uncertainty avoidance, who need to control the environment, events, and situations, avoid taking risks, do not appreciate deviations from standard practices, and are intolerant of abnormal ideas and behavior (Vitell et al., 1993; Vitell et al., 2003). People with strong uncertainty avoidance strictly follow norms, rules, and regulations (including codes of ethics), whereas those with weak uncertainty avoidance tend to be more flexible (Yoo and Donthu, 2002). This is because compliance with standards and norms helps individuals with strong uncertainty avoidance to reduce/clear ambiguity in various situations (Schlegelmilch and Roberston, 1995; Rawwas et al., 1998). In fact, a positive link between uncertainty avoidance and an individual's sensitivity to ethical norms has been empirically confirmed by Yoo and Donthu (2002) and Vitell et al. (2003). Thus, one would expect that consumer trust is more likely to be negatively influenced by a company's violation of ethical standards in the case of individuals with higher uncertainty avoidance. We may therefore hypothesize:

H₉: The effect of perceived corporate unethicity on trust in the company will be stronger among consumers with higher level of uncertainty avoidance.

Individualism is the third cultural dimension, defined as the degree to which people emphasize individualistic views of social life and personal identity (Hofstede, 1997). Individualists are independent, self-oriented, competitive, and mainly driven by their personal needs. They value autonomy, free will, achievement, and recognition (Vitell et al., 2003; Yoo

and Donthu; 2002). Individualists are usually not enthusiastic about hierarchy and social tradition and typically engage in short-term exchange-based relationships (Weaver, 2001). On the other hand, collectivists are driven by the need not to 'lose face' in the eyes of the group and value interdependence, cooperation, and concern for the in-group. They have prosocial motivations (i.e., protection or enhancement of welfare of others) and typically enter into hierarchical, traditional, and communal relationships (Weaver, 2001). Thus, collectivists are usually vulnerable to in-group influences and loyal to in-group norms (including ethical norms), while individualists frequently question established rules and standards. Individualists may be ethical egoists who are little concerned with ethics and the rights of other individuals (Vitell, 2003). In fact, Yoo and Donthu (2002) found that individualism was negatively related to one's sensitivity to ethical norms, implying that the negative link between business unethicity and consumer trust is more likely to be accentuated in the case of consumers who are less individualistic. Based on the aforementioned, we would expect that:

H₁₀: The effect of perceived corporate unethicity on trust in the company will be stronger among consumers with a lower level of individualism.

The final component of cultural orientation is masculinity, that is, the extent to which an individual is assertive, ambitious, and performance-oriented (Hofstede, 1980; 1997). People of high masculinity emphasize differentiated gender roles, material accomplishment, and independence, whereas people of low masculinity value fluid gender roles, quality of life, and interdependence (Yoo and Donthu, 2002). Likewise, masculine individuals place greater emphasis on competition, wealth, and challenge, whereas feminine individuals stress cooperation, nurturance, and security (Rawwas et al., 1998). Thus, highly masculine people are mainly driven by achievement and recognition, respect whatever is strong, big, and fast, strive for advancement at the expense of others, and seek superior performance at any cost (Vitell et al., 1993). As such, they are ready to sacrifice any formal codes (including codes of ethics), if it is necessary for achieving their objectives (Yoo and Donthu, 2002; Vitell et al.,

1993). In fact, highly masculine people were found to be more likely to engage in unethical behavior that leads to personal financial gains (Chang and Ding, 1995). Low sensitivity to their own unethicality suggests that individuals of high masculinity might also be more tolerant toward the questionable behavior of others (Cohen et al., 1992). Yoo and Donthu's (2002) study empirically proved that masculinity is negatively associated with one's sensitivity to corporate ethics. Thus, consumer trust in a company that acts in an unethical manner is more likely to be lower in the case of masculine individuals, which leads to the following hypothesis:

H₁₁: The effect of perceived corporate unethicality on trust in the company will be stronger among consumers with a lower level of masculinity.

Study methodology

The study took place in Cyprus among indigenous consumers aged 18 and above. Cyprus provides a suitable place for this type of research, because of: (a) its small territorial size and population level, which facilitates personal interaction with consumers; (b) the growing level of sophistication of local consumers and their increasing concern for business ethical issues; and (c) the introduction of new ethical rules and standards after its recent entry into the European Union. A stratified random procedure was employed to achieve a nationwide representation of the sample, while quotas were set with regard to gender and age. The final sample obtained had the following composition: 45.5% males and 54.5% females, 56.9% below 45 years and 33.1% 45 years or more, 54.2% up to secondary level education and 45.8% university education, and 68.0% living in urban areas and 32.0% residing in rural regions.

Scale development for the constructs used in this study was based on previous research. Specifically, 'perceived business unethicality' comprised seven items borrowed from Creyer and Ross (1997) and Tsalikis and Seaton (2006). The three constructs referring

to consumer response consisted of four items each, with the scale of 'trust' extracted from Doney and Cannon (1997), the 'satisfaction' scale taken from Wang et al. (2001), and the scale for 'loyalty' adapted from Ingram et al. (2005). With regard to consumer demographic moderators, these were operationalized using categorical scales, as follows: gender (males, females), age (18-24, 25-34, 35-44, 45-54, 55-64, 65+), education (primary, secondary, university), and residence (urban, rural). Finally, the four consumer cultural orientation moderators (power distance, uncertainty avoidance, individualism, masculinity) were operationalized with four items each, derived from Hofstede's (1980) work.

The research instrument was a structured questionnaire, which included questions containing lists of pre-coded items, which (with the exception of consumer demographics) were measured on a 7-point Likert scale (ranging from 1=strongly disagree to 7=strongly agree). These focused on: (a) the business unethicity of firms in the country as perceived by local consumers; (b) consumers' responses (i.e., trust, satisfaction, loyalty) to unethical business behavior; (c) the demographic profile of the respondents in terms of gender, age, education, and residential status; and (d) their cultural characteristics (i.e., power distance, uncertainty avoidance, individualism, masculinity). The questionnaire was initially prepared in English and then translated into Greek, while a back-translation procedure ensured that the meaning of the questions was properly conveyed. Prior to launching the full-scale study, the questionnaire was pre-tested with ten randomly selected consumers, revealing no problems with regard to its duration, structure, content, and flow.

Data collection took place in central locations (e.g., shopping malls, supermarkets, and cafeterias) in all major districts of Cyprus and lasted for four weeks. Interviews were conducted on a face-to-face basis, with each interview having a duration of approximately 15 minutes.⁵ In total, 746 persons were randomly contacted, of which only 503 (i.e., 67.4%) were willing to take part in the study. Some frequently cited reasons for non-participation

included: non-fulfillment of eligibility criteria, unavailability of free time, and unwillingness to participate in surveys. Each of the questionnaires was carefully edited, with only 387 providing full answers to all the questions asked. The information contained in the completed questionnaires was subsequently entered for computer analysis.

Structural equation modeling (SEM) was used to test the proposed conceptual model and the hypothesized links among the constructs. This statistical method is suitable for the purpose of this study because: (a) it allows assessment of relationships between constructs in a holistic manner; (b) it adopts a confirmatory, rather than an exploratory, factor analysis of the data; and (c) it explicitly estimates the measurement error by calculating the fit of the conceptual model (Hair et al., 2006). The statistical analysis was performed using the EQS program, which, compared to other available programs, places less stringent assumptions on the multivariate normality of the data (Bentler, 2006).

Research findings

Table 1 presents the descriptive and internal characteristics of the scales used. We followed Gerbing and Hamilton's (1996) guidelines to measure validation and purification. Specifically, we first purified our scales using exploratory factor and reliability analyses and then subjected the remaining items to a confirmatory factor analysis. The results of the exploratory factor analysis were satisfactory, with items having high cross-loadings excluded from further analysis. The internal consistency of the scales was also high, with Cronbach's alpha (α) scores ranging from .74 to .87. To check the general picture of associations between the constructs, a correlation matrix was estimated (see **Table 2**). Notably, no correlation coefficient was above .75, which indicates a lack of multicollinearity in the data.

...insert Tables 1 and 2 about here...

