Ethical Brand Impact on the Behavior of Food Products Consumers in Rasht

Roozbeh Habibi and Somayeh Izadi Rad

1Assistant Professor at Payam-e-Noor University, Department of Management, Faculty of Management, Rasht, Iran.
2M.A. Student of Business Management at Islamic Azad University, Department of Management, Faculty of Management & Accounting, Rasht, Iran.

A B S T R A C T

This study has tried to link areas of business ethic, marketing and brand management to each other; and for the first time in Iran, it has shown that there is a relationship between ethical principles that consumer perceives from a company's brand and his/her behavior and reaction to that brand. For this purpose, in this study the impact of ethical principles perceived by consumer on trust, affect, and loyalty to the brand were examined. The statistical population of the study encompasses all consumers of food products in the city of Rasht. This study has used convenient sampling method to select sample. Also, questionnaire has been used to collect information, and structural equation modeling has been used to analyze data and test research hypotheses. This study is a correlation type, in terms of methodology and nature; it is a survey, in terms of implementation, and also it is an applied research in terms of target. The research’s results show that perceived ethical principles by consumer has a positive effect on trust and affect to the brand. Also, affect to the brand has a positive effect on loyalty to the brand. Furthermore, trust and affect to the brand have also a positive effect on loyalty to the brand.

INTRODUCTION

Among the operational fields of commerce, marketing and sales have more often been criticized ethically [1]. Within the society, marketing has always been accused of using lies, fraud, violation of people’s privacy, environmental pollution, promotion of consumerism, and ignorance of weak, vulnerable classes of the society. However, marketing has been formed to help promote countries’ economies and provide consumers’ wills. The main reason for these accusations is most companies’ ignorance of marketing’s social dimensions, which has led to major violations and deviations from marketing’s ideals to raise profit making [2]. In fact, many industrial and commercial companies, small or big, based their activities on achievement of financial values and solely economic purposes, and more profit and better performance became the main purpose for many organizations. As a result of this, observation of ethical principles and adherence to ethical values was almost neglected, profit making became the sole purpose, and traditional fair trade was influenced [3]. At the moment, not only has the image of marketing been deformed, but also as time passes, contrary to managers’ profit-oriented thoughts, companies’ profit making has decreased. In such conditions, what can reconstruct both parties’ trust and confidence and direct organizations toward accumulation of capital and profit making is the creation of an atmosphere full of trust in trading [2]. In fact, one of the necessities of countries’ economic development and flourishing is consideration of ethics in commerce. Observation of ethical principles by commercial companies leads to prosperity and dynamicity of an intact economy [4]. Therefore, observation of ethics and adherence to ethical values has turned into one of the most important phenomena to be taken into account in organizations. Ethical principles have become part of organizations’ official policies and non-official culture. Many organizations have officially defined ethical codes, and instructional systems have been devised for this [5]. More than 200 companies out of the 500 valid companies listed in the journal Fortune have ethical regulations, and it has been stated that ethical behavior in trading raises organizations’ skills in recruitment and preservation of good staff members and customers [6]. Organizations’ ethical behavior leads to creation and preservation of...
consistent, suitable relations between organizations and their customers, whereas non-ethical behavior hurts the brand’s character and, on the other hand, leads to loss of the company’s fame among customers, avoidance of more purchase, and prohibition of trading by customers, and, in short, will hurt the trading brand [7]. Ethical branding is a modern concept in marketing, which has many complexities, and more research is to be done in this regard. Additional research should answer these questions: What is an ethical brand, and what are its advantages? What criteria make ethical and non-ethical brands distinct? How does an ethical brand influence consumers’ behavior? [8].

