

The Influence of Perceived Value and Personal Values on Ethical Consumption: The Case of Fairtrade Products

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Abstract: *The purpose of this study is to examine the functional relationships among personal values, perceptions of value, satisfaction and behavioural outcomes involved in the consumption of ethical products. A theoretically-grounded model is constructed that depicts instrumental and terminal values as determinants of the get (received benefits) and give (sacrifices made) components of value, which in turn impact on satisfaction as a precursor to repurchase intention and recommendation. The behaviour of the framework is applied to Fairtrade products and tested using Partial Least Squares on data collected from 98 respondents to a mail survey carried out amongst UK consumers. Terminal but not instrumental values are found to be significant determinants of get and give, and both get and give are significant predictors of satisfaction which in turn significantly impacts on repurchase intention and recommendation.*

Keywords: *perceived value, personal values, ethical consumption*

1 INTRODUCTION

The departure points of this study are twofold, firstly the increased research examining drivers of consumption of ethically produced products and, secondly, recognition that perceived value represents the core of marketing activities. Examples of the former include research by Clements (2006) in support of the hypothesis that ‘green pays’, de Pelsmacker et al.’s (2005) investigation of willingness to buy a fair-trade attribute, the experimental study by Luchs et al. (2010) on consumers’ perceptions of benefits associated with ethical behaviour, Brunk and Blumelhuber (2011) who report on how (un)ethical perceptions of a brand or company emerge in consumers’ minds, and research by Golob et al. (2008) that confirms the impact of personal values on ethical consumption. In terms of perceived value, according to Holbrook (1994, p. 22) “value is the fundamental basis for all marketing activity”, a position echoed by Kotler (2000) who considers that the marketing process centres on exchange between two parties, where each trades something of *value* in return for something of greater *value* (italics inserted). This view is widely adopted by researchers, for example Eggert and Ulaga (2002, p107) argue that “the value concept is closely linked to the exchange theory of marketing”; since voluntary market exchange centres on the idea that both buyer and seller expect to be better off after the exchange, value is thus at the core of marketing. During the last decade value has emerged as an important subject for marketers because of its role as a key driver of satisfaction and intention in the context of both products and services (see for example Fang et al., 2008; Cottet et al., 2006; Jones et al., 2006). This position is eloquently articulated by Webster (2002) and explicitly included in the current definition of marketing by the American Marketing Association. Review of the related literature failed to identify studies that combine the above-discussed concepts, and consequently the aim of his study is to examine the functional relationship between personal values and perceptions of value, and the consequent impact that perceived value has on satisfaction and behavioural intentions related to the consumption of ethically produced products.

2 RESEARCH MODEL

The theoretically-grounded research model is presented in Figure 1. The literature evidences a number of conceptualisations of personal values, for example Values and Lifestyle (VALS) and List of Values (LOV). We adopt the conceptualisation proposed by Rokeach’s (1968) on the strength of its stability across a range of disciplines such as social psychology, decision sciences and, in particular, within the marketing domain (Munson and McIntyre, 1979; Allen et al., 2002). In accordance with Rokeach’s conceptualisation, personal values comprise terminal values (TV – an individual’s desired end-states of existence or goals in life, such as freedom, security, etc.) and instrumental values (IV – an individual’s modes of conduct/ways of behaviour, such as ambition, responsibility, honesty, etc.) which together provide a blueprint for how to behave in life, guiding choices and helping to resolve conflicts. Consequently, instrumental values influence the

way that people go about achieving their terminal values (H_1). Accepting debate by Oliver (1996) and evidence by Ledden et al. (2007), personal values are hypothesised to act as determinants of perceptions of value. Extant literature indicates convergence of consumer perceptions of value being the result of a cognitive trade-off between benefits and sacrifices, or according to Zeithaml (1988), the get (benefits) and give (sacrifices) components. Get encompasses an offering's (i.e., a product or service's) core, intrinsic attributes/benefits as well as extrinsic aspects related to the purchase/ownership and consumption/use of the offering, such as prestige or happiness. Give relates to the forfeit that is required to obtain the offering and includes not only money but also other forms of sacrifices such as loss of time and effort. The functional relationships between personal values and perceptions of value are denoted as H_2 to H_5 and, like H_1 there is no claim regarding direction. The impact of value on perceptions of satisfaction (positive for the get component – H_6 ; negative for the give component – H_7) is extensively documented (see for example Wang et al., 2004; Lin et al., 2005; Lai et al., 2009), as is the positive relationship between satisfaction and behavioural intention (H_8 and H_9).

