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**Ethics and consumer behavior in clothing industry**

Thesis

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**Seinäjoen ammattikorkeakoulu**  
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SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

## **Thesis Abstract**

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The goal of the thesis is to find out if the ethicality of a company affects consumers' buying behavior. The topic was chosen because the authors are both interested in clothing business and because ethical issues are a current topic in the business world and can also be a big advantage or disadvantage for companies. The research is conducted in order to find out the consumers' opinions about the industry's current state concerning ethicality. Electronic questionnaires were used to gather the information. Quantitative research method was chosen to get the general picture of consumers' opinions.

The thesis is composed of three parts that are linked together. The first part is the theory of ethics, the second is the theory of consumer behavior and the third part is the study. The theory parts explain the concepts of ethics and consumer behavior from the European perspective. The theory of ethics deals with the different business operations which affect the ethical image and may create a competitive advantage. The theory of consumer behavior describes the European consumer and the values, attitudes and needs.

The conclusion of the study points out that the consumers are not satisfied with the current situation and wish there would be more ethically produced clothing available. Only half of the consumers thought that the ethical image of a company affects their buying behavior. If the companies would invest more in ethical clothing and promote their ethical image, it could affect positively in consumers' behavior and increase the number of consumers who are affected by the ethical image of a company.

Keywords: ethics, consumer, consumer behavior, clothing, ethical standards

SEINÄJOEN AMMATTIKORKEAKOULU

## Opinnäytetyön tiivistelmä

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Opinnäytetyön tavoitteena on ottaa selvälle onko yrityksen eettisyydellä vaikutusta kuluttajien ostokäyttäytymiseen. Kyseinen aihe valittiin, koska tekijät ovat kiinnostuneita vaate-alasta ja eettisyys on ajankohtainen aihe liike-elämässä ja se voi olla sekä kilpailuetu, että -haitta. Tutkimus toteutettiin, jotta saataisiin selvälle kuluttajien mielipide alan nykytilasta. Tiedon keräämiseen käytettiin elektronista kyselylomaketta, ja jotta saataisiin yleiskuva kuluttajien mielipiteistä, valittiin kvantitatiivinen tutkimusmetodi.

Opinnäytetyö koostuu kolmesta toisiinsa liittyvästä kokonaisuudesta. Ensimmäinen osa on eettisyyden teoriaa, toisena on kuluttajakäyttäytymisen perusteita ja kolmantena on tutkimus. Teoriaosuudet selittävät eettisyyden ja kuluttajakäyttäytymisen periaatteita eurooppalaisesta näkökulmasta. Eettisyyden teoria käsittelee yrityksen eri toimintoja, jotka vaikuttavat eettiseen imagoon ja jotka voivat luoda kilpailuedun. Kuluttajakäyttäytymisen teoria esittelee eurooppalaisen kuluttajan ja vallitsevat arvot, asenteet ja tarpeet.

Tutkimuksen yhteenveto osoittaa, että kuluttajat eivät ole tyytyväisiä nykytilanteeseen alalla ja toivovat, että eettisiä tuotteita olisi enemmän saatavilla. Ainoastaan puolet kuluttajista arveli, että yrityksen eettinen imago vaikuttaa ostokäyttäytymiseen. Yritykset voisivat kasvattaa kyseistä kuluttajaryhmää investoimalla enemmän eettisyyteen ja kehittämällä eettistä imagoaan.

Keywords: eettisyys, kuluttaja, kuluttajakäyttäytyminen, vaatetus, eettiset standardit

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## Abbreviations

<b>CEO</b>	Chief executive officer
<b>E.G.</b>	Exempli gratia
<b>ETC</b>	Et cetera
<b>EU</b>	European Union
<b>GOTS</b>	Global Organic Textile Standard
<b>ICC</b>	International Chamber of Commerce
<b>MNE</b>	Multinational enterprise
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>SME</b>	Small and medium sized enterprise
<b>WBCSD</b>	World Business Council for Sustainable Development



# 1 Theory of business ethics

## 1.1 Business ethics

Ethics (Greek *ethos*) means values, habits and norms. It includes rules of what is right and wrong, good and evil, justice and crime – what you can or should do and what you cannot do. People are usually fighting with the ethical problems when they face a situation where they have not been before and where the old behavior model does not apply. Then they have to weigh their values and question their moral, which play an important role when making ethical decisions. (Ferrell, Fraedrich & Ferrell 2000, 6.)

The concept of business ethics is one of the most important issues in the business world of today but gets many times misunderstood. And still, it is becoming the most important competitive advantage. Business ethics is about companies' practices, whether or not they are acceptable or what constitutes desirable conduct in particular circumstances. In simple terms, business ethics comprises principles and standards that guide behavior in the world of business. Should a sales man hide the fact about product's poor safety from the client in order to get the product sold? Or is it okay to have your clothes done using child labor? No matter of their legality, these actions will be judged as right or wrong by stakeholders, such as investors, customers, interest groups, employees, the legal system, and the community. Although these groups are not necessarily "right", their judgments influence society's acceptance or rejection of a business and its activities. Because of its nature, ethics is a controversial subject and there is no absolute theory that would resolve all the questions. (Unofficial translation, Aaltonen & Junkkari 2003, 19; Ferrell et al. 2000, 5-6.)

Some specific aspects must be considered when applying ethics to business. First of all, companies must make profit in order to survive. If profits are gained by misconduct, this usually means that the life of the organization will not last long. Second, businesses must balance their desires for profits to meet the desires and the needs of society. Maintaining this balance usually requires some tradeoffs or compromises. To address these unique aspects of the business world, society has

developed rules – both legal and implicit – to guide businesses in their efforts to earn profits in ways that do not harm individuals or society as a whole. (Mellahi, Morrell & Wood 2010, 14.)

It is sure that business ethics has become an increasingly fashionable field of study over the past twenty or so years. Nowadays, organizations face remarkable pressure from the consumers who demand firms to be seen and to be acting in an ethical way in both home and host markets, while legislation designed to ensure “good” corporate behavior – in all areas ranging from marketing to the environment – has increased. Ironically, according to Mellahi (2010, 14), these pressures have been partially offset by others, including increasingly mobile investor capital, the rise of speculator-driven economic activity, and rapid changes in technology and market compositions, all of which encourage managers to take a short-term profit maximization point of view. So it is no coincidence that during the 1990s and 2000s firms have been seen placing increasing importance on developing so called “green” products, on minimizing waste and encouraging recycling, but we have also witnessed financial scandals and ongoing allegations of misconduct by major multinational companies in the developing world. It is generally recognized that business ethics do matter.

### **1.1.1 Ethical values**

Ethical values refer to human’s idea of right and wrong. The ethical values of an organization or individual are dictated by responsibility and justice that the company feels towards the society and nature. From the company point of view the ethical values are economic, social and ecological. In the following chapters, we will discuss more about these values. (Unofficial translation, Rohweder 2004, 79.)

#### Economic value

Economically responsible, profitable and competitive company or other organization brings added value to its owners, maintains jobs, increases tax revenue and brings welfare to the society. There are many laws to regulate the

economical responsibility, for example tax law and competition legislation. A company is economically responsible for its owners but also to its stakeholders. The minimum requirements can be exceeded by acting openly and transparently. (Unofficial translation, Ministry of Employment and the Economy [ref. 15 September 2011].)

#### Social value

In order to be socially responsible, a company should take care of its employees' well-being and of the fulfillment of human rights by employing minorities and networking with interest groups, and also improve employees' know-how. Promoting high-quality working life is socially responsible. Socially responsible actions are beneficial not only for companies but also to other work communities, and to stakeholders because they increase mutual trust, improve company's image and increase general wellbeing. In the long run social responsibility can improve company's profitability, competitiveness and help in finding new social innovations. (Unofficial translation, Ministry of Employment and the Economy [ref. 15 September 2011].)

#### Environmental value

Ecologically responsible companies and other work communities utilize natural resources and raw materials in a sustainable way and decrease pollution and climate change in every action they take. National and international regulations guide the ecological responsibility. In addition, public administration can promote companies voluntary actions taken for the better environment. Ecological production and working methods increase company's competitiveness and in long-term increase cost efficiency and they are socioeconomically durable both in the short and in the long-term. Using ecologically responsible production methods can create new ecological innovations. (Unofficial translation, Ministry of Employment and the Economy [ref. 15 September 2011].)

### 1.1.2 Functional areas of business

A company should include its ethical policies into its core business. Only by doing some cosmetic improvements, no company can gain the actual benefits of doing ethical business. Instead, the superficial improvements may only increase the chance of new risks: good reputation is difficult to create but easy to destroy. In order to gain the reputation of a good ethical company, the business operations should be in line with each other. This means that all the different aspects of ethical responsibility should be recognized, especially in company's core business. For example if an importing company is confident of its subcontractor's ethical operations and its products' origin, the importer is then well prepared to answer the negative messages that might arise from the different interest groups. (Unofficial translation, Könnölä & Rinne 2001, 67-68.)

The nature and the branch of a company mainly determine the themes of corporate responsibility which stand out. For example the trade and industry have paid attention to protecting the environment while the financing and service sectors have emphasized the importance of fair advertising. In the following chapters, we will examine the major participants and functions of business from which ethical issues may arise. (Unofficial translation, Könnölä & Rinne 2001, 67-68; Ferrell et al. 2000, 35.)

#### Customers

Customers' role in a company's profitability is obvious: the company would not survive if it does not have anyone to buy its products or services. So we could say that customer is the most important part of the company. A firm should be aware of customers' expectations and values. It is called customer orientation. If the company's values differ a lot from the customers' values, customer might avoid buying the company's products. (Unofficial translation, Könnölä & Rinne 2001, 82.)

Today customers are economically wealthier than couple of decades ago so they have the privilege to choose the product they buy based on something else than the price only. Nowadays, customers are increasingly interested on the ethicality of the product and the producer. They are not only buying the products; they are

also buying a stack of ethical values at the same time. So price, quality, service or availability is not necessarily the best competitive advantage on the market. (Unofficial translation, Aaltonen & Junkkari 2003, 254; Unofficial translation, Könnölä & Rinne 2001, 82.)

## Personnel

Right after customers come the personnel of the company. They are the most important resource of the company, the prerequisite for profitability. The company cannot run profitably without motivated and committed employees. The realization of company's values depends highly on how well the employees have internalized the same values. (Unofficial translation, Aaltonen & Junkkari 2003, 225; Unofficial translation, Könnölä & Rinne 2001, 72.)

Nowadays, more importance has been put to personnel's well-being at work. An employee who is well motivated and feels good will also bring the company good results. Investors in People UK has created The Investors in People standard to measure the well-being of employees. It is a national quality standard to develop organizations in a way that they would pay more attention into the personnel's needs. (Unofficial translation, Aaltonen & Junkkari 2003, 225; Unofficial translation, Könnölä & Rinne 2001, 73-74.)

Especially in multinational companies, the cultural background of employees must be taken into account by the human resource managers. When working among different cultures, the management should be based on continuous learning and adapting to local customs. Ethical business is about respecting dissimilarities. Managers should try to find new resources from dissimilarity in order to develop one's business. A socially responsible company can also support for example charities in the developing countries, be socially active in a way that would benefit their local workers' life. (Unofficial translation, Könnölä & Rinne 2001, 73-74.)

## Management

The management of a company represents the whole organization and has an ethical and a legal responsibility to take care of all the actions made by the company. The most important task of management is to achieve a company's

objectives by organizing, directing, planning and controlling the activities of its employees. Managers must carefully balance their duties both to the owners or stockholders who hired them to achieve the organization's objectives, and to the employees, who look to them for guidance and direction. In addition, managers must comply with society's wishes to have safe working conditions and safe products, to protect the environment, and to promote minorities. Since the management of the company guides employees and direct activities, managers have an influence also in that way on the ethical issues that are building up within an organization. If the management acts irresponsibly, the lack of responsibility will reflect to the company and to its employees. If the management does not care about the ethical rules or does not have any moral, why should the employees have any? (Ferrell et al. 2000, 39.)

Management should also take care about ethical issues in connection with employee discipline, discrimination, wellbeing and safety, privacy, employee benefits, drug and alcohol abuse in the work, the environmental impact of the organization, codes of ethics and self-governance, relations with local society, plant closings and layoffs. Employees and communities usually react adversely if such issues are not paid any attention to. In Mexico, the female employees are tested before hiring them to see if they are pregnant. General Motors, the major private employer in Mexico, abandoned this practice because they did not feel comfortable with the policy. (Ferrell et al. 2000, 39.)

#### Partners and suppliers

It is important for an ethical company to understand all the steps of its products life cycle and take responsibility of the ethical effects every step has. A chain is only as strong as its weakest link, as they say. Communication between the company and its partners is highly important in order to follow the common values. Especially multinational companies tend to have very long supply chains so it is hard to keep it transparent all down the line. We will discuss more deeply about suppliers later in our thesis. (Unofficial translation, Könnölä & Rinne 2001, 81.)

## Society

All companies want to be good corporate citizens. Being socially responsible means that you try to maximize the positive and minimize the negative effects on society. First, the basic duties have to be taken care of when you are a part of a society: paying the taxes and creating new jobs. Furthermore, the company can take part in charity work or support some local projects. It is even more important to be an active and strong citizen in developing countries. Sometimes even when building a plant somewhere the company must make investments on the local infrastructure or in order to employ better workers the company must improve the local school system, just to mention few ways to support the local society. (Ferrell et al. 2000, 34; Unofficial translation, Könnölä & Rinne 2001, 87.)

### **1.1.3 Guidelines for sustainable development**

Since 1990's many different kind of guidance have been created which companies can commit to follow. The guidance gives companies a concrete idea of the issues that should be addressed when the companies want to invest and develop their ethical know-how. In other words, the guidance makes it easier to picture the issues involved in business ethics and creates an ethical and moral framework for companies' activities. However, the guidance does not give any detailed advice how to realize the sustainable business models in practice. In the following chapters, we will introduce the most common guidance for sustainable business activities. (Unofficial translation, Rohweder 2004, 121.)

