

Consumer Perception, Behavioral Gap, and Response to Ethical Business: The UK Perspective

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Abstract: Existing literature has revealed that the demand for "ethical products" has been increasing over time. However, very little has been published on consumer perception about the ethical behavior of supermarkets and their response thereto. This research, therefore, fills the vacuum. We examine consumer perception about the ethical business of supermarkets operating in the UK and its impact on consumers' supermarket choice. Both primary and secondary data are used; primary data includes a questionnaire survey involving 222 consumers in major cities in the UK. We examine the significant code of business ethics, consumer ethical spending and awareness, supermarkets' ethical performance and popularity, and consumer perception about supermarkets' ethical behavior and their response thereto. A combination of graphical and numerical methods, such as frequency distribution, correlation and analysis of variance, has been used for estimation. Estimated results confirm the significant code of ethics in the supermarket business as perceived by consumers. Specifically, environmental awareness, fair trade, concern about labor law and animal welfare are found to be a significant code of ethics in the retail business. However, in practice, supermarkets are selected based on whether they maintain organic produce, fair trade, and animal welfare. The results suggest that there is a significant "knowledge gap" between actual ethical business practice and consumers' perception about it. There is also a significant "behavioral gap" between consumer perception about ethical business and their response to it. Demographic variables make a significant distinction in ethical business choice. Education, income, and ethnicity play a significant role in ethical supermarket selection.

Keywords: ethical business, consumer perception, supermarket selection, behavioural gap

Introduction

Due to social, political, and economic developments, stakeholders of business, particularly consumers, are becoming more empowered and vocal in today's world. Bird and Hughes (1997) indicate that there are many curious consumers who even want to know the details of the production process. Consequently, consumers, as well as pressure groups (such as human rights organizations and ecological and environmental organizations) are increasingly demanding that businesses should be ethical, ecological, and environmentally friendly. In practice, consumers own the power to force businesses to accept a socially responsible paradigm by preferring ethically standard products and services and by denying/avoiding unethical products (Astous & Legendre,

2009; Pelsmacker et al., 2005). Carrigan and Attalla (2001) state that by boycotting the companies like Shell and Nestle for their unethical business, consumers proved that if they (consumers) become socially responsible, it might cause huge financial loss for ethically irresponsible businesses. Hence, ethics and corporate social responsibility (CSR) have become extremely crucial in business.

“Ethical consumerism” is the choice of products or services by consumers that do not cause any harm to humans, animals, or the natural environment. Consequently, “business ethics” in this study stands for the ethical relationship between businesses and consumers and between businesses and their employees. Business ethics also includes no negative activities that may harm the environment and the society at large. According to Loureiro et al. (2002), Maietta (2003), and Trudel and Cotte (2009), consumers are willing to spend extra to buy ethical products. However, consumers might have different thinking and different views about ethical purchasing. For example, some factors, such as cultural background, moral philosophy, professional code, and level of rewards, play a significant role in an individual’s perception about ethical business (see, for example, Ferrell and Gresham, 1985). Ottman (1992) asserts that consumers have been gradually attracted by environmentally responsible products.

In developed countries, generally, ethical business practices, as well as consumer concern about ethical business, have been well documented (Shaw et al., 2005). The UK, for example, is one of those countries that have formed a large database (Mintel International Group Ltd, London) on ethical businesses. More than one-third of consumers in the UK consider themselves as “ethical consumers” (Cowe & Williams, 2000). However, despite the emergence of consumer concern about ethically recognized products, ethical products (fair trade products) have only achieved a 1-3% market-share (Ethical Consumerism Report, 2011).

Nevertheless, there has been a powerful shift in the behavior of supermarkets from unethical to ethical sourcing, labor rights, and green consumerism in the last decade. Some supermarkets are making a real effort to turn to ethical sourcing, fair trade, and other ethical business activities that put their business counterparts under pressure to become ethical. Hence, there is a competition in the ethical business arena among the supermarkets to convince consumers. Mintel’s (2009, 2011) report suggests that in the UK, there is a growing number of consumers who are interested in fair trade products and who are also concerned about animal welfare, employee welfare, and other ethical issues.

The Ethical Consumer Behavior Report (2011) indicates that, despite the economic downturn in this decade, the sales of ethical goods and services in the UK increased by almost 9% in 2010 compared to 2000 (from £43bn to £46.8bn). Figure 1 shows the sector-wise ethical spending by UK consumers in 2010 compared to 2009 and 2000:

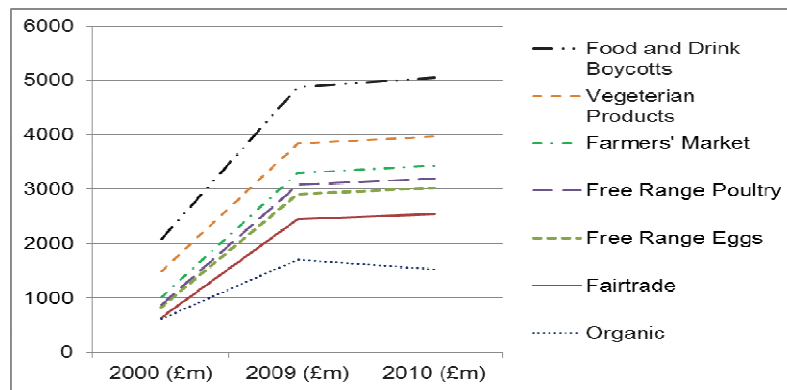


Figure 1. Ethical consumerism in the UK 2000-2010

(Source) Ethical Consumerism Report, (2011) the Co-operative Bank

Carrigan et al. (2005) point out that if any company follows ethical codes and norms and appears to be ethical, then consumers are happy to reward that company by purchasing more products from it and by paying extra for its products. Ethical consumerism has been a growing field of research in business, and consumers have become more concerned about ethical business over time. There is a growing body of literature (for example, Tsalikis & Lassar, 2009; Tsalikis & Seaton, 2008, Uusitalo & Oksanen, 2004; Ethical Consumerism Report, 2011; Ethical Company Organisation Report, 2010; Fard & Noruzi, 2011; Ferrell, Fraedrich & Ferrell, 2008; Freestone & McGoldrick, 2008) that explores customer perception concerning the ethical behavior of supermarkets. However, to the best of our knowledge, there is no existing literature that attempts to draw a relationship between consumer perception about ethical business and its reflection in firm selection. Subsequently, we attempt to investigate the perception of consumers about the ethical behavior of supermarkets and their response to supermarket selection.