Measurement model

A measurement model was estimated to assess the validity of our scales (see **Table 3**). Specifically, using confirmatory factor analysis (CFA), each item was restricted to load on its a priori specified factor, while the underlying factors were allowed to correlate (Anderson and Gerbing, 1988). To estimate the model, we used the elliptical reweighted least-squares (ERLS) procedure, which is superior to other estimation techniques (Stump and Heide, 1996). The chi-square statistic was found to be significant ($\chi^2_{(322)} = 631.30$, $p < .001$), which is not surprising given the sensitivity of this index of fit to sample size (Hair et al., 2006). However, the results of the alternative fit indices pointed to a good model fit, as all values were well within the commonly accepted critical levels (Byrne, 2006). Specifically, the normed chi-square ($\chi^2/\text{d.f.}$) was 1.96, the non-normed fit index (NNFI) was .96, the comparative fit index (CFI) was also .96, the root mean square error of approximation (RMSEA) was .05, and the average off-diagonal standardized residual (AOSR) was .04.

...insert Table 3 about here...

Convergent validity was evident since all factor loadings were large and significant at $p = .001$ and all constructs had high average extracted variances (Bagozzi and Yi, 1988). Discriminant validity was also evident, since the squared correlation (ϕ^2) between every pair of constructs was found to be equal or below the average variance extracted of each variable (Fornell and Larcker, 1981). Finally, all constructs exhibited acceptable construct reliability, since each individual composite reliability (ρ) value was above the recommended cut-off point (.70). Altogether, the above results provide evidence that the scales employed are valid, reliable, and accurate.

In order to ensure the absence of common method bias (CMB) in the sample, we also conducted two post-hoc checks. First, we employed the Harman's single-factor test (Podsakoff and Organ, 1986), using exploratory factor analysis (EFA), where eight factors

emerged from the un-rotated solution with eigen values greater than 1.0, accounting for 66% of the total variance. In addition, no general factor was evident, with the first factor accounting for less than the 21% of the variance. Second, we applied a CFA approach to the Harman method, which is more sophisticated and rigorous than the EFA test (Podsakoff et al., 2003). To do so, we estimated a confirmatory factor model, in which we constrained the eight factors and 28 construct items used in our measurement model to load on a single factor. The fit statistics of this model indicated a very poor model fit (i.e., $\chi^2_{(350)} = 3403.37$, $p < .001$; $\chi^2/df = 9.72$; NFI = .39; NNFI = .41; CFI = .41; and RMSEA = .15). Thus, the outcomes of both tests indicate that common method bias does not pose a problem in this investigation.

Structural model

The first three hypotheses were tested using structural equation modeling and the ERLS estimation procedure. Though the chi-square was found to be significant ($\chi^2_{(101)} = 230.29$, $p < .001$), the overall results show that the specified model provides a good fit to the data observed ($\chi^2/d.f. = 2.28$; NFI = .96; NNFI = .97; CFI = .98; RMSEA = .06, and AOSR = .04). The fit statistics, standardized path coefficients and t-values for each relationship are presented in **Table 4**. Notably, all three hypothesized links were found to be significant and in the proposed direction. Specifically, in support of H₁, perceived business unethicity is negatively related to consumer trust ($\beta = -.32$, $t = -4.66$, $p < .01$). This shows that high levels of the firm's business unethicity, as perceived by consumers, can seriously harm the establishment of consumer trust in the company's activities (Carrigan and Attalla, 2001; Nebenzahl et al., 2001).

...insert Table 4 about here...

H₂ was also confirmed, since high levels of consumer trust were found to increase the degree of his/her satisfaction with the firm ($\beta = .91$, $t = 12.51$, $p < .01$). This finding is consistent with those of previous studies in the field (e.g., Morgan and Hunt, 1994; Geyskens et al., 1998; Foster and Cadogan, 2000). If consumers trust firms, they will implicitly feel convinced that the actions of firms will not result in negative outcomes, and this perception leads to high levels of satisfaction (Andaleeb, 1996; Geyskens et al., 1998). Thus, building trust is a very effective way to increase consumer satisfaction, which is the focal consequence of buyer-seller interactions (Antón et al., 2007).

In accord with H₃, a significant relationship between consumer satisfaction and consumer loyalty was revealed ($\beta = .89$, $t = 11.71$, $p < .01$). This indicates that if consumers are satisfied with a firm, they would want to continue their relationship with it (Ramsey and Sohi, 1997). The more satisfaction customers derive from their interaction with a firm, the more value they place on these interactions. They are, therefore, more likely to maintain good relationships with existing sellers, rather than undergoing the risk of building exchange processes with new firms (Macintosh et al., 1992).

Moderating effects

We examined moderating effects by applying a multi-group analysis. This involves adopting a split-group approach, where the initial sample is divided into two subgroups on the basis of cut-off values of each individual moderator. For consumer gender the sample was divided into male and female groups, for consumer age we broke down the sample into younger (i.e., ≤ 45 years) and older (i.e., > 45 years) groups, for consumer education we separated the sample into low- (i.e., non-university) and high-(i.e., university) educated groups, and for consumer residence we categorized responses into rural and urban groupings. With regard to cultural variables (i.e., power distance, uncertainty avoidance, individualism, and

masculinity), the sample was divided into groups based on their respective median (Sharma, Borna, and Steams, 2009). Two models were subsequently estimated for each hypothesized moderating effect: (a) a constrained model, where the path affected by the moderating variable was fixed to 1; and (b) a free model, where all paths of the structural model were allowed to be freely estimated. A significant chi-square difference ($\Delta\chi^2_{(1)} > 3.84$ for $p < .05$) between the two models implies that the moderator variable has a significant effect on the hypothesized relationship. The outcomes of this analysis are presented in **Table 5**.

...insert Table 5 about here...

Our results indicate that the effect of perceived business unethicity on consumer trust is significantly moderated by consumer gender ($\Delta\chi^2_{(1)} = 4.41$; $p < .05$) and residence ($\Delta\chi^2_{(1)} = 4.10$; $p < .05$). The results with regard to gender, however, contradict to H₄: while a stronger effect was hypothesized for female rather than male consumers, our findings show that this effect is more evident among males ($\beta = -.46$, $t = -4.35$, $p < .01$), rather than females ($\beta = -.18$, $t = 1.94$, $p > .05$). In support of H₇, the results indicate that the influence of perceived business unethicity on consumer trust is stronger among consumers residing in urban ($\beta = -.41$, $t = -4.58$, $p < .01$), rather than rural ($\beta = -.22$, $t = -1.93$, $p > .05$) areas. Finally, our analysis shows that consumer age and education have no moderation effect on the link between perceived business unethicity and consumer trust, thus leading to a rejection of both H₅ and H₆.

With regard to the moderating role of consumer cultural characteristics, our results indicate that the association between perceived business unethicity and consumer trust is significantly moderated by uncertainty avoidance ($\Delta\chi^2_{(1)} = 4.13$; $p < .05$) and individualism ($\Delta\chi^2_{(1)} = 7.26$; $p < .05$), thus providing support for H₉ and H₁₀ respectively. This confirms the view that people who have high uncertainty avoidance and are less individualistic tend to question unethical standards and violations made by organizations to a greater degree (Yoo

and Donthu, 2002; Vitell et al., 2003). However, no moderating impact on this relationship was found in the case of power distance ($\Delta\chi^2_{(1)} = .12$; $p > .05$) and masculinity ($\Delta\chi^2_{(1)} = 1.51$; $p > .05$), which runs contrary to what we expected in H₈ and H₁₁.

Concluding remarks

This study makes several important contributions to business in general and marketing in particular. First, it sheds light on the often neglected link between perceived business unethicity and consumer trust, which is a core issue in building successful buyer-seller relationships. It examines the effect of consumer trust on satisfaction and loyalty within the context of the firm's unethical behavior, usually seen as three independent outcomes of perceived business unethicity. Further, it integrates and examines within a holistic model, demographic and cultural characteristics as key factors moderating (rather than determining) consumer ethical perceptions. Finally, it concurrently examines the cause and effect associations that exist between the above key constructs in a single model.

Our study confirmed that businesses acting in an unethical way may quickly lose consumer trust, which is consistent with the findings of earlier research on the subject (e.g., Hosmer, 1995; Creyer and Ross, 1997; Carrigan and Attalla, 2001; Nebenzahl et al., 2001). Indeed, firms behaving in an unethical manner can harm the feeling of security, reliability, and integrity that consumers have for them, which are basic prerequisites for building trust. Hence, ethical behavior is of paramount importance, since an increasing number of consumers consider corporate social responsibility issues as key driving forces in making their purchasing decisions (Creyer and Ross, 1997). This is especially true nowadays, when the market is characterized by cut-throat competition, stringent regulatory conditions, and greater consumer connectivity (Velasquez, 2006).