### **Global Compact**

The United Nation's Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a major driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. As economic, social and political challenges – both in home and host countries – affect businesses more than ever

before, companies have noticed the need to partner and cooperate with governments, societies, labor and United Nations. Maybe that is also why Global Compact has experienced a big growth during the last years. Nowadays it is the world's largest voluntary corporate responsibility initiative with over 8700 corporate participants and other stakeholders from over 130 countries. (United Nations Global Compact, [ref. 11 October 2011].)

The Global Compact is a practical framework for the development, implementation and disclosure of sustainability policies and practices. It offers participants a wide range of work streams, management tools and resources which are all designed to help develop sustainable business models and markets. However, it does not include advice how these issues should be approached in companies. It also does not include supervision mechanism of the committed companies though the companies are ought to report to the UN about the project concerning sustainable development. (Rohweder 2004, 122; United Nations Global Compact, [ref. 11 October 2011].)

As mentioned earlier, the UN Global Compact has ten principles in the areas of human rights, labor, the environment and anti-corruption which all enjoy universal consensus. These principles are derived from the Universal Declaration of Human Rights, The International Labor Organization's Declaration on Fundamental Principles and Right at Work, The Rio Declaration on Environment and Development and the UN's Convention Against Corruption. The ten principles of UN Global Compact that companies are committed to embrace and enact are the following:

#### "Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.



## Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

## Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.“

For example Nike Inc., Gap Inc. and Levi Strauss & Co are committed to the Global Compact. (United Nations Global Compact, [ref. 11 October 2011].)

## **OECD Guidelines for Multinational Enterprises**

The OECD (Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises are recommendations suggested by governments to multinational enterprises. The guidelines offer voluntary standards and principles for responsible business conduct consistent with applicable laws. The Guidelines' goal is to make sure that the operations of these MNEs are in harmony with government policies, to strengthen the mutual trust between companies and societies they are operating in, to improve the climate for foreign

investment and to increase the contribution to sustainable development by multinational enterprises. (The OECD, [ref. 12 October 2011].)

The guidelines are based on voluntariness but governments supervise the execution of these guidelines and principles. The Guidelines have been accepted by 38 countries: the OECD member countries (Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States) and in addition Argentina, Brazil, Chile, Israel, Estonia, Latvia, Lithuania and Slovenia. The Commission of the European Communities takes also part in the work of the OECD. (Unofficial translation, Rohweder 2004, 125; The OECD, [ref. 12 October 2011].)

### **Green paper of EU**

The European commission published the Green paper in 2001 in order to promote the sustainable business practices in the area of European Union. The Green paper includes for example the content of corporate social responsibility, reporting, auditing and brands. The commission has highlighted the voluntariness of socially responsible acts. According to the commission, companies voluntarily combine the ecological and social aspects to their business activities and to the communication with their interest groups. The commission considers the development of corporate social responsibility to be important and this is why it has suggested developing strategies for the following areas:

- increase the knowledge of the positive effects arisen from socially responsible actions
- exchange of positive experiences between enterprises and promoting the responsibility management skills
- encouraging the social responsibility of SMEs
- standardization of the practices in connection with business ethics
- building the concepts into company's politics

- constitution of EU level forum for stakeholders to deal with these issues. (Unofficial translation, Rohweder 2004, 125-126.)

In addition to the Green paper, the commission has published a recommendation to enterprises on how to record, calculate and publish the issues dealing with environmental and social responsibility in their financial statements and annual reports. (Unofficial translation, Rohweder 2004, 125-126.)

### **ICC's Business Charter for Sustainable Development**

The International Chamber of Commerce published the Business Charter for Sustainable Development in 1991. The charter contains the principles for good environmental management so it only applies to ecological sustainable development. The principles include for example the commitment of an enterprise, creation of necessary environmental management practices, integration of environmental issues with the basic business activities, taking the environmental issues into account in every part of the business and through the entire product lifecycle, obeying the precautionary principle, and cooperation with the stakeholders, and transparency. (Unofficial translation, Rohweder 2004, 126-127.)

The principles of the Business Charter obligate companies to accept the goals but they actually do not force companies into any kinds of actions. The clauses of the charter are also framed to a general level so they can be interpreted broadly. The International Chamber of Commerce does not monitor if the committed companies actually follow the principles. The Business Charter is a code of conduct by its nature and its main idea is voluntariness. Thousands of companies have used it as a guide when they are taking their own journeys towards stable environmental management. (Unofficial translation, Rohweder 2004, 126-127; International Chamber of Commerce, [ref. 12 October 2011].)

### **WBCSD's guidance**

The World Business Council for Sustainable Development (WBCSD) is a global association of about 200 companies lead by CEOs dealing exclusively with business and sustainable development. The Council offers companies a platform to explore sustainable development, share knowhow and experiences, and to

advocate business positions on these issues in different forums. Members of the council come from more than 30 countries and 20 major industrial sectors. The Council also gains advantage from its global network that consists of some 60 national and regional business councils and regional partners. (WBCSD, [ref. 12.10.2011].)

The WBCSD has published the reports *Corporate Social Responsibility: Meeting changing expectations* and *Corporate Social Responsibility: Making good business sense*. The first mentioned report handles generally the responsibilities company has of human and employees' rights, protection of environment, suppliers and society. The latter offers companies methods in responsibility management and ways how to include it into their business strategy. (Unofficial translation, Rohweder 2004, 127.)

### **ICC's fighting bribery – a corporate practices manual**

The ICC Commission on Anti-Corruption has published "Fighting Corruption, a corporate practices manual", which provides detailed practical guidance for compliance with the ICC Rules of Conduct and the OECD Convention. It is a practical handbook for all who hope to install an efficient and well-run integrity program into their business. The manual was first published in 1999 and notably revised and expanded in 2003. (International Chamber of Commerce, [ref. 17.10.2011].)

"The 2005 edition of the ICC Rules of Conduct and Recommendations to Combat Extortion and Bribery consists of three parts:

- Part I contains substantive rules and implementation procedures for voluntary application by enterprises;
  - Part II sets forth follow-up activities by the ICC Commission on Anti-Corruption for the promotion of the Rules of Conduct;
  - Part III covers the work of the ICC Commission on Anti-Corruption with international organizations and national governments to strengthen the legal and administrative framework to combat bribery and extortion."
- (International Chamber of Commerce, [ref. 17 October 2011].)

## **Corporate governance recommendation**

The term corporate governance refers broadly to the rules, processes or laws by which businesses are operated, regulated, and controlled. The term can also refer to internal factors defined by the officers, stockholders or constitution of a corporation, but also to external factors such as consumer groups, clients and government regulations. (SearchFinancialSecurity.com, [ref. 17 October 2011].)

A well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by making sure that the enterprise follows the accepted ethical standards and best practices as well as the formal laws. In recent years, corporate governance has received more attention than ever before because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by company officers. (SearchFinancialSecurity.com, [ref. 17 October 2011].)

### **1.2 Supply chain**

Since the early 1990's, firms have been strongly adopting strategies that focus mainly on the firm's core business. These competitive strategies have enabled firms to enjoy greater profits of its core business while outsourcing its non-core activities to low-cost locations. For example, it is highly common that a firm is taking care of its design and marketing functions in USA while it is outsourcing its manufacturing activities to a Chinese firm and IT functions to a company located in India. This outsourcing leads to a point where a company involves and is highly dependent on a large number of distributors and suppliers that are working outside of the company's traditional boundaries. (Mellahi et al. 2010, 213-214.)

In addition to the trend of outsourcing, the world has witnessed a remarkable increase in globalization. As a result of rough competition in the Western countries, firms trust increasingly on international sourcing in order to maintain their competitiveness and to reduce costs. Nowadays, most of the multinational enterprises have a global supply chain in which their activities are scattered around the globe. This globalization is facilitated by low transportation costs, lower

trade and investment barriers in foreign markets and notable improvements in information and communication technology. (Mellahi et al. 2010, 214.)

### **1.2.1 Supply chain management**

“Supply chain management is the oversight of materials, information and finances as they move in a process from supplier to manufacturer to wholesaler to retailer, and finally to the consumer. It involves coordinating and integrating these flows both within and among companies.” (Mellahi et al. 2010, 215.)

The main goal of ethical supply chain is to have the right product in right quantity at the right place at the right time at minimal cost within an ethical framework. Supply chain management involves the business processes that bring a good to market, including coordination, communication and collaboration among suppliers; manufacturing, materials and logistics; and procurement, distribution, wholesale and service and sales channels. As mentioned earlier, firms now tend to outsource many of these activities to focus on their core business, but still increasingly expect their suppliers to deliver innovative quality products reliably, at the right time and, of course, at a competitive cost. As a result, managing the supply chain has become a key factor in pursuing sustainable competitive advantage. But then, how responsible the company can be of its supply chain, especially those parts that are outside its physical boundaries? Even though it is difficult, maintaining ethical standards throughout the supply chain is an important ethical cornerstone. (Mellahi et al. 2010, 216.)

### **1.2.2 Ethical challenges in supply chain management**

As mentioned earlier, due to outsourcing and globalization, the supply chains are getting longer and more complex than ever. The supply chain is a complex network of firms and actors operating outside the firm’s physical boundaries. The complexity creates the problem in managing all the activities and parts of the supply chain and the problem on how to monitor that all of them are acting ethically. Firms face different ethical issues in different parts of the supply chain.

Here we wanted to focus on the labor condition issues. (Mellahi et al. 2010, 214-215, 217.)

### **Labor condition issues**

To ensure the ethical consistency of their operations, companies must create and implement an ethical approach to the human resource management and labor conditions along the supply chain. The major ethical challenge for Western companies outsourcing internationally is to keep up labor conditions that are acceptable and legal to Western customers. In our thesis, we wanted to study more closely about child labor and sweatshops since they are current ethical issues discussed in the clothing industry of today. (Mellahi et al. 2010, 217.)

#### Child labor

During the recent years there has been increasing discussion about child labor in the supply chain. According to the International Labor Organization (ILO) about 215 million children work today, many full-time without any legal or regulatory protection. More than half of them are exposed to the worst forms of child labor such as work in hazardous environments, slavery, or other forms of forced labor, illicit activities including drug trafficking and prostitution, as well as involvement in armed conflict. (International Labor Organization, [ref. 13.9.2011].)

The term child labor is hard to define. A research by Understanding Children's Work (UCW) provides many different types of work that is regarded as child labor. The following table (Table 1) shows the darker areas as work that is defined as child labor, lighter areas indicate allowable or acceptable work. (Mellahi et al. 2010, 217.)

Table 1. Definition of child labor. (Mellahi et al. 2010, 218.)

Up to age 18	Dangerous or hazardous work. Worst forms of child labor	Full-time work	Part time work in labor market and vocational training	Household work if not interfering with school or health
Up to age 14 or 15 or age of completed compulsory education (if higher)		Full time work in labor market		
Up to age 12 or 13			Any work in labor market	

Child labor is not an easy subject to deal with. It is even more difficult for multinational companies to deal with this issue because of the nature of relationships with manufacturers and subcontractors in varying cultures. Famous multinational firms such as IKEA, Adidas, Reebok and Gap have faced accusations in the past for violation of labor standards and the use of child labor but nowadays they have adopted a “zero tolerance” strategy for the child labor. They often consult their suppliers regarding the best labor practices and provide financial aid. The companies have also hired independent agents to monitor their plants abroad and they have visited their suppliers to see what can be done to improve the life of the employees. This shows that it is very important with the firm to communicate with its suppliers, empowering them to take care of their workplaces. In order to create the “zero tolerance” strategy in a company, you must first answer to some questions: how to monitor the strategy, how to get the suppliers commitment to it; how to help suppliers to develop the needed capacities without relying on child labor; how to face the economic and social realities that force parents to put their children to work; and furthermore, how to help those communities and children involved in child labor. So the best way to fight against the child labor is to look beyond the supply chain and see what can be improved there. (Ferrell et al. 2000, 209-210; Mellahi et al. 2010, 218.)



## Sweatshops

Just like child labor, sweatshops are as hard to define. We could say that a sweatshop is a working place where the laws are not obeyed, the workers are a subject to heavy exploitation for example they are paid less than nothing and they work long hours. In addition, the sweatshop workers suffer from poor working conditions such as health and safety hazards, verbal or physical abuse and they fear to speak out, organize or try to form a union. (Mellahi et al. 2010, 219.)

Sweatshops are generally considered unethical and morally wrong despite of all the benefits that it might bring to the workers and other people involved in the business, not to mention the society in which they are found. The sweatshops have a voluntary nature when comparing to child labor. The employees might not want to work in sweatshops and they might wish that they would live in better conditions in order not to do so but the circumstances have lead them working into sweatshops and they have chosen to accept the conditions of their employment. (Mellahi et al. 2010, 219-220.)

MNEs are able, in the abstract, to improve the working conditions and they ought to put pressure on and work with the suppliers in order to monitor that the laws are followed and the workers would have decent wages and safe working conditions. There are many stories of MNEs that have not paid any attention to their suppliers' working methods and later faced accusations on using sweatshops. For example in Bangladesh, employees in clothing manufacturing companies supplying large Western supermarkets often work 80 hours per week in so called "death trap factories" earning as little as 5 pence an hour. (Mellahi et al. 2010, 220-221.)

So why do the sweatshops continue working despite the cruel treatment of workers. One reason might be the fact that it is very hard to draw a line between appropriate and inappropriate working methods. Further, because of the benefits that the sweatshops bring to the employees and society and which cannot be easily found from alternative work places. Some might even argue that actions taken against sweatshops may backfire. In some cases boycotting not only failed to improve working conditions but led to the closing of the sweatshop and the dismissal of workers whose lives depended on them. (Mellahi et al. 2010, 222.)

