



Internet Research

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Article information:

To cite this document:

Ibrahim Elbeltagi Gomaa Agag , (2016), "E-retailing ethics and its impact on customer satisfaction and repurchase intention", Internet Research, Vol. 26 Iss 1 pp. 288 - 310

Permanent link to this document:

<http://dx.doi.org/10.1108/IntR-10-2014-0244>

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E-retailing ethics and its impact on customer satisfaction and repurchase intention

A cultural and commitment-trust theory perspective

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Abstract

Purpose – The theoretical understanding of online shopping behaviour has received much attention. Less focus has been given to online retailing ethics. Therefore, the purpose of this paper is to develop and test a comprehensive model of online retailing ethics.

Design/methodology/approach – The study used a survey amongst a sample representative of universities across Egypt. In total, 310 questionnaire were collected and analysed using structure equation modelling using WarpPLS.

Findings – The results indicate that the consumer perceptions of online retailing ethics (CPORE) as a second-order construct is composed of five constructs (security, privacy, non-deception, fulfilment/reliability, and service recovery) and strongly predictive of online consumer satisfaction. Furthermore, the authors find a significant mediating effect of trust, and commitment on the relationship between CPORE and customer satisfaction. The results also show that individualism had moderate effects on the relationship between CPORE and customer satisfaction. Contrary to expectations, power distance had no significant effect.

Research limitations/implications – Despite the contributions of this study some research limitations need acknowledgment. First, this study employed a convenience sample. The authors encourage future studies to use random sampling of general consumers. The ethics literature identifies some factors which influence ethical judgments of consumers (e.g. sex, age, and education). Such research could identify how each variable, individually and cooperatively, impacts consumer ethical evaluations of online retailing. The authors did not collect data from non-internet shoppers because the focus of this study was online consumers referring to their latest purchase online. It may be an interesting extension, however, to test this conceptual model for other populations like non-online consumers.

Originality/value – This study developed and empirically tested a comprehensive model of CPORE with its multidimensional constructs and evaluated its impact on both consumer satisfaction and repurchase intention via trust and commitment.

Keywords Ethics, E-commerce

Paper type Research paper

1. Introduction

The internet has come as a strong alternative way of physical commerce. The internet itself is a global phenomenon, with over 2.7 billion users worldwide in 2013, up from 420 million in 2000 and one billion in 2005 (Internet World Stats., 2013). In the developing world, 31 per cent of the population is online, compared with 77 per cent in the developed world (Internet World Stats., 2013). The incredible growth of e-commerce presents ethical issues by the way internet represents new environment for unethical behaviour (Freestone and Michell, 2004). Although many businesses are acknowledging the importance of e-commerce and online retailing activities,



little attention has been given to the business community's perceptions of the ethicality of this new media (Bush *et al.*, 2000; Roman, 2007; Roman and Cuestas, 2008). Given the latest technological developments in e-retailing, this paper advances our understanding of the ethical issues in the online retailing context. In this respect we follow the call by James and Rajiv (2009) for internet researchers to make significant contribution to the retailing literature "by utilizing theories not frequently applied to internet issues as well as investigating antecedents variables heretofore overlooked".

Retailers can build mutually valuable relationships with customers through a trust-based collaboration process (Dayal *et al.*, 2001). Strategies to maintain trust are effective in establishing positive frame of mind among consumers, while causes of negative events have a negative impact on consumer mind (Chen *et al.*, 2013). Although, the way in which trust may be gained and the impact it has on e-business outcomes are not yet well understood (Jones *et al.*, 2000). Therefore, we examine the applicability of the highly cited commitment-trust theory of relationship marketing (Morgan and Hunt, 1994) in the online retailing ethics context.

Culture is important in ethics, as individualism/collectivism strongly influences consumer attitudes and decision making (Oyserman *et al.*, 2002). Frost *et al.* (2010) indicated that online shopping environment, whose activity does not depend on interaction or social co-operation with other consumers, attracts individualists.