An ethical brand raises the company’s validity, and this validity strengthens the brand like a loop. Ethical branding can be studied at both levels of company and product. At the company level, the crucial part is the company’s validity, and any ethical action affects the company’s name. Branding at the product level includes labeling, packing, and communications, which can influence the company’s validity indirectly [9]. Non-ethicality of a brand or its images imposes expenses on the company from different dimensions. A company’s validity is its subtle, valuable property where ethics and social responsibility have an important role. Ethical branding has a great role in the company’s validity and reduces doubt about the brand in comparative positioning [10]. Therefore, companies should create an ethical balance in decisions regarding branding and communications based on the strategic and systemic view. Little research performed in the area of ethical branding shows that even in societies with massive cultural differences considering different ethical principles, names that are underlyingly filled with respect for people and observation of ethical rules and principles are most popular [11].

However, despite the breadth of the issue of ethics and its multidimensional relations to marketing issues, especially consumer behavior, unfortunately, very little research has been performed in the area of ethical issues’ effects on consumer behavior [12]. Therefore, more research is needed to study the relationship between ethical brands and consumer behavior and its effects on purchase decision. Moreover, ethics has been studied in almost all commercial subjects except in branding [8]. Therefore, the present study is a step forward to fill this gap, and since no research has been performed in Iran so far regarding the effects of ethical brands on consumers’ behavior and issues like faithfulness, trust, and affectency for a brand, in the present study, efforts have been made to study the effects of ethical brands on consumers’ behavior. In other words, the present study seeks for a suitable answer to the question whether ethical brands have an effect on customers’ behavior. Ethical branding is a modern concept in marketing, which has many complexities, and more research is to be done in this regard. Additional research should answer these questions: What is an ethical brand, and what are its advantages? What criteria make ethical and non-ethical brands distinct? How does an ethical brand influence consumers’ behavior? [8].

An ethical brand raises the company’s validity, and this validity strengthens the brand like a loop. Ethical branding can be studied at both levels of company and product. At the company level, the crucial part is the company’s validity, and any ethical action affects the company’s name. Branding at the product level includes labeling, packing, and communications, which can influence the company’s validity indirectly [9]. Non-ethicality of a brand or its images imposes expenses on the company from different dimensions. A company’s validity is its subtle, valuable property where ethics and social responsibility have an important role. Ethical branding has a great role in the company’s validity and reduces doubt about the brand in comparative positioning [10]. Therefore, companies should create an ethical balance in decisions regarding branding and communications based on the strategic and systemic view. Little research performed in the area of ethical branding shows that even in societies with massive cultural differences considering different ethical principles, names that are underlyingly filled with respect for people and observation of ethical rules and principles are most popular [11].

However, despite the breadth of the issue of ethics and its multidimensional relations to marketing issues, especially consumer behavior, unfortunately, very little research has been performed in the area of ethical issues’ effects on consumer behavior [12]. Therefore, more research is needed to study the relationship between ethical brands and consumer behavior and its effects on purchase decision. Moreover, ethics has been studied in almost all commercial subjects except in branding [8]. Therefore, the present study is a step forward to fill this gap, and since no research has been performed in Iran so far regarding the effects of ethical brands on consumers’ behavior and issues like faithfulness, trust, and affectency for a brand, in the present study, efforts have been made to study the effects of ethical brands on consumers’ behavior. In other words, the present study seeks for a suitable answer to the question whether ethical brands have an effect on consumers’ behavior.