### 1.3 Competitive advantage

Taking a company's ethical responsibilities into account adds new ways to develop the business. Successful companies follow the laws and regulations; take good care of the employees and other stakeholders. In order to be truly responsible, an organization must show its innovativeness, openness and liability in its actions. The profit must be gained in a way that the rights of environment, people and society will be taken into account. The company cannot rely on child labor, overloading the environment or on other questionable ways of making money. Ethical business drives companies for a long-term profitability while non-ethical business increases company's financial risks. (Unofficial translation, Könnölä & Rinne 2001, 9.)

High ethical standards create the basis for business functions. This brings along satisfied employees and customers. Good business ethics affects positively to the success factors which are reputation, personnel's performance and market position. (Unofficial translation, Heiskanen & Salo 2007, 19-20.)

#### Reputation

Unethical business or other dodgy actions can ruin a company's reputation easily but rehabilitation to the same level as it was before is very difficult, sometimes even impossible. Bad reputation decreases personnel's and business partner's moral and commitment by which the financial performance gets worse. On the other hand, by building an ethical image the company can separate itself from the competitors. (Unofficial translation, Heiskanen & Salo 2007, 21.)

#### Personnel's performance

Staff constancy, loyalty and productivity are greatest in companies which follow operation modes that are clearly linked to the values of the organization. The personnel feel better and can work longer in a company that acts ethically. That kind of company can also hold on to the best employees and attracts the best workers to work in their firm. (Unofficial translation, Heiskanen & Salo 2007, 21; Unofficial translation, Koskinen 2000, 105.)

## Market position

If a company has been able to create a clearly ethical image, it attracts customers, business partners and employees. They weigh carefully company's values and working methods based on which they create their opinions about the company. Even one dishonest act can affect the mutual trust and end the partnership while clear and transparent operation principles build up the confidential relationship. (Unofficial translation, Heiskanen & Salo 2007, 21.)

### **1.4 Ethical clothing**

The clothing industry is one of the biggest and the most polluting industries – not to mention the employees' rights in today's world where multinational companies produce more clothes on lower cost and faster than ever before. It is a complicated and long process to turn a raw material into a finished product that ends up to the shop shelves. This process consumes the nature whether it is the control substances used in cultivation, dyeing, transportation or the big stacks of clothes carted to the dump. (Unofficial translation, Anniina Nurmi, [ref. 29 September 2011]; Unofficial translation, House of Eco, [ref. 29 September 2011].)

Many of the clothes we use daily have their origin in a country where we have never been to. It is usually difficult to track the production process. The production process of clothing involves tens or even hundreds of intermediaries located around the world. At the same time when the manufacturer does not know where the clothing will end up, the consumer does not know how and where his clothing has been manufactured. (Unofficial translation, Anniina Nurmi, [ref. 29 September 2011].)

Ecological clothing requires minimum amount of energy, natural resources and harmful chemicals during the production process. The clothing is durable and of good quality. The materials, production process and the life-cycle of clothing load the environment as little as possible. (Unofficial translation, House of Eco, [ref. 29 September 2011].)

Ethical clothing is produced with respect for humans, nature and animals. All the people involved in the production process must receive a reasonable compensation and their rights must not be exploited. They must have the right to unionize and negotiate the working conditions. Child labor and forced labor are strictly forbidden. Local customs, culture and know-how must be valued in the production, no matter how far the country of manufacture is located. (Unofficial translation, House of Eco, [ref. 29 September 2011].)

### **How can you recognize ethical clothing?**

It would be recommended that the garment would have a certificate of ethical and ecological production given by an external organization, so consumers could easily see if the garment is ecological or ethical. Nowadays, the certificates are increasingly important due to the globalization of clothing production. While the consumers cannot follow the production conditions as closely as before, they can trust that the production is truly ecological and ethical on the other side of the world, on account of these certificate organizations. At least for now, there is no certificate that would reveal the entire lifecycle of a product – neither from ecological or ethical point of view but we are well on our way. (Unofficial translation, Anniina Nurmi, [ref. 7 October 2011].)

#### Green labels and ethical certificates

Below we introduce the most common certificates, as listed on Vihreät Vaatteet web page [ref. 7 October 2011]. These certificates help consumers to recognize ethical and/or ecological products.



## GOTS

GOTS is a wide ecological and ethical certificate for textiles that covers the entire production process starting from the naturally produced raw material through the whole production chain until the finished product. The wellbeing of humans and animals is also taken into account. Only naturally grown natural fibers (at least 95%) can get the GOTS certificate.



## EU Ecolabel

The Ecolabel assures that the emissions into the air and water during the production are minimized. Almost any fiber can be granted the Ecolabel. Every material has certain limitations how much the material is allowed to contain harmful chemicals. However, the EU Ecolabel is not a guarantee of an organic production.



## Textile Exchange

American Organic Exchange changed its name into Textile Exchange in the end of 2010. The new Textile Exchange covers a wider material selection than the previous Organic Exchange: in addition to organic materials they cover also other natural fibers and recycled materials. And in addition to the materials, Textile

Exchange also has criteria related to environmental friendliness, for example the emissions to the nature and energy consumption.



## Krav

Krav is a Swedish certificate for organic production that has criteria also for humans and animals welfare.



## Oeko-Tex 100

Oeko-Tex 100 is a product safety label which guarantees that the amount of harmful chemicals in the final product has not exceeded the limiting values defined by Oeko-Tex 100. These limiting values are divided into four groups, based on how close to skin a product is used. Oeko-Tex 100 is not a guarantee of organic production.

In addition to Oeko-Tex 100, there is also Oeko-Tex 1000 and Oeko-Tex 100Plus certificates which cover the energy consumption of production and working conditions.



## Global Recycling Standard

Global Recycling Standard informs consumers the amount of recycled materials used in the product. The label covers also other ecological and ethical criteria for production. Global Recycling Standard is upheld by Textile Exchange.



## Bluesign

Bluesign standard covers the entire production chain of textiles limiting, for example, the use of chemicals and emissions to the air and water. The safety of employees and consumers is also included in the certificate.



## Fairtrade

The Fairtrade certificate supports the situation of employees in small farms and ranches in developing countries. The farmers are paid at least the Fairtrade's guaranteed price of the products which covers the costs of sustainable production and in addition a Fairtrade bonus which is destined to improve the local societies' living conditions. The workers at big farms must have decent working conditions, at least the minimum wage defined by law and the right to join a labor union. Trade relations must be long which enables the development of production in the long run.

The farmers must fulfill the criteria created by FLO (Fairtrade Labeling Organizations International). When it comes to cotton production, FLO has primarily certificated the production on the fields but the companies involved in the clothing's production process must all fulfill at least ILO's (International Labor Organization) agreements and abide by the law of the country of production.

Fairtrade cotton production mainly concentrates on the ethicality of the production but the production includes also environmental criteria.



Fair Wear Foundation

Fair Wear Foundation (FWF) is an international organization which cooperates with companies in order to improve the working conditions in clothing industry. FWF monitors production conditions through the whole production process.

## **SA8000**

SA8000

SA8000 (Social Accountability 8000) is an extensive production certificate in which external auditors inspect factory conditions on regular basis. The following figure demonstrates the different areas that the SA8000 certificate covers (Figure 1). (Unofficial translation, Anniina Nurmi [ref. 7 October 2011])





Figure 1. SA8000 standard. (Social Accountability International, [ref. 25 October 2011].)

Because the ethical issues are becoming increasingly important to consumers, organizations and companies have tried to create reliable ways to inform consumers about their ethical practices. In addition to these certificates, they have also found other ways. A really good example is a web page called The Footprint Chronicles. The web page is operated by Patagonia, a company which produces outdoor and sports clothing and which is very concerned about the ethicality in its products' life cycle. They have an interactive web page where the consumers can track each step of the products' manufacturing process and each step is also explained well and the supply chain process is transparent.

## **2 Theory of consumer behavior**

### **2.1 Consumer behavior**

Consumer behavior is the study of the processes involved when groups or individuals choose, purchase, use or discard products, services, experiences or ideas to satisfy their needs and desires. A consumer can be anyone, a child or a manager of a company; the item consumed can be anything from food to music and the needs and desires satisfied through consumption range from hunger to spiritual fulfillment. (Solomon et al. 2006, 6.)

Some of the theory about the psychological or sociological influences on consumer behavior may be common to all Western cultures and some theories culturally specific. We are concentrating on studying consumer behavior from a European perspective as we are a part of the European Union. Certain segments of consumers show similar kinds of behavior across national borders and researches on consumers in Europe suggest that they use their understanding of the consumption environment to make sense of the foreign cultures visited. But the ways people live their consumption life vary greatly from a European country to another and even between different regions of a country. The consumers in European Union come from very different economic and political circumstances and each of them have their own historical and cultural development. (Solomon, Bamossy, Askegaard & Hogg 2006, 4.)

The consumers have many different roles on the marketplace and they can modify their consumption decisions according to the situation they are in at the time. The criteria they use to evaluate products and services in one of the roles may be very different from those used in another role. The consumers can be categorized as choosers, communicators, identity-seekers, pleasure-seekers, victims, rebels and activists. A consumer may sometimes play all the roles mentioned above simultaneously. There are also many different actors involved in consumer behavior process. A consumer is described as a person who identifies a need or a desire, makes a purchase and then disposes the product, but in many cases different people are involved in this process. The purchaser and user may not be

the same person or another person may act as an influencer providing recommendations concerning certain products without buying or using them. (Solomon et al. 2006, 6-7.)

Understanding the behavior of consumers is good business. A basic marketing concept states that firms exist to satisfy consumers' needs. Their needs can be satisfied if when the marketers understand the people who will use the products or the services offered. The marketers also have to understand that they must fill the consumers' needs better than the competitors. Market segmentation is important for companies in order to know to whom they are marketing. Effective market segmentation represents segments whose members are similar to one another in certain characteristics but different from members from other segments. A company may focus on just one segment or several, depending on the company's goals and resources. When pursuing a mass market strategy, a company may completely ignore the differences among segments. In many cases, to improve the chances to get consumers adopt the product offered, it is wise to target several market segments. That is because it is likely that no one will fit any given segment description perfectly. (Solomon et al. 2006, 8-10.)

The segmentation variables can be grouped into four categories as they are listed in Table 2. Demographics are statistics that measure observable aspects of a population. Major sources of demographic data on families are the national agencies of European council and pan-European agencies such as EuroStat. Also many private firms gather additional data on specific population groups. The data provided by demographic studies is used to locate and predict the size of markets for different products. Other important characteristics are psychographics which are differences in consumers' personalities and tastes. They are not easy to measure because they cannot be measured objectively. There are also geographic and behavioral characteristics. (Solomon et al. 2006, 8-10.)

Table 2. Variables for market segmentation (Solomon et al. 2006, 8-10.)

<b>Category</b>	<b>Variables</b>
<b>Demographics</b>	Age Gender Social class, occupation, income Ethnic group, religion Stage in life Purchaser vs. user
<b>Geographic</b>	Region Country differences
<b>Psychographic</b>	Self-concept, personality Lifestyle
<b>Behavioral</b>	Brand loyalty, extent of usage Usage situation Benefits desired

We as consumers live in a world that is significantly influenced by marketers. We are constantly surrounded by marketing in the form of advertisements, shops and products competing for our attention and money. Ads show us how we should act in our daily lives and what kind of house or car we should own. The consumers rely on the marketers to tell them the truth about what they are selling and that they price and distribute the products fairly. Marketing has a big impact on consumers, especially through popular culture. The consumers' film and music icons, food and interior design, the latest fashions in clothing and the physical attributes people find attractive or not in other people are all influenced by the marketing system. Companies have many ways to get the consumers attention, for example by product placement where products and brands are shown in a popular television show. To create personalities for their products, companies use fictional heroes such as Ronald McDonald and it is likely that people recognize them better than a former prime minister or artists. These heroes may not exist but they are effective spokes-characters for the products. (Solomon et al. 2006, 14-15.)

Consumers often buy products for what they mean instead of what they do. This does not imply that the products primary function is unimportant but that the meaning the products have in our lives and the roles they play are far more important than the tasks they perform. The deeper meaning of a product can help it to stand out from other similar products and services thus helping the consumer to make a choice. If all things are equal between different products a person will most likely choose the one brand that has an image consistent with their own thoughts. (Solomon et al. 2006, 15.)

### **2.1.1 European consumers**

The birth of European common market has created a situation where companies must understand the trends of consumer behavior in all of Europe. In the end of 2009, the population of the European Union was 501.1 million and it is the third largest population of any political entity after China and India. When examined income per person, the wealthiest consumers in the EU are age groups from 40 to 49 and from 30 to 39. It has been assessed that the European consumers consume less per person than the consumers in United States because people in Europe invest more for the future, the tax rates are higher and the differences in income are smaller. One big advantage for Europe compared to North American markets is the geographical tightness of the market. (Unofficial translation, Lampikoski & Lampikoski 2000, 204; Eurostat, [ref. 16 November 2011].)

International Management Center considers it likely that within the EU new homogenous markets are formed by people living geographically close but not necessarily in the same country. The demographic and economic characteristics of the people living in these market areas resemble one another despite the different nationalities and cultural differences. There are similarities in their needs and purchasing behavior and hence, researchers think there are consumer groups in each country that share ways of consumer behavior. These consumers are presumed to behave more like reference groups in another EU country rather than like the average consumers in their own country. Although it is useful to develop analysis, they must be used with consideration especially when used in marketing

of branded goods. The developing of pan-European brands has to be constant and changing and though there are advantages for companies to pursue these euro brands not many companies have managed to create a unite European customer base. (Unofficial translation, Lampikoski & Lampikoski 2000, 205-217.)

20-25 per cent of the budget of an EU household goes to food and drink, although there are big differences between different countries. The biggest consumers of cosmetic goods are the Benelux countries and France and biggest potential in the cosmetic markets are in men's cosmetics. In clothing industry the focus is moving from young people's clothing to middle-aged people's clothing due to the aging of population. The demand for high-quality products and leisure time equipment is predicted to rise in these age groups. Modern consumers seek variety, convenient and quickness when they are shopping and because of this the super- and hypermarkets are become more popular in the EU than smaller and more intimate shops. (Unofficial translation, Lampikoski & Lampikoski 2000, 208-210.)