A number of studies have addressed consumers' ethical beliefs and practices (Strutton *et al.*, 1997; Vitell and Muncy, 2005; Sharma and Lijuan, 2014) as well as consumers' perceptions of retailers ethics (Lu *et al.*, 2013; Roman and Cuestas, 2008). Yet, little research has been conducted on the potential ethical issues regarding online retailing from the consumers' perspective. In addition, the vast majority of earlier research is conceptual in nature, and has primarily focused on privacy issues (e.g. Palmer, 2005) overlooking other important ethical marketing issues surrounding the internet such as deception and dishonesty (Mcintyre *et al.*, 1999; Roman and Cuestas, 2008). The purpose of our study is to develop and empirically test a framework that explains the impact of e-retailing ethics on customer satisfaction and repurchasing intention through the mediating role of trust-commitment theory and cultural perspective in the context of Egypt.

2. Research objective

E-commerce is growing rapidly and it presents ethical issues by the way internet represents new environment for unethical behaviour (Freestone and Michell, 2004). Apart from the re-examination of commitment-trust theory in the online retailing context, our study attempts to make other fundamental contributions in understanding online customer behaviours. Although the relationship between national culture (e.g. individualism (IND), and power distance (PD)) and the ethical perceptions of consumers is paramount for the prediction of customer satisfaction, literature still limited in this area. So we take a first step into the examining of the influence of culture on the relationship between e-retailing ethics and customer satisfaction. Therefore, the main purpose of this study is to identify ethical factors that affect consumer perceptions towards online retailers and explore the relationship between e-retailing ethics and customer satisfaction based on the theory of commitment and trust. The structure of this paper is organized as follows. Section 3 provides theoretical background of the study followed by Section 4 where the research model and hypotheses are developed. Sections 5 and 6 present both the methodology and data analysis. The discussion part is mentioned in Section 7 followed by the conclusion in Section 8.

3. Theoretical background

3.1 *Ethical issues in e-commerce*

Research on ethical marketing first made its appearance in the late 1960s, with the pioneering work of Bartels (1967), which provided the first conceptualization of factors influencing marketing ethics decision making. Since then, there has been a steady growth of contributions on the subject, reflecting increasing public concern about unethical marketing practices, such as dangerous products, misleading prices, and deceptive advertising. However, it was not until the early 1980s that the important role of ethics in marketing became widely recognized by business practitioners, when, for the first time, many companies and professional associations began to adopt certain codes of ethics in conducting their operations. Reflecting this, academic interest has grown exponentially, with dozens of studies conducted on the subject see, for example, reviews by Kim *et al.* (2010) and Schlegelmilch and Öberseder (2010).

Bush *et al.* (2000) assessed the perceptions of the ethical issues concerning marketing on the internet among a sample of 292 marketing executives. The authors used an open-ended question “due to the lack of published research from which scaled items could be developed” (Bush *et al.*, 2000). The ethical concerns most often mentioned regarding marketing on the internet was the security of transactions. The next three most often mentioned ethical concerns were illegal activities (e.g. fraud, hacking, privacy, and honesty/truthfulness of the information on the internet). Singh and Hill (2003) study focused on consumers’ concerns regarding online privacy in Germany. Their results suggest that consumers’ views about internet use and online behaviours are influenced, among other things, by their views regarding privacy in general, and how they view the role of the government and the role of companies in protecting consumer privacy. Schlegelmilch and Öberseder (2010) argued that internet ethical issues are privacy, identity theft, and phishing. In exploring a special e-commerce ethics, Kracher and Corritore (2004) identified the key issues of access, intellectual property, privacy and informed consent, protection of children, information security, and trust. Miyazaki and Fernandez (2001) evaluated consumers’ concerns regarding online shopping. Four major concerns emerged from a sample of 189 consumers; three of these concerns were related to ethical issues. The first category, privacy, contained a variety of worries, such as unauthorized sharing of personal information and undisclosed tracking of shopping behaviours. The second category, system security, included concerns about potentially malicious individuals who breach technological data protection devices to acquire consumers’ personal and financial information. The third category, online retailer fraud, focused on concerns regarding fraudulent behaviour by the online retailers, such as purposeful misrepresentation or non-delivery of goods. Similarly, Forsythe *et al.* (2006) developed a three-factor scale to measure the perceived risks of online shopping. One of them (financial risk) was related to ethical issues. Financial risk was defined as potential net loss of money, and included consumers’ sense of insecurity regarding online credit card usage.