Related Literature:
Since the early 1990s, the issue of ethics in trading attracted many authorities’ attention. After the industrial revolution, many commercial and industrial organizations violating ethical principles gradually focused on more profit making and had reached a place where they tended to fight against customers, stock-holders, distributors of materials, and other beneficiaries. However, as the 90s began, rethinking organizational behavior and observing ethical principles, at least in theory, attracted the attention of many commercial and industrial
organizations’ managers [3]. In fact, public attention to observation of ethical principles in trading increased when some public media named the 1980s the decade of “greed” and accused some commercial systems, especially in the marketing profession, of abusing ethics, claiming that industry owners and providers of services encourage avarice, more consumption, violation of ethical principles in trading and promotion of greed in people to make more profit. The attention paid by media caused ethics to be considered the slogan of the day in the 1990s and observation of ethical principles to be advised to production and services organizations and companies. At the beginning of this decade, several conferences were held on the subject, and several books we written about it. Specialist journals like the European journal Business Ethics came to exist. New organizations like the European network of ethics in trading were established in most European countries. Great advising and auditing companies made dealing with ethics in commerce and trade one of their routine activities. Companies integrated customers’ wills and observation of ethical principles with research in the market. Nutritional products with eco-friendliness were supplied on the market. Funds of “ethical investment” were established, whose purpose was to apply people’s capitals in companies and organizations that considered ethical criteria in their activities. Customers and consumers based their decisions for goods purchase on information that producers and distributors were famous for their application of ethical policy and its observation [3].

In our country, Iran, too, having enjoyed and followed the rich Islamic culture for a long time, observation of ethical principles has always had a valuable place in people’s trade and life. On the one hand, in the Holy Quran, God introduces the explanation and description of ethical virtues as the goal of the prophet’s mission, and, on the other hand, Iranians’ manners have always been based on ethics and observation of ethical principles. In both Islam and the Iranian culture, so much attention has been paid to observation of ethics in trading. The very existence of several hadiths and narrations in the area of adherence to ethical principles in trading confirms this [13]. Today, too, consideration of ethics in trade has been emphasized so much that many regard it as one of the most important subjects in the field of contemporary trade. Ethical principles can be defined as a collection of principles that distinguish between right and wrong. Ethical principles are a string of norms that prescribes what one should do and what (s)he should refrain from doing [14]. The Persian word for ethics is the plural form for a word meaning temper. Therefore, the science of studying and evaluating human temper and behavior is called the science of ethics [15]. In fact, ethics, which means habit, character, and temper, deals with how one should live and what is right and what is wrong. In other words, it is related to action [16]. Moreover, commercial ethics is a branch of applied (practical) ethics, which studies ethical and spiritual principles or ethical issues caused by them in the commercial environment [17]. That is, it seeks to answer the general question of whether or not the operations on the market and in trade are also acceptable ethically (besides observing legal considerations) and whether it is considered as good or bad [16].

From long ago to the present age, various factors have had a role in creation and revolution of ethics in trading, such as philosophers and scientists’ thoughts on issues like justice, honesty, integrity, fairness, and consideration of ethical standards in trading with and behaving toward other people. Although new thoughts have radically posed issues like separation of religion and politics in the world in the modern era, religious beliefs and instructions by prophets are considered factors affecting the formation and revolution of ethics in trading [18]. Studies performed in the area of agencies management and commercial activities represent that ethical standards play roles in agencies management from different aspects. The importance of this role of ethics’ has caused owners of different professions or top managers at the level of organizations to define and present norms and criteria, to be considered for decision making at the time of action or in case of a special situation. The criteria concerned are placed within the framework of organizations’ or different professions’ ethical instructions for the staff members to follow. These instructions include subjects like the company’s attitude toward the issue of quality, how to treat customers, feeling responsibility for the environment and observation of laws related to environment preservation, and responsibility for consumers’ affairs. Ethical codes can be considered as companies’ official declarations in the area of ethical and social values, and the objective for which they are developed is to improve the quality of decision making and actions and functions in organizations at different levels [18].

**Conceptual model:**

To examine the relationships between each of the variables of the model are taken from the model proposed by Singh et al (2012) [19] will be applied.
Fig. 1: Conceptual model [19]

Perceived Ethicality:
Consumer perception of a brand as a brand honest and reliable, responsible and accountable to the stakeholders to be included [19]. In fact, overall consumer perception of ethical principles and norms are adhered to by the company [20].

Brand Loyalty:
Having a deep commitment to rebuy or re-patronize a preferred product or service in the future, so that the brand despite environmental influences and marketing efforts of competitors to be purchased again [21].