Now, the question is “What are the factors that determine the ethical behavior of business?” In this study, we attempt to investigate the significant “code of ethics” (ethical factors). Second, the awareness among consumers about ethical business has been growing over time (Davis, 2006; Berry & McEachern, 2005). Ferrell and Gresham (1985) suggest that the degree of awareness varies from customer to customer due to cultural background, moral philosophy, level of education, level of rewards, life style, and the different decision-making criteria of individuals. Moreover, Boyle (2000) states that the ethical judgment of customers is influenced by the level of income and that it varies across gender. Hence, the demographic variables may influence consumers' perception about ethical business and their supermarket selection. We therefore attempt to examine whether the demographic variables affect the variance of the ethical awareness of consumers and their choices. Third, the existing literature indicates that the responses of consumers are not always consistent with their perception (Doane, 2001). That is, some customers show that they are ethical consumers even though they are not consistent in their activities. Consequently, we examine whether consumers' perception about the ethical awareness of supermarkets is reflected in their supermarket choice.

Specifically, the objectives of this study are as follows: 1) to investigate the factors that consumers consider as a significant code for ethical business; 2) to examine the impact of customers' perception about the ethical business and their supermarket choice; and 3) to evaluate whether demographic variables affect consumer perception about the ethical performance of supermarkets and their supermarket selection.

The rest of the paper is organized as follows: Section II reviews the relevant literature; Section III discusses the data and methodology, including the theoretical framework and questionnaire; Section IV analyses the data and discusses the findings; and Section V concludes the study.

Literature Review

Up until the mid-1990s, very little research had explored the area of “consumers’ ethical behavior” (Bray et al., 2011). However, in the last two decades, there has been a growing body of literature focusing on ethical issues, fair trade, and “green consumerism” (Follows & Jobber, 2000; Boyle, 2000). The ethical behavior of sales representatives, welfare of employees, community issues, the environment, working conditions, and fair trade have received special attention by many researchers. We review the literature that focuses on the ethical behavior of customers that leads them to choose between supermarkets for shopping.

There are basically two groups of existing theoretical and empirical literature on the ethical behavior of businesses. First, a group of the studies examines the ethical behavior of business organizations and their supply chain, which is not within the scope of this study. Second, another group of studies investigates whether consumers' perception is reflected in their activities, i.e. the gap between consumer attitude towards ethical business and their unethical behavior (Carrigan et al., 2004; Uusitalo & Oksanen, 2004; Devinney et al., 2006; Auger & Devinney, 2007).

Ethical Behavior of Consumers

The favorable attitude of consumers towards ethical business has been gradually developing in our society (see, for example, Billock, 2004, and Dawkins, 2004). A number of studies identified that people are more likely to be socially responsible when they feel that a significant impact can be made by their actions (Carrigan & Attalla, 2001; Sen & Bhattacharya, 2001; Billock, 2004; Dawkins, 2004). Although Carrigan and Attalla (2001) indicate that consumers are more sophisticated today, it is not proven that ethical companies are more favored and unethical firms are punished. The study finds that none of the respondents wanted to pay even a 10-15 percent price premium for an ethical product compared to its unethical counterpart. Instead, Carrigan and Attalla (2001) find that the price, brand image, and fashion trends are significant factors that influence the buying decisions of consumers. Harper and Macatouni (2002) investigate consumer attitudes towards organic food purchase in the UK and find that the main motives for organic food purchase are health and food safety concerns, not ethical issues.

However, Creyer (1997) states that consumers are willing to pay a higher price to an ethical company as a reward for their ethical activities. Castaldo et al. (2009) indicate that consumers are highly influenced by socially oriented (particularly, fair trade business) companies and their reputation. In contrast, if consumers buy from unethical firms, they want to pay a lower price, which is considered as punishment for their unethical act. Shaw and Shiu (2003) find supportive evidence of ethical purchases in the case of fair trade grocery products. Carrigan and Pelsmacker (2009) suggest that consumers of all ages have started behaving more ethically over the last few years. The study finds that among the UK adult population, six percent is committed to ethical consumption. The study also suggests that ethical or unethical consumption is influenced by social and cultural elements.

Ethical Behavior of Retailers and Its Impact on Business

A longitudinal study conducted by the Co-operative Bank reports that between 2004 and 2007, the sales of

ethical goods rose by around 12% a year. The 2010 report indicates that in spite of the economic downturn, there was almost a 9% increase in the sales of ethical goods in 2009. The report also says that in 2010, expenditure on ethical food and drink reached £6.6bn with an increase of 5.1%, and that fair trade food sales grew by 36% reaching £1.02bn. These findings indicate that both retailers and consumers have been gradually moving towards ethical products.

Sen and Bhattacharya (2001), Handelman and Arnold (1999), and Brown and Dacin (1997) suggest that the consumers respond to ethical (CSR) business. Nicholls (2002) argues that fair-trade increases competitiveness within retailers. Carrero and Valor (2012) examine whether the British and Spanish shoppers perform ethical shopping in mainstream retail markets. The study finds that the ethical labelling (so called, CSR labelling) plays a positive role in consumers' purchase intention. Jones et al. (2005) indicate that the food retailers are increasingly keen to report their commitment to CSR. The study finds that the major food retailers in the UK publish the CSR report, which is rather used as a means of marketing. Castaldo et al. (2009) find that consumers are highly influenced by the fair-trade products of retailers, and they care about the social oriented companies. Schwepker and Good (2011) conduct a study to explore the impact of moral judgment of consumers on sales performance. The study finds a positive relation between moral judgment and sales. However, Iwanow, McEachern, and Jeffrey (2005) find that the ethical awareness of consumers cannot influence the apparel purchase decision in the UK. Piacentini, MacFadyen, and Eadie (2000) also have not found any significant evidence that the confectionery retailing and merchandising depends on CSR.