Low levels of consumer trust, in turn, were found in this study to reduce the degree of consumer satisfaction with the firm. This implies that consumers derive satisfaction not only from having their expectations fulfilled with regard to the economic dimensions of the company's offering (e.g., price, quality, service), but also from relational aspects such as trust. Thus, when a firm violates the ethical standards of consumers, by acting in an immoral, dishonest, and unfair manner, it is very likely for consumers to develop negative emotions which may outweigh positive gains obtained from the exchange relationship (De Paolo, 1987). Low trust will inevitably erode the consumer's expectations that any short-term inequalities caused by the seller will transform into long-term benefits (Dwyer et al., 1987).

Although consumer trust has a direct effect on his/her satisfaction with the firm, the study reaffirms the prevailing view that this will have an indirect impact on loyalty through satisfaction (Singh and Sirdeshmukh, 2000). In other words, the feeling of distrust caused by unethical business practices will create a perception of inequity among consumers that will reduce the chances of them repeating their purchases (Roman and Ruiz, 2005). Apart from not purchasing the firm's products again, dissatisfied buyers may proceed to other harmful actions, such as: spreading bad news about the company, participating in consumer boycotts, and, in some cases, proceeding with legal suits (Post et al., 2002). Thus, the dissolution of relationships with certain customers may end up costing the firm more than these customers bring in (Antón et al., 2007).

With regard to consumer demographics, the study confirmed the moderating role of gender and residence on the link between perceived business ethicality and consumer trust. However, while urban buyers, as anticipated, were found to be more sensitive to unethical issues than their rural counterparts, the study surprisingly revealed that unethical business practices more negatively affect the process of consumer trust development in case of males than in case of females. In addition, contrary to the findings of previous research on the

subject (e.g., Vitell et al., 1991; Swaidan et al., 2003; Ramsey et al., 2007), our study concluded that neither the age nor the education level of the consumer has any moderating effect on the consumer's ethical decisions. This underlines that consumer ethical decisions are not only affected by individual factors, but also by forces which are situation-specific (Ford and Richardson, 1994) and/or environment-specific (Srnrka, 2004).

Our results also make it clear that certain dimensions characterizing a consumer's cultural orientation can moderate the association between perceived business unethicity and consumer trust. Specifically, this association was found to be heightened, on the one hand, when buyers are characterized by high uncertainty avoidance as a result of their law-abiding and rules-oriented ethical behavior (Hofstede 1980; Vitell et al., 2003), and, on the other, when consumers have low individualism, since this encourages social behavior that is determined by duty/obligation and questions ethical standards (Triandis, 1995). However, contrary to our hypothetical thinking, the two other cultural dimensions examined, that is, power distance and masculinity, did not have a moderating effect on this association. This could be partly attributed to the fact that Cyprus society has recently undergone a major transformation (due to growing exposure to western lifestyles, especially after joining the European Union), which has resulted in greater societal liberalization, stronger gender equality, and faster elimination of various taboos between men and women.

Managerial implications

One important managerial implication of this study is that business ethics can play a vital role in cultivating trust-based customer relationships, and that acting ethically can improve performance in the market, especially in an era characterized by intensive competition, recessionary trends, and growing globalization. Thus, managers should realize that if their business actions are unethical, their company risks losing its satisfied and loyal customers.

Taking into consideration the fact that to attract a new customer needs disproportionately more time, effort, and money than keeping an existing one, the firm's involvement in unethical business practices may significantly damage its performance.

While unethical business practices might put consumers off, an ethical business approach could harness the relationships with them. Following this, it is crucial for managers to design integrated communication strategies that stress the ethical manner in which their firms operate. In doing so, it is important to systematically monitor target consumers (for example, through the use of attitude surveys, satisfaction studies, and image research) to find out how they perceive the ethicality of the firm's activities. Rigorous qualitative research (e.g., focus group discussions) at regular intervals would also delve more deeply into the consumer's inner world regarding ethical perceptions.

Managers should also establish policies, systems, and mechanisms in their organizations to safeguard the ethicality of their business practices through high levels of efficiency, reliability, and fairness. For example, this could include the following: (a) total quality management, that is, ensuring the high quality of products and services to customers through teamwork, control mechanisms, and continuous improvements; (b) consumer affairs handling, that is, setting up specialized departments (often headed by a top manager) and establishing hot lines through the internet or other communication modes to handle consumer inquiries and complaints about the company's offering; and (c) product recalls, that is, taking back from the market (voluntarily or under agreement with a government agency) all items found to be dangerously defective and potentially harming the consumer and/or society at large.

Although some dimensions of business unethicality are not prohibited by law, as in the case of deliberately setting extremely high prices on a product that is well-demanded by consumers, it is important for firms to take a proactive stance and operate in an ethical

manner (Post et al., 2002). In this respect, managers could take ethical initiatives, such as encouraging the industry to embark on voluntary actions toward establishing codes of conduct, indicating how customers will be treated in an ethical way. The fact that gender and urbanity were found to seriously moderate consumer ethical decisions implies that these demographic characteristics should be taken into consideration in effectively designing business and marketing strategies.

By the same token, business managers should capitalize on consumer status with regard to uncertainty avoidance and individualism, since both of these cultural dimensions affect ethical standards, reasoning, judgments and consequent actions (MacDonald 2000; Jackson 2001; Thorne and Saunders 2002). For instance, people with high uncertainty avoidance and a more collectivist approach could show more sensitivity to the ethical practices of the firm and, as such, could form special customer segments to be targeted. This is particularly true in the case of socially responsible firms that want to position their business strategies on this specific strength. For instance, managers ought to reassure collectivistic consumers about the ethicality of their business practices by emphasizing the ethical values and social face of their organizations, while at the same time using ‘hard evidence’ to convince consumers of low uncertainty avoidance that indeed they are acting in an ethical manner. The implementation of such strategies would subsequently help to enhance trust, satisfaction, and loyalty among customers belonging in these cultural groups.

Future research directions

The importance of the study findings necessitates its replication in different socio-cultural, economic, and political-legal environments. For instance, it would be interesting to draw comparisons between consumers living in high versus low context cultures. Our conceptual model should also be tested in countries at different stages of economic development (e.g.,

developed versus developing), as well as in countries enjoying economic prosperity, as opposed to those suffering economic recession. It would also be useful to investigate variations of the impact of consumer ethical perceptions on trust in countries with different degrees of political risk and different legal systems.

Although, in the past, numerous studies have investigated the factors acting as antecedents of business unethicity as perceived by consumers, their incorporation into our model could enhance its value. Some potential antecedent factors might include, for example, personality traits (e.g., introvert versus extrovert), life-style characteristics (e.g., cosmopolitan versus home-centered), and ethical ideologies (e.g., idealism versus relativism). The analysis would be more comprehensive if the financial performance implications (e.g., market share, profitability, Tobin's q) of consumer responses to business unethicity were investigated. The potential moderating role of other factors, such as duration, regularity, and size of consumer transactions, on the link between perceived business unethicity and trust also warrants attention.

Finally, it is crucial to monitor consumer perceptions of unethical business practices and their consequent responses over time. In this respect, a longitudinal study among a panel of consumers would track their ethically-related attitudes and behavioral responses at regular intervals. This would help to determine changes in the formation of consumer perceptions of business unethicity, especially by taking into consideration processes evolving in both the external environment and internal 'black box' of the consumer. To make the analysis more specific, it is important to obtain consumers' ethical views on companies belonging to a pre-defined group of industries.