Brand Trust:
Consumers tend to rely on their ability to perform his duties is determined [22].

Brand Affect:
The ability of a brand to evoke a positive emotional response in the consumer product is a result of its use [19].

Research Hypothesis:
H1. Perceived Ethicality is positively related to Brand Trust.
H2. Perceived Ethicality is positively related to Brand Affect.
H3. Brand Affect is positively related to Brand Trust.
H4. Brand Trust is positively related to Brand Loyalty.
H5. Brand Affect is positively related to Brand Loyalty.

Research Method:
In terms of studies classification based on the mode of data collection, or in other words research design, this research is a descriptive research that describes the characteristics of the sample and then generalizes these characteristics to the statistical population. Descriptive studies can be categorized in several categories; in this study “survey research” has been used, which studies the population’s characteristics and attributes, and examines current status of statistics population in the framework of several attributes or variables. Library method has been used to develop theoretical fundamentals and research background; and because this study was a survey one, field method (questionnaire) has been used in this research for data gathering. Also based on the target, this study is an applied research. Since this research examines the impact of ethical brand on the customer behavior in a multi-variable model, in terms of method is a correlation. The statistical population in this study contains all consumers of food products (Noosheen Cookie) in the city of Rasht (2013-2014). Questionnaire has been used to gather data, and also structural equations modelling via Amos has been used to analyze data and to test assumptions. In general, in the structural equation modeling methodology, the sample size can be determined between 5 and 15 observation for every measured variable. That is:

$$5q \leq n \leq 15q$$

According to the formula $q$ is the number of observed variables (questionnaire items), and $n$ is the sample size [23]. Since this study’s questionnaire has 16 items ($80 \leq n \leq 240$), so taking into consideration the maximum value of 15 observations for each item, the maximum number of needed sample is calculated as 240 samples. Among 240 distributed questionnaires, 217 questionnaires was usable. In this study, convenience sampling has been used to select sample. Convenience sampling is a method for gathering information from the members of the community to easily access to its information [24]. The questionnaire used for this research includes two sections of general and exclusive questions. The first part is in relation to the demographic information about the respondents, and it contains 3 questions about their gender, age, and educational level. 41.9% of studied consumers of food products in the city of Rasht were male, and 58.1% of them were female.
32.7% were under 30 years, 32.7% were between 30 and 39 years, 21.7% were between 40 and 49 years, and 12.9% were 50 years and more. 24.4% of these respondents had diploma or under diploma, 17.1% had associate degree, 37.3% were bachelor, and 21.2% were master and higher. In the second section, needed data for the research have been collected using standard questionnaire provided by Singh et al. (2012) [19], which contains 16 exclusive questions related to the study’s variables. Questions relating to each variable measurement that have been used in this questionnaire are: 1- Trust to the brand (questions 1-4) created by Chaudhuri and Holbrook (2001) [22], 2- Affect to the brand (questions 5-7) created by Chaudhuri and Holbrook (2001) [22], 3- Brand loyalty (questions 8-11) created by Jacoby and Chestnut (1978) [25], 4- Perceived ethical principles (questions 12-16) created by Brank (2011) [26]. The scale of items measurement in the questionnaires is 5-item Likert spectrum from totally disagree (1) to totally agree (5). This spectrum contains a set of questions, which their attitude or value load were approximately equal. According to their degree and severity, the responses varied in the spectrum between terminal mete such as agree-disagree, like-dislike, accept-reject. Content validity method has been used to determine the questionnaire validity that in this case, the quantity and quality of the questions have been examined by professors and experts’ views or opinions. For this purpose, the questionnaires were given to specialists including three research methods and business experts that their opinions confirmed the questionnaire validity. To determine the questionnaire reliability Cronbach’s alpha has been used. For this purpose, during the pre-test 30 questionnaires were distributed among the consumers of food products; then, the questionnaire reliability was calculated using obtained data via SPSS 22 and by Cronbach’s alpha. Given that the minimum reliability coefficient for research questionnaires is 0.70, it can be seen that the obtained Cronbach’s alpha coefficients for all variables are higher than this value. Thus it can be claimed that the reliability and validity of the questionnaire was satisfactory.