A successful euro-consumer according to Lampikoski and Lampikoski (Unofficial translation, 2000, 207) is price and quality conscious, skilled in languages, competent and constantly studying consumer who keeps oneself up to date on things and trends. This consumer also has the initiative and courage to move from one country to another either physically or via internet. Generally speaking European consumers value especially high quality and reasonable pricing in products. Quality is seen as good capacities and special features suitable for the user of a certain product.

European consumers' value family very highly and thus it has big influence in consumer behavior. Changes in family structure like divorce, marriage and childbirth and the return of mothers to the workforce, make normal purchasing patterns change and people start to make new choices about products and brands. (Solomon et al. 2006, 402-419.)

The average European citizen's standard of living is constantly improving, even though many of us think that we are not earning enough while our lives are comfortable enough. According to Solomon et al. (2006, 430) European consumers are estimated to have discretionary spending power in billions of euros

per year. This discretionary income is money available to a household over that required for a comfortable standard of living. Institutions like EuroMonitor and Eurostat make surveys to find out the consumers' confidence in the economy. The beliefs of consumers' influence on how much money they will pump into the economy. If consumers are pessimistic about the future they cut back on their spending and take fewer loans but if they are optimistic they reduce the amount they save, take more loans and buy more items that they do not necessarily need. In general, the European consumers' quality of life and life satisfaction is high. But there are however, big differences between the old and new EU member states on how the quality of life and life satisfaction is perceived. (Solomon et al. 2006, 431-432.)

One aspect that influence in consumer behavior is social class. Even though social equality is valued in Europe it still is a fact that some people seem to be more equal than others. The standing of a consumer in society determines their access to resources for example education, housing and consumer goods. The people's desire to improve their standing in the social order is the basis for many marketing strategies. Among others there are three important factors that determine a person's social class: occupation, income and education. Consumers perceive different stores and products to be suitable for certain social classes. Working-class consumers often evaluate products in more practical ways like durability or comfort rather than style or fashionability as might the wealthier consumers do. But whatever standing a person has in the society a big motivation for purchasing products often is to let others know they can afford it. These status symbols are bought not only to enjoy them but to show others how successful one is. (Solomon et al. 2006, 433-447.)

Another factor which has influence in consumer behavior is age. Europeans have many things in common with each other only because they are the same age. They share memories about, for example, important historical events and famous characters. Solomon et al. (2006, 456-471) define four major age groups; teenagers, 18-29-year-olds as "Generation X", the baby boomers and the elderly.

Teenagers have a number of fundamental needs as they struggle towards adulthood. These needs include experimentation, belonging, independence,

responsibility and approval from others and an important way expressing these needs are products. In addition to this, the fact that teenagers today have income from part-time jobs and/or pocket money from their parents makes them a very appealing age group to marketers. On the other hand they are much cleverer than older generations because they were raised with televisions so the marketers must be careful when trying to reach them. (Solomon et al. 2006, 456-471.)

The age group of 18-29-year-olds consists of over 30 million Europeans and they were affected by the economic downturn in the early 1990's. This group includes many sorts of people both in and out of high education which make them difficult for marketers to understand. But they are the powerful force in the future. Baby boomers are the most powerful age group due to their economic power and size. Their needs and desires have a big influence on the demand for example housing, childcare and cars. They are the source of many economic and cultural changes. As the population ages, the fastest growing age group, the elderly, are becoming increasingly more important market. A modern elderly person is seen active, interested in new products and experiences, and an eager consumer with the money and willingness to purchase goods and services and especially personalized services. (Solomon et al. 2006, 456-471.)

### **2.1.2 Culture and consumer behavior**

Cultural factors guide our choices between the existing possibilities. We cannot appreciate something we do not know or something that is out of our reach. Our biology and ecological and economical boundary conditions draw the general lines of a choice but there will still be numerous options to choose from outside these lines. The cultural factors resolve which of these options are used and which not. Culture molds our relationship with the surrounding reality both cognitively and emotionally by giving different meanings for different aspects. Culture defines the values which guide the consumers' decision making. (Unofficial translation, Ilmonen 2007, 168-170.)

In addition to determining a consumer's opinion of products and activities, culture also determines the success or failure of a product or a service. A product that



offers the certain benefits desired and appreciated by members of a culture has a good chance of being accepted by the consumers and succeeding in the marketplace. On the other hand, some successful products may reflect underlying cultural processes and reveal the dominant cultural ideals of a time period. An example of this can be the ready-to-eat meals which hint the changes in family structure and the decline of the full-time housewife. As part of a culture myths and rituals have influence in consumer behavior. Rituals occur in popular culture and are related to many consumption activities, for example grooming and gift-giving whereas modern myths influence us through films and advertising. But one of the most important set of boundaries in consumer activity is the distinction between sacred and profane consumption. Sacred consumption means that some places, people, events or objects are set apart from the everyday products or activities and are treated with respect such as a holiday trip to a spa. Profane consumption involves everyday objects and events that are not special like the sacred ones, such as a loaf of bread. (Solomon et al. 2006, 500-518.)

According to Solomon et al. (2006, 518-519) a term consumer society (defined as “a type of society where consumers are encouraged to buy goods” by Investorwords [30 August 2011]) is used to describe the current type of social organization in the developed world. It indicates that consumption might be the most important social activity in today’s world. That is because of the rising amount of goods and their varieties which have increasingly made consumption choices statements about our values, personality, aspirations and the way of handling social relations. Consumer society is criticized to corrode cultural differences, create superficial social interaction and to inspire individualism and competition rather than solidarity and community.

## 2.2 Consumers as individuals

In their book *Kuluttajavisio*, Lampikoski and Lampikoski (2000, 29) define some important differences between consumers. These are resources, level of technology, motivation, knowledge/education, profession, attitude, personality, lifestyle and demographic factors; age, sex, nationality, race. These aspects influence in

- what needs arise and at what times
- how consumers search and process information
- how purchasing decisions happen
- how and where the consumers buy
- how the using and consumption take place
- how the satisfaction and dissatisfaction reactions form and affect.

As people we are constantly surrounded by stimuli which are the sounds, sights, smells, tastes and textures in our environment. These stimuli wake our senses and get our attention and ultimately, after interpretation and response, influence our perception of things. But only a small number of stimuli are noticed and even smaller number is paid any attention. To consumers the stimuli is in form of advertisements, radio and television commercials, product packages, store design et cetera created by the marketers. When trying to influence in our behavior through our senses, marketers rely greatly in visual elements. Color is an important part of marketing strategies because of its powerful cultural meanings. Another important tool is music and sound. Background music influence in customers' moods and jingles create brand awareness. Each of us responds differently to stimuli and individuals' unique needs, experiences, biases and schemas ("organized collections of beliefs and feelings") determine how the meaning of the stimuli is interpreted, in other words if attention is paid to the stimuli or not. The end result of this complex process is a consumer's decision to purchase or not. (Solomon et al. 2006, 36-55.)

An example of this kind of process can be a woman buying a new perfume. The woman walks into a shop and because we have learned that perfume is used for a reason, she then starts to search for a scent she believes will make her feel

confident and attractive. She evaluates factors such as the image of each alternative, the design of the bottle and the actual scent. She processes this information to be consistent with her wants and expectations which are affected by her cultural background. As a result she selects the perfume best suitable for her.

In addition to our senses and perceptions, learning and memory also affect our behavior. Learning happens through experience and memory is the storage of the learned information. Learning has both positive and negative influence in consumer behavior. For example, a consumer may have a bad experience of a certain product and does not want to buy another product of the same brand again. Or one may buy a certain mobile phone and be so happy with it that he or she never changes the brand again. On the other hand, consumers use products to retrieve memories from the past, for example someone might buy a certain kind of wine just because it reminds them of a fun night with friends. (Solomon et al. 2006, 36-55.)

### **2.2.1 Attitudes**

Attitude, in this context, is defined as “a lasting, general evaluation of people (including oneself), objects, advertisements or issues”. It is lasting because it can last a long time and general because it is relevant to several events. Consumers have attitudes to product-specific behaviors and more general consumption-related behaviors. An example of product-specific behavior can be using Nike sneakers rather than Adidas. And as an example of consumption-related behavior is how often you should run or exercise otherwise. Attitudes also help a person to determine things such as who they want to be friends with, what kind of movies they like and what they want to do for work. By finding out consumers’ attitudes towards a product, or the most dominant one, they can highlight this information in their advertising and packaging. But it has to be taken into account that people form attitudes also towards other things than the product itself and this may influence their final selection in decision-making situation. Some of these other factors can be the consumers’ attitudes towards buying in general or their evaluation of the products advertising. (Solomon et al. 2006, 138-144.)

Attitudes consist of three elements; beliefs, affect and behavioral intentions. But there are several ways attitudes are formed. First of all, no one is born with attitudes. They can be formed through classical or instrumental conditioning or they can be learned. Classical conditioning happens when the attitude object for example the name of a product is repeatedly connected with a memorable jingle. In instrumental conditioning consumption of the attitude object is emphasized, for example, Coca-Cola could be advertised as a drink that cools you down. A significant way of determining how an attitude object is evaluated is to compare it with the related attitudes existing in the consumer's mind. Learning attitudes happens for example when a child imitates parent's behavior or a teenager follows friends' manners. A person's attitudes can change over time or experience, depending on the level of commitment to the attitude. Attitudes can be very complex due to, for example, a consumer's desire to gain the approval of friends and family or the fact that a product is composed of many qualities of which some are important and some not. (Solomon et al. 2006, 145-151.)

In addition to the complexity mentioned above, the fact that people do not always act like they think, makes it very hard to predict consumer behavior using attitudes. According to Lindström (2009, 175) on the basis of what we say we think about a product it is never possible to predict how consumers behave in the actual purchasing situation. And for this reason the majority of market research is unreliable. A research can mislead a company or in some cases even destroy a product. Despite the unreliability of different kind of consumer researches there are still many organizations which offer services and information related to consumer behavior. Few examples of such organizations are TNSGlobal, Eurostat and Tilastokeskus.

### **2.2.2 Values**

The values of a consumer are reflected from national economy and the society's conditions and also the nation's culture which is increasingly influenced by internationalization. Values are defined as consumers' relatively general and permanent tendencies, and appreciations towards objects. Values can also be

understood as consumers' tendencies to make choices. These tendencies appear in the ways consumers make concrete choices and in their behavior in consumption and purchasing situations. Values change rather slowly but especially radical changes in living conditions may influence consumers' tendencies in making choices relatively quickly. (Unofficial translation, Lampikoski & Lampikoski, 2000, 49-50.)

Values differ from attitudes in that they do not apply only to one specific situation and that they are general. The set of values play an important role in a person's consumption activities because many services and products are purchased to help reaching value-related goals. For example a person may be a vegetarian because it is healthier whereas another person may be vegetarian because she or he feels strongly about animal rights. Individual, social and cultural forces define to which extent people share belief systems. The specific values that motivate people differ between cultures but there is usually a set of underlying goals within a culture that most members of the culture consider to be important. These are called core values (for example individualism vs. collectivism). The core values are based on the culture's value system which is the ranking of universal values (exempli gratia security). The value system may not be equally approved by every member of the culture but usually it is possible to define the set of core values. (Solomon et al. 2006, 113-115.)

Although values are important in understanding consumer behavior they are not widely applied to direct examinations of consumer behavior. This is partly due to the broad-based concepts like freedom and security. This is to say that, for example, freedom may be understood and valued differently between different cultures. Some researchers have made differentiation between the broad-based cultural values (security), consumption-specific values (convenient shopping) and product-specific values (durability) which influence the importance placed on possession by people in different cultures. Virtually all consumer research is ultimately related to identification and measurement of values because in a very general sense the values largely drive consumer behavior. (Solomon et al. 2006, 115.)

According to a recent theory of consumer value, “value for consumer is the consumer’s evaluation of a consumer object in terms of which general benefit the consumer might get from consuming it”. Based on this theory it is proposed that the consumer experience can create eight types of consumer value:

- efficiency – products designed for offering convenience for the consumer
- excellence – addressing situations when the prime motivation is the experience of quality
- status – consumer pursuing success and engaging in conspicuous consumption
- (self)-esteem – materialism and satisfaction of possessing are in focus
- play – having fun with consuming
- aesthetics – search for beauty in consumption of designer products, fashion etc.
- ethics – motivations behind consumption choices, e.g. are they morally correct
- spirituality – experience of magical transformation or sacredness in consumption, e.g. devoted collectors. (Solomon et al. 2006, 116-117.)

So what do Europeans value? In a standard Eurobarometer 74 study conducted autumn 2010 by European Commission [21 October 2011] came out that Europeans value most human rights. The second and third most valued aspects are peace and respect for human life. This top three is followed by democracy, individual freedom, the rule of law, equality, solidarity, tolerance, self-fulfillment, respect for other cultures and religion. We would have liked to find out what Europeans’ value as consumers but we could not find valid, up-to-date and extensive information about it.

### **2.2.3 Needs**

Motivation drives people to reach goals. Thus, when a need is aroused it creates motivation to reach desired end-state, in other words to satisfy the need. A need can be utilitarian or hedonic. Utilitarian need is a desire to gain practical or functional benefits, e.g. buying a car that consumes less fuel. Hedonic need is

subjective and defined as experiential needs which involve emotional responses or fantasies, e.g. buying a product that boosts self-confidence or is exciting. The urgency the consumer feels that the need has to be satisfied, is called drive. The way a person chooses to satisfy a need is influenced by his or her own experiences and by the values implanted by cultural, national, ethnic or religious background. These factors combine to create a want which is one expression of a need. A want can be defined as “the particular form of consumption used to satisfy a need”. (Solomon et al. 2006, 90-92; 94.)