Story and Hess (2010) bring a new perspective on brands' strategies by evaluating them using an ethical metric. The study finds that the brand that is successful and trustworthy is ethically more responsible than other brands. Nicholls (2002) suggests that fair-trade practice in business creates brand profile. Anselmsson and Johansson (2007) indicate that CSR practice creates a brand image and customers purchase intention in retail business. Gilbert (2003) indicates that the sale of a business increases as its ethical reputation increases; hence, modern businesses are turning more to ethics.

The Ethical Marketing Group (2010) ranked the UK supermarkets based on their overall ethical performances over the past few years. According to the report, ASDA, Lidl, and Tesco, which are Britain's popular retailers, are at the bottom of the list. They scored low in the perspectives of "animal welfare" and "worker's right." Iceland and Sainsbury's, however, stand at the midpoint (better score) of the list. Their strengths are that they ensure genetically modified foods and animal welfare. Co-op, Waitrose, Morrisons, Budgens, and Marks & Spencer are the top five retailers in the UK due to their contribution in the fair-trade, animal welfare, and green environment.

Consumer Behavior Gap

Recently, several studies indicate that there is a significant behavior gap among consumers. Although consumers express their ethical consumption attitude, in practice, they are not ethical consumers (Macalister, 2007; Cowe & Williams, 2000; Boulstridge & Carrigan 2000; Sheng et al., 1994). Consumers sometimes misinterpret ethical business. For example, Carrigan and Attalla (2001) indicate that consumers generally think that as long as they follow government rules, they are ethical in their behavior. These consumers do not consider whether the businesses behave ethically. Eckhardt et al. (2006) argue that although consumers like ethical businesses, they do not sacrifice their comfort for the welfare of society. Consequently, there is a gap between consumers' perception and their actual practice. However, the existing literature has not studied consumer perception about the ethical behavior of supermarkets and their response to retailer choice. To date,

the demand side study in the literature concerning ethical business is still missing. This study fills the vacuum.

Data and Methodology

Two main sources of information are used to compare and contrast the perception of consumers about the ethical business of UK supermarkets. 1) exclusive research (quantitative and qualitative) and consumer survey conducted by academics or institutions, such as the “*Mintel report*” and ethical consumerism report by the “*Co-operative Bank*,” 2) primary questionnaire survey by interviewing customers directly. It is worth noting that the latest data on ethical consumerism are found from the *Mintel report* (2011). However, awareness of ethical consumerism is increasing over time. To gather up-to-date information about ethical consumerism, we used primary data through a questionnaire-based interview in three big UK cities: London, Birmingham, and Manchester. Keeping in view the basic objectives of this study, we incorporated both nominal and ordinal questions in the questionnaire. We ran a pilot survey on 20 respondents before reorganizing and preparing the final questionnaire.

Krueger and Casey (2009) suggest that at least two different sample areas should be chosen for primary data to be representative. Falconer (1976) states that samples from different focus groups are helpful to minimize the potential social desirability bias. Therefore, we collected data from three major UK cities, London, Birmingham, and Manchester. To ensure representation from each age group, we also collected data from all age groups: 15 years to above 60 years of age. In addition, approximately, an equal gender mix was upheld.

The study is based on UK consumer perception, and 222 questionnaires were collected by using mainly the “*stratified random sampling*” (Saunders et al., 2009) technique. The diversity of the representatives included in the study demonstrates the demographics of the sample. Using information from the Office of National Statistics (ONS), UK, respondents were stratified. We also attempt to collect data according to the distribution of gender and ethnicity in the UK. According to the ONS report (2006), the UK population is comprised of 49 percent male and 51 percent female; consequently, the study attempts to collect data from male and female respondents so that the survey at least represents this distribution approximately, if not perfectly. Regarding ethnic distribution, the ONS report (2006) suggests that about 85 percent people are White British, five percent are Other White and European, and the rest of the people are Asian, African, or other ethnicities. We attempt to take care of this issue, as well, when collecting data, with 72 samples collected from London, 85 from Birmingham, and the remaining 65 from Manchester.

The study was conducted using a self-administered questionnaire in which the “*delivery and collection questionnaire*” method (Saunders et al., 2009, p. 363) method was employed. The study was conducted between January and March 2012. In respect of the “*delivery and collection questionnaire*” method, main streets, cafés, restaurants and public areas were selected from the city centers inasmuch as people from all classes of society frequent these areas. People were requested to spare a few minutes to fill up the questionnaires.