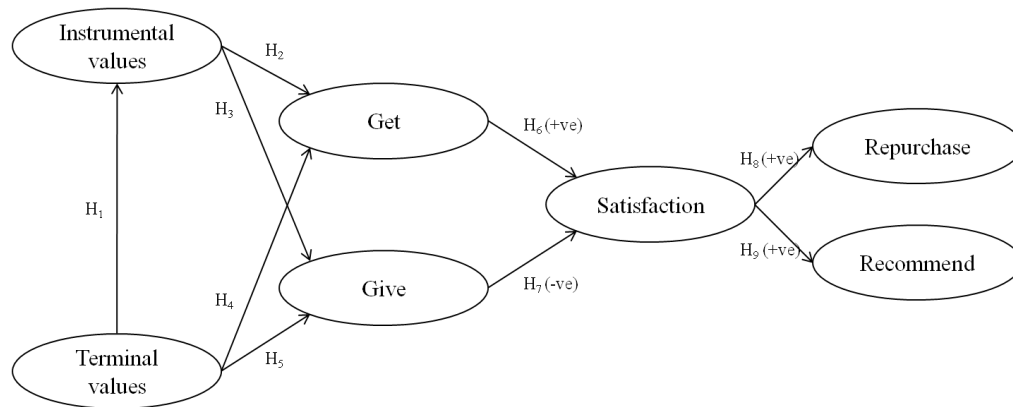


Figure 1: Research model

The structures of the get and give components of value are presented in Figure 2. Of the various conceptualisations of the get component offered in the literature (see for example Sheth et al., 1991; Lages and Fernandes, 2004), this study uses the structure by Sheth et al. (1991) on the basis of: (a) its strong theoretical grounding on a diverse spectrum of disciplines such as economics, sociology, psychology and consumer behaviour, and (b) its cross-sector stability including donations to charities, a sector that shares some characteristics with ethical consumption (Gipp et al., 2008). To the original set of dimensions proposed by Sheth and his colleagues we add altruism to reflect the specific context under examination. The dimensions of the give component are found in Cronin et al. (1997) and include monetary and non-monetary (time and effort) sacrifices. Using guidelines by Jarvis et al. (2003) the get and give components are conceptualised as formative higher order constructs of their reflective lower order dimensions. Terminal and instrumental values are treated as formative constructs.