### Table 1: Cronbach’s alpha variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of questions</th>
<th>Cronbach’s alpha values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Trust</td>
<td>4</td>
<td>0.922</td>
</tr>
<tr>
<td>Brand Affect</td>
<td>7</td>
<td>0.975</td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>11</td>
<td>0.942</td>
</tr>
<tr>
<td>Perceived Ethicality</td>
<td>16</td>
<td>0.963</td>
</tr>
</tbody>
</table>

### Results and Findings:

To show the results of the research hypothesis based on structural equation model, Table 2 is presented in brief.

### Table 2: Test results of the research hypotheses

<table>
<thead>
<tr>
<th>Row</th>
<th>Hypothesis</th>
<th>The coefficient</th>
<th>T-statistics</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perceived Ethicality is positively related to Brand Trust.</td>
<td>0.71</td>
<td>9.88</td>
<td>Accept</td>
</tr>
<tr>
<td>2</td>
<td>Perceived Ethicality is positively related to Brand Affect.</td>
<td>0.95</td>
<td>31.84</td>
<td>Accept</td>
</tr>
<tr>
<td>3</td>
<td>Brand Affect is positively related to Brand Trust.</td>
<td>0.27</td>
<td>3.89</td>
<td>Accept</td>
</tr>
<tr>
<td>4</td>
<td>Brand Trust is positively related to Brand Loyalty.</td>
<td>0.62</td>
<td>8.95</td>
<td>Accept</td>
</tr>
<tr>
<td>5</td>
<td>Brand Affect is positively related to Brand Loyalty.</td>
<td>0.36</td>
<td>5.50</td>
<td>Accept</td>
</tr>
</tbody>
</table>

The results of structural equation modeling test indicate that all research hypotheses were accepted. Amos software estimates coefficients and tests the model and also provides a series of fitting indexes by using them the overall model’s fitting is tested. Fitting, suitability, and adequacy of the data is evaluated for the model. This means that if the fitting indexes reflects the model’s fitting, the data is suitable and adequate for the analysis and conclusions of current relations in the model. Fitting indexes for this research’s model are shown in Tab.3.

### Table 3: Indicators model

<table>
<thead>
<tr>
<th>Index</th>
<th>Value reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square/df</td>
<td>4.11</td>
</tr>
<tr>
<td>GFI</td>
<td>0.90</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.90</td>
</tr>
<tr>
<td>NFI</td>
<td>0.91</td>
</tr>
<tr>
<td>IFI</td>
<td>0.93</td>
</tr>
<tr>
<td>CFI</td>
<td>0.93</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.048</td>
</tr>
</tbody>
</table>

### Discussion and conclusions:

Marketing was primarily established to satisfy customers’ needs and also to help trading companies and organizations’ economy, but nowadays it has been caught in a sinkhole that many people find it full of deception, trickery, cheating and lying. These issues put down roots so much in some organizations as if
principles and ethical norms compliance will lead to a gift such as reduction of profitability and competitiveness failure. Contrary to these managers’ impression, attending to ethical issues not only does not decrease profitability, but also increases customers’ trust and affect to deal with the organizations; and also increased trust and affect will create issues such as word of mouth advertising and customers loyalty, which all are aware of its advantages. Therefore, having such an approach, these research attempts to examine the impact of customers’ perceived ethical principles on their trust, loyalty, and affect to the brand. Results of structural equation modeling test showed that perceived ethical principles by consumers have a positive impact on trust and affect to the brand. Also affect to the brand has a positive impact on trust to the brand. Moreover, trust and affect to the brand have also a positive impact on loyalty to the brand, which these results are consistent with the findings of previous researchers such as Singh et al. (2012) [19], Matzler et al. (2008) [27], Taylor et al. (2004) [28], and Chaudhuri and Holbrook (2001) [25].