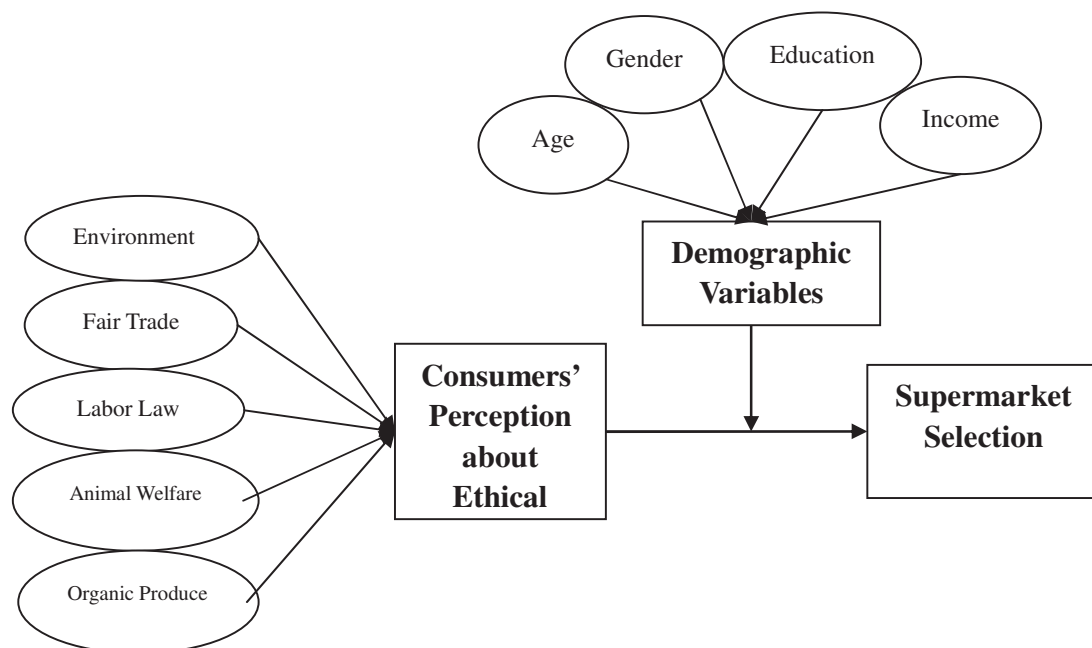
We briefly explained the objective of the study, and the participants were informed about the appropriate instructions concerning the questionnaire; upon receiving their consent, the questionnaire was handed to them for completion. Data collection was not easy, as people in the city centre are always in a hurry and do not want to spend time completing a questionnaire. Although numerous people expressed interest, many refused to respond.

Theoretical Framework

This study is based on the so-called “Triple bottom line” (stakeholder, corporate social responsibility, sustainable development) theories, which suggest that organizations have responsibility towards economic, social, and environment issues (see, for example, Elkington, 1997; Wempe & Kaptein, 2002; Shrivastava, 1995; Stead & Stead, 2000).

This study is broadly motivated by the above theories; however, we specifically apply the following theoretical framework. According to the Ethical Consumer Research Association Ltd. (2012) and the Ethical Consumerism Report (2011) by the Co-operative Group, the ethical components (code of ethics) include environmental friendliness, concern about labor law, concern about animal welfare, fair trade, and organic produce. Although there are some political factors that are included in these reports, they are not within the scope of this study. The community produce, organic product, and fair-trade products are considered as the major ethical products by the retailers (Jones et al., 2005). The study also explains the environment friendly produce as one of the ethical products. Anselmsson and Johansson (2007) suggest animal welfare as an important indicator of CSR (ethical business). Ultimately, the concern about the environment, fair trade, local and international labor law, animal welfare, and organic produce are included as the code of ethics in this study. Hence, these factors determine whether or not the supermarkets are ethically motivated. Subsequently, the existence of these attributes in any business indicates that the respective business follows the code of ethics.

Another important question in this study is whether consumers are concerned about the ethical behavior of supermarkets and whether their perception is reflected in their supermarket choice. It is worth mentioning that ethical products are usually expensive, and, therefore, the income level of consumers may have an impact on ethical supermarket choice. Similarly, the age, gender, ethnicity, level of education, and level of income may influence the decision about ethical supermarket choice. We, therefore, examine whether the demographic variables can influence consumers' perception about ethical business and their supermarket choice. The study subsequently proposes a theoretical model to estimate consumer perception and response to ethical business. The model is shown as follows:



Description of the Questionnaire

The questionnaire contained a brief explanation on the ethical issues in the beginning to ensure that the respondents knew about all the issues that were going to be asked about in the questionnaire. First, a few questions inquired about general personal information, e.g. age, gender, ethnicity, education level, and income range. These questions were used to warm up the respondents while also being of use to the research. Subsequently, they were asked about their supermarket selection criteria. The next questions concerned the respondents' chosen supermarkets and the ethical performance of the chosen supermarkets (according to their opinion). These questions included five-point Likert scale questions. The survey attempted to determine consumer perception about the ethical performance of their chosen supermarkets. Subsequently, we attempted to investigate whether the consumer perceptions are reflected in their supermarket choice. Hence, they were asked about the most ethical supermarket in their opinion. Some sector specific ethical questions were also included; for example, there was a question about the ethical performance of the chosen supermarket based on five different code of ethics, namely: i) environmental concern, ii) supporting organic produce, iii) facilitating fair trade, iv) care for labor law and v) care for animal welfare. Respondents were asked to score them for their chosen supermarket. We also asked them to grade the UK supermarkets in terms of their ethical performance. Exhibit 1 presents some basic questions for this study.

Exhibit 1. Summary Table for Selected Questions

Q. Where do you shop most?

(1) Aldi, (2) Asda, (3) Co-op, (4) Iceland, (5) Lidl, (6) Morrisons, (7) Sainsbury, (8) Tesco, (9) Waitrose, (10) Others (please state).....

Q. Please select the most important criterion which you give top preference when chose a supermarket to shop.

(1) Ethical issues, (2) Cheaper Price, (3) Good Quality, (4) Nearest to you, (5) Others (please state).....

Q. When you choose a supermarket to shop, you consider their ethical awareness and performance.

(Please scale 1-5: '1' if you are 'least concerned' and '5' if 'highly concerned' about this issue)

(Least concerned)	1	2	3	4	5
(Highly concerned)					

Q. How do you rate your chosen supermarket(s) in terms of their concern about the following specific ethical behavior? (Please circle '1' if supermarket is 'least concerned' and '5' if 'highly concerned):

i) *Environment pollution* –

(Least concerned)	1	2	3	4	5	(Highly concerned)
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ii) *Support 'organic produce'* –

(Least concerned)	1	2	3	4	5	(Highly concerned)
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iii) *Facilitate 'fair-trade'* –

(Least concerned)	1	2	3	4	5	(Highly concerned)
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iv) *Careful about "international labor law" (such as 'avoiding use of child labor', 'offering a minimum salary rate', healthy environment in workplace etc.)* –

(Least concerned)	1	2	3	4	5	(Highly concerned)
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v) *Careful about animal welfare*

(Least concerned)	1	2	3	4	5	(Highly concerned)
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Q. Please rank at least top three ethical supermarkets for their overall ethical performance (Please grade 1 (for the least ethical one) to 10 (for the most ethical supermarket))

Aldi, Asda, Co-op Iceland, Lidl, Morrissons,
Sainsburys, Tesco, Waitrose, Other (please name).....