Notes

1. Research on business ethics has followed two different directions: normative, where the emphasis is on what businesses should do in order to be ethical, and descriptive, where the focus is on understanding and predicting ethical behavior (Cohen, 2001).
2. According to the study of Srnka (2004), culture constitutes a complex factor of ethical decision-making, affecting different stages of this process. In particular, influences from the wider cultural environment (e.g., economic or political system) determine stages in the affective part of the process (e.g., perceptions or evaluations), whereas influences from the closer cultural environment (e.g., organizational culture) are more likely to have an impact on the behavioral part (e.g., intentions).
3. Some researchers suggest that trust has a direct influence on consumer loyalty (Foster and Cadogan, 2000). Specifically, the greater the trust the buyer has in the company, the greater the value placed on the relationship and the smaller the likelihood of consumer switching behavior (Ramsey and Sohi, 1997).
4. Hoffman (1998) suggests that the mixed results of past research are due to the fact that ethical perceptions and behavior are situation-specific. For instance, Serwinek (1992) argues that ethical perceptions for males and females are similar when considering most types of business ethics questions, but the difference does appear in the areas where females have clearly been taken advantage of in the past.
5. Face-to-face interviews may give rise to social desirability responses, that is, a tendency by respondents to describe their case in more favorable terms by conforming to socioculturally sanctioned norms (Mick, 1996; De Jong et al., 2010). To avoid this possibility in our study, the following measures were taken: (a) anonymity and confidentiality were emphasized and communicated to all study participants (Randall and Fernandes, 1991; Chung and Monroe, 2003); (b) it was confirmed that our analysis would be restricted to an aggregated level that would prevent the identification of any individual (Tsai and Ghosal, 1998); (c) interviewers were carefully selected and trained in order to objectively handle the answers given by respondents (Nederhof, 1985); (d) it was clearly stated (both orally and written) to participants that there were no right or wrong answers for the questions asked (Randall and Gibson, 1990); (e) during the interview, respondents were provided with their own copy of the questionnaire and, following a discussion of each section, they were asked to write down their own answers while the interviewer maintained a discrete distance (Holbrook et al., 2003); and (f) the 'ballot box' solution was applied to collect completed questionnaires (Mitchell et al., 2009).

References

- Ahearne, M., C.B. Bhattacharya and T. Gruen: 2005, 'Antecedents and consequences of customer-company identification: Expanding the role of relationship marketing', *Journal of Applied Psychology* **90**(3), 574–585.
- Andaleeb, S. S.: 1996, 'An experimental investigation of satisfaction and commitment in marketing channels: the role of trust and dependence', *Journal of Retailing* **72**(1), 77–93.
- Anderson, J.C. and D.W. Gerbing: 1988, 'Structural equation modelling in practice: A review and recommended two-step approach', *Psychological Bulletin* **103**(3), 411–423.
- Anderson, J. C. and J. A. Narus: 1990, 'A model of distributor firm and manufacturer firm working partnerships', *Journal of Marketing* **54**(1), 42–58.
- Ang, S. H., P. S. Cheng, E. A. C. Lim and S. K. Tambyah: 2001, 'Spot the difference: Consumer responses towards counterfeits', *Journal of Consumer Marketing* **18**(3), 219–235.
- Antón, C., C. Camarero and M. Carrero: 2007, 'The mediating effect of satisfaction on consumers' switching intention', *Psychology and Marketing* **24**(6), 511–538.
- Armstrong, R.W., & Sweeney, J.: 1994, 'Industry type, culture, mode of entry and perceptions of international marketing ethics problems: A cross-cultural comparison', *Journal of Business Ethics*, **13**(10), 775–785.
- Beatty, S. E., M. Mayer, J. E. Coleman, K. E. Reynolds and J. Lee: 1996, 'Customer-sales associate retail relationships', *Journal of Retailing* **72**(3), 223–247.
- Bejou, D., C. T. Ennew and A. Palmer: 1998, 'Trust, ethics, and relationship satisfaction', *International Journal of Bank Marketing* **16**(4), 170–175.
- Bentler, P. M.: 2006, *Structural equations program manual* (Multivariate Software Inc., Encino, CA).
- Bird, F. and J. Gandz: 1991, *Good management - Business ethics in action* (Prentice Hall, Ontario, Canada).
- Brunk, K.: 2010, 'Exploring origins of ethical company/brand perceptions — A consumer perspective of corporate ethics', *Journal of Business Research* **63**(3), 255–262.
- Byrne, B. M.: 2006, *Structural Equation Modelling with EQS: Basic Concepts, Applications, and Programming*, 2nd ed. (Lawrence Erlbaum Associates, London).

- Carrigan, M. and A. Attalla: 2001, 'The myth of the ethical consumer - do ethics matter in purchase behaviour?', *The Journal of Consumer Marketing* **18**(7), 560-577.
- Castaldo, S., F. Perrini, N. Misani and A. Tencati: 2009, 'The missing link between corporate social responsibility and consumer trust: The case of Fair Trade products', *Journal of Business Ethics* **84**(1), 1-15.
- Chang, K. and C. G. Ding: 1995, 'The influence of culture on industrial buying selection criteria in Taiwan and mainland China', *Industrial Marketing Management* **24**, 277-284.
- Chung, J., and Monroe, G.S.: 2003, 'Exploring social desirability bias. *Journal of Business Ethics*, **44**(4), 291-302.
- Chow, S. and R. Holden: 1997, 'Toward an understanding of loyalty: The moderating role of trust', *Journal of Managerial Issues* **9**(3), 275-298.
- Cohen, J.: 2001, 'Appreciating, understanding and applying universal moral principles', *Journal of consumer marketing* **18**(7), 578-594.
- Cohen, J. R., L.W. Pant and D. J. Sharp: 1992, 'Cultural and socioeconomic constraints on international codes of ethics: Lessons from accounting', *Journal of Business Ethics* **11**(9), 687-700.
- Connolly, J. and A. Prothero: 2003, 'Sustainable consumption: consumption, communities and consumption discourse', *Consumption Markets and Culture* **6**(4), 275-291.
- Crane, A.: 2005, 'Meeting the ethical gaze: Challenges for orienting to the ethical market', in R. Harrison, T. Newholm, and D. Shaw (eds.), *The ethical consumer* (Sage, London), pp. 219-232.
- Creyer, E. H. and W.T. Ross: 1997, 'The influence of firm behavior on purchase intention: Do consumers really care about business ethics?', *Journal of Consumer Marketing* **14**(6), 421-432.
- Dawson, L.: 1995, 'Women and men, morality and ethics', *Business Horizons* **38**(4), 61-68.
- Dennis, I.: 2007, 'Halo effects in grading student projects', *Journal of Applied Psychology* **92**(4), 1169-1176.
- DePaulo, P. J.: 1987, 'Ethical perceptions of deceptive bargaining tactics used by salespersons and consumers: a double standard', in J. G. Saegert (ed.), *Proceedings of the Division of Consumer Psychology* (American Psychological Association, USA), pp. 201-203.
- De Jong, M.G., Pieters, R. and Fox, J.-P.: 2010, 'Reducing social desirability bias through item randomized response: An application to measure underreported desires', *Journal of Marketing Research*, **47**(1) 14-27.
- Dick, A. and K. Basu: 1994, 'Customer loyalty: Toward an integrated conceptual framework', *Journal of the Academy of Marketing Science* **22**(2), 99-113.
- Dickinson, R. and M. Carsky: 2005, 'The Consumer as economic voter', in R. Harrison, T. Newholm and D. Shaw (eds.), *The ethical consumer* (Sage, London), pp. 25-36.
- Doney, P. M. and J. P. Cannon: 1997, 'An examination of the nature of trust in buyer-seller relationships', *Journal of Marketing* **61**(4), 35-51.
- Dwyer, F.R, P. Schurr and S. Oh: 1987, 'Developing buyer-seller relationships in industrial product channels', *Journal of Marketing* **51**(2), 11-27.
- Eagly, A. H.: 1987, *Sex differences in social behavior: A social-role interpretation* (Erlbaum, Hillsdale, NJ).
- Ekin, M. G. and S. Tezölmez: 1999, 'Business ethics in Turkey: An empirical investigation with special emphasis on gender', *Journal of Business Ethics* **18**(1), 17-34.
- Erffmeyer, R., B. Keillor and D. T. LeClair: 1999, 'An Empirical investigation of Japanese consumer ethics', *Journal of Business Ethics* **18**(1), 35-50.
- Ferrell, O. C. and L. G. Gresham: 1985, 'A contingency framework for understanding ethical decision making in marketing', *Journal of Marketing* **49**(4), 87-96.
- Ferrell, O. C., L. G. Gresham and J. Fraedrich: 1989, 'A synthesis of ethical decision models for marketing', *Journal of Macromarketing* **9**(2), 55-64.
- Folkes, V. S. and M. A. Kamins: 1999, 'Effects of information about firms ethical and unethical actions on consumers' attitudes', *Journal of Consumer Psychology* **8**(3), 243-259.
- Ford, R. C. and W. D. Richardson: 1994, 'Ethical decision making: A review of the empirical literature', *Journal of Business Ethics* **13**(3), 205-221.
- Fornell, C. and D. F. Larcker: 1981, 'Evaluating structural equation models with unobservable variables and measurement error', *Journal of Marketing Research* **18**(1), 39-40.