Based on this, it is clear that the current literature coverage of e-ethics is fragmented and the relationship between online retailing ethics and customer satisfaction is virtually absent (Roman and Cuestas, 2008). Finally although the relationship between national culture (e.g. IND, PD, and uncertainty avoidance) and the ethical perceptions of consumers is paramount for the prediction of customer satisfaction, literature still limited in this area.

3.2 *The nature of consumer perceptions of online retailing ethics (CPORE)*

Online ethics like traditional marketplace ethics are multidimensional, complex, and highly abstract. In online context, CPORE have been defined as positive consumer

perceptions about the behaviour of e-retailers that handle consumers in a confidential, fair, honest, and sincere manner that ultimately protects consumers' interests. The conceptual domain of this construct is still evolving, but the construct displays these characteristics are: security, privacy, fulfilment/reliability, non-deception, and service recovery.

The first factor, "privacy" extends itself beyond the uncertainty of providing personal information on the websites, but includes the degree to which information is shared or sold to third parties that have marketing-related interests (Miyazaki and Fernandez, 2001). Privacy policies of an online retailer involve the adoption and implementation of a privacy policy, disclosure, and choice/consent of consumer (Bart *et al.*, 2005). The second factor, "security" provided by an online retailer refers to the safety of the computer and credit card or financial information (Bart *et al.*, 2005; Roman and Cuestas, 2008). Customers believe that the internet payment channels are not always secure and could potentially be intercepted (Jones and Vijayasathy, 1998). This reduces the customer's trust, discouraging them from providing personal information and making online purchases. On the other hand, Klang (2001) argued that the level of uncertainty and risk that customers perceive in online transactions is not dependent on whether the transactions are actually secure or not. Even if retailer adheres to a scientific assessment of security based on technological solutions and legal guidelines, customers' perceived sense of security would still be necessary to create the required level of trust to enable online transactions (Pavlou and Chellappa, 2001). The third factor, "reliability/fulfilment" is related to the accurate display and description of a product so that what consumers receive is what they thought they ordered, moreover the delivery of the right products within the frame promised (Wolfenbarger and Gilly, 2003). Earlier research has found fulfilment/reliability to be one of the key dimensions of online service quality as perceived by consumers (Parasuraman *et al.*, 2005). Reliable response is an important factor of service quality because it can influence the customers' satisfaction (Kalakota and Whinston, 1996). Roman (2007) found fulfilment to be one of the important dimensions of online retailing ethics. The fourth factor, "Non-deception" refers to the consumer belief that an e-service provider will not use deceptive practices to influence consumers to purchase e-products (Limbu *et al.*, 2011). This dimension focuses on consumer's perceptions of online retailer's deceiving/misleading practices, rather than on the act of deceiving itself. Prior research on deceptive advertising has focused largely on identifying the specific types of claims that lead consumers to make erroneous judgments and its consequences on consumers' beliefs and behavioural intentions (e.g. Burke *et al.*, 1988; Darke and Ritchie, 2007). For instance, findings from Darke and Ritchie (2007) showed that deceptive advertising engenders consumers' distrust. Few studies (e.g. Ingram *et al.*, 2005; Ramsey *et al.*, 2007) found that deceptive selling actions decrease customer satisfaction and trust. The fifth factor, "service recovery" measures consumers' perceptions of the fairness of the e-commerce companies' recovery effort during the transaction processes. Social exchange theorists have identified three dimensions of perceived justice that influence how people evaluate exchanges: distributive, procedural, and interactional justice (Wu, 2013). The results of a prior study also provided strong support for the effects of service recovery on consumers' perceptions of justice (Smith *et al.*, 1999).

