

THE EFFECT OF CONSUMER'S PERCEIVED ETHICALITY ON PURCHASE INTENTION THROUGH BRAND TRUST (CASE STUDY INDOFOOD AND UNILEVER)

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Abstract: The application of business ethics is crucial in today's competitive business world. Disclosure of ethical violations in business has an impact on consumer responses to corporate's image. The wide variety of brands in the Fast Moving Consumer Goods (FMCG) industry makes the strength of a brand very important for companies. Thus, other values in a brand have an effect on purchasing decisions. This other value becomes the point of ethical behavior involved. This study aims to analyze the relationship between consumer's perceived ethicality on purchase intentions mediated through brand trust. The sampling method used a purposive sampling method with the characteristics of the respondents having used and consumed the Indofood and Unilever company brands (which have been described in the questionnaire for the period March to May 2022). The research sample was 120 respondents using the formula theory Hair, which is 10 multiplied by the total of indicators. This research uses Partial Least Square-Structural Equation Model (PLS-SEM) in data processing. The results of this study found that ethical perceptions received by consumers had a positive and significant effect on purchase intentions which were partially mediated by the variable consumer trust in brands.

Keywords: business ethics, FMCG, brand trust, purchase intentions, PLS-SEM

Abstrak: Penerapan etika bisnis menjadi hal yang krusial dalam dunia bisnis yang kompetitif sekarang ini. Terungkapnya pelanggaran etika dalam bisnis berdampak kepada respon konsumen terhadap citra perusahaan. Beragam variasi merek pada industri Fast Moving Consumer Goods (FMCG) mengakibatkan kekuatan merek menjadi sangat penting bagi perusahaan. Dengan demikian, nilai lain dalam sebuah merek berpengaruh dalam keputusan pembelian. Nilai lain inilah menjadi titik perilaku etis terlibat. Penelitian ini bertujuan untuk menganalisis hubungan antara persepsi etika yang diterima konsumen terhadap niat pembelian yang dimediasi oleh kepercayaan konsumen terhadap merek. Metode pengambilan sampel menggunakan metode purposive sampling dengan karakteristik responden pernah menggunakan dan mengonsumsi merek perusahaan Indofood dan Unilever (yang telah dijabarkan dalam kuesioner periode bulan Maret hingga Mei 2022). Sampel penelitian adalah 120 responden menggunakan teori rumus Hair et al (2014) yakni 10 dikalikan jumlah indikator. Penelitian ini menggunakan Partial Least Square-Structural Equation Model (PLS-SEM) dalam pengolahan data. Hasil penelitian ini didapatkan bahwa persepsi etis yang diterima konsumen berpengaruh positif dan signifikan terhadap niat pembelian yang dimediasi secara partial oleh variabel kepercayaan konsumen terhadap merek.

Kata kunci: etika bisnis, FMCG, kepercayaan merk, niat pembelian, PLS-SEM

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INTRODUCTION

Business competition is getting tougher, causing many consequences in corporate competition. Companies that increase power compete continuously. Companies must be able to quickly change themselves to be stronger and able to respond to market needs (Setiyono and Sutrimah, 2016). Today, society is faced with various choices of alternative product brands for daily needs. This condition be a positive thing because they are able to choose the best offer according to their wants and needs. But on the other hand, there are many variations in consumer brand choice to benefit products that are worth the money (price), time and effort they put in the buying process (Panigyraki, 2013). Frequent problems in the purchase of Industrial Fast Moving Consumer Goods (FMCG) products are very competitive. Competition makes producers compete with each other instead both in terms of product and marketing. This is done so that they stay in this game. Thus, the strength of the brand becomes very important for the company. Modern companies not only offer (sell) their products but also use the brand image to position offerings effectively in the minds of customers (Panigyraki, 2013). Thus, it can be said that consumers not only consume certain products, but there are other values in a product's brands that are incorporated in the consumer decision-making process. Score these are the points where behavior is involved. Ying (2005) that brands are not only based on criteria economics or finances but also by morals. Some literature shows that impactful behavior is important for a brand because as consumers and stakeholders will demand and expect a company brand reflects the ethical problems that occur (Singh et al. 2012).