- Fornell, C., M. D. Johnson, E. W. Anderson, J. Cha and B. E. Bryant: 1996, 'The American consumer satisfaction index: Nature, purpose, and findings', *Journal of Marketing* **60** (4), 1–13.
- Foster, B. D. and J. W. Cadogan: 2000, 'Relationship selling and customer loyalty: An empirical investigation', *Marketing Intelligence and Planning* **18**(4), 185-199.
- Franke, G., D. Crown and D. Spake: 1997, 'Gender differences in ethical perceptions of business practices', *Journal of Applied Psychology* **82**(6), 920–934.
- Fullerton, S., K. B. Kerch and H. R. Dodge: 1996, 'Consumer ethics: An assessment of individual behavior in the market place', *Journal of Business Ethics* **15**(7), 805–814.
- Futrell, C. M.: 2002, *Fundamentals of selling: customers for life*, 7th ed. (McGraw-Hill, New York).
- Ganesan, S.: 1994, 'Determinants of long-term orientation in buyer–seller relationships', *Journal of Marketing* **58**(2), 1–19.
- Gerbing, D. W. and J. G. Hamilton: 1996, 'Viability of exploratory factor analysis as a precursor to confirmatory factor analysis', *Structural Equation Modelling* **3**, 62–72.
- Geyskens, I., J-B. E. M. Steenkamp and N. Kumar: 1998, 'Generalizations about trust in marketing channels relationships using meta-analysis', *International Journal of Research in Marketing* **15**(3), 223-248.
- Gilligan, C.: 1982, *In a Different Voice* (Harvard University Press, Cambridge).
- Goolsby, J. R. and S. D. Hunt: 1992, 'Cognitive moral development and marketing', *Journal of Marketing* **56**(1), 55-68.
- Grisaffe, D. B. and F. Jaramillo: 2007, 'Toward higher levels of ethics: Preliminary evidence of positive outcomes', *Journal of Personal Selling and Sales Management* **27**(4), 355–371.
- Hair, J. F., W. C. Black, B. J. Babin, R. E. Anderson and R. L. Tatham: 2006, *Multivariate Data Analysis*, 6th ed (Pearson, Prentice-Hall, Englewood Cliffs, NJ).
- Hallaq, J. H. and K. Steinhorst: 1994, 'Business intelligence methods — How ethical', *Journal of Business Ethics* **13**(10), 787 - 794.
- Hammann, E.-M., A. Habisch and H. Pechlaner: 2009, 'Values that create value: Socially responsible business practices in SMEs – an empirical evidence from German companies', *Business Ethics: A European Review* **18**(1), 37–51.
- Harris, J. R.: 1990, 'Ethical values of individuals at different levels in the organizational hierarchy of a single firm', *Journal of Business Ethics* **9**(9), 741-750.
- Hennig-Thurau, T.: 2004, 'Customer orientation of service employees: Its impact on customer satisfaction, commitment, and retention', *International Journal of Service Industry Management*, **15**(5), 460–478.
- Hoffman, J.: 1998, 'Are women really more ethical than men? Maybe it depends on the situation', *Journal of Managerial Issues* **10**(1), 60–73.
- Hofstede, G.: 1980, *Culture's Consequences: International Differences in Work-related Values* (Sage, Beverly Hills, CA).
- Hofstede, G.: 1997, *Cultures and Organizations: Software of the Mind* (McGraw Hill, London).
- Holbrook, A.L., Green, M.C. and Krosnick, J.A.: 2003, 'Telephone versus face-to-face interviewing of national probability samples with long questionnaires', *Public Opinion Quarterly*, **67**(1), 79-125.
- Hosmer, L.: 1995, 'Trust: The connecting link between organizational theory and philosophical ethics', *Academy of Management Review* **20**(2), 379-403.
- House, J.: 1981, 'Social structure and personality', in M. Rosenberg and R. Turner (Eds.), *Social psychology: Sociological perspectives* (Basic Books, New York), pp. 525-561.
- Huang, M.-H.: 2008, 'The Influence of selling behaviors on customer relationships in financial services', *International Journal of Service Industry Management*, **19**(4), 458–473.
- Hunt, S. D. and S. J. Vitell: 1986, 'A general theory of marketing ethics', *Journal of Macromarketing* **6**(1), 5-16.
- Hunt, S. D. and S. J. Vitell: 1991, 'The general theory of marketing ethics: A retrospective and revision', reprinted in N. C. Smith and J. A. Quelch (eds.), *Ethics in Marketing* (1993) (Irwin, Honeywood), pp. 775-784.
- Ingram, R., S. J. Skinner and V. A. Taylor: 2005, 'Consumers' evaluation of unethical marketing behaviours: The role of customer commitment', *Journal of Business Ethics* **62**(5), 237-252.

- Jackson, T.: 2001, 'Cultural values and management ethics: A 10-nation study', *Human Relations* **54**(10), 1267-1303.
- Johnson, M. D., A. Gustafsson, T. W. Andreassen, L. Lervik and J. Cha: 2001, 'The evolution and future of national customer satisfaction index models', *Journal of Economic Psychology* **22**(2), 217-245.
- Jones, T. M.: 1991, 'Ethical decision making by individuals in organizations: An issue contingent model', *Academy of Management Review* **16**(2), 366-395.
- Joyner, B. E. and D. Payne: 2002, 'Evolution and implementation: a study of values, business ethics and corporate social responsibility', *Journal of Business Ethics* **41**(4), 297-311.
- Kandampully, J. and D. Suhartanto: 2000, 'Customer loyalty in the hotel industry: the role of customer satisfaction and image', *International Journal of Contemporary Hospitality Management* **12**(6), 346 - 351.
- Kelley, S. W., O. C. Ferrell and S. J. Skinner: 1990, 'Ethical behavior among marketing researchers: An assessment of selected demographic characteristics', *Journal of Business Ethics* **9**(8), 681-688.
- Kennedy, M. S., L. K. Ferrell, D. T. LeClair: 2001, 'Consumers' trust of salesperson and manufacturer: An empirical study', *Journal of Business Research* **51**(1), 73-86.
- Khazanchi, D.: 1995, 'Unethical behavior in information systems: The gender factor', *Journal of Business Ethics* **14**(9), 741 -749.
- Kohlberg, L.: 1984, 'The psychology of moral development', in: *Essays on Moral Development, II* (Harper and Row, San Francisco).
- Lagace, R. R., R. Dahlstrom and J. B. Gassenheimer: 1991, 'The relevance of ethical salesperson behavior on relationship quality: The pharmaceutical industry', *Journal of Personal Selling and Sales Management* **11**(4), 39-47.
- Lane, J. C.: 1995, 'Ethics of business students: Some marketing perspectives', *Journal of Business Ethics* **14**(7), 571-580.
- Lane, M. S., D. Schaupp and B. Parsons: 1988, 'Pygmalion effect: An issue for business education and ethics', *Journal of Business Ethics* **7**(3), 223-229.
- Lerner, M.: 1980, *The Belief in a Just World* (New York).
- Macdonald, G.: 2000, 'Cross-cultural Methodological Issues in Ethical Research', *Journal of Business Ethics* **27**(1/2), 89-104.
- Macintosh, G., K. A. Anglin, D. M. Szymanski and J. W. Gentry: 1992, 'Relation development in selling: cognitive analysis', *Journal of Personal Selling and Sales Management* **12**(4), 23-34.
- Malinowski, C. and K. Berger: 1996, 'Undergraduate attitudes about hypothetical marketing dilemmas', *Journal of Business Ethics* **15** (5), 525-535.
- Mayer, R. C., J. H. Davis and F. D. Schoorman: 1995, 'An integrative model of organizational trust', *Academy of Management Review* **20**(3), 709-734.
- McCuddy, M. K. and B. L. Peery: 1996, 'Selected individual differences and collegians' ethical beliefs', *Journal of Business Ethics* **15**(3), 261-272.
- Mick, D.G.: 1996, 'Are studies of dark side variables confounded by socially desirable responding? The case of materialism', *Journal of Consumer Research* **23**(2), 106-119.
- Mitchell, V.W., Balabanis, G., Schlegelmilch, B.B., and Cornwell, T.B. (2009). Measuring unethical consumer behavior across four countries. *Journal of Business Ethics* **88**(2), 395-412.
- Morgan, R. M. and S. D. Hunt, S. D.: 1994, 'The commitment-trust theory of relationship marketing', *Journal of Marketing* **58**(3), 20-38.
- Mudrack, P.: 1989, 'Age-related differences in Machiavellianism in adult sample', *Psychology Report* **64** (3, Pt 2), 1947-1950.
- Muncy, J. A. and S. J. Vitell: 1992, 'Consumer ethics: An investigation of the ethical beliefs of the final consumer', *Journal of Business Research* **24**(4), 297-311.
- Nebenzahl, I. D., E. D. Jaffe and B. Kavak: 2001, 'Consumers' punishment and rewarding process via purchasing behaviour', *Teaching Business Ethics* **5**(1), 238-305.
- Nederhof, A.J.: 1985, 'Methods of coping with social desirability bias: A review', *European Journal of Social Psychology*, **15**(3), 263-280.
- Nyaw, M. K. and I. Ng: 1994, 'A comparative analysis of ethical beliefs: A four country study', *Journal of Business Ethics* **13**(7), 543-555.