To define the difference between needs and wants is very difficult. First of all, there are two types of basic needs, biogenic and psychogenic needs. Food, water and air are essential in maintaining life and they are called biogenic needs. Psychogenic needs include status, power etc. which are acquired when becoming a member of a culture. These needs reflect a culture’s priorities and their effect on behavior is different in different environment. So what part of motivation is a psychogenic need and what part is want? Both of these are formed by culture and this makes the distinction very problematic. However, for marketers the ways consumers want to eat, drink and dress is far more interesting than the need to do so. (Solomon et al. 2006, 94.)

Consumers face many motivational conflicts when trying to satisfy their needs. Consumers may be motivated to approach a goal and try to find products which will help them reach it. Or instead they may be motivated to avoid a negative outcome. For example, in order to avoid rejection a consumer will not buy a product that he or she thinks is socially disapproved. A situation where both positive and negative motivations conflict one another is also possible. There are three general types of conflicts that can occur. First is approach-approach conflict where a consumer has to choose between two desirable alternatives. Approach-avoidance conflict exists when a consumer wants to reach and avoid a goal at the same time. The third is avoidance-avoidance conflict where the consumer has to choose between two undesirable alternatives. (Solomon et al. 2006, 95-96.)

There are many ways to classify consumer needs and much research with different methods has been done. The following Maslow’s hierarchy of needs (Figure 2) is just one example. Abraham Maslow developed a hierarchy of

biogenic and psychogenic needs in which certain levels of motives are specified. This hierarchical approach suggests that a certain level must be attained before the next one is activated, that is basic needs have to be satisfied first before progressing upwards. This implies that, depending on what is currently available, consumers value different attributes in products. Because this hierarchy indirectly specifies some kinds of product benefits consumers may be looking for, depending on their environmental conditions and/or their different stages of development, marketers have embraced this perspective. (Solomon et al. 2006, 98-99.)

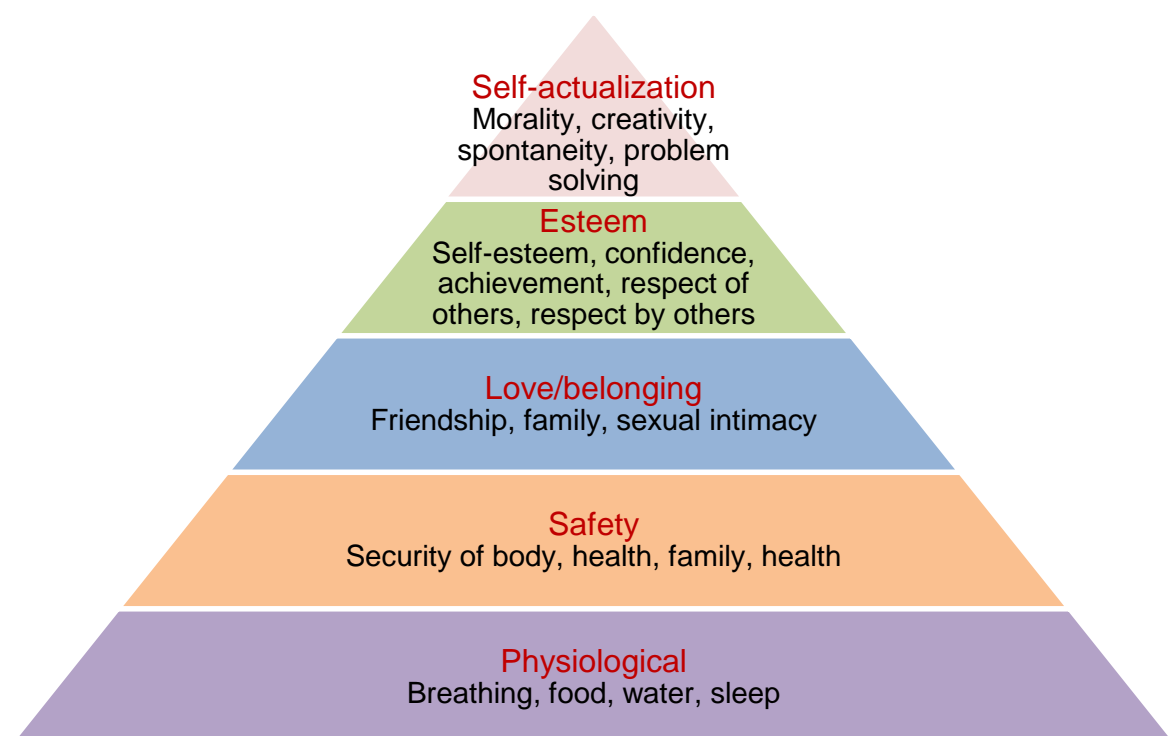


Figure 2. Maslow's hierarchy of needs

Maslow's hierarchy is considered a standard in marketing knowledge but it contains many problems. One of them is the fact that one product or action can satisfy many needs. For example eating, it is necessary for our survival but at the same time it is a social action when dining with family or friends. Another problem is that the hierarchy is culture bound. It is highly restricted to our Western culture and people from other cultures may think differently of the order of the levels. For example Asian cultures may value some belongingness needs, like welfare of the



group, more highly than esteem needs such as the needs of an individual. (Solomon et al. 2006, 99-100.)

### **2.3 Consumers as decision-makers**

When a consumer makes a purchase it is a solution to a problem, for example if a person's mobile phone breaks, he or she needs to buy a new one in order to keep in touch with other people. In order to make a purchase consumers go through certain steps. These steps are problem recognition (mobile phone is broken), information search (searching e.g. the internet to find out what kind of phones are available), evaluation of alternatives (comparing the alternatives in a store in terms of features etc.) and product choice (choosing one model because of the most appealing features). After this the consumer enjoys the product and learns if the purchasing decision was right. The outcome of this learning process influences in his or her future purchasing decision, if he or she is happy with the choice it is likely that they will make a similar choice next time when in a need of a new phone. However, consumers do not always go through these steps. If they would they would not have time to think anything else. Sometimes the decision-making process is done almost automatically and sometimes the consumer may think weeks before making a decision because some of the purchase decisions are more important than others, e.g. buying a new car compared to buying a new shirt. (Solomon et al. 2006, 258-259.)

One way of characterizing the decision-making process is to consider the amount of effort that goes into the decision. Extended problem-solving is highly involving and the decision carries a risk. Due to this the consumer collects as much information as possible and each alternative is carefully evaluated, for example when buying a new car. Limited problem-solving is simpler and more straightforward. Consumers do not need to search information or evaluate the alternatives so carefully, instead they use so called decision rules to choose among the alternatives. They are some general guidelines a consumer has and due to these rules consumers do not always have to go through the steps of purchasing decision-making process. An example could be buying a pair of jeans.

Habitual decision-making requires little or none conscious effort. These decisions are very routine-like and choices are made almost automatically, for example when buying coffee or milk. (Solomon et al. 2006, 261-262.)

Consumers have many ways to simplify and help them in their decision-making. They can have heuristics (“mental rules-of-thumb”) such as that price is related to quality i.e. the higher price, the better quality. Or that a well-known brand name is always a guarantee of good quality. Consumers may be brand-loyal thus excluding all alternatives other than their favorite brand, making the choice between the ever growing amounts of alternatives much easier. Or they may rely on inertia, buying a brand out of habit because it is easiest. And as mentioned earlier, consumers have decision rules which can be divided into two groups, non-compensatory and compensatory decision rules. Non-compensatory decision rules mean that consumers eliminate all other alternatives that do not meet their specific standards regarding a specific product, for example a consumer may only buy designer shoes. Compensatory decision rules give a product a chance to make up for its faults the consumer considers it to have and help the consumer to see the bigger picture and to think outside the box. At simplest they allow consumers to choose the option that has the most positive attributes. (Solomon et al. 2006, 279-291.)

According to Raijas and Wilska (2008, 254-262), based on a survey conducted by InterQuest in November 2006, the decision making in families, although mostly made together, is clearly divided between sexes. Men are more likely to decide of the purchasing of expensive and technical knowledge requiring products, such as cars and home electronics. Women on the other hand are more responsible for the decisions concerning the everyday purchases, such as food and furniture and other home furnishing. The decisions made together, by both man and woman, are mostly concerned with big investments such as a house or summerhouse and domestic appliances. The entire family decides together on vacations and other amusements like going to a spa or amusement parks. Children do not have much power in the decision making but the parents do listen to their opinion, mostly about decisions concerning free-time activities and food. In Finnish families, the one who has most influence in the purchasing decision is also the one who pays it.

## 2.4 Conscious consumer

Because consumers are increasingly becoming more enlightened and aware, companies are facing pressures to operate more responsibly. But a single consumer's status as a responsible player and consuming citizen is however quite contradictory. Many researches have shown very different results regarding the consumers' commitment to the ethicality and environmental friendliness of the products they buy. Some researches are also quite ideologically colorful because people who are interested in responsible consumption are most often persons who pay attention in the ethical side of consumption. (Unofficial translation, Wilska, 2011, 189.)

Responsible consuming has a long history. Already in 19<sup>th</sup> century consumers demanded for better quality of food and working conditions. Only the aspects which consumers pay attention to have changed over time and that is naturally due to development and improvement in life. In the 1960's and 70's the environmental issues started a so called "fourth wave of consumption" which refers to responsible consuming in its present state. At that time the focus was on the effects companies have in the environment. Consumers' attitudes towards environment was started to research not until 1980's and 90's and due to consumers' increasing environmental friendliness, marketers developed a new segmenting criteria: green consumption. Also in the 1980's and 90's consumption started to expand from green and ecological consumption to ethical consuming. First in the 80's the focus was on the animals suffering for drug and cosmetic industry. One of the first international ethical companies was The Body Shop which started to offer products that were organic and not tested with animals. Also at that time, boycotting products and companies increased because consumption was considered as a part of being an active citizen. (Unofficial translation, Wilska, 2011, 189-191.)

At the end of the 20<sup>th</sup> century the consumers' attention was on the scandals related to food production, such as genetic manipulation, the mad cow disease and the bad living conditions of production animals. In the beginning of the 21<sup>st</sup> century consumers started to pay attention to the global companies' production in low-cost countries and to the ecologically unsustainable ways of production. Also

the importance of social responsibility came up when consumers started to notice the interests of workers in less-developed countries and prefer groceries and textiles produced socially sustainably, such as the Fairtrade products. When information transfer became more efficient, more consumer activist groups were formed. (Unofficial translation, Wilska, 2011, 189-191.)

Although the responsible consuming has developed, the problems regarding consumption have also increased. Due to the growing consumption, environmental damages have increased all over the world. Global warming is a word everybody knows and is worried about. The global economic recession forced the decision-makers to encourage people to keep up their level of consumption which is highly contradictory with the talk about sustainable consumption. The pressure is now on the people to think about their daily choices and their individual responsibility as a consumer. (Unofficial translation, Wilska, 2011, 191.)

Responsible or ethical consuming contains nowadays both demands for ecological and social sustainability. Consumer goods have to be produced environmentally friendly and in their production and distribution, the ethical and moral aspects have to be taken into account. From the consumer's point of view the consumption decisions are influenced by personal moral principles and worries which are a part of the person's world view, lifestyle and values. Usually responsible consumption is analyzed by dividing consumers in segments based on personal features or the variables related in the purchasing situations. (Unofficial translation, Wilska, 2011, 193-194.)

Many social and demographic elements affect in consumer's responsibility. For example level of education and sex define the knowledge of environmental questions. Both in the industrialized countries and in the developing countries, women and highly educated people feel the concern of the responsibility. In one research, age was clearly the most important factor in explaining ethicality and environmental friendliness. Young consumers were less responsible than others. Also differences between sexes were clear. Women were more responsible than men in almost everything. Education had big influence too; the higher level of education the more ethical and environmental aspects showed in attitudes and behavior. However, classifying consumers as either responsible or irresponsible is

not so sensible. More reasonable is to analyze the distinctions in responsibility and orientation. Although socially, economically and ecologically sustainable consumption usually go hand in hand, research have shown that there is different types of responsible consumers just like there is different types of consumers. (Unofficial translation, Wilska, 2011, 200-202.)

The development of technology is in two ways connected to developing environment. Technology has created considerable damages to the environment but on the other hand, with the new technology the damages can be reduced. But a lot is on the responsibility of the consumers as the buyers and users of products. 20% of the human kind is responsible for consuming most of the natural resources of the globe. Only the uncontrollable growth of population can compare to this global environmental problem. The consumption and way of using the natural resources and energy is a threat to forests, soil, water systems and atmosphere. The more developed a state's economy is, the more powerful is the consumption but also the usage of energy and production of waste. (Unofficial translation, Lampikoski & Lampikoski, 2000, 162-163.)

Transparency of marketing and different kinds of regulations, laws and fees are probably the best ways to guide consumers towards being responsible. Teaching ethicality to children and young people is also very important and the importance of trendiness and entertainment to people should not be forgotten. The image of an ethical consumer cannot be a picture of grumpy rejecter because that creates too big contrast to the entertaining everyday life of a consumer. Thus, responsible consumption should be made easy, fun and low-priced normal consumption in order it to be the dominant way of consumption in the future. (Unofficial translation, Wilska, 2011, 206.)

### **3 Research**

Our thesis consists of two theories: business ethics and consumer behavior. The survey we conducted combines principles from both theories. The research method we used in our thesis is quantitative. The method was chosen because we wanted to gather up-to-date information about consumers' views on companies' and products' ethicality. We also wanted to get as many results as possible and from different age groups from different demographical areas because in our thesis we have focused on European consumers. Qualitative research method was out of question because it would have not given us sufficient information about the subject in question and so the results would have been unreliable. Furthermore, a qualitative research would have been impossible for us to execute in such a wide perspective. By using the quantitative research method we succeeded to gather as many responses as we were hoping to. First we will shortly introduce the theory of quantitative research method and then there will be background information about how we conducted the research.

#### **3.1 Research method**

Quantitative research involves looking at amounts, numerical values or quantities, of one or more variables of interest. The purpose of quantitative research is to seek explanations and predictions that are generalizable. First in the research process the methods must be defined which allows objective measurement so the researchers remain detached. Quantitative data is collected in form that is easily converted to numbers. When reporting the data is reduced to averages and the style of reporting is scientific. (Päivi Borisov, 2010.)

