

*Full Length Research Paper*

# Ethics as a customer perceived value driver in the context of online retailing

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**This study investigated the relationships between the ethics of online retailing and customer perceived value in Turkish retail cyberspace. The data was obtained from the responses of 206 Turkish customers who had purchased at least an item online in the last 4 months. The results revealed that there were significant relationships between the dimensions of the ethics of online retailing security, privacy, non deception, fulfillment and customer perceived value. The limitations of the study and the suggestions for future research were presented.**

**Key words:** Online retailing, ethics, customer perceived value, Turkey.

## INTRODUCTION

The need for more timely information led to the development of world's largest and widely used networks: the Internet (Schniederjans and Cao, 2002: 3). In the last two decades, as the total number of Internet users has increased rapidly (Internet World Stats, 2009), internet based business processes have been introduced by conventionally operated retailers of many industries (Pavlou and Gefen, 2004). Big companies added economically marginal sites to their networks, thus broadening their reach and small companies found the cost of entry to a potentially huge global marketplace no longer beyond their means, therefore e-commerce exploded (Davis and Benamati, 2003:14). The Internet represents a "new environment for unethical behavior" (Freestone and Mitchell, 2004; p.126), and evading the ethical rules damages the relationships between the organizations and customers (Fisher et al., 1999:157). If the companies using Web sites to conduct electronic commerce don't adhere some ethical standards, they will suffer from the consequences such as damaged reputation and long-term loss of trust that may result in loss of business (Schneider, 2006 :328)..

Consumers experience some ethical issues such as

Consumers experience some ethical issues such as privacy and transaction security, attracting societal criticisms of online shopping activities (Roman and Cuestas, 2008; Roman, 2007). Both firms and their customers benefit from the ethical attitudes (Abela and Murphy, 2008). Ethical attitudes also create customer satisfaction and it is a key factor that helps organizations to have long-term success (Fisher et al., 1999:157). Therefore, ethical considerations should be involved in many strategic marketing decisions of e-tailers (online retailers), since unethical organizations lose their customers promptly.

The retail ethics have been discussed in the literature from differing viewpoints (Alan, 2004; Babakus et al, 2004; Babin et al, 2004; Vitell et al, 2001; De Coninck, 1992), disregarding Internet based retailers. This study is specifically set in the phenomenon of the ethics of online retailing. The purpose of the study is to gain a clearer understanding of the relationships between customers' perceptions about ethics of online retailers and customer perceived value which gives e-tailers a strategic advantage. Hence we proposed a model that explains the relationships by estimating the variables of the study.

The first part of the article serves a brief summary of the literature about e-tail ethics. In particular, it focuses on the customer perceived value in the context of the strategic marketing. Part two presents the outline of the methodology nonetheless the results of the study. The

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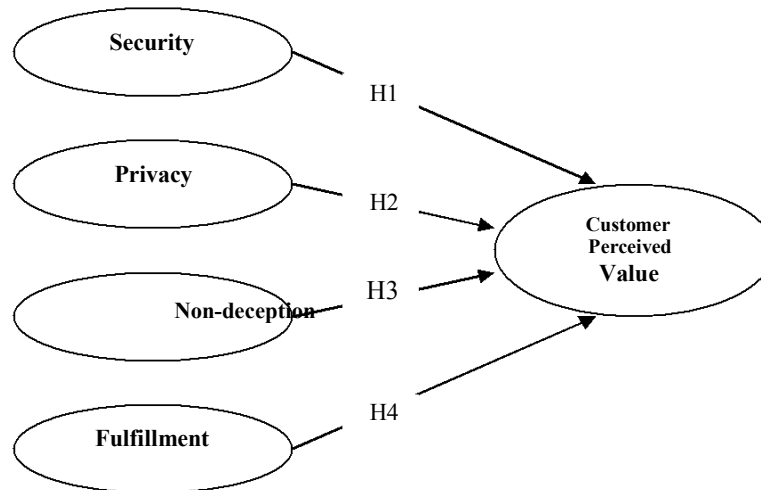


Figure 1. Conceptual model.

findings highlight the significant relationships between customers' perceptions about ethics of online retailers and customer perceived value. Finally, the last section while exploring the implications of the findings also gives the directions for further research.

## LITERATURE REVIEW

According to the Aristotelian moral philosophy tradition, the meaning of the word "ethics" is "human actions from the point of view of their rightness or wrongness" (Gaski, 1999). Ethics corresponds to "what is good?" (Pires and Stanton, 2002), however there is not any universal answer to this question (Fisher et al., 1999).

"Marketing Ethics" could be defined as the standards of conduct and moral judgment applied to marketing practice or a code of morals for the marketing field (Gaski, 1999). There are many studies in the literature addressing various issues concerning marketing ethics (e.g. Murphy et al., 2007; Vitell and Ho, 1997; Fraedrich 1996; Hunt and Vitell, 1986).