- Oliver, R. L.: 1997, *Satisfaction: a behavioral perspective on the consumer* (McGraw-Hill, New York).
- Oliver, R. L.: 1999, 'Whence consumer loyalty', *Journal of Marketing* **63** (Special Issue), 33–44.
- Olsen, S. O.: 2007, 'Repurchase loyalty: The role of involvement and satisfaction', *Psychology and Marketing* **24**(4), 315-341.
- Olsen, S. O., J. Wilcox and U. Olsson: 2005, 'Consequences of ambivalence on satisfaction and loyalty', *Psychology and Marketing* **22**(3), 247–269.
- O'Fallon, M. J. and K. D. Butterfield: 2005, 'A review of the empirical ethical decision-making literature: 1996-2003', *Journal of Business Ethics* **59**(4), 375-413.
- Orlitzky, M., F. L. Schmidt and S. L. Rynes: 2003, 'Corporate social and financial performance: A meta-analysis', *Organization Studies* **24**(3), 403–441.
- Palmatier, R. W., R. P. Dant, D. Grewal and K. R. Evans: 2006, 'Factors influencing the effectiveness of relationship marketing: A meta-analysis', *Journal of Marketing* **70**(4), 136–153.
- Pelsmacker, P. D. and W. Janssens: 2007, 'A model for fair trade buying behaviour: The role of perceived quantity and quality of information and of product-specific attitudes', *Journal of Business Ethics* **75**(4), 361–380.
- Pelton, L. E., J. Chowdhury and S. J. Vitell: 1999, 'A framework for the examination of relational ethics: An interactionist perspective', *Journal of Business Ethics* **19**(3), 241–253.
- Podsakoff, P.M. and D. W. Organ: 1986, 'Self-reports in organizational research: Problems and prospects', *Journal of Management* **12**(1), 531-544.
- Podsakoff, M. P., B. S. MacKenzie, L. Jeong-Yeon and P. N. Podsakoff: 2003, 'Common method biases in behavioral research: A critical review of the literature and recommended remedies', *Journal of Applied Psychology* **88**(5), 879-903.
- Post, J. E., A. T. Lawrence and J. Weber: 2002, *Business and Society* (McGraw-Hill Irwin, USA).
- Ralston, D.A., Giacalone, R.A., and Terpstra, R.H.: 1994, 'Ethical perceptions of organizational politics: A comparative evaluation of American and Hong Kong managers', *Journal of Business Ethics* **13**(12), 989-999.
- Ramsey, R. P. and R. S. Sohi: 1997, 'Listening to your customers: the impact of perceived salesperson listening behavior on relationship outcomes', *Journal of the Academy of Marketing Science* **25**(2), 127–137.
- Ramsey, R., G. Marshall, M. Johnston and D. Deeter-Schmelz: 2007, 'Ethical ideologies and older consumer perceptions of unethical sales tactics', *Journal of Business Ethics* **70**(2), 191–207.
- Randall, D.M. and Fernandes, M.F.: 1991, 'The social desirability response bias in ethics research', *Journal of Business Ethics* **10**(11), 805-817.
- Randall, D.M. and Gibson, A.M.: 1990, 'Methodology in business ethics research: A review and critical assessment', *Journal of Business Ethics* **9**(6), 457-471.
- Rawwas, M. Y. A.: 1996, 'Consumer ethics: An empirical investigation of the ethical beliefs of Austrian consumers', *Journal of Business Ethics* **15**(9), 1009–1019.
- Rawwas, M.Y.A., G. Patzer and S. J. Vitell: 1998, 'A cross cultural investigation of the ethical values of consumers: The potential effect of war and civil disruption', *Journal of Business Ethics* **17**(4), 435–48.
- Reichheld, F. and K. Aspinall: 1993, 'Building high-loyalty business system', *Journal of Retail Banking* **15**(4), 21-29.
- Reiss, M. and K. Mitra: 1998, 'The effects of individual difference factors on the acceptability of ethical and unethical workplace behaviors', *Journal of Business Ethics* **17**(14), 1581–1593.
- Román, S. and S. Ruiz: 2005, 'Relationship outcomes of perceived ethical sales behavior: The customer's perspective', *Journal of Business Research* **58**(4), 439-445.
- Roxas, M. and J. Stoneback: 2004, 'The importance of gender across cultures in ethical decision making', *Journal of Business Ethics* **50**(2), 149-165.
- Rubbens, C. and C. Wessels: 2004, *The business case for CSR: In what way does CSR contribute to competitiveness?* (E-discussion, The World Bank, Washington, DC).
- Schlegelmilch, B. B. and M. Öberseder: 2010, 'Half a century of marketing ethics: Shifting perspectives and emerging trends', *Journal of Business Ethics* **93**(1), 1-19.
- Serwinek, P.: 1992, 'Demographic and related differences in ethical views among small businesses', *Journal of Business Ethics* **11**(7), 555–566.

- Sharma, D., S. Borna, and J. M. Stearns: 2009, 'An investigation of the effects of corporate ethical values on employee commitment and performance: Examining the moderating role of perceived fairness', *Journal of Business Ethics* **89**(2), 251–260.
- Shaw, D. and T. Newholm: 2002, 'Voluntary simplicity and the ethics of consumption', *Psychology and Marketing* **19**(2), 167-185.
- Schlegelmilch, B.B. and D. Roberston: 1995, 'The influence of country and industry on ethical perceptions of senior executives in the US and Europe', *Journal of International Business Studies* **26** (4), 852-81.
- Singh, J. and D. Sirdeshmukh: 2000, 'Agency and trust mechanisms in consumer satisfaction and loyalty judgments', *Journal of the Academy of Marketing Science* **28**(1), 150-167.
- Singhapakdi, A. and S. J. Vitell: 1990, 'Marketing ethics: Factors influencing perceptions of ethical problems and alternatives', *Journal of Macromarketing* **10**(1), 4-18.
- Singhapakdi, A., M. Y. A. Rawwas, J. Marta and M. I. Ahmed: 1999, 'A cross-cultural study of consumer perceptions about marketing ethics', *Journal of Consumer Marketing* **16**(3), 257–272.
- Spekman, R. E.: 1988, 'Strategic supplier selection: Understanding long-term relationships', *Business Horizons* **31**(4), 75-81.
- Srnka, K. J.: 2004, 'Culture's role in marketers' ethical decision making', *Academy of Marketing Science Review* **1**, 1-32.
- Strong, C.: 1996, 'Features contributing to the growth of ethical consumerism: A preliminary investigation', *Marketing Intelligence and Planning* **14**(5), 5–13.
- Stodder, G. S.: 1998, 'Goodwill Hunting', *Entrepreneur* **26** (July), 118–121.
- Stump, R. L. and J. B. Heide: 1996, 'Controlling supplier opportunism in industrial relationships', *Journal of Marketing Research* **33**(4), 431-441.
- Sun, T. and G. Wu: 200, 'Consumption patterns of Chinese urban and rural consumers', *Journal of Consumer Marketing* **21**(4), 245-253.
- Swaidan, Z., S. J. Vitell and M. Y. A. Rawwas: 2003, 'Consumer ethics: Determinants of ethical beliefs of African Americans', *Journal of Business Ethics* **46**(2), 175-186.
- Swaidan, Z., Vitell, S.J., Rose, G.M., and Gilbert, F.W.: 2006, 'Consumer ethics: The role of acculturation in U.S. immigrant populations', *Journal of Business Ethics* **64**(1), 1-16.
- Tax, S., S. Brown and M. Chandrashekar: 1998, 'Customer evaluations of service complaint experiences: Implications for relationship marketing', *Journal of Marketing* **62** (2), 60-76.
- Thorne, L. and S. B. Saunders: 'The socio-cultural embeddedness of individuals' ethical reasoning in organizations (cross-cultural ethics)', *Journal of Business Ethics* **35**(1), 1-14.
- Triandis, H.C.: 1995, *Individualism and collectivism* (Westview, Boulder CO).
- Tsai, W. and Ghoshal, S.: 1998, 'Social capital and value creation: The role of Intrafirm Networks', *Academy of Management Journal* **41**(4), 464-476.
- Tsalikis, J. and B. Seaton: 2008, 'Business ethics index: Measuring consumer sentiments toward business ethical practices', *Journal of Business Ethics* **82**(4), 919-928.
- Urban, G. L, F. Sultan and W. J. Quails: 2000, 'Placing trust at the centre of your internet strategy', *Sloan Management Review* **42**(1), 39-49.
- Valenzuela, L., J. Mulki and J. Jaramillo: 2010, 'Impact of customer orientation, inducements and ethics on loyalty to the firm: Customers' perspective', *Journal of Business Ethics* **93**(2), 277–291.
- Velasquez, M. G.: 2006, *Business Ethics* (Pearson, USA).
- Vitell, S. J.: 2003, 'Consumer ethics research: Review synthesis and suggestions for the future', *Journal of Business Ethics* **43**(1-2), 33-47.
- Vitell, S. J., T. Festervand, J. R. Lumpkin and M. Y. A. Rawwas: 1991, 'Consumer ethics: An investigation of the ethical beliefs of elderly consumers', *Journal of Business Ethics* **10**(5), 365-375.
- Vitell, S. J., S. L. Nwachukwu and J. H. Barnes: 1993, 'The effects of culture on ethical decision - making: An application of Hofstede's typology', *Journal of Business Ethics* **12**(10), 753-760.
- Vitell, S. J., J. G. P. Paolillo and J. L. Thomas: 2003, 'The perceived role of ethics and social responsibility: A study of marketing professionals', *Business Ethics Quarterly* **13**(1), 63-86.
- Vitell, S. J., A. Singhapakdi and J. Thomas: 2001, 'Consumer ethics: an application and empirical testing of the Hunt–Vitell Theory of ethics', *Journal of Consumer Marketing* **18**(2), 153–178.