Quantitative data, before it has been processed and analyzed, does not offer a lot of information to most people. To make it useful, the data needs to be processed. Charts, graphs and statistics help us to analyze, describe, present and examine trends and relationships shown in our data. Quantitative data refers to all data that helps answering research questions and meeting the objectives. Quantitative analysis techniques include simple tables or diagrams that show the frequency

and occurrence. To analyze the results, you can use computer programs such as Excel or SPSS. If you want that the analyses are straightforward and of any value, the data needs to be prepared with quantitative analyses in mind and you have to know when different statistical techniques and charting can be used. (Saunders, Lewis & Thornhill 2009, 414-415.)

### **3.2 Methods for gathering and analyzing data**

We decided to gather our data using Google documents to create the questionnaire. Questionnaire is the most commonly used data collection technique because each respondent needs to answer the same set of questions. Thus the questionnaire is an effective way to collect responses from large sample. However some authors argue that producing a good questionnaire can be more difficult than you might think. You have to make sure that it will collect the exact data you need to answer your research questions and reach your objective. The response rate, the reliability and validity of the data you collect will be affected by the design of the questionnaire. Response rates, validity and reliability can be maximized by designing the questions carefully, creating clear layout of the questionnaire and simply explaining the purpose of the questionnaire. Pilot testing is also an important factor for improving response rates, validity and reliability. (Saunders et al. 2009, 361-362.)

The type of questionnaire we used in our thesis was self-administered questionnaire which was completed by the respondents themselves. Our questionnaire was administered electronically through Internet. That type of questionnaire is called internet-mediated questionnaire. The choice of questionnaire will be influenced by for example respondent's characteristics, importance of reaching a particular sample, importance of answers not being contaminated or misleading, size of sample required, types of questions and sufficient number of questions. The advantages of a self-administered questionnaire are low costs, expanded geographical coverage, minimal staff required and it is perceived as more anonymous. The disadvantages are low response rate in some modes, clarification not possible, cannot be long or

complex and the surveys can be incomplete. (Saunders et al. 2009, 363; Päivi Borisov, 2010.)

We had to make the questionnaire both in English and in Finnish because we wanted to include both Finnish and foreign consumers in our survey. We sent the Finnish questionnaire to the Finnish consumers and the English one to the foreign consumers. We sent the English questionnaire to an English student in order to get the grammar right and to ensure that the respondents would understand the questions correctly. The survey consisted of 11 questions: multiple choice questions, open questions and agree/disagree questions. We also included a comment space in the end of our survey so respondents were able to give additional information and express their opinion freely. Our survey was relatively short because we wanted to make it simple and quick to answer it in order to maximize the response rate. We also sent a test version of the questionnaire to find out that it works correctly and that the questions are clear to the respondents.

Google documents that we used to make the questionnaire created a direct link to the questionnaire which we were able to send to the respondents. We used Facebook to send the link. The messages included an explanation of whom we are and why are we conducting the survey and at the end there was the link to the questionnaire. We thought that Facebook would be a good way to reach a wide audience and to make the answering as convenient as possible. Via Facebook were able to reach also respondents living in other European countries. Because we are focusing on the European consumers, we considered it to be important to get responses from all over Europe. In addition to Facebook, a few questionnaires were sent also by email. We sent out about 470 questionnaires. The respondents had two weeks' time to reply to the survey, from 14<sup>th</sup> to 31<sup>st</sup> of October 2011.

The population is the entire group of individuals that we are interested in the study. And in our case the population is the European consumers. We selected a smaller group from the population in order to draw a picture of certain characteristics of the whole population. The sample we chose to represent the whole population is randomly selected Europeans, for example consumers from Finland, France, Germany and Spain.



For the analysis we use the same Google documents program that we used to make the questionnaire. The program automatically transforms the gathered data into charts and pies so we do not have to use any other programs in the analysis process. The respondents' answers are first gathered into an Excel worksheet and from there made into charts that we can interpret. The answers to open questions are shown as a list.

### **3.3 Reliability and validity**

Emphasis has to be on reliability and validity in order to reduce the possibility of getting the answer wrong. Reliability means the consistency and validity of test results after multiple trials. The research is reliable if the measures yield the same results in other occasions, similar observations are reached by other researchers and the transparency in the raw data analyzing process. There are four threats to reliability. First is subject or participant error which means the change in human mind, opinions change depending on for example time and place. Second threat is subject or participant bias which implies that respondents may have answered what they thought was expected from them. Third, observer error which refers to the way the questions are asked, the questions should always be straightforward. Fourth threat is the observer bias which means that different researchers have different ways of interpreting the replies. Validity states how well the research measures what it is supposed to measure. Is there a cause-and-effect link between the variables of the survey? For validity, there are six threats which are history, testing, instrumentation, mortality, maturation and ambiguity about causal direction. (Saunders et al. 2009, 156-158.)

## 4 Results of the study

We sent out 465 questionnaires and we got 185 responses. The total response rate is calculated as follows,  $185/465=0.3978=39.8\%$ . We were hoping to get about 100 answers so we are very happy with the response rate.

The background questions were about respondents' gender, age and annual gross income. 68 per cent of the respondents were women and 32 per cent were men (Figure 3). Most of the respondents (77%) were under 30 year old. 15% of the respondents were over 45 years (Figure 4).

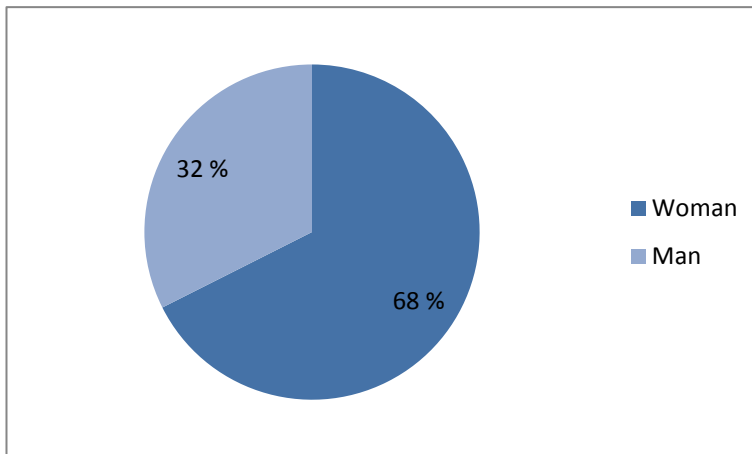


Figure 3. Respondents' gender

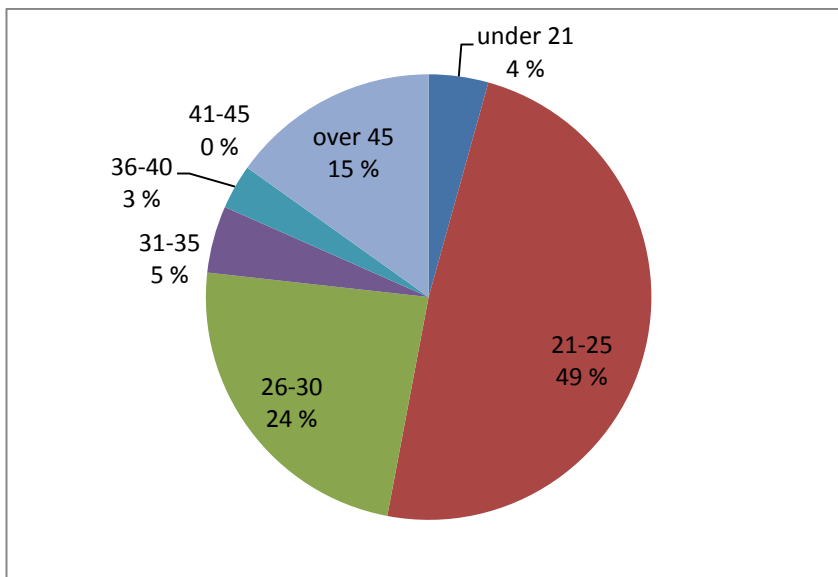


Figure 4. Respondents' age

We wanted to ask the respondents annual income in order to find out if the income has any affect in their buying behavior. The respondents' income was mostly under 20 000 euros (Figure 5). This was expected because most of the respondents were young and probably students.

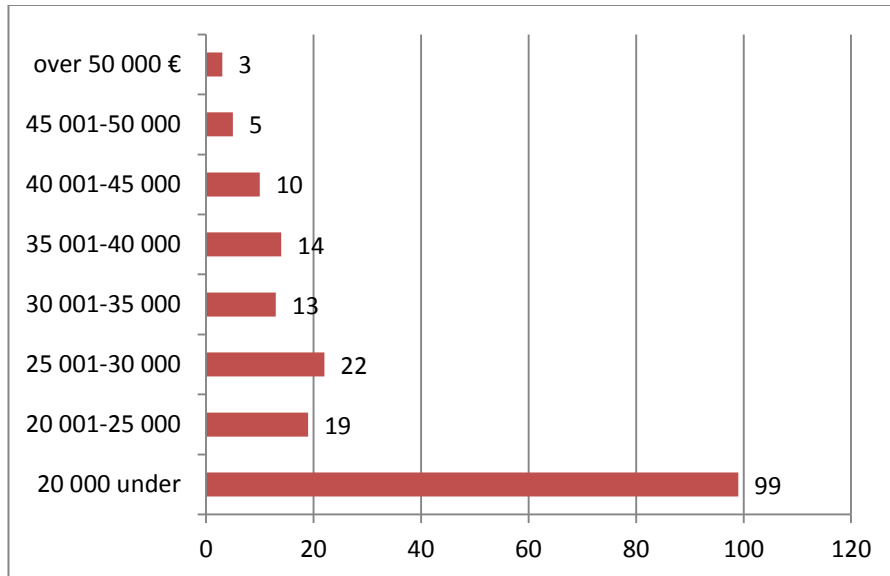


Figure 5. Respondents' annual gross income

Because the ethical issues are quite new subject, we wanted to find out if the respondents understand what it really means. We listed few ethical and unethical actions from which they had to choose the ones they thought to be ethical. According to the results, respondents seemed to understand the concept of ethicality (Figure 6). However, this question may have been misunderstood because the question or the options could have been interpreted in different ways. For example, only a few of the respondents thought that increasing tax revenue is one aspect of companies' ethical principles. Some respondents may have thought that the option referred to increasing employees' taxation instead of society's tax income. This might be due to the poor English skills of the foreign respondents.

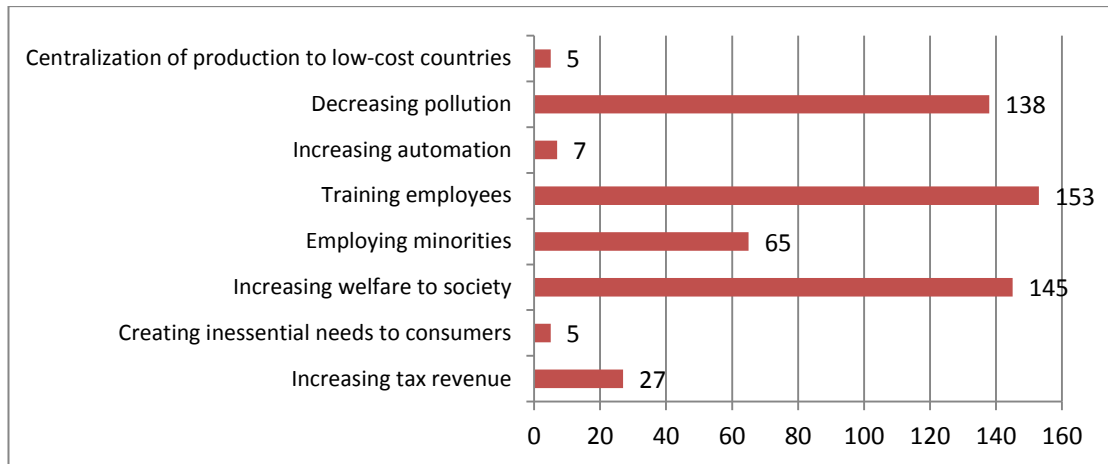


Figure 6. Respondents' view of ethics

Question number five was about values and if the respondents value ethically produced clothes or not. 75% of the respondents valued ethically produced clothes and 25% did not (Figure 7). If the respondents answered yes, we had an open question about if they try to influence other people's opinion on clothes. Most of the respondents did not influence others' opinions because, for example, respect for others' opinions and do not want to influence them. However, some respondents wrote that they are against non-durable consumption, for example they wrote that they try to encourage people not to buy so much and to buy only for real needs. Few respondents also wrote they recommend products that they think highly of to their friends.

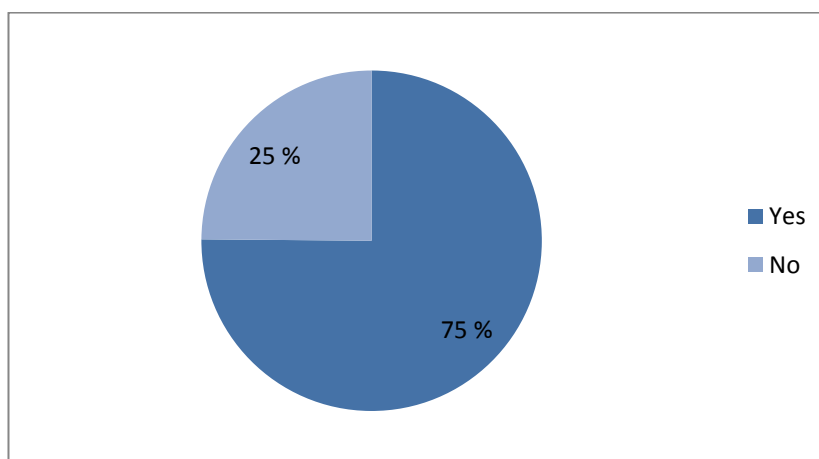


Figure 7. Do the respondents value ethically produced clothes

In question number six we asked how much (if any) the respondents would be willing to pay more on ethically produced clothes. 17% of the respondents were not willing to spend more on ethical clothing. 61% of the respondents would spend 5 to 10% more. 54 respondents were willing to spend 5% more on ethical clothing and 59 were willing to spend 10% more. Only 7 respondents (4%) were willing to spend 25% or more of the product's price (Figure 8).