Disclosure of ethical violations in business activities that cause critical society thus influencing consumer choices and perceptions. Several violations have resulted in new types of consumers who have been inspected by Roddick (2012) namely consumers are more watchdog hungry consumers. Other literature identifies ethical errors in business activities can have a negative impact on consumer response impact on the company's brands and products (Javed et al. 2019). Therefore, brands need to find ways to convey these other values to consumers (Singh et al. 2012). Brand image can be used as a valuable asset for the company. This is why many companies try to apply moral criteria

to influence consumers' perceptions of them in an effort to gain a competitive advantage (Panigyraki, 2013). Thus, the ethical values applied by the company will be competitive. Ethics perceived by consumers or (CPE) is the level of ethical perception that consumers have of the product or certain brands. This implies consumer subjectivity to ethical behavior of a brand and the extent to which the company is able to actualize it in the form of real behavior (Eryandra et al. 2018). It is also based on the perception that the company builds to foster trust in consumers. The relationship between companies and consumers must be based on trust (Kang and Hustvedt, 2014). The relationship between brands and consumers can be seen as a dyadic exchange relationship that depends on mutual trust. However, trust is not just about relationships directly with the brand but also on the interactions built by consumers with other people (other consumers) and stakeholder groups interests such as employees of the company, including public opinion (Singh et al. 2012). When consumers believe in a brand, it will have an effect directly on consumer purchases of products in the future (Stevina et al. 2015). Thus, a consumer ethical policy based on the company's ethical behavior becomes important as a selling point for companies in an effort to gain a competitive advantage. This study aims to analyze the relationship between on purchase intentions mediated by brand trust.

METHODS

The data of this study were collected based on the determination of the number of samples using the formula Hair et al. (2014) which is 10 multiplied by the total of indicators with a total of 120 respondents. Characteristics respondents in this study were addressed to respondents who had used and consumed products from the company brands Indofood and Unilever. PLS-SEM analysis consists of two sub-models, namely measurement (measurement model) or can be called outer model and structural model (structural model) or can be called the inner model. The measurement model shows how indicator variables can represent variables latent to measure and display the relationship between constructs and variables indicator. The structural model shows the strength of the estimate between variables and displays path relationships between variables/constructs (Sarstedt et al. 2022).

This research was conducted by distributing questionnaires online via google form shared via social media. The research questionnaire instrument was compiled and measured by three constructs that exist from the literature. CPE is measured by indicators developed by Brunk (2012). Purchase Intention is measured by indicators designed by Lilijander et al (2009). Brand Trust is measured by indicators designed by Chanduri and Holbrook (2001). The three constructs were measured based on a 4-point Likert Scale (1=strongly disagree; 4=strongly agree). The operational definition of the instrument is shown in Table 1.

Business Ethics

Ethics refers to a set of morals, norms, principles or values that guide a person's behaviour. The terms unethical or ethical describe an individual's subjective moral judgment about right/wrong or good/bad (Brunk 2012.)In the business world the term 'business ethics' is often used when referring to an organization's ethical behavior (Hanning and Fuchs 2001). According to Barnet (2005) moral philosophy refers to the two main traditions of normative ethical theory, namely: deontology and teleology. Based on the opinion adopted from Crande and Matter (2007) deontology is considered a non-consequentialist theory that

guides a provisional evaluation; teleology represents a consequentialist theory of moral judgment approach (Brunk, 2012).