3.3 Commitment-trust theory

In their seminal paper, Morgan and Hunt showed that "relationship marketing" – the act of establishing and maintaining successful relational exchanges – constitutes a

major shift in marketing theory and practice. Based on the commitment-trust theory, Morgan and Hunt (1994) developed the key mediating variable (KMV) model of relationships marketing. The KMV model proposed trust and commitment as mediating variables between five antecedents (relationship termination cost, relationship benefits, shared value, communication, and opportunistic behaviour) and five outcomes (acquiescence, propensity to leave, co-operation, functional conflict, and decision-making uncertainty). Although they tested the model in the context of automobile tire retailing, Morgan and Hunt (1994) claimed that their theory would apply for all relational exchanges involving supplier, customer, or employees. They felt a strong need for “further replication, extension, application and critical evaluation” of their theory and model. This research is responding to this need in the literature and using this theory in the area of e-retailing ethics.

3.3.1 Trust. Building online trust and understanding its relationship to online consumers’ purchase decision making are important topics for e-commerce system managers and information systems (IS) researchers (Zimmer *et al.*, 2010). Morgan and Hunt (1994) felt that trust exists when one party has confidence in an exchange partner’s reliability and integrity. Trusting other parties provides the basis for assessing predictability of future behaviour based on past interaction and promises (Boersma *et al.*, 2003), reducing uncertainty (Hwanga and Leec, 2012), reducing the perception of risk associated with opportunistic behaviour (Morgan and Hunt, 1994), and undermining formalizing decision making (Fang *et al.*, 2008), fostering cooperative intention (Keh and Xie, 2009), influencing parties’ long-term orientation (Lai *et al.*, 2009), and building relationship commitment (Gundlach *et al.*, 1995).

Various dimensions of trust have been identified in the literature (see Bart *et al.*, 2005). Since our study is aimed at a re-examine of the consumers’ perceptions about the integrity and responsibility of the company (behind the website) in its attempt to deal with consumer in a secure, confidential, and honest manner that ultimately protects consumers’ interest, we adopted the customer’s propensity to trust the online retailer as the key dimension of trust in an online retailer (Morgan and Hunt, 1994). Propensity to trust is important in economic transactions as it reduces perceived risk (Humphrey and Schmitz, 1998). This is particularly important in the case of online retailing, where the buyers and the sellers are physically separated, contingencies are difficult to predict and incorporate into contracts, relationships are difficult to monitor, and cyber-laws are not well defined. Online customers with a high propensity to trust perceive the risk to be less and thus have more trust in online transactions (Ba, 2001). Thus, online trust and consumer behaviour should be investigated both online and hybrid companies (Saeed *et al.*, 2005).

3.3.2 Commitment. According to Morgan and Hunt (1994), a critical complement of trust in exchange relationships is commitment. Moorman *et al.* (1992) defined relationship commitment as an enduring desire to maintain valued relationship. Partners in business value trust-based relationship very highly and commit themselves to such relationship (Hrebiniak, 1974). The trust-commitment interaction has also been demonstrated by Morgan and Hunt (1994). Trust and commitment are at the centre of our proposed model. Based on our suggested model commitment-trust theory variables will mediate the relation between CPORE and customer satisfaction and repurchase intention as we will discuss in the following section.

3.3.3 The consequences of trust and commitment theory. “Behavioural intention” is the consequence of both trust and commitment. Based on Morgan and Hunt (1994),

we conceptualize behavioural intention as consisting of word of mouth, purchase intentions, and continued interaction. Various researchers have suggested that online customers' trust will positively influence their adoption of internet to search for information and subsequently, their intentions to buy online. With a greater degree of trust in the online retailers, customer is more willing to make online purchase (Gefen and Straub, 2001). Hoffman *et al.* (1999) argued that the likelihood of customers' preferential usage of the internet to buy products over traditional physical stores is influenced by the amount of customer trust concerning the delivery of goods and use of personal information.

Some studies show that trust and/or commitment appear to be antecedents or precursors to satisfaction (e.g. Johnson *et al.*, 2008) support of these findings; Skarmearas *et al.* (2008) stated that "[...] satisfaction is a focal outcome of buyer – seller relationships that is generally unlikely to develop in the absence of trust and commitment". The theory suggests that these outcomes of trust and commitment promote relationship marketing success (Morgan and Hunt, 1994).