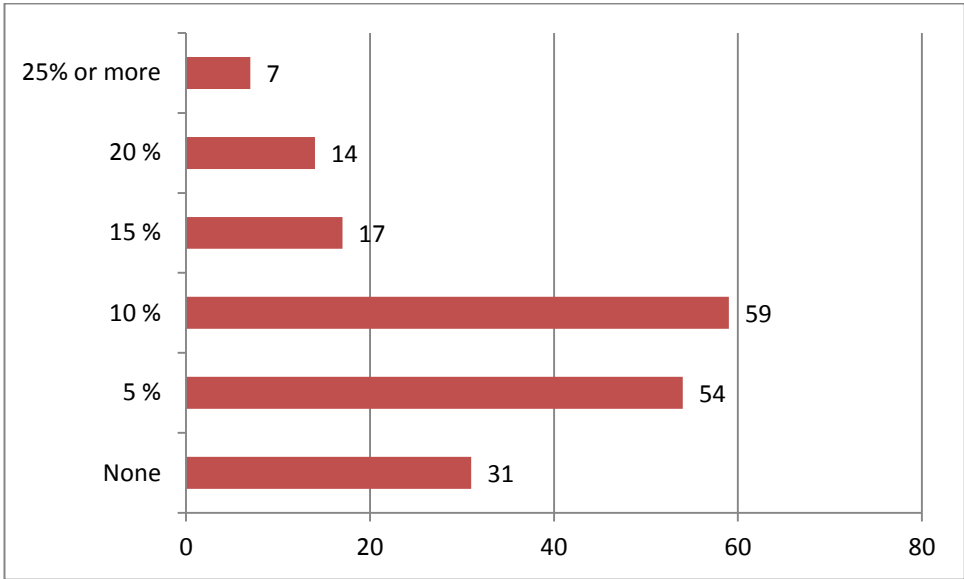


Figure 8. How much the consumers would pay more for ethical clothing

When asked about companies' ethical image, 49.7% of the respondents answered yes, it affects their buying decisions whereas 50.3% thought it has no effect (Figure 9). So the result was almost 50/50. Here we also had an open question where the respondents could write how the ethical image of a company affects their buying decision. The respondents wrote that they rather buy products from a company that has a good ethical image and they are willing to spend more money on those clothes. One of the responses was "It is not exactly boycotting but I avoid using products and services from companies which have clearly violated laws, regulations and guidelines related to ethicality". All the responses to this question were quite similar.

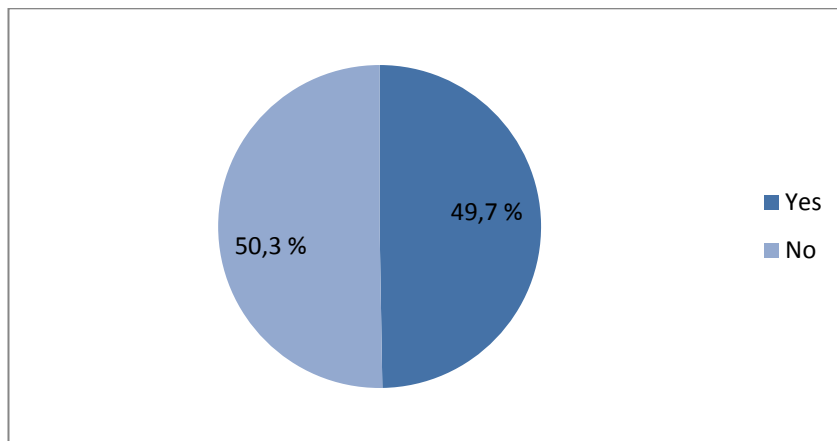


Figure 9. Does the ethical image affect consumers' buying behavior

We wanted to know how important ethicality is for the respondents when forming an opinion of a company. We had a list of different characteristics of which they had to choose the most and the least important ones as shown in the two following tables. According to the respondents, the most important characteristic is clearly the quality of the products. Some also value the price of the products and the image of the company (Figure 10). The least important characteristic was clearly the profitability of a company (Figure 11). The ethicality of a company did not affect respondents' opinion either positively or negatively.

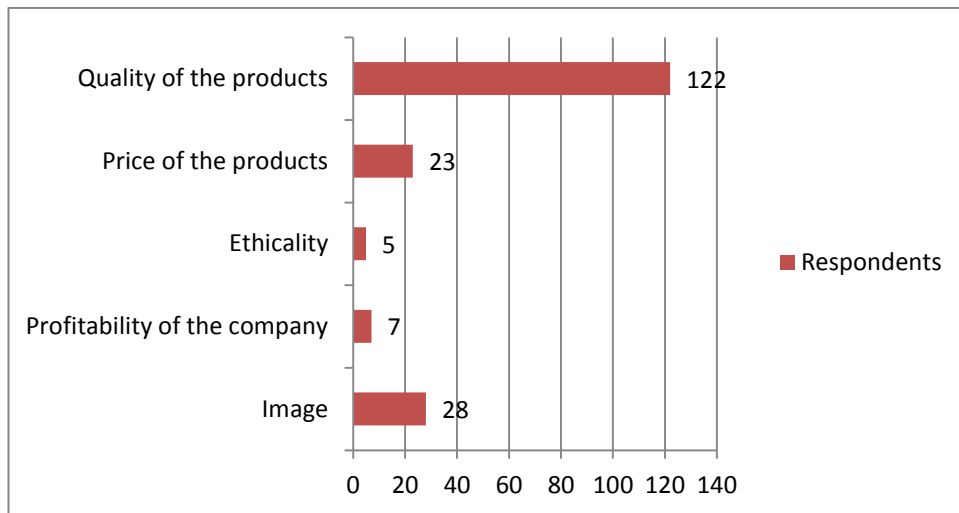


Figure 10. The most important characteristics

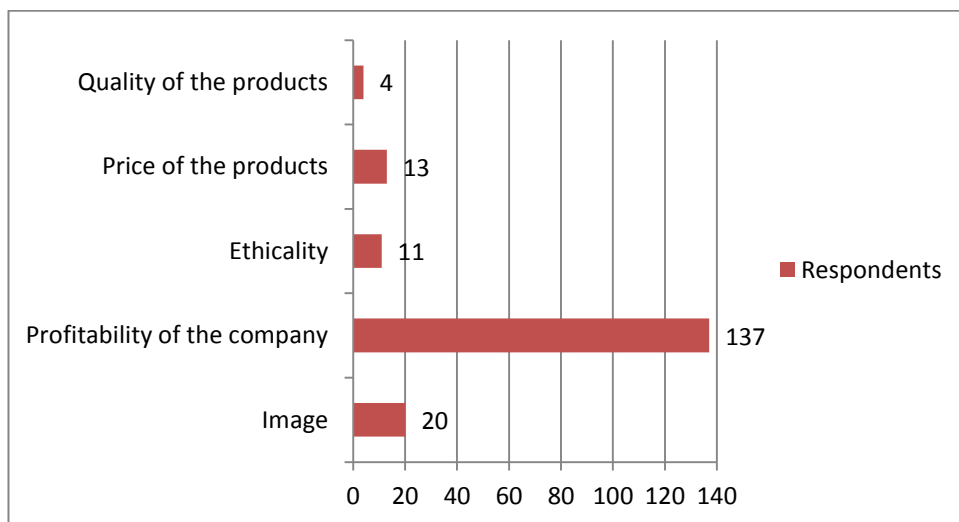


Figure 11. The least important characteristics

In the question number ten, we asked respondents to choose a number between 1 and 5 which best reflects their opinion on the six statements. First statement was if the respondents have done research on their own to find out about a company's ethical principles. Most respondents disagreed so they have not done any research. Only 17 respondents agreed strongly so they must have done some research on their own (Figure 12). Based on these results, we can suppose that this group of respondents is interested in the ethicality of the products they buy.

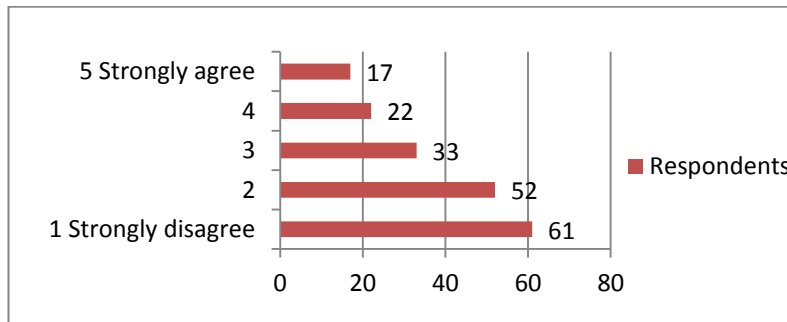


Figure 12. Have the consumers done any research about ethical clothing

The second statement was that there is enough information available about products' ethicality and origin. Most of the respondents disagreed on this statement (Figure 13). Based on these results, we can suppose that they wish there would be more information available.

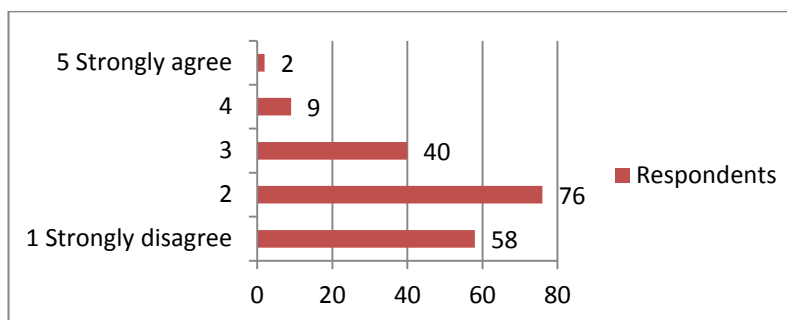


Figure 13. Is there enough information available about ethical clothing



The third statement was about if the respondents wish the ethicality of products would be labeled and marked better. Most respondents agreed on this statement (Figure 14). This result indicated that companies should communicate the products' ethicality better.

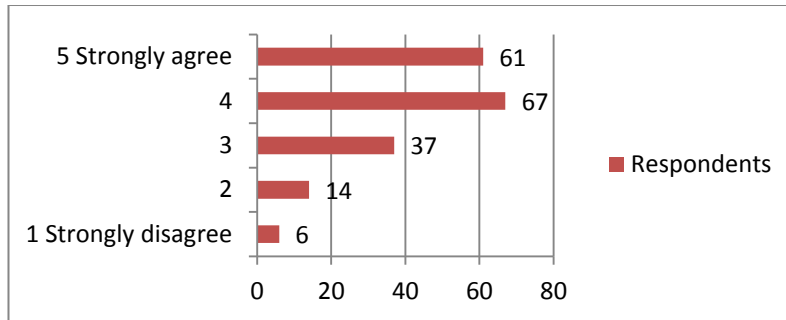


Figure 14. Do the consumers wish ethical clothing would be labeled better

Statement number four was if the respondents could consider boycotting a clothing company because of their unethical activities. The result in this statement was not as clearly divided as in the other statements. 57 respondents strongly agreed that they could consider boycotting and 26 respondents strongly disagreed (Figure 15).

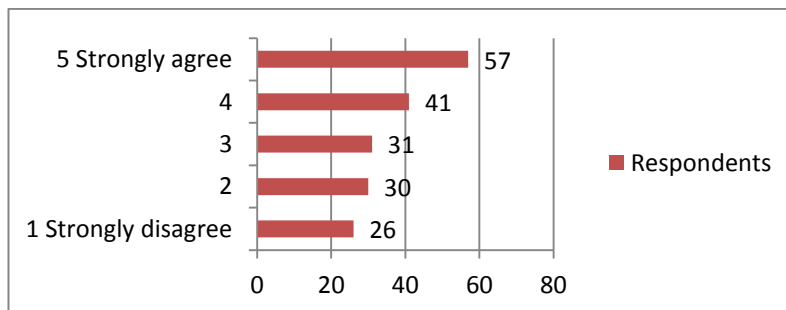


Figure 15. Would the consumers boycott a company

Statement number five was if the respondents wish there would be more ethically produced clothing available. Almost all of the respondents agreed (Figure 16). From this result, we can assume that there is demand for ethical clothing.

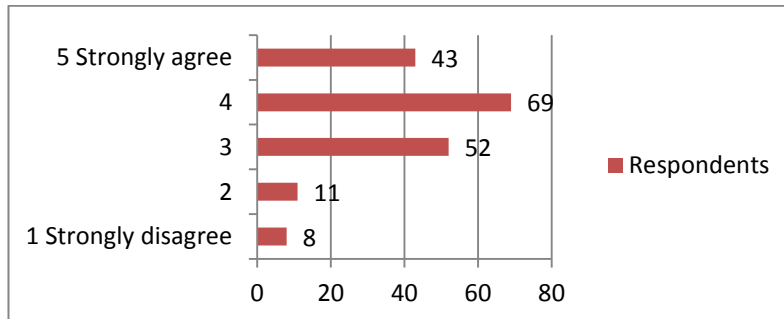


Figure 16. Should there be more ethical clothing available

The last statement was if the respondents think that the local companies invest enough in ethicality. Mostly, the respondents did not disagree or agree on this statement (79 respondents). 86 respondents disagreed or strongly disagreed (Figure 17).