Consumer's Perceived Ethicality

Recent research introduces the construct of 'consumer's perceived ethicality' which is defined as the consumer's aggregate perception of the subject (company, brand, product or service) morality. Added by Brunk (2012) that CPE is the level of ethical perception that consumers have of a particular product or brand. This implies a subjective impression consumers towards the ethical behavior displayed by a brand and the extent to which the company is able to actualize it in the form of real behaviour (Eryandra et al. 2018). Based on the two philosophical approaches to normative theory that have been outlined, the consumer strictly adheres to the consequential or non-consequential position to evaluate ethical values. Consumers no longer only consider quality and price factors when choosing a product brand but rather consider the innovation and social ethics of a brand in the marketplace. Consumers who perceive that a product engages in ethical behavior are more likely to have a positive emotional response to the brand. This shows that those who are able to display ethical behavior will elicit a positive emotional response from consumers who use the brand.

Table 1. Operational Definition

Variable	Operational Definition	Indicator	Code
Consumer's Perceived Ethicality (CPE)	Recent research introduces the construct 'consumer's perceived ethicality' which is defined as the consumer's aggregate perception of the subject (company, brand, product or service) of morality (Brunk, 2012)	Companies/brands/products respect moral norms	X11
		Companies/brands/products always comply with the law	X12
		Socially responsible companies/brands/products (charity programs, environmental campaigns, donations)	X13
		Assessment of the company is a good brand / product	X14
Brand Trust	Belief in the brand is about the goodness of the company to act in the interests of consumers based on shared goals and values. Brand Trust leads to brand loyalty or commitment because of a very valuable exchange relationship (Chaudhuri and Holbrook, 2001).	Consumers trust a brand	X21
		Consumers can rely on a brand	X22
		The brand is secure	X23
		The brand is honest	X24
Purchase Intention	Purchase intention is the tendency to buy a brand and is generally based on the suitability between purchase motives and the attributes or characteristics of the brand being considered (Stevina et al. 2015).	Considerations in choosing a brand/product	Y1
		Considerations in choosing a brand/product	Y2
		Considerations to using a brand/product	Y3
		Consideration to buying a brand/product	Y4

Brand Trust

A brand represents all activities that generate trust that is not tangible and without human interaction, it can be a symbol of quality and assurance which helps build trust (Kwon et al. 2020). Brand trust is expressed in consumers' belief that a brand is made to perform a certain function (Singh et al. 2012). In line with the definition of trust is defined that brand trust as the average consumer's willingness to rely on the brand's ability to perform benefits the product. Consumer trust in a brand has been shown as a significant construct in maintaining buyer-seller relationships (Javed et al. 2019). Added by the researchers recommend that the relationship between consumers and companies should be based on trust (Singh et al. 2012).

Purchase Intention

Purchase intention is the tendency to buy a brand and in general based on the suitability of the purchase motive with the attributes or characteristics of the brand considered. Hsu (1987) shows that purchase intention refers to exchange behaviour which is designed after the general evaluation of consumers towards a product/brand. It is a perceptual reaction

taken on a person's attitude towards the object. Thus, consumers' purchase intentions are shaped by product evaluations or attitudes toward brands that combined with the stimulation of external factors (Lin and Ching Yuh, 2010). According to Tofighi and Bodur (2015) corporate social responsibility actions have the potential to influence attitudes and consumer behavior. Consumers can place their trust and confidence in the brand (Arachchi et al. 2022).

Based on the literature review, the researcher has a hypothesis that there is a positive relationship and significance between latent variables. Ethical perceptions received by consumers have a positive relationship and significance to purchase intention which is based on and mediated by consumer trust against a brand. The model of this study is shown in Figure 1 and there are three hypotheses developed.

- H1: Consumer's Perceived Ethicality has a positive and significant direct effect on purchase intention
- H2: Consumer's Perceived Ethicality has a positive and significant direct effect on brand trust
- H3: Brand trust has a positive and significant direct effect on Purchase Intention