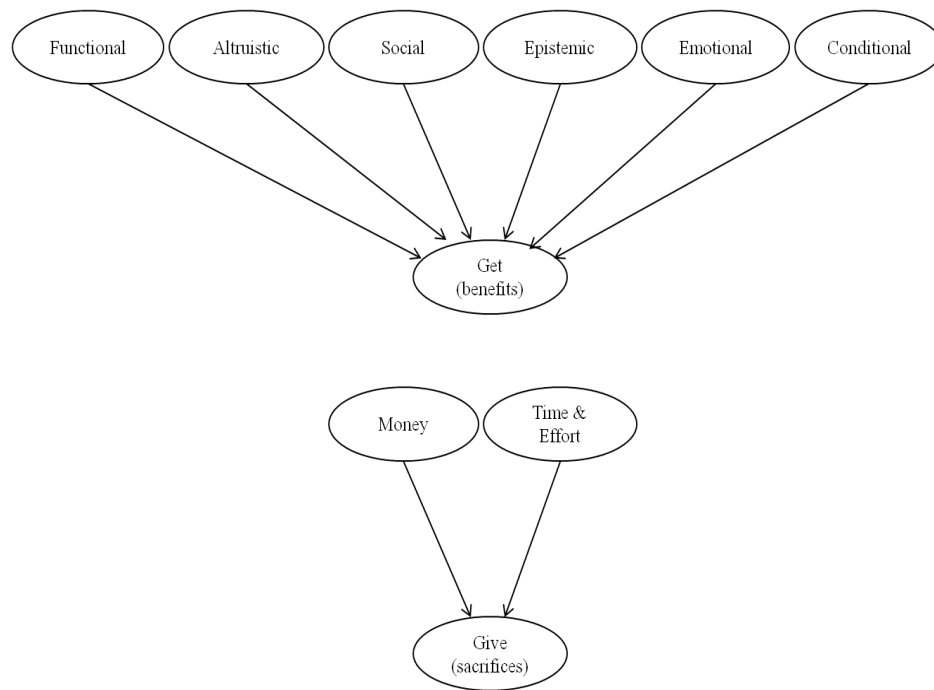


Figure 2: Conceptualisations of the get and give components of value

3. METHODOLOGY

The first decision involved selecting the domain within which to test the research model and the hypothesised pathways. Guided by literature (de Pelsmacker et al., 2005) and following discussions with consumers, Fairtrade was selected on the strength of considerable awareness of both the brand and its ethical connotations and likelihood of consuming a Fairtrade product. Participants to the study are individuals over the age of 18 years located within the M25 radius of London (UK) and who, in the period of two months prior to the study, purchased and consumed at least one Fairtrade product. Through convenience sampling an initial pool of respondents was identified and employed for subsequent snowballing sampling. Data were collected using a postal survey that adhered to the principles found in Dillman et al. (2009). In total, 98 usable replies were obtained, which is a number that adheres to analytical requirements (see Hair et al., 2012). The dimensions of the get and give components of value are operationalised using contextualised (to Fairtrade) scales proposed by Ledden et al. (2007) and Gipp et al. (2008). Terminal and instrumental values are measured using a Likert scale alternative to the rank scale employed by Rokeach (see Munson and McIntyre, 1979). Accepting Rossiter's (2002) argument, satisfaction, repurchase intention and recommendation are treated as concrete attributes and consequently single item measures are employed. A seven-point Likert scale anchored at 'Very strongly agree' and 'Very strongly disagree' is employed throughout.

4 ANALYSIS AND RESULTS

The relatively small sample, presence of both reflective and formative constructs, and the predictive nature of the research led to the use of Partial Least Squares (PLS; see Chin and Newsted, 1999; Tanenhaus et al., 2005) and specifically the PLS GRAPH software developed by Chin (2003) with bootstrap of 500 sub-samples.

4.1 Measurement model and second order structures

For the reflective scales we employ composite reliability (CR) with a benchmark of 0.70 while for individual item reliability we retain indicators that: (a) exhibit loadings with the intended construct of 0.70 or more, and (b) are statistically significant. Convergent validity is assessed by average variance extracted (AVE) with a benchmark of 0.50 and the structure is further confirmed by examination of the component structure (theta) matrix. For confirmation of discriminant validity the square root of each construct's AVE should be greater than its bivariate correlation with the other constructs in the model. In the case of formative scales, adopting recommendations by Mathieson et al. (2001), we test for independence of the indicators. Collinearity analysis (i.e., examination of VIF values, conditional indices and the decomposition of the coefficients variance matrix; Hair et al., 1998) revealed no problems. For brevity we report only CR and AVE and the values in Table 1 meet above stated benchmarks. The proposed second order structures of the get and give components are confirmed using repeated measures (Wetzels et al., 2009).

Table 1: Testing reliability, validity and second order structures

	CR	AVE	Get Standardised regression coefficients (t-values)		CR	AVE	Give Standardised regression coefficients (t-values)
Functional	.897	.746	.198 (4.61)***	Money	.882	.789	.585 (15.97)***
Epistemic	.910	.717	.349 (5.38)***	Time & effort	.891	.804	.542 (15.75)***
Social	.893	.677	.274 (3.55)***				
Emotional	.803	.520	.187 (3.03)**				
Altruistic	.856	.666	.253 (6.75)***				
Conditional	.889	.728	.239 (5.48)***				

Note: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

4.2 Structural model

PLS makes no assumptions about the distribution of the variables and consequently traditional parametric-based approaches cannot be employed. In addition, unlike covariance-based methodologies, PLS does not provide a single goodness of fit metric for the entire model, instead the R^2 values of individual dependent variables are examined and the bootstrapping re-sampling procedure is used when testing the significance of the proposed functional relationships. For reflective dependent variables, we also report the Stone-Geisser (Q^2) test for predictive relevance of independent variables with $Q^2 > 0$ indicating predictive relevance. Given that the important variable of product quality is not included in the research model, the results presented in Table 3 indicate considerable explanatory powers and confirm predictive relevance. The impact of instrumental on terminal values is significant and the hypothesised functional relationships between terminal values and the two components of value are confirmed. On the other hand, we find no support for the impact of instrumental values on get and give. Both get and give are significant determinants of satisfaction while the functional relationships between satisfaction and the two behavioural outcomes are confirmed.