"E-tail Ethics" refers to e-retailers' responsibilities concerned with treating the customers in a fair, honest and secure way (Roman, 2007:134). There are four main ethical dimensions in the Internet retailing context: privacy, security, non-deception and, reliability. "Privacy" dimension is related to collection of the personal information of the customers and how this information is used (Roman and Cuestas, 2008). The majority of studies about e-tail ethics concern with the privacy dimension (e.g. Franzak et al., 2001; Caudill and Murphy, 2000). "Security" is an ethical dimension that refers to the safety of the computer and credit card or financial information. Consumers consider security to be very important in purchasing via the Internet (Bart et al., 2005:135). "Non-deception" conveys the behaviors about

deceiving the customers. Finally, dimension refers to keeping the promises to perform a service for a certain form and by a certain time (Roman, 2007).

While ethical concerns may be recognized as an influence on purchase behavior, ethics in and of itself can also be viewed as a strategic value sought by customers (Smith, 1996). Value is defined as the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given (Anderson and Srivinasan, 2003). In the retail context, value is the customer's view of all the benefits from the total retail experience and process quality (Berman and Evans, 2007:25). If customers do not trust organizations within the context of process quality, their perceptions of value in doing business with the company will be weakened. Ethics has a strong influence on customers' perceptions of the level of process quality that is one of the major components of customer perceived value (McMurrian and Matulich, 2006).

Based on the preceding discussion, the hypotheses of the current study are:

H<sub>1</sub>: As the level of e-tailer's security policy increases, customer perceived value will increase.

H<sub>2</sub>: As the level of e-tailer's privacy policy increases, customer perceived value will increase.

H<sub>3</sub>: As the level of e-tailer's non-deception policy increases, customer perceived value will increase.

H<sub>4</sub>: As the level of e-tailer's fulfillment policy increases, customer perceived value will increase.

The conceptual model and the hypotheses of the study are shown in the Figure 1.

## METHODOLOGY AND RESULTS

The data of the study were collected from a convenience sample of 205 Turkish customers who had purchased at least an item online

**Table 1.** Demographic profile of the sample.

<b>Demographic characteristics</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Sex</b>		
Female	104	50.5
Male	102	49.5
<b>Age</b>		
Under 18	1	0.5
19 - 25	54	26.2
26 - 30	86	41.7
31 - 35	29	14.1
36 - 40	23	11.2
41 - 45	6	2.9
46 - 50	4	1.9
51 - 55	2	1.0
Over 56	1	0.5
<b>Income (TL)(Turkish Lira)</b>		
1000	55	26,7
1001 - 2000	92	44,7
2001 - 3000	36	17,5
3001 - 4000	13	6,3
4001 - 5000	5	2,4
5001 and above	5	2,4

in the last 4 months. Firstly a pilot survey through 30 customers was carried out to assess the clarity thus to increase the validity of the scales. The respondents were asked to give comments and opinions on the questions. Thereby, necessary modifications were made in the questionnaire.

The respondents answered the questions using seven-point Likert Scales. "Strongly agree" was represented by "7" while strongly disagree was represented by "1". The questionnaire used in the study was divided into two major sections. Section I was related to the demographic profile of the respondents. Section II concerned with the customers' perceptions about ethics of e-tailers and customers' perceived value.

Customers' perceptions regarding the ethics of online retailers were measured by the scale adopted from Roman (2007). It had four dimensions namely security (4 items), privacy (3 items), non-deception (3 items) and fulfillment/reliability (3 items). Perceived value (4 items) was adopted from Anderson and Srivinasan (2003). Table 1 summarizes the demographic profile of the respondents of the survey.

About 50.5% of the respondents were female and 49.5% were male. The majority of the respondents were in the age group of 26 - 30. Finally, an overwhelming majority (44.7%) of the respondents were in the income group of 1001 - 2000.

In order to perform a more precise analysis, factor analysis was performed. Table 2 shows the results of the factor analysis and the reliabilities of each dimension.

As seen in the Table 2, the Kaiser Meyer Olkin measure of sampling adequacy was .822; and it indicates that the data was factorable. Besides, the Barlett's test shows that the correlations between the variables were significant at the .000 level.

After applying the factor analysis to The Ethics of Online Retailing scale, the three factors were retained. Security and Privacy variables were loaded in the same factor. Several

researches compound privacy and security concepts into one dimension (Parasuraman et al., 2005; Wolfinbarger and Gilly, 2003; Yang et al., 2004).

Besides, it can be stated that all scales are reliable since Cronbach's Alpha co-efficients are higher than 0.7 (Hair et al., 2005:137). Based on the factor analysis, the conceptual model of the study was revised (see Figure 2)

### Revised hypotheses

H<sub>1</sub>: As the level of e-tailer's security and privacy policy increases, customer perceived value will increase.