Mode of Analysis

We analyze both primary and secondary information regarding consumers' perception about ethical business and their firm selection behavior. The study presents the demographic status of respondents in terms of their age, gender, ethnicity, education, and income in frequency distribution tables. We state the market share of the UK supermarkets (presented graphically) from secondary data. The popularity of the supermarkets is also ranked using the opinion of consumers. The study graphically analyzes the UK retail firms in terms of their ethical behavior. We use the Analysis of Variance (ANOVA) to investigate the actual supermarket selection criteria of consumer. The study then employs the Pearson Correlation Matrix to investigate the relationship between consumers' perception about ethical behavior of supermarkets and their response to supermarket choice. We also find the significant code of ethics perceived by consumers from this matrix. Subsequently, we use ANOVA to examine whether demographic variables affect the ethical supermarket selection in the UK.

Empirical Results

Demographic Analysis

In the data, we find that the maximum number of respondents were middle-aged (21 to 40), which is 51.3 percent of the total respondents (see Table 1 in Appendix). Approximately 49 percent of respondents were male, 47 percent female, and the remaining four percent did not answer the gender question (see Table 2 in Appendix). Among the respondents, White British comprised 63.5 percent, Europeans 12.2 percent, Asian British consisted of 12.2 percent, and the rest were a mix of other origins (see Table 3 in Appendix).

We also collected data on the income level of consumers, which is presented in Table 4 in the Appendix. The annual income of 33.8 percent of the respondents ranged from £15,000 to £24,999; followed by 31.1 percent up to £14,999; 13.5 percent from £25,000 to £34,999; 6.8 percent £50,000+; and 4.1 percent from £35,000 to £49,999; 10.8 percent respondents did not answer the "income level" question.

Data on the educational level of consumers were also collected, which is presented in Table 5 in the Appendix. All educational levels were well represented: 35.1 percent of respondents were GCSE or equivalent; 21.6 percent were graduates; 16.2 percent were post-graduates; 13.5 percent were "A-level" or equivalent; however, 13.5 percent of respondents did not answer the academic qualification question.

Consumers Behavioral Gap

We, first, compare the findings that emerged from our survey data (primary data) with the findings (from secondary sources) quoted in the existing reports and literature. The study finds a significant behavioral gap between consumers' perception and their choices.

Secondary Data Analysis

This section analyses the market share of the UK supermarkets (which indicates the popularity of the supermarkets) and compares the popularity with the ethical performance of the supermarkets. We use the "ethical consumer report by the co-operative bank" (2011), "Centre for Retail research" (2012) and "the Ethical

Marketing Group" (2011) for this comparison. The comparison is presented as follows.

Market Share and Popularity of UK Supermarkets

The market share of Tesco Plc. is 30.5 percent, and it is the number-one supermarket in the UK; it is followed by ASDA (17.1%), Sainsbury's (16.1%), Morrisons (11.7%), Co-operative (6.9%), Waitrose (4.3%), Aldi (3.6%), Lidl (2.6%), and Iceland (1.9%). The Mintel (2011) survey report about the market share of UK supermarkets is presented in Figure 2.

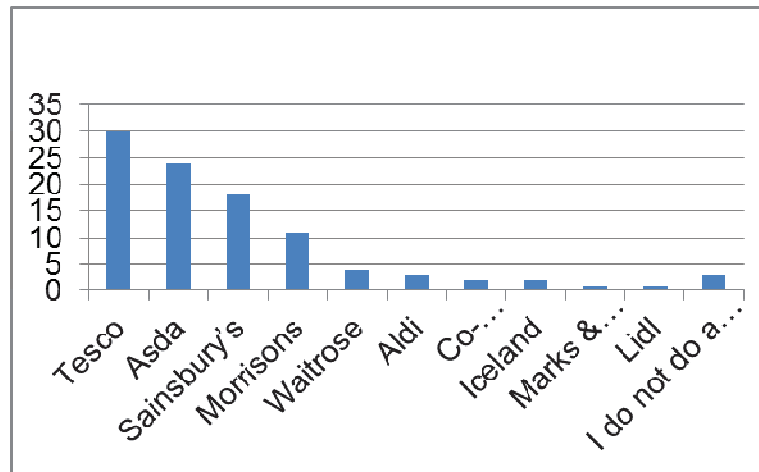


Figure 2. Usage of outlets for main grocery shop, August 2011 (% of consumers)
Data source: Ipsos MORI/Mintel (2011)

Figure 2 shows that Tesco Plc is the most popular supermarket in the UK, having 30.5 percent of the market share; it is followed by its close competitors, Asda, Sainsbury's, Morrisons. Waitrose, Aldi, Co-operative, Iceland, Marks & Spencer, and Lidl, which are at the bottom of the list in terms of both market share and popularity.

Ethical Record of UK Supermarkets

According to the Centre for Retail research (2012), Marks & Spencer is regarded by a poll in *The Times*, as Britain's greenest supermarket. Sainsbury's has been in the ethical business for longer than any other supermarket. The Co-op Group pioneered fair trade and won the "Business Commitment to the Environment Leadership Award" and "the Environment Leadership Award" from "Business in the Community" for reducing carbon emission by 86 percent. According to the report, Asda has also promoted a greener approach. Tesco invested £100 million in sustainable environmental technology. Tesco Plc. was also classified as the best of the major supermarkets in World Farming on pig welfare standards. It launched 100% British finest pork in 2006/07. Aldi's garden furniture is made from wood with an FSC (Forest Stewardship Council – sustainable woodland) certificate.