Table 3: Testing the structural model

Functional relationships		Standardised regression coefficients (t-values)	
Instrumental →	Terminal	.874 (26.94)***	
Instrumental →	Get	.257 (0.97)	
	Give	.145 (0.44)	
Terminal →	Get	.659 (2.52)**	
	Give	.764 (2.35)**	
Get →	Satisfaction	.450 (4.08)***	
Give →	Satisfaction	.460 (3.96)***	
Satisfaction →	Repurchase	.822 (18.14)***	
	Recommend	.748 (12.84)***	
		R ²	Q ²
Terminal values		0.764	
Get		0.796	
Give		0.410	
Satisfaction		0.682	0.57
Repurchase		0.676	0.64
Recommend		0.560	0.49

Note: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

5 DISCUSSION AND CONCLUSIONS

The main purpose of this study is to examine the functional relationship between personal values and perceptions of value derived from the consumption of ethical products. For nomological validity and managerial relevance the impact of perceptions of value on satisfaction and ultimately behaviour are also examined. The results confirm the explanatory power and predictive relevance of the research model. Of central interest is the greater explanatory power associated with the get rather than the give component of value. The hypothesised functional relationships between instrumental values and the get and give components of value are not significant (H_2 and H_3 are not supported) while the corresponding pathways linking terminal values and the give and get components of value are significant (H_4 and H_5 are supported).

Considering these results in conjunction with the significant relationship between instrumental and terminal values (H_1 is supported) leads us to conclude that, within the specific research domain, terminal values mediate the relationship between instrumental values and perceptions of value. In other words, drivers of self-perception (e.g., social conscience, self awareness, compassion – instrumental values) do not impact directly on perceptions of value, instead they guide behaviours that define what people want out of life (e.g., social harmony, security, self esteem – terminal values) which in turn shape perceptions of benefits and sacrifices derived from the consumption of ethical products. Therefore we conclude that value derived from the consumption of ethical products is dominated by the goals that an individual aspires to achieve during his or her lifetime.

Further analysis (full results not reported) reveals that terminal values related with personal and societal equilibrium (e.g., world of beauty, mature love and inner harmony) dominate perceptions of benefits received while those related to achievements (e.g., accomplishment, salvation, wisdom and exciting life) are the main determinants of sacrifices made in the consumption of ethical products. The positive impact of the get component of value on satisfaction is not surprising (H_6 is supported). Of more interest is the opposite-to-hypothesised positive relationship between the give component of value and satisfaction (confirm significance but not sign of H_7). We speculate that this result reflects respondents' appreciation and willingness to pay more for the consumption of ethical products. Whether this is a general finding or specific to the consumption of relatively low cost ethical products (such as in the case of the Fairtrade products examined here) is something that merits further investigation. The positive relationship between satisfaction and the two behavioural outcomes is confirmed (H_8 and H_9 are supported).

This study and the results reported here offer new insights to the debate regarding the functional relationship between personal values and perceived value, the specific relationships of these constructs within the domain of ethical consumption, and the impact of perceptions of value derived from the consumption of ethical products on satisfaction. Terminal values are found to be a significant determinant of perceptions of value and to fully mediate the effects of instrumental values. In this respect, the reported results offer partial support for the general proposition that personal values affect perceptions of value derived from the consumption of ethical products. The greater explanatory power of personal values in terms of get and the differential behaviour of instrumental and terminal values as determinants of the get and give components of value are in line with results presented by Ledden et al. (2007). Both the get and give components of value are significant determinants of satisfaction.

The findings reported above can guide managerial actions and consequently they make a number of contributions to practice. The behaviour of instrumental and terminal values indicates that managerial actions designed to enhance perceptions of benefits derived and sacrifices made in the consumption of ethical products should relate to behaviours that define what people want out of life rather than drivers of self-perception. Appeals focusing on the effects of ethical consumption in terms of achieving or enhancing societal equilibrium should be designed to promote perceptions of derived benefits, while emphasising personal achievements will reinforce consumers' perceptions of the necessity to pay a premium for ethical products and thus increase their willingness so to do. In terms of satisfaction, the comparable (in terms of effect size) contribution of get and give implies that, rather than focusing on benefits, managers should provide products that offer a balanced set of benefits and sacrifices.

The results of this study are contingent upon the parameters of the adopted methodology and the proposed research model. The following represent the main limitations of this study and offer avenues for further research: (a) the investigation does not account for antecedents such product quality and past experience; (b) given the dynamic nature of the phenomenon under investigation (i.e., value perceptions shift over time) the study's cross-sectional nature provides only partial examination of the related forces; (c) the generalisability of the results should be tested for other ethical products and populations, and (d) the moderating impact of economic conditions should be accounted for.

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