4. Conceptual framework and hypotheses

Based on the Commitment-Trust theory, Morgan and Hunt (1994) constructed a KMV model to prove that relationship commitment and trust were central to successful relational exchange. We hypothesized that relationship commitment and trust mediated the relationship between five precursors and customer satisfaction.

The CPORE has been defined as consumers' perceptions about the integrity and responsibility of the company (behind the website) in its attempt to deal with consumer in a secure, confidential, and honest manner that ultimately protects consumers' interest.

We expect CPORE to be a higher order construct composed of five dimensions. In particular, we conceive a second-order factor structure in which the five distinct components are the manifestation of a broader, more general and more abstract higher order latent variable (CPORE). In such a second-order factorial structure, each factor can be considered a manifestation of CPORE, and each item is a manifestation of its respective factor (see Figure 1). Based on this reasoning, we propose the following hypothesis:

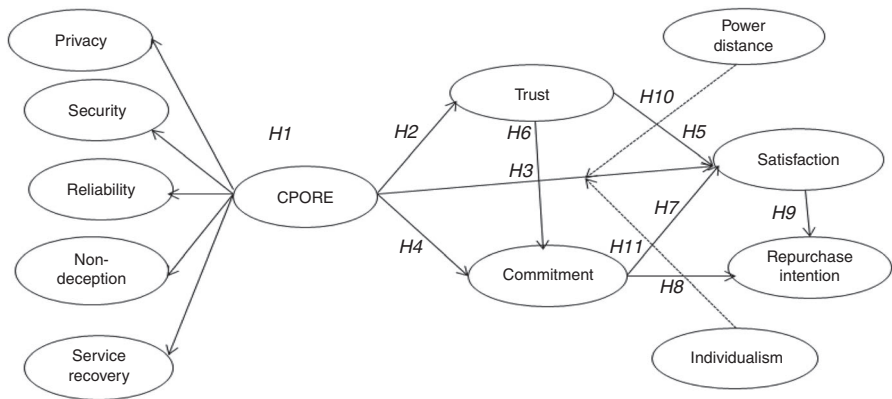
- H1.* CPORE is a second-order construct composed of five dimensions (i.e. security, privacy, fulfilment, non-deception, and service recovery).

4.1 CPORE and trust

Consumer behaviour theory considers the firm's marketing activities as stimuli pushing consumers to take certain actions. In line with this, the firm's ethical marketing behaviour is expected to provoke a number of responses. One critical response is trust, which is the belief that a party's word or promise is reliable and that he/she will fulfil any obligations in an exchange relationship (Dwyer *et al.*, 1987). Dirks *et al.* (2011) argued that affective repair is valuable when the trust violation is attributed to a lapse of competence rather than a lapse of integrity in e-commerce. In fact, consumer trust in a company's activities is highly dependent on the extent to which he/she disapproves the firm's ethical practices relating to product, price, distribution, and promotion (Robertson and Anderson, 1993). A positive association between the firms' marketing ethicality and consumer trust was confirmed by various studies (e.g. Roman, 2007; Leonidou *et al.*, 2013). Therefore, we hypothesize that:

- H2.* There is a positive relationship between CPORE and consumer trust.

Figure 1.
Research conceptual
framework



4.2 CPORE and satisfaction

Customer's satisfaction refers to the customers "post-purchase comparison between pre-purchase expectation and performance received" (Oliver, 1980). Some studies have indicated that a salesperson with good ethics could establish a favourable relationship with the customer, thereby acquiring the customer's satisfaction and trust (Vesel and Zabkar, 2009). Few studies in the online context have examined the relationship between CPORE and satisfaction. However, prior researches have implied that online retailing ethics significantly impacts the customer satisfaction (e.g. Kurt and Hacıoglu, 2010; Cheng, 2011). We may, therefore, hypothesize that:

H3. There is a positive relationship between CPORE and consumers' satisfaction.