Consequently, it appears that every supermarket is moving towards ethical business one way or the other, and all have been gradually investing more in ethical business practices. However, which supermarket is doing the best or doing better than others in terms of ethical business? Various organizations have reviewed and published reports on this issue. They ranked the UK supermarkets on the basis of their ethical performance in the

various areas of business. The Ethical Consumer report (2011) ranks the UK supermarkets according to their ethical performances, as shown in Figure 3.



Figure 3. Most Ethical Supermarkets ranking
Data source: Ethical Consumer report (Jan/Feb, 2011; p.2).

Figure 3 indicates that in the race for ethical business, the Co-op scored the highest with 47 percent and is the clear leader, followed by Waitrose (26%) and Sainsbury’s (23%). Aldi (19%) and Morrisons (19%) have the same score; Iceland (18%) and Lidl (18%) also scored the same. Tesco (11%) and ASDA (8%) are the least ethical supermarkets. Figure 3 is plotted from the overall score on ethical business practice by UK based supermarkets. The data was collected from the Ethical Consumer Organization report, 2011.

The report also provides more detail information (see, Figure 4) in terms of social, economic, political, and environmental ethical business practice by supermarkets (Ethical Consumer report, 2011, p.5). The report highlights the role of UK supermarkets in different ethical areas. This study has ranked 19 ethical supermarkets by using data on 19 different codes of ethics, including environment, workers right, animal welfare, and political issues. We have collected data only for those supermarkets which we have selected for our primary survey. Figure 4 shows the score.

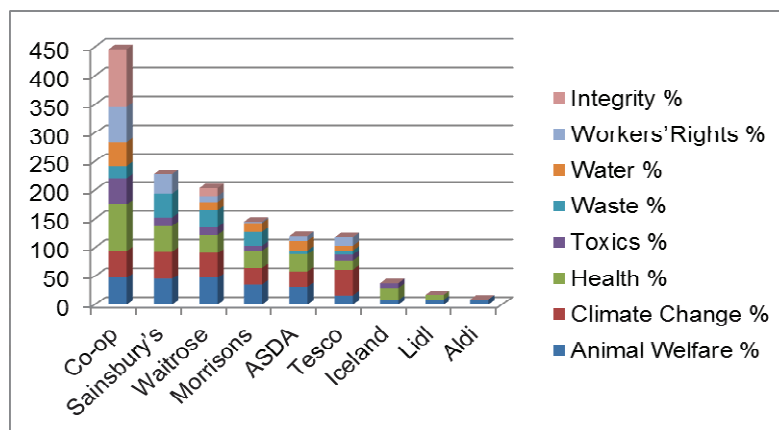


Figure 4. Ethical business score (ethical code-wise) of supermarkets operating in the UK
Data source: Ethical Consumer report (Jan/Feb, 2011; p.5).

The overall score from the figure suggests that the Co-op is the number one supermarket (in terms of corporate social responsible businesses) with a score of 56 percent, followed by Sainsbury's with a big difference (29%), Waitrose (25%), Morrisons (18%), ASDA (15%) and Tesco (15%). The lowest scorers in ethical business are Iceland (5%), Lidl (2%), and Aldi 1%. However, it is worth noting that in many areas, no score was added to Iceland, Lidl, and Aldi due to the unavailability of data.

Feedback from Primary Data

Primary data supports the secondary information about the popularity of UK top supermarkets. Figure 5 presents the chosen supermarkets (in percentage) by the respondents.

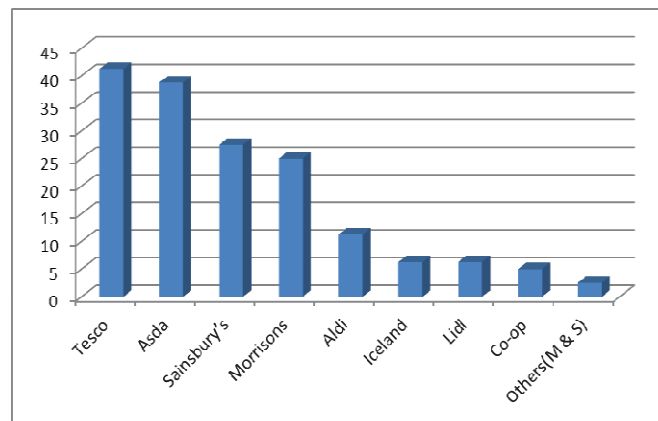


Figure 5. Consumers' Preferred Supermarkets (% of people)
Source: Survey data.

Figure 5 indicates that a large number of consumers shop at Tesco Plc and Asda: 41.25 percent customers shop at Tesco Plc, which is highest among supermarkets, while 38.75 percent customers shop at Asda, followed by Sainsbury's (27.5%), and Morrisons (25%). With a big difference, Aldi (11.25%) comes next in the consumers' choice list. At the bottom of the list are Iceland and Lidl with the same percentage of people (6.25%) and the Co-op, which seems to be the least popular, being chosen by only 5% of people. Only a few people (3.75%) shop at Waitrose and M&S (2.5%). Why are Iceland, the Co-op, and Waitrose at the bottom of the list for consumer choice? The reasons were found from discussions with some of the consumers as follows: (i) these supermarkets do not have as many stores as the other top supermarkets, (ii) some of them are relatively expensive, and not all levels of customers can afford to buy from them.

Supermarkets Ethical Level

Respondents were asked to rank the supermarkets (in terms of ethical business) according to their opinion. Two interesting findings emerged from the responses of consumers. First, many respondents ranked two-thirds of the supermarkets as the top ethical supermarkets. Consequently, readers will observe that the total response is more than one-hundred percent. Second, most of the respondents ranked his/her chosen supermarket as the most ethical supermarket. ASDA is ranked as the topmost ethical supermarket (39.44%), followed by Tesco (38%), Morrisons (36.62%), and Sainsbury's (33.80%). A comparative analysis of Figure 5 and Figure 6 indicates that consumers, in their opinion, choose the most ethical supermarket for shopping. Actually, there is

a tendency among the customers to place their chosen supermarket as the most ethical one. However, if we compare Figure 3 and Figure 4 (ethical retailers' ranking) with Figure 5 and Figure 6, it becomes clear that there is a significant "knowledge gap" between actual ethical supermarkets and consumers' perception about ethical supermarkets. There is a tendency among customers to place their chosen supermarket as the most ethical one.