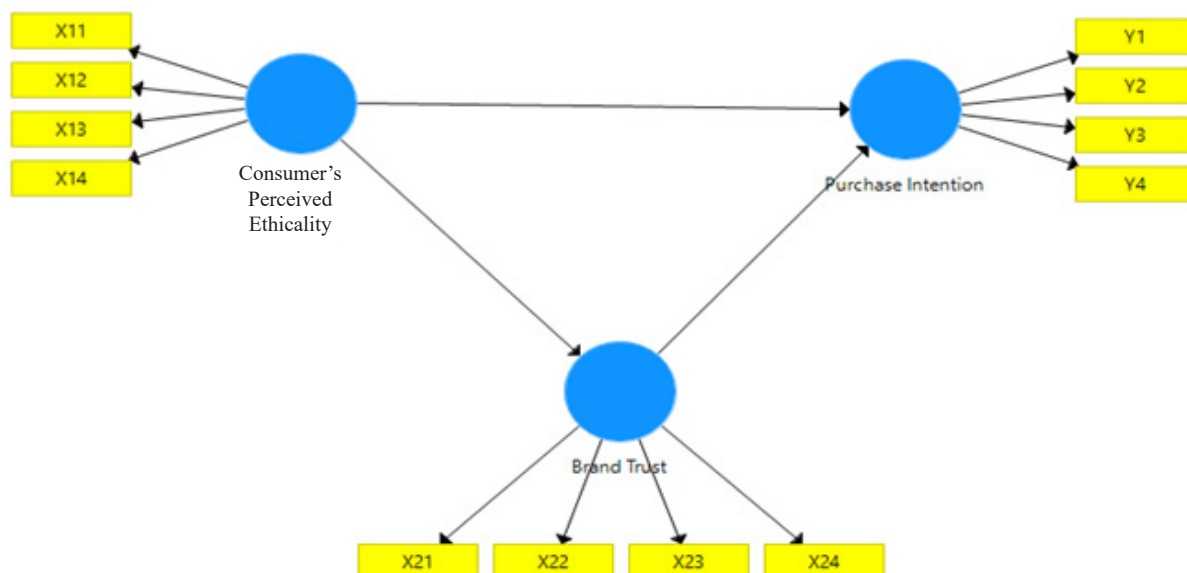


Figure 1. The model of this study

RESULTS

Outer Loading

Outer model evaluated by testing the validity or convergent validity through the value of outer loading/loading factor and Average Variance Extracted (AVE), internal consistency through the value of composite reliability reinforced by value and discriminant validity. Loading factor/outer Loading that determines the absolute contribution of indicators of latent variables. The outer loading is the value generated by each

indicator to measure the variable. In this study there are 3 variables latent with 12 indicators. According to Hair et al. (2014) in Sarstedt et al. (2022), the indicator is declared valid if the outer loading is more than 0.708. When the outer loading is between 0.40–0.70, the indicator can be removed and recalculated so that it can affect the value of composite reliability and AVE. The results of the initial model of PLS-SEM analysis in this study can be seen on Figure 2. It was found that one indicator did not meet the valid criteria. the researcher must track these indicators and perform recalculations. The results of the recalculation on Figure 3.