- Wang, C.-Y.: 2010, 'Service quality, perceived value, corporate image, and customer loyalty in the context of varying levels of switching costs', *Psychology and Marketing* **27** (3), 252–262.
- Wang, Y.-S., T.-I. Tang and J. E. Tang: 2001, 'An instrument for measuring satisfaction toward websites that market digital products and services', *Journal of Electronic Commerce Research* **2**(3), 89-102.
- Weaver, G. R.: 2001, 'Ethics programs in global businesses: Culture's role in managing ethics', *Journal of Business Ethics* **30** (1), 3-15.
- Whipple, T. W. and D. F. Swords: 1992, 'Business ethics judgments: A cross-cultural comparison', *Journal of Business Ethics* **11**(9), 671–678.
- Wimbush, J. C., J. M. Shepard and S. E. Markham: 1997, 'An empirical examination of the relationship between ethical climate and ethical behavior from multiple levels of analysis', *Journal of Business Ethics* **16**(16), 1705-1716.
- Yang, Z. and R. T. Peterson: 2004, 'Customer perceived value, satisfaction, and loyalty: The role of switching costs', *Psychology and Marketing* **21**(10), 799–822.

Figure 1: The Conceptual Model

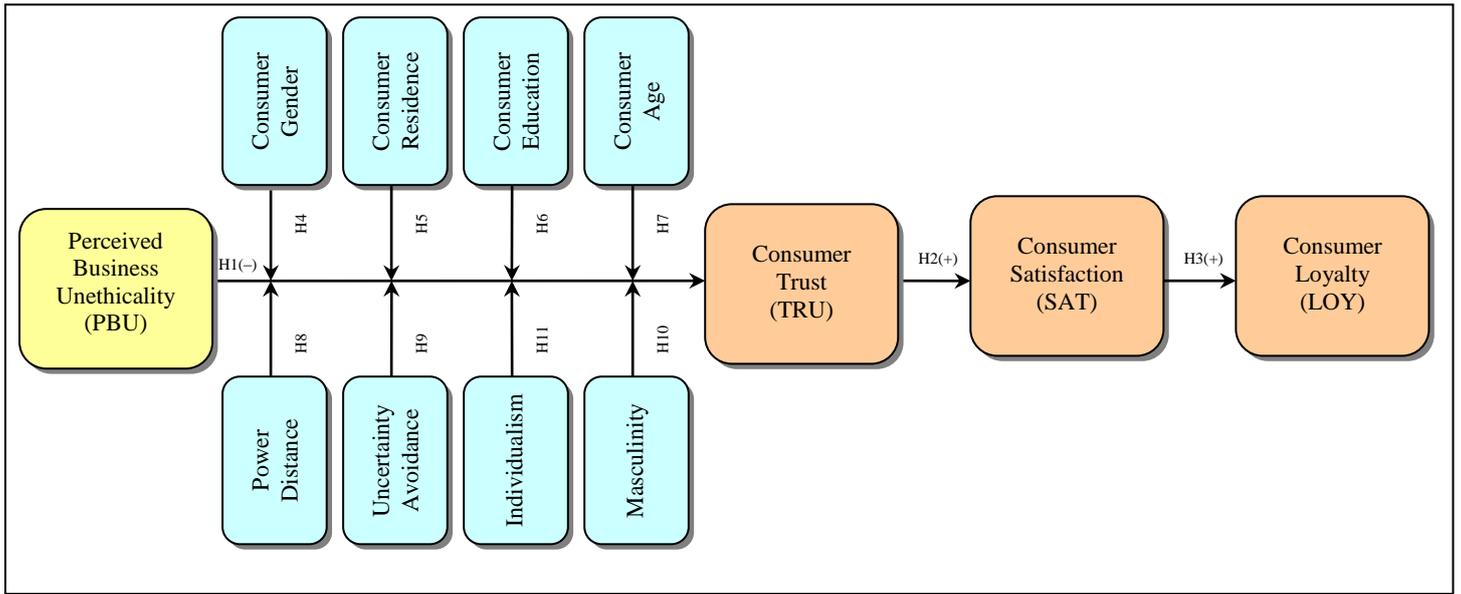


Table 1: Descriptive statistics

Constructs and scale items	Item mean* (s.d.)	Construct mean* (s.d.)
Perceived Business Unethicality (PBU) ($\alpha = .83$; $\rho = .77$; AVE = .52)		4.57 (1.30)
PBU1 – Firms violate their laws and regulations, when selling to consumers	5.14 (1.60)	
PBU2 – Firms behave in an impolite, offensive, deceptive, and dishonest way in servicing consumers	4.02 (1.79)	
PBU3 – Firms violate their obligation and responsibilities in their agreements with consumers	4.39 (1.69)	
PBU4 – Firms commit deceptive practices, such as industrial espionage, bribery, etc	4.28 (1.73)	
PBU5 – Firms damage the natural environment with their products and production processes	4.89 (1.62)	
PBU6 – Firms do not accept responsibility for their actions related to consumers and society in general	5.04 (1.63)	
PBU7 – Firms in this country are characterized by poor quality work conditions	4.61 (1.58)	
Consumer Trust (TRU) ($\alpha = .81$; $\rho = .74$; AVE = .60)		3.50 (1.14)
TRU1 – Consumers can rely on the firms' trustworthiness	3.76 (1.32)	
TRU2 – I cannot trust or rely on firms keeping their promises (R)	3.19 (1.26)	
TRU3 – I believe that firms are concerned about the well-being of consumers and society in general	3.39 (1.37)	
TRU4 – I feel that I can trust firms completely	3.34 (1.33)	
Consumer Satisfaction (SAT) ($\alpha = .87$; $\rho = .81$; AVE = .63)		3.68 (1.09)
SAT1 – I would recommend the products/services of firms to others	3.72 (1.25)	
SAT2 – I am very satisfied with products and services of firms	3.75 (1.24)	
SAT3 – Firms understand my problems and requests	3.63 (1.23)	
SAT4 – I am satisfied with firms' transactional processes	3.69 (1.26)	
Consumer Loyalty (LOY) ($\alpha = .78$; $\rho = .72$; AVE = .49)		3.31 (0.97)
LOY1 – I strongly feel that firms can best meet my relevant needs	3.44 (1.31)	
LOY2 – I feel very little loyalty to firms (R)	3.10 (1.27)	
LOY3 – I usually feel disappointed by firms (R)	3.27 (1.20)	
LOY4 – I easily accept and follow companies' new activities	3.43 (1.23)	
Power Distance (PDI) ($\alpha = .85$; $\rho = .80$; AVE = .70)		5.00 (1.77)
PDI1 – Inequalities among people are both expected and desired	3.84 (2.72)	
PDI2 – Less powerful people should be dependent on the more powerful	5.46 (2.10)	
PDI3 – Inequalities among people should be minimized (R)	5.14 (2.01)	
PDI4 – There should be, to some extent, interdependencies between less and more powerful people (R)	4.39 (1.94)	
Uncertainty Avoidance (UAV) ($\alpha = .83$; $\rho = .77$; AVE = .65)		4.36 (1.88)
UAV1 – High stress and subjective feelings of anxiety are frequent among people	4.48 (2.47)	
UAV2 – Decisiveness is a necessity characteristic of success	5.56 (1.90)	
UAV3 – Uncertainty is a normal feature of life and each day must be accepted as it comes (R)	4.29 (1.94)	
UAV4 – Fear of ambiguous situations and of unfamiliar risks is normal (R)	4.30 (2.09)	
Individualism (IND) ($\alpha = .74$; $\rho = .71$; AVE = .55)		4.47 (1.59)
IND1 – Everyone grows up to look after him/herself and the immediate family	5.30 (1.82)	
IND2 – People are identified independently of the groups they belong to	4.73 (1.83)	
IND3 – An extended family member should be protected by other members in exchange for loyalty (R)	3.93 (2.10)	
IND4 – People are identified by their position in the social networks to which they belong	4.17 (1.94)	
Masculinity (MAS) ($\alpha = .76$; $\rho = .73$; AVE = .57)		4.19 (1.69)
MAS1 – Money and material things are important	4.82 (1.76)	
MAS2 – Men are supposed to be assertive, ambitious, and tough	4.61 (1.73)	
MAS3 – Dominant values in society are caring for others and preservation (R)	4.15 (1.89)	
MAS4 – Both men and women are allowed to be tender and concerned with relationships (R)	3.81 (2.50)	