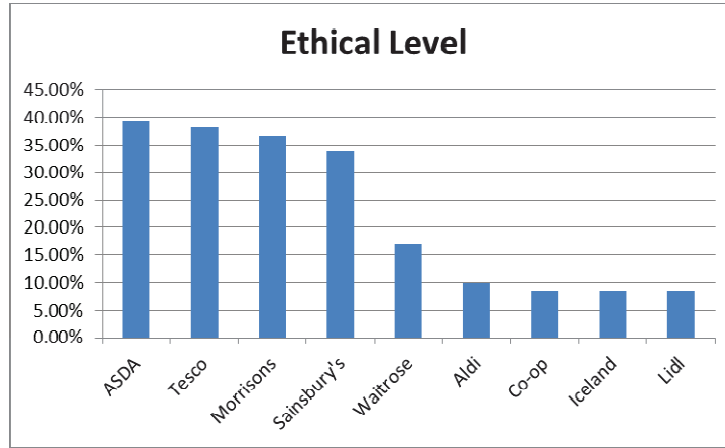


Figure 6. Ethical Supermarket Ranking (Consumers Perception)
Source: Survey data

Supermarket Selection Criteria: Analysis of Variance

As a cross-question, we asked the respondents to express their selection criteria in choosing a supermarket. They were specifically asked which of the following categories they preferred when they had selected a supermarket to shop. The categories were: (i) ethical issues, (ii) cheaper price, (iii) good quality, (iv) supermarket is the nearest one from their home, and (v) the open ended choice. Since, this is a categorical variable and consumers' ethical supermarket selection is a scale variable (1-5 scale), we employ the "Analysis of Variance" (ANOVA) technique to examine the supermarket selection criteria by consumers. The estimated results are given in Table 6(a) and 6(b).

Table 6(a). Supermarket Selection Criteria - Descriptive Statistics

	N	Mean	Std. Error	95% Confidence Interval for Mean	
				Lower Bound	Upper Bound
Ethical Issues	51	1.71	.094	1.52	1.89
Cheaper price	63	2.67	.120	2.43	2.91
Good quality	63	2.76	.161	2.44	3.08
Nearest to you	39	2.54	.176	2.18	2.89
Others	6	1.50	.224	.93	2.07
Total	222	2.42	.074	2.27	2.57

Table 6(b). ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	42.831	4	10.708	10.227	.000
Within Groups	227.209	217	1.047		
Total	270.041	221			

Estimated results indicate that consumers, in reality, give top priority on “good quality” (brand) (2.76) followed by “cheaper price” (2.67) and distance from home (2.54) in supermarket selection. Ethical issues get the least priority (1.71) in supermarket selection. The F-statistic (10.227) indicates that this is a significant phenomenon (p-value: 0.000). Although it seems that consumers are concerned about ethical business, they are, however, in reality, shopping at supermarkets that can provide them good quality products with cheaper prices.

Code of Ethics and Ethical Shopping: Correlation Matrix

We investigate whether there are significant correlations between the variables of interest by employing the Pearson Correlation analysis. The correlation matrix is presented in Table 7.

Table 7. Pearson Correlation Matrix (p-value is in parenthesis)

	Envir-onment	Organic	Fair	Law	Animal	Ethical	Choice
Envir-onment	1						
Organic	0.597 ^{***} (0.000)	1					
Fair	0.526 ^{***} (0.000)	0.579 ^{***} (0.000)	1				
Law	0.450 ^{***} (0.000)	0.267 ^{***} (0.000)	0.541 ^{***} (0.000)	1			
Animal	0.325 ^{***} (0.000)	0.337 ^{***} (0.000)	0.338 ^{***} (0.000)	0.766 ^{***} (0.000)	1		
Ethical	0.166 ^{**} (0.014)	0.037 (0.586)	0.183 ^{***} (0.006)	0.256 ^{***} (0.000)	0.151 ^{**} (0.024)	1	
Choice	0.025 (0.716)	0.168 ^{**} (0.012)	0.115 [*] (0.088)	0.085 (0.205)	0.182 ^{***} (0.006)	-0.071 (0.291)	1

Notes: The number of observations is 222, ^{***}, ^{**} and ^{*} represents significant at 1%, 5% and 10% level, respectively. “Environment” stands for concern about environment pollution (i.e., whether the business is concerned about environment pollution), “Organic” for organic produce, “Fair” for fair-trade, “Law” for international labor law, and “Animal” for animal welfare. “Ethical” stands for ethical supermarket and “Choice” for consumers’ supermarket selection.

We test whether the general code of ethics, environmental awareness, fair trade, concerned about labor law, animal welfare and organic produce, are significant ethical factors for consumers in ethical supermarket selection. The correlation matrix shows that consumers consider environmental awareness (0.166^{**}), fair trade (0.183^{***}), concern about labor law (0.256^{***}), and animal welfare (0.151^{**}) as significant codes of ethics for

retail business. However, they do not consider "organic produce" (0.037 (p-value: 0.586)) as a significant code of ethics for retail business. Nevertheless, consumers choose their supermarket based on whether the supermarket follows an ethical code: organic produce (0.168^{**}), fair trade (0.115^{*}), and animal welfare (0.182^{***}).

The results suggest that there is a significant "behavioral gap" between consumer perception and their supermarket choice. Although consumers do not consider the trade of "organic produce" as a code of ethics (0.037 (p-value: 0.586)), they choose those supermarkets that make organic produce available for customers (0.168^{**}). Again, consumers do not choose those supermarkets that they consider as more concerned about the environment (0.025 (p-value: 0.716)) and labor law (0.085 (p-value: 0.205)). In contrast, consumers choose supermarkets that offer fair trade products (0.115^{*} (p-value: 0.088)) and that are concerned about animal welfare (0.182^{***}).