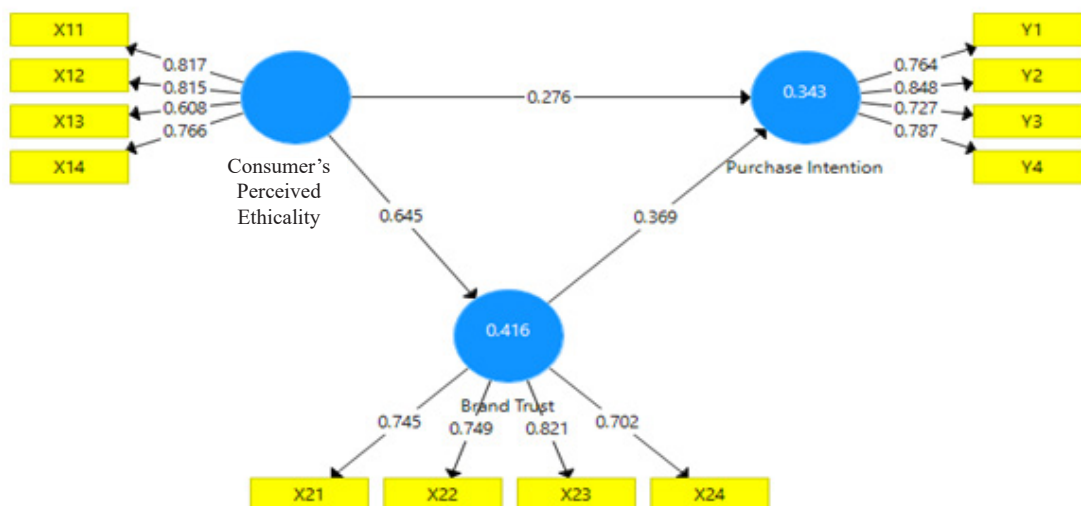


Figure 2. The results of the initial model of PLS-SEM analysis

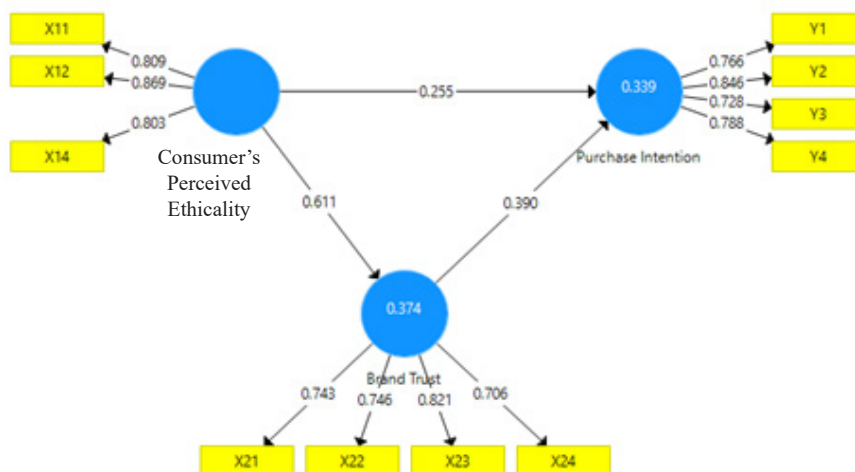


Figure 3. The results of the recalculation

Furthermore, validity testing is carried out with convergent validity, namely paying attention to the Average Variance Extracted (AVE) value. AVE is a value that assesses the extent to which latent constructs/variables explain the indicators. According to Hair et al. (2014) the AVE value must be greater than 0.50 (Table 2).

It can be seen that the Consumer's Perceived Ethicality, Purchase Intention and Brand Trust variables have met the validity test criteria, which have an AVE value >0.50. Thus it can be concluded that the three variables are valid (meets the requirements of convergent validity) and are able to represent each of the indicators. Next is the evaluation of discriminant validity. According to Hair (2014) in Sarstedt et al. (2022) describes that the latent construct is declared valid if the correlation value of a construct with its indicators is greater than the correlation value of other indicators with its construct. The value can be seen on Cross Loading Factor section (Table 3).

Furthermore, reliability tests were also carried out on the research model to test the reliability of a construct. According to Hair et al. (2014), the Composite Reliability value must be higher than 0.708 (Table 4). The minimum value of Cronbach's Alpha must be between 0.6–0.7 or between 0.7–0.9. We can conclude that the model has qualified. Thus, based on the evaluation of the outer model, this research model is declared to be sufficient to test the validity and reliability.

Inner Model

Inner model analysis or structural model evaluation analysis is an analysis used to describe the influence between latent variables. The structural model can be evaluated through the R-square value which shows how much the exogenous variables affect the endogenous variables. The R-square value can be seen in Table 5.

Based on the data presented, it is concluded that the R-Square test of the CPE variable on the brand trust variable has a value of 0.374 which indicates that the research model is categorized as moderate. It can be interpreted that CPE can explain brand trust by 37.4% while the rest is explained by other variables outside the model. The R-Square test of the CPE variable on purchase intention has a value of 0.339 which indicates that the research model is categorized as moderate.

It can be interpreted that CPE can explain purchase intention by 33.9% while the rest is explained by other variables outside the model.

