The Consumer: A Driving Force for Ethical Business Practice

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What was once rooted in religion has now become an epicentre of concern for morally ambiguous institutions. Ethics, as the core principles of our humanity, drive what we think, say, and do. It is the theory of morality that attempts to systematize moral judgements (Sroka & Lorinczy, 2015). A pervasive thought exists in which ethics remains adjunct from business, dating back to the free market ideology (Cragg, 1997). In the 1960s, the counterculture movement, fuelled by socio-political unrest, cast a shadow of controversy across the ethical landscape (George, 1987). Now, in our modern interconnected environment, the impact of ethics in commerce is increasing. Consumerism enables individuals to be the proponents of society's moral shift. Purchasing decisions – once a function of necessity – are now extensions of individual identity. This paradigm shift acts as the catalyst for the Ethical Consumerism movement (Freestone & McGoldrick, 2008). Ethical Consumerism suggests that consumers can, and should, act upon a set of moral values whilst allocating their discretionary funds.

Two Steps Forward, One Step Back

Free market ideology proposes that ethics implies a level of cooperation incompatible with the forces present in business (Cragg, 1997). Globalization, in fostering collaboration amongst businesses, makes this notion less applicable. Not only did it expand purchasing selection but also proliferated the flow of information. Consumers are left with a greater avenue to exercise ethical decision making. The influx of available information exposed major companies like Nike, who were criticized for poor labour practices such as the "slave" labour of young Asian women (DeTienne & Lewis, 2005). In contrast, certain companies leverage the dissemination of information as a competitive advantage by exemplifying ethical practices. TOMS Shoes, an early adopter of philanthropic practices, aims to synthesize shared value with its one-for-one policy (Bachnik & Szumniak-Samolej, 2013). This initiative matches every purchase of a TOMS product with an equivalent donation in shoes. While TOMS' philanthropic initiative aligns both financial gains and the maximization of societal welfare, the most ethical decision seldom coincides with the most favorable for consumers. There is often a cost associated with ethical decision making (Hiller & Woodall, 2019). The tradeoff between Ethical Consumerism and increased prices compels consumers to purchase products that are incongruent with their moral predisposition as a counterbalance to the economic onus. The persistence of ethical purchasing highlights the subtlety and nuance present in consumer decision making.

Minding the Gap

The consumer buying process originates at a schism between the actual and ideal self (Mandel, et al., 2017). Should a discrepancy exist, a need is recognized to achieve the ideal state. Thus, the expression of the desired self is materialized through purchasing. To make purchasing decisions, individuals first research information and evaluate alternatives (Kotler et al., 2017). The buying decision process then considers personal factors – one's personal identity, psychological factors – one's cognitive processes and functioning, and situational factors – one's reactionary perception of their current surroundings (Brown, 2006). Within the psychological factors, ethics introduces the "intention-behavior gap" (Carrington, et al., 2014). The intention-behavior gap is a dichotomy between an individual's desire for an ethical decision and the actualization of this decision. The degree to which this gap is palpable is a function of prior planning, control over the buying experience and aspects of the buying environment (Carrington, et al., 2014). The variety in individuals' unique set of beliefs amplifies the complexity of Ethical Consumerism. The degree to which an individual incorporates ethical choices in their daily lives is organized into primary issues of importance – where they are consistent and planned – and secondary issues of importance – they are not consistently followed nor planned (Carrington, et al., 2014).

From Laissez-Faire to Ethically Aware

Inability to adapt to ethically inclined consumer segments may carry reputational and economic consequences. Organizations can mitigate these risks by entrenching ethics as a foundation of corporate strategy. The push for ethical production and sourcing compels companies to re-evaluate their market position and integrate corporate social responsibility (CSR) plans. Although pursuing ethical decisions could introduce additional costs, financial performance can improve overall (Brik, et al., 2011). Financial gains may be further realized through the retention of loyal customers in alignment with the brand's principles (Singh et al., 2012).

Businesses develop impressions of personal relationships with their customers, through marketing initiatives (Bendixen & Abratt, 2007). The aggregate of these relationships constitutes a company's brand reputation, as an expression of corporate values and a point of differentiation from competitors. Product differentiation, in accordance with CSR, enables value creation where the price premium is justifiable and profitable. One such instance of this is the case of Patagonia, in which its environmental-friendly products sell at about 50% or more than competitors such as LL Bean and Eddie Bauer (Husted & Allen, 2007).

Demands for ethical production pressure companies to rethink their operations and supply chain. As a result, supply chain transparency has become more prominent and encourages active pursuit of ethical decisions not only to satisfy regulations but to also appeal to consumers (Shafiq et al., 2020). Socially Responsible Supply Chain Management advances corporate philanthropy as it extends to a proactive approach of eliminating unethical social issues within the workplace beyond charitable giving (Hoejmose et al., 2013). Furthermore, these ethical decisions promote innovative and sustainable practices that provide long-term operational and financial benefits (Nidulomu et al, 2009).

Moral Is The New Normal

Ethical Consumerism reframes how businesses market to consumers. In a dynamic market, with ever-changing tastes and preferences, companies must compete beyond the value of a product's utility but further, in its means of production. Consumers must recognize that the trade-off for ethically produced and sourced products comes at an additional cost. Businesses should consider generating economic value by incorporating ethical practices. Brands that align with a consumers' ethical predisposition create opportunities for strong and lasting consumer relationships. However, a risk emerges when organizations feign engagement in ethical practices with selfish underlying intentions. Ingenuine ethics can ultimately defeat the main purpose behind the movement of Ethical Consumerism. Ethical Consumerism is about changing behaviour, not perception. It is not enough for businesses to merely preach what they will do, rather companies must do what they preach.

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