Moreover, we find that supermarket selection and perception about supermarkets' ethical behavior are not significantly correlated (-0.071 (0.291)). We also refer to Table 6(a) and Table 6(b) in this respect, which indicate that consumers, when they select a supermarket for shopping, rate the ethical issues as the least prioritized one. Hence, these findings suggest that there is a significant "behavioral gap" between consumers' perception and their response to ethical firm selection.

The correlation matrix also indicates that consumers think they choose the most ethical supermarket for shopping. However, there is a significant disparity between perceived ethical orientation and the actual practise by consumers. The study documented similar evidence from Figure 3 - Figure 6. Estimated results indicate that the customers usually place their chosen supermarket as the most ethical one.

The Demographic Variables and Ethical Supermarket Selection: ANOVA

We, finally, estimate whether the demographic variables have significant influences on ethical preference of consumers in supermarket selection by using the Analysis of Variance (ANOVA). Our dependent variable, the ethical preference is an ordinal variable (Likert scale). All the independent variables are demographic. The demographic variables include age, gender, education, and income. There are 6 age groups from below 20 to above 60. Gender includes male and female. The education variable comprises GCSE/O levels, A levels, graduate, and post-graduate categories. Income groups commensurate with 5 income levels starting from less than 15K to more than 50K. The estimated results are presented as follows.

Table 8. Analysis of Variance

Variable	Group	Observation	Mean	F-statistic (P-value)
AGE	Upto 20	30	2.70	1.694 (0.137)
	21-30	66	2.45	
	31-40	48	2.31	
	41-50	36	2.08	
	51-60	18	2.83	
	60 above	24	2.38	
	Total	222	2.42	
GENDER	Male	108	2.44	2.199

	Female	105	2.46	(0.113)
	NR*	09	1.67	
	Total	222	2.42	
ETHNICITY	White British	141	2.55	3.216**
	Other British	33	2.27	(0.024)
	Non-British	45	2.20	
	NR*	3	1.00	
	Total	222	2.42	
EDUCATION	GCSE/ O Levels	78	2.54	4.691*** (0.001)
	A Levels	30	2.70	
	Graduate	48	2.19	
	Post-Graduate	36	2.75	
	NR*	30	1.80	
	Total	222	2.42	
INCOME	upto 14999	69	2.61	3.847*** (0.002)
	15000-24999	75	2.40	
	25000-34999	30	2.70	
	35000-49999	9	2.00	
	50000+	15	2.60	
	NR*	24	1.63	
	Total	222	2.42	

Notes: * NR stands for No Response. Although the respondents have not responded to the specified demographic questions, they responded to ethical supermarket selections question.

Table 8 suggests that age (F-statistic: 1.694 (p-value: 0.137)) and gender (F-statistic: 2.199 (p-value: 0.113)) are insignificant demographic variables that do not play any specific role in ethical supermarket selection. However, ethnicity (F-statistic: 3.216** (p-value: 0.024)), education (F-statistic: 4.691*** (p-value: 0.001)) and income (F-statistic: 3.847*** (p-value: 0.002)) are found to be significant demographic variables that affect the ethical preference in supermarket selection. White British are found to be more ethically concerned, which is followed by Other British and Non-British consumers. This is worth noting that to find the standard sample size for estimation, we combine Asian and African British into one group, which is called "Other British," and we also combine European (other than British), African, Asian, and other ethnic groups into another group called "Non-British."

The study also finds that the consumers become more ethical as their education level increases; the only exception is the "graduate level." This finding generally suggests that highly educated people are more concerned about ethical business practices by supermarkets. Although income levels significantly affect supermarket selection, we haven't found any systematic relation between income level and ethical supermarket selection by consumers.

Conclusion

This study investigates consumers' perception about ethical business and the impact of their perception on their supermarket choice in the UK. We use both primary and secondary data for this research. The primary data was collected from three important UK cities through a questionnaire survey; secondary data was collected from various existing data sources, such as Mintel (2009, 2011) and the Ethical Consumer Organization report (2011).

The results show that for consumers, environmental awareness, fair trade, concern about labor law, and animal welfare comprise the significant code of ethics that should be followed by supermarkets. However, consumers do not consider "organic produce" as one of the significant ethical business practices of their preferred retailers.

It seems that, overall, although ethical business is an important issue in the minds of consumers, they do not have appropriate knowledge about the ethical ranking of existing supermarkets. Rather, they consider that their chosen supermarket is the most ethical one. Hence, there is a significant "knowledge gap" among consumers about ethical business practice.

The general perceptions of consumers are environmental awareness and concern about labor law are two significant codes of ethical businesses; however, when they select a supermarket for shopping, it is found that they are not concerned about these factors. Besides, although consumers do not consider the organic produce as one of the ethical products, they choose those supermarkets that offer organic produce to them. Furthermore, it is found that UK consumers put more preference on quality products and cheaper prices than on ethical products. Consequently, it seems that there is a significant "behavioral gap" between consumers' perception and their response. This finding is in accordance with the statement provided by Eckhardt et al. (2006) that although consumers like ethical businesses, they do not sacrifice their comfort for the welfare of society.

The estimated results also demonstrate that the level of education, level of income, and ethnicity significantly influence the choice of ethical supermarkets by consumers. It is also found that highly educated consumers are more concerned about ethical shopping than less-educated consumers. White British are found to be more concerned about ethical shopping than Asian and African British, as well as Non-British consumers. However, we have not found any systematic income effect on ethical supermarket selection. Age and gender do not play any significant role in ethical shopping.

Further Research

Further research may attempt to investigate the reasons for the behavioral gap between consumers' perception about ethical business and their response thereto. Consumers knowledge about and response to ethical business in developing country perspective may also be an important area of research.

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