Hypothesis testing can be done by looking at the results of the bootstrapping analysis on the path coefficient analysis. The original sample value serves to determine the nature of the relationship between variables in the form of a positive or negative relationship. If the T-statistic value shows significant results, namely >1.96, then the formulation of the hypothesis can be accepted. In summary, the SmartPLS output results in the Bootstrapping test can be seen in Table 6. It can be concluded through bootstrapping evaluation that all research hypotheses are accepted.

Table 2. Average variance extracted value

Variabel	AVE
Consumer's Perceived Ethicality	0.685
Brand Trust	0.570
Purchase Intention	0.613

Table 3. Cross loading factor value

Indicators	Consumer Perceived Ethicality	Brand Trust	Purchase Intention
X11	0.809	0.457	0.390
X12	0.869	0.513	0.392
X14	0.803	0.539	0.440
X21	0.447	0.743	0.458
X22	0.390	0.746	0.431
X23	0.619	0.821	0.368
X24	0.471	0.706	0.403
Y1	0.406	0.391	0.766
Y2	0.524	0.553	0.846
Y3	0.286	0.290	0.728
Y4	0.329	0.412	0.788

Table 4. Reliability value

Variabel	Composite Reliability	Cronbach's Alpha
Consumer's Perceived Ethicality	0.867	0.770
Brand Trust	0.841	0.748
Purchase Intention	0.863	0.794

Table 5. R-Square value

	R Square
Brand Trust	0.374
Purchase Intention	0.339

Tabel 6. Bootstrapping value

Hypotheses	Original Sample (O)	P Values	T Statistics	Result
Consumer's Perceived Ethicality → Purchase Intention	0.255	0.003	2.966	Accepted
Consumer's Perceived Ethicality → Brand Trust	0.611	0.000	12.213	Accepted
Brand Trust → Purchase Intention	0.390	0.000	4.303	Accepted

Mediator Model

The Mediation Test aims to examine whether a variable can be an intermediary or liaison between the independent variable and the dependent variable (Budhi, 2018). In this study, the mediator variable being tested is the brand trust variable. Calculations were performed using the formula Hair et al. (2014) in Sarstedt et al. (2022) that if the value of the indirect effect is significant, to determine the condition of the variable mediator a Variance Accounted for (VAF) value is needed which can be assessed through the value of the indirect effect and direct effect. This calculation is worth 49.4%. The calculation of the mediation test shows that the condition of the Brand Trust mediator variable is Partial Mediation (at the value of 20% VAF 80%). Thus Brand Trust partially mediates the Consumer's Perceived Ethicality and Purchase Intention variables.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Some conclusions that can be drawn based on the research objectives and the results of the discussion include: Consumer's Perceived Ethicality has a positive and significant effect on the endogenous latent variable Purchase Intention. Thus, the ethical behavior of the company will affect the ethical perception received by consumers towards the purchase intention of a brand. This means that the more ethical the perception received by consumers of the company's ethical behavior will be in line with the purchase intention of the brand. Also, Consumer's Perceived Ethicality exogenous latent variable has a positive and significant effect on Brand Trust. Thus, the better the perception of a brand affects the level of consumer confidence. The emotional relationship that is formed between the brand and the consumer becomes an important foundation in building company satisfaction to its consumers. Other values involved in consumer perception become a foundation for companies to gain competitive advantage. Ethical

perceptions received by consumers will foster a sense of trust in the brand and will directly affect the purchase intention of the brand. Consumers' trust in a brand, both from the safety of the product and ethical behavior beyond the benefits of the product, makes consumers rely on the product. For FMCG industries, the main factor is that several companies must keep up with ethical companies and products. Customers will be loyal to that company if they feel secure and believe in these values.

Recommendations

In this study, the authors limit the scope so that this research is more focused on the FMCG industry with products by Unilever and Indofood. That company could be viewed as limiting the validity result present. However the chosen sampling process was deemed a suitable method of data collection. This literature is also equipped with several operational definitions by previous researchers.

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