As was observed, affect to the brand moderates the relation between consumers’ perceived ethical principles and trust to the brand. Hence, it is essential to accurately examine emotional dimensions and aspects caused by the brand consumption that affect emotional reactions of various consumers and beneficiaries of the brand. On the other hand, it was determined that ethical principles perceived by customer about a company’s brand affect loyalty to the brand indirectly and through the variables of trust and affect to the brand. Therefore, the necessity of investing in compliance and commitment to the ethical principles is displayed more than ever. Companies should attempt to pay an especial attention to the policies and moral norms in branding and also be aware that these investments will have returns such as loyalty, trust, and affect to the brand. According to this issue, charge of marketing at trade organizations should create more ethical brands, it means they should create brands that do not harm the society and are in the public interest and consider issues such as the consumer’s respect and protection and his/her health and so on, so that in this way they can distinguish themselves from competitors and gain a competitive advantage, and thus they can ensure the survival of their business. Since the creation of moral based brands will lead to customers’ loyalty, its importance is doubled for businesses; because customers’ loyalty will have some advantages such as increasing market share and profitability, keeping customers, ensuring future sales and word of mouth advertising. It is clear that encourage and promote ethical behavior in a company or an organization is an inevitable necessity, which administrators should not neglect it. Managers should manage in such a way that even moral principles and norms compliance would be appeared in the organization’s brand. Incidentally, ethical principles compliance shows the importance of issues such as employee selection and employee training to be moral based in the relations with customer, and to obey ethical principles.

Limitations:

Among the limitations of this study we can note the diversity of manufactured products in the food industry, which decreases the results generalization ability among different sections of this industry. One of the other limitations of this research that is one of the specific characteristics of human science research is the effect of variables that they are out of the researcher’s control, and the possibility of their impact on the study’s results is not far-fetched. For example, competition intensity, economic conditions, and so on can be noted.

Suggestions:

Ethical branding has a big role in a company’s credit, it can provide a clear insight to respect basic values, and in competitive localization it reduces doubt and uncertainty about the brand communications. Finally, it can be said that ethical branding is considered at two levels:

1) In the level of making name, naming, and partial location decisions (applying moral opinions).
2) In the level of philosophical psychology (testing the relationship between brand and branding and social needs).

In any case, this issue has recently been raised and further work and study is needed. But what is clear is that companies should make a moral balance in the decisions related to branding and communications, according to the strategic and systematic vision, through:

- Developing ethical principles statement, creating a separate strategy named corporate’s social responsibility strategy in strategic plans and setting a solution to realize the company’s ethical statement.
- Improving the culture and institutionalizing certain moral values in attitudes and behaviors of employees in the organizations.
- Identifying consumers’ desired moral values, cultures, traditions, and social behavior to adapt the company’s strategies, policies, operations and products with those ethical values.

There are few studies done in the field of brand’s morals principles that generally focus on marketing ethics, which include marketing’s general issues such as product safety, pricing, promotions. Therefore, it is recommended to perform further studies about brand’s ethical principles and the value of their impacts on company’s success to expand the scope of this issue. Anyway, compliance with ethics in all parts of an organization, especially in brand choice that is the company’s starting point for product identification, is
necessary; and if it is properly performed, the company’s credit will be increased and this credit enhancement will show itself as increased added value that is a kind of intangible and valuable asset. This research just examined the impact of ethical brand on the behavior of food products consumers; therefore, it is suggested that future studies examine it in the other industries.

REFERENCES

[16] Dadgar, Y., 2006. Business Ethics (Business) from the perspective of economics and Islamic economics, was a commercial, 38: 87-120.