H<sub>2</sub>: As the level of e-tailer's non-deception policy increases, customer perceived value will increase.

H<sub>3</sub>: As the level of e-tailer's fulfillment policy increases, customer perceived value will increase. Table 3 presents the means, standard deviations and correlation coefficients. As seen in the correlation matrix, there are significant relationships between the research variables. In order to test the relationships in the proposed hypotheses, a Regression analysis was conducted. Based on the hypotheses testing, the dimensions of the e-tail ethics would be positively related to perceived value by the customers. Besides, the adjusted R<sup>2</sup> explained the 50.2% of the variance of the perceived value. In summary, all hypotheses of the current study were accepted.

### DISCUSSION

As we started to live in a virtual world where the retailers

**Table 2.** Factor loadings and the Cronbach's alpha reliability coefficients.

<b>Dimensions and items</b>	<b>Factor loadings</b>	<b>Cronbach's alpha</b>
The ethics of online retailing		
Security and privacy		.90
The security policy is easy to understand	.826	
The site displays the terms and conditions of the online transaction before the purchase has taken place	.796	
The site appears to offer secure payment methods	.730	
This site has adequate security features	.729	
The site clearly explains how user information is used	.791	
Only the personal information necessary for the transaction to be completed needs to be provided	.600	
Information regarding the privacy policy is clearly presented	.765	
Non-deception		.872
The site exaggerates the benefits and characteristics of its offerings*	.842	
This site takes advantage of less experienced consumers to make them purchase	.939	
This site attempts to persuade you to buy things that you do not need	.874	
Fulfillment		.814
The price shown on the site is the actual amount billed	.805	
You get what you ordered from this site	.877	
Promises to do something by a certain time, they do it	.733	
Rotation:		Varimax
Kaiser-Meyer-Olkin Measure of Sampling Adequacy: .822		
Bartlett's Test of Sphericity: Sig.000 (% 99)		

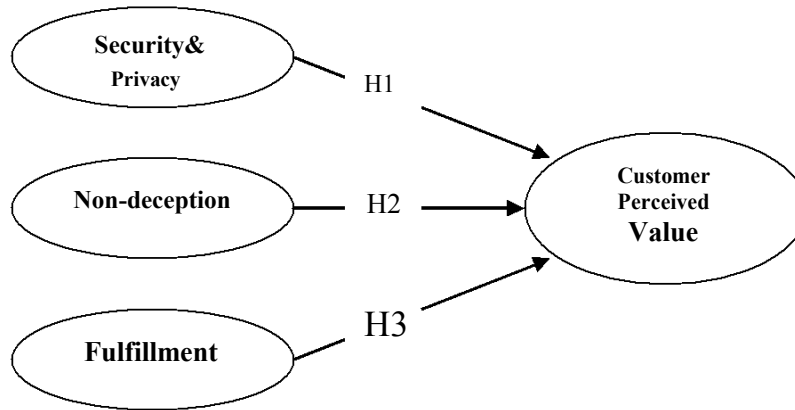
\*Items in italic are reverse-scored.

are becoming geographically afar from their customers, it is getting vital for the firms to create customer perceived value to build long-term growth and profitability. In this study, the main aim was finding out the relationships between the ethics of online retailing and customer perceived value. The results of the study reveal that there reveal that there are significant relationships between the dimensions of the e-tail ethics and perceived value by the

customers. Almost fifty percent of the perceived value can be explained by the dimensions of the e-tail ethics (Table 4).

Therefore, all dimensions of the ethics of online retailing need to be handled comprehensively since it is very important to create customer perceived value to have a long-term growth and profitability.

This study employed a convenience sample of online



**Figure 2.** Revised conceptual model.

**Table 3.** Correlations.

Variables	Means	Standard deviations	1	2	3	4
(1) Security and privacy	5.52	1.44	1			
(2) Non-deception	5.35	1.31	.176*	1		
(3) Fulfillment	6.11	1.26	.563**	.152*	1	
(4) Value	4.67	1.79	.613	.327	.589	1

\*\*p < 0.01 \*p < 0.05.

**Table 4.** Relationships between e-tail ethics dimensions and customer perceived value.

Independent variables	Standard beta	t	P
Security and privacy	0.390	6.480	.000
Fulfillment	0.348	5.810	.000
Non-deception	0.177	3.397	.001
R <sup>2</sup> = .502 F = 65.418 p = .000			

consumers which may cause a bias toward the younger and more educated consumer segment. Therefore the results of the study may not be generalized to whole population. In the future research a random sample may be more useful to generalize the results. Future research may also focus on the comparison of customer perceived values regarding different product types. Besides, variables such as customer satisfaction and customer loyalty may be added to the conceptual model.

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