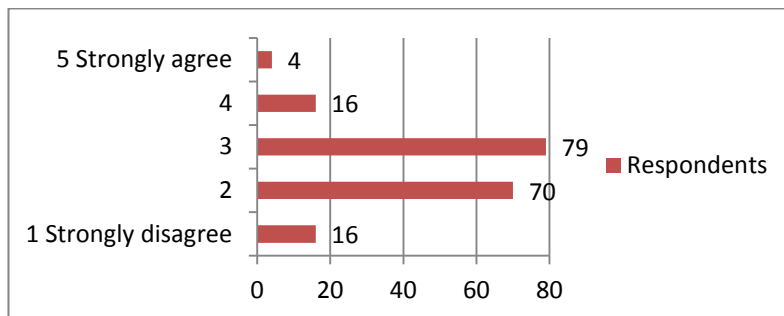


Figure 17. Local companies invest enough in ethicality

The last question in our survey was an open question where the respondents were able to share further comments or opinions concerning the questionnaire. Here, the respondents expressed that they do not really trust the companies and the image that they promote. The respondents also highlighted the problematic issues concerning the ethical activities, for example, the problems in complex supply chains and the high expenses of producing ethical clothes.

## 5 Conclusion

The research problem in the thesis is how the ethical issues of a company affect in consumer behavior. The research was conducted by quantitative research method. The questionnaire included multiple choice questions, few open questions and a space for free commenting. Researchers sent out 465 questionnaires and received 185 responses so the total response rate was 39.8%. Most of the respondents were females (68%). Based on the study, consumers were in general aware of the ethical issues and interested in the subject. 75% of the respondents stated that they value ethically produced clothing. Answers for the open questions suggest that consumers wish to get more information about products' ethicality and are willing to invest in ethical products.

Most of the respondents' annual gross income was 20 000 euros or under. However, this did not seem to have effect in how much the consumers were willing to pay more for ethically produced clothing. 113 (61%) respondents would pay 5 to 10% more on ethical clothes. The consumers' income was not generally directly connected with how much they would pay more for ethical clothing. The most important factor was the consumers' own attitudes towards ethicality and if they want to support ethical companies and products. In the open questions it came out that for example Finnish ethically produced clothing is very highly priced in consumers' opinion.

Only half of the consumers thought that the ethical image of a company affects their buying behavior. If the companies would invest more in ethical clothing and promote their ethical image, it could affect positively in consumers' behavior and increase the number of consumers who are affected by the ethical image of a company. Of course this works two ways, negative ethical image affects negatively in consumers' behavior. Companies should try to maintain a good image because based on the study, major part of the consumers could consider boycotting as a means to protest unethical actions.

As the study showed, consumers valued quality of the products more than other attributes when forming an opinion of a company. The ethicality of a company does not play an important role when consumers form their opinions. This result is

in contradiction with the result that 75% of the consumers stated they value ethically produced clothing. Consumers demand quality also for ethical clothing and it has to be reasonably priced. So if the companies invest in ethicality in their clothing production they should not forget quality. The least important attribute for consumers was profitability of the company.

Most consumers stated that they have not done research to find out about companies ethicality but most of the respondents also stated that there is not enough information available. It is somewhat contradictory because how can they say that there is not enough information available if they have not done research about it? This could suggest that the information should be more easily found and communicated better so the consumers should not have to look for it. The consumers wished that the ethicality of clothes would be marked and labeled better. Although, the consumers seem to realize that everything the companies communicate about themselves and their products, is not always completely true.

Based on the study, consumers are not satisfied with the current situation in clothing industry and wish there would be more ethically produced clothing available. So clearly there is demand for ethical clothing and companies should notice this opportunity in their markets and take advantage of it, keeping in mind that consumers are willing to pay 5-10% more on ethical clothing.

As a conclusion, based on the study results, consumers wish that there would be more information available about the ethical clothing and that the operations of a company would be more transparent. Furthermore, they also wish that the information provided by the companies would be reliable and truthful. The ethicality of the clothes should be communicated better for example with a certificate or another kind of labeling so the consumers could identify those clothes more easily. Consumers clearly prefer buying ethical clothing rather than unethical clothing whenever possible. The consumers value domestically produced clothing because of their ethicality but they are thought to be overpriced. Price is still a major attribute when making purchasing decisions. The most important factor for consumers is the price-quality ratio as expected. Consumers are attracted by ethical campaigns where, for example, 5% of products' price is donated for a good

cause (protecting the environment or for the benefit of children in developing countries). Consumers rather buy these kinds of products.

The researchers think that there should be more discussion about ethics as a whole. Usually the focus is on environmental issues (climate change) or child labor while the other aspects such as poor working conditions or neglecting the society are left unnoticed. If there would be more discussion about ethics in the media, the consumers might become more aware and value ethicality more.

The process of creating the questionnaire took surprisingly long time because after the test version was sent the researchers found out that the responses were not saved the way they were supposed to. The questionnaires had to be recreated. After sending the questionnaire, researchers got a lot of responses in a relatively short period of time. Analyzing the results was slow and took a lot of time. Because the questionnaire was in two languages, the researchers had to use Excel to combine the results from both questionnaires in order to get the big picture.

The results of the study were similar to researchers' expectations. There were no big surprises and the consumers were mostly consistent with their answers. The amount of answers to the open questions was unexpectedly high and the answers provided relevant information for the research. The consumers seemed to be increasingly interested in ethics and ethical products. Nowadays, the consumers are becoming more conscious when making buying decision and they are also economically wealthier which sets pressures for companies to act more responsibly.

### **Reliability and validity**

The reliability and validity must be measured, in order to evaluate how well the researchers executed the research. As defined earlier, reliability means the consistency and validity of test results after multiple trials. One threat that might have influenced the research is participant error. In this research, the respondents received the questionnaire electronically so they were able to answer it in any place at any time. For example, if the respondents replied to the questionnaire at work, they might have answered somewhat differently than when being at home.

However, this threat does not have as significant affect in the research as participant bias. Participant bias implies that respondents may have answered what they thought was expected from them. This might have affected significantly the results of the study. For example, in the beginning of the questionnaire the purpose of the research was clearly explained to be ethics and consumer behavior. This might have lead the respondents to answer in a more ethical way and therefore falsify the results. A third threat to reliability is observer error. When analyzing the results, researchers found out that some of the question might have been misunderstood by the respondents. Firstly, the questionnaire had to be in two languages which made the designing of the questions rather difficult. The questions could not be directly translated from one language to the other. The meaning of a question might have been interpreted differently depending on whether the respondents answered the Finnish or the English version. For example, in a question where we asked if the consumers agree that local companies invest enough in ethicality, the word "local" could have been misinterpreted. Local could have meant local regionally, nationally or European. Observer bias was not a big threat to the research. The two researchers analyzing the study interpreted the replies in a similar way. The results were quite unambiguous so there was not much room for different kind of interpretation.

As defined earlier validity states how well the research measures what it is supposed to measure. In the research, there was first a question about if the respondents understand the meaning of ethics in order to get the responses "right". The purpose was that the respondents first understand ethics as a whole after which they were able to provide valid answers. If the respondents would have not understood the concept of ethics, their answers would have not been valuable. One threat to validity in the research was the amount of responses and the age of the respondents. Fortunately, the researchers received 185 responses when the desired amount of responses was 80 to 100. This amount of responses offered rather valid information and reliable results. However, most of the respondents were 30 years old or younger which might have had effect on the results. For example young people tend to be more aware of current trends such as ethicality, so the results reflect mainly younger consumers' opinion rather than consumers' opinion in general. If someone else would conduct the survey and get more results

from older consumers, the results might differ and be less positive towards ethical products. All in all, the researchers are satisfied with the results and consider the study valid.

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## APPENDICES

## **APPENDIX 1. Kysely opinnäytetyöhön liittyen – Kuluttaja ja eettisyys**

Olemme kaksi Seinäjoen Ammattikorkeakoulun Kansainvälisen kaupan opiskelijaa. Kirjoitamme opinnäytetyötämme aiheena Ethics and consumer behavior in clothing industry (Eettisyys ja kuluttajakäyttäytyminen vaatealalla).

Teemme tutkimusta kuluttajien asenteista yritysten eettistä toimintaa kohtaan. Vastaamalla kyselyyn annat meille arvokasta tietoa opinnäytetyötämme varten. Kyselyyn vastaaminen kestää noin 5 minuuttia.

Kiitos vastauksesta!

Maarit Mesiniemi & Karolina Mäki-Rahko, BBA07

### **Taustatiedot**

Kuluttajan taloudelliset, sosiaaliset ja ekologiset arvot.

\* Pakollinen kysymys

#### **1. Sukupuoli \***

- Nainen
- Mies

#### **2. Ikä \***

- alle 21
- 21 – 25
- 26 – 30
- 31 – 35
- 36 – 40
- 41 – 45
- yli 45 vuotta

**3. Vuositulot (brutto) \***

- 20 000 tai alle
- 20 001 – 25 000
- 25 001 – 30 000
- 30 001 – 35 000
- 35 001 – 40 000
- 40 001 – 45 000
- 45 001 – 50 000
- yli 50 000 euroa

**4. Mitkä seuraavista vaihtoehtoista mielestäsi kertovat yritykset eettisestä toiminnasta?**

Voit valita useamman kohdan.

- Verotulojen lisääminen
- Epäolennaisten tarpeiden luominen kuluttajille
- Yhteisön hyvinvoinnin lisääminen
- Vähemmistöjen palkkaaminen
- Henkilökunnan kouluttaminen
- Automaation lisääminen
- Saasteiden vähentäminen
- Tuotannon keskittäminen halpatuotannon maihin

**Arvot****5. Arvostatko eettisesti tuotettuja vaatteita?**

- Kyllä
- Ei

**Jos vastasit kyllä, yritätkö vaikuttaa toisten mielipiteisiin vaatteista?**

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**6. Kuinka paljon, jos yhtään, olisit valmis maksamaan enemmän eettisesti tuotetusta vaatteesta?**

- En yhtään
- 5 %
- 10 %
- 15 %
- 20 %
- 25 % tai enemmän tuotteen hinnasta

**7. Vaikuttaako yrityksen eettinen imago ostopäätökseesi?**

- Kyllä
- Ei

**Jos vastasit kyllä, niin miten?**

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## **Kuluttajakäyttäytyminen**

**8. Mikä seuraavista ominaisuuksista on sinulle tärkein muodostaessasi mielikuvaa yrityksestä? Valitse yksi.**

- Imago
- Yrityksen kannattavuus
- Eettisyys
- Tuotteiden hinta
- Tuotteiden laatu

**9. Mikä seuraavista ominaisuuksista on sinulle vähiten tärkein muodostaessasi mielikuvaa yrityksestä? Valitse yksi.**

- Imago
- Yrityksen kannattavuus
- Eettisyys
- Tuotteiden hinta
- Tuotteiden laatu

**10. Valitse arvo asteikolla 1 – 5, joka parhaiten kuvaa mielipidettäsi seuraavien väittämien kohdalla.**

	Täysin eri mieltä 1	2	3	4	Täysin samaa mieltä 5
Olen itse ottanut selvää jonkin yrityksen eettisistä periaatteista					
Mielestäni tuotteiden eettisyydestä ja alkuperästä on tarpeeksi tietoa saatavilla					
Toivoisin, että tuotteiden eettisyys olisi merkitty ja näkyvillä paremmin					
Voisin harkita jonkin vaatekaupan boikotoimista epäeettisen toiminnan perusteella					
Toivoisin, että eettisesti tuotettuja vaatteita olisi saatavilla enemmän					
Mielestäni paikalliset yritykset panostavat tarpeeksi eettiseen toimintaan					

**11. Lisätietoja**

Jos haluat, alla olevaan tilaan voit kirjoittaa mielipiteitäsi ja kommentteja aiheeseen liittyen.

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## **Appendix 2. Survey for thesis – Consumer and ethics**

We are two International business students from Seinäjoki University of Applied Sciences. We are currently writing our final thesis about Ethics and consumer behavior in clothing industry.

We are doing a research about consumers' attitudes towards companies' ethical policies. By answering our survey, you will give us valuable information for our thesis. Answering takes only about 5 minutes.

Thank you for your time!

Maarit Mesiniemi & Karolina Mäki-Rahko, BBA07

### **General information**

Consumers' economic, social and ecological values.

\* Compulsory question

#### **1. Gender \***

- Female
- Male

#### **2. Age \***

- under 21
- 21 – 25
- 26 – 30
- 31-35
- 36-40
- 41-45
- over 45 years



**3. Annual gross income \***

- 20 000 or under
- 20 001 – 25 000
- 25 001 – 30 000
- 30 001 – 35 000
- 35 001 – 40 000
- 40 001 – 45 000
- 45 001 – 50 000
- over 50 000 euros

**4. In your opinion, which of the following points are promoting good company ethics?**

Choose as many as necessary.

- Increasing tax revenue
- Creating inessential needs to consumers
- Increasing welfare to society
- Employing minorities
- Training employees
- Increasing automation
- Decreasing pollution
- Centralization of production to low-cost countries

**Values****5. Do you value ethically produced clothes?**

- Yes
- No

**If yes, do you try to influence others' opinions on clothes?**

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**6. How much, if any, would you be willing to spend more on ethically produced clothing?**

- None
- 5 %
- 10 %
- 15 %
- 20 %
- 25 % or more of the price

**7. Does the ethical image of a company affect your buying decision?**

- Yes
- No

**If yes, how?**

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## **Consumer behavior**

**8. Which of the following characteristics do you value the most when forming an opinion of a company? Choose one.**

- Image
- Profitability of the company
- Ethicality
- Price of the products
- Quality of the products

**9. Which of the following characteristics do you value the least when forming an opinion of a company? Choose one.**

- Image
- Profitability of the company
- Ethicality
- Price of the products
- Quality of the products

**10. Please choose a number between 1-5, which best reflects your opinion on the following statements.**

	Strongly disagree 1	2	3	4	Strongly agree 5
I have done research on my own to find out about a company's ethical principles					
I think there is enough information available about products' ethicality and origin					
I wish the ethicality of products would be labeled and marked better					
I could consider boycotting a clothing company because of their unethical activities					
I wish there would be more ethically produced clothing available					
I think that the local companies invest enough in ethicality					

**11. Any additional information**

If you want to share something else concerning the subject please write your comment in the space below.

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