*Based on a seven-point Likert scale, where 1= strongly disagree to 7 = strongly agree.

Note: The sign (R) denotes a reverse scale.

Table 2: Correlation matrix

Construct	1	2	3	4	5	6	7	8
1. Perceived Business Unethicality	1							
2. Consumer Trust	-.22	1						
3. Consumer Satisfaction	-.30	.71	1					
4. Consumer Loyalty	-.20	.69	.70	1				
5. Power Distance	-.05	.08	.02	.05	1			
6. Uncertainty Avoidance	-.07	.06	.09	.04	.31	1		
7. Individualism	-.01	-.03	-.09	-.07	-.03	.04	1	
8. Masculinity	.05	-.03	-.07	-.02	-.02	.25	.38	1

Note: Correlations greater than $|\pm .13|$ are significant at the .01 level.

Correlations greater than $|\pm .10|$ are significant at the .05 level.

Table 3: Results of the measurement model

Factor	Standardized Loadings ^a
Perceived Business Unethicality (PBU)	
PBU1	.59 ^b
PBU2	.80 (10.53)
PBU3	.83 (10.70)
PBU4	.66 (9.36)
PBU6	.60 (8.81)
Consumer Trust (TRU)	
TRU1	.68 ^b
TRU3	.79 (12.82)
TRU4	.83 (13.36)
Consumer Satisfaction (SAT)	
SAT1	.74 ^b
SAT2	.80 (14.60)
SAT3	.84 (15.49)
SAT4	.79 (14.52)
Consumer Loyalty (LOY)	
LOY1	.79 ^b
LOY2	.65 (11.97)
LOY3	.61 (11.24)
LOY4	.66 (12.21)
Power Distance (PDI)	
PDI2	.94 ^b
PDI3	.95 (22.67)
PDI4	.56 (11.60)
Uncertainty Avoidance (UAV)	
UAV1	.67 ^b
UAV3	.85 (13.06)
UAV4	.89 (13.11)
Individualism (IND)	
IND1	.50 ^b
IND3	.82 (7.92)
IND4	.85 (7.87)
Masculinity (MAS)	
MAS2	.52 ^b
MAS3	.71 (8.82)
MAS4	.97 (8.55)

Goodness-of-Fit Statistics:

$$\chi^2_{(322)} = 631.30, p < .001; \chi^2/df = 1.96$$

$$NFI = .93; NNFI = .96; CFI = .96; RMSEA = .05; AOSR = .04.$$

^a t-values from the unstandardised solution are in parentheses.

^b Item fixed to set the scale.

Table 4: Results of the structural model

Hypothesis	Hypothesized association	Expected sign	Standard estimate	t-value	p-value
H ₁	Perceived Business Unethicality → Consumer Trust	–	–.32	–4.66	.00
H ₂	Consumer Trust → Consumer Satisfaction	+	.91	12.51	.00
H ₃	Consumer Satisfaction → Consumer Loyalty	+	.89	11.71	.00

Goodness-of-Fit Statistics: Chi-square (χ^2) = 230.29, $p < .001$; $df = 101$; Normed Chi-square (χ^2/df) = 2.28; Normed Fit Index (NFI) = .96; Non-Normed Fit Index (NNFI) = .97; Comparative Fit Index (CFI) = .98; Root Mean Squared Error of Approximation (RMSEA) = .06; Average Off-diagonal Standardized Residual (AOSR) = .04.

Table 5: Results of individual moderating effects

Consumer gender as a moderator				
Main effect	Hypothesized moderating effect	Male group (n ₁ =172)	Female group (n ₂ =206)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₄ : Effect is stronger among female than male consumers	$\beta = -.46$ $t = -4.35^{**}$	$\beta = -.18$ $t = -1.94$	4.41 ($p < .05$)
Consumer age as a moderator				
Main effect	Hypothesized moderating effect	Younger age group (n ₁ =215)	Older age group (n ₂ =163)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₅ : Effect is stronger among older than younger consumers	$\beta = -.27$ $t = -3.01^{**}$	$\beta = -.40$ $t = -3.47^{**}$.68 ($p > .05$)
Consumer education as a moderator				
Main effect	Hypothesized moderating effect	Poorly educated group (n ₁ =205)	Highly educated group (n ₂ =173)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₆ : Effect is stronger among highly educated than poorly educated consumers	$\beta = -.30$ $t = -3.18^{**}$	$\beta = -.33$ $t = -3.26^{**}$.78 ($p > .05$)
Consumer urbanity as a moderator				
Main effect	Hypothesized moderating effect	Rural group (n ₁ =121)	Urban group (n ₂ =257)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₇ : Effect is stronger among urban than rural consumers	$\beta = -.21$ $t = -1.93$	$\beta = -.41$ $t = -4.58^{**}$	4.10 ($p < .05$)
Power distance as a moderator				
Main effect	Hypothesized moderating effect	Low power distance group (n ₁ =189)	High power distance group (n ₂ =189)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₈ : Effect is stronger among consumers with low than high power distance	$\beta = -.32$ $t = -3.40^{**}$	$\beta = -.32$ $t = -3.62^{**}$.12 ($p > .05$)
Uncertainty avoidance as a moderator				
Main effect	Hypothesized moderating effect	Low uncertainty avoidance group (n ₁ =195)	High uncertainty avoidance group (n ₂ =183)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₉ : Effect is stronger among consumers with high than low uncertainty avoidance	$\beta = -.17$ $t = -1.91$	$\beta = -.43$ $t = -4.68^{**}$	4.13 ($p < .05$)
Individualism as a moderator				
Main effect	Hypothesized moderating effect	Low individualism group (n ₁ =214)	High individualism group (n ₂ =164)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₁₀ : Effect is stronger among consumers with low than high individualism	$\beta = -.45$ $t = -4.93^{**}$	$\beta = -.16$ $t = -1.69$	7.26 ($p < .01$)
Masculinity as a moderator				
Main effect	Hypothesized moderating effect	Low masculinity group (n ₁ =191)	High masculinity group (n ₂ =187)	$\Delta\chi^2$ (Δ d.f. =1)
PBU → TRU	H ₁₁ : Effect is stronger among consumers with low than high masculinity	$\beta = -.40$ $t = -4.46^{**}$	$\beta = -.24$ $t = -2.63^{**}$	1.51 ($p > .05$)

** $p < .01$; * $p < .05$.