4.3 CPORE and commitment

Online commitment (or e-commitment) is defined as a consumer's desire to continue a relationship with an online retailer. If customers feel they are being treated unfairly by the salesperson (e.g. because of unethical behaviour), perceptions of inequity will emerge, which in turn may translate into a desire of the customer to leave the relationship. Theoretical and empirical studies (Collier and Esteban, 2007; English, 2008) showed that there are positive relationships between ethical values of the company and customers commitment in marketing. They believe that maintaining a high level of customer commitment, leaders and managers must define, evaluate, and institutionalize ethical principles in the policies, the practices and objectives of the company, and thus the realization of the specific organizational benefits such as productivity and effectiveness. We may, therefore, hypothesize that:

H4. There is a positive relationship between CPORE and customer commitment.

4.4 Trust and customer satisfaction

Unlike offline retail stores, the inability to interact with a salesperson, moreover electronic payment method, increases consumers' perceived risk of online purchasing. Consequently, trust may provide a stimulus to purchase over the internet. Singh and Sirdeshmukh (2000) proposed a circular trust model. That is, trust before a specific exchange episode enhances consumers' post-purchase satisfaction, which in turn increases post-purchase trust. As such, this study suggests that customer satisfaction can be achieved when customers feel comfortable about placing orders over the internet. Empirical findings (Göran *et al.*, 2010; Leonidou *et al.*, 2013; Martín *et al.*, 2011)

support a positive direct trust-satisfaction link. Therefore, we expect customer satisfaction to be reflective of customer trust towards the e-retailer:

H5. Customer trust is positively related to customer satisfaction.

4.5 Trust and commitment

Trust is a precursor to commitment (Sanchez-Franco *et al.*, 2009; Abosag and Lee, 2013). Presumably, partners value high-trust relationships so much that they want to commit themselves to the relationships. Morgan and Hunt (1994) argued that trust is of vital importance to a buyer when deciding to invest efforts into the relationship. Morgan and Hunt (1994) mentioned that, "Indeed, because commitment involves vulnerability, parties will seek only trustworthy partner". This view informs the suggestion that trust is a precursor to commitment:

H6. Customer trust is positively related to customer commitment.

4.6 Commitment and customer satisfaction

Several studies show that commitment is a precursor to satisfaction (e.g. Johnson *et al.*, 2008). Farrelly and Qvester (2005) noted that "It seems logical to argue here that trust and commitment are key factors of satisfaction, a more general concept and a closer determinant of their decision to extend, renew, or terminate the sponsorship relationship". A relationships atmosphere where both parties believe they can achieve goals without opportunism should show evidence of a high level of commitment which in turn should show higher levels of satisfaction with the relationship (Farrelly and Qvester, 2005). Göran *et al.* (2010) Found that commitment relates positively to satisfaction:

H7. Customer commitment is positively related to customer satisfaction.

4.7 Commitment and repurchase intention

The proposed commitment and repurchase intention relationship is supported by Morgan and Hunt (1994). Empirical findings (Mukherjee and Nath, 2003; Bloemer and Kasper, 1995) showed that commitment has a significant influence on customers' behavioural intentions:

H8. Customer commitment is positively related to repurchase intention.

4.8 Customer satisfaction and repurchase intention

Several researchers have found satisfaction and attitude to be major antecedents of customer repurchase intention (e.g. Innis, 1991; Roest and Pieters, 1997). A direct positive relationship between customer satisfaction and repurchase intention is supported by a wide variety of product and service studies (Zhang *et al.*, 2011; Rose *et al.*, 2012). These studies establish that overall customer satisfaction with a service is strongly associated with the behavioural intention to return to the same service provider:

H9. Customer satisfaction is positively related to repurchase intention.

4.9 Moderating role of national culture

Although culture, defined as the collective programming of the mind that distinguishes the members of one category of people from those of another, has been inextricably linked with people's ethical values at the country level (Hofstede, 1984), prior research, with some exceptions (e.g. Swaidan *et al.*, 2003), has placed moderate emphasis on the ethical implications of an individual's cultural orientation, particularly as regards marketing issues. The influence of culture on the relationship between online retailing ethics and customer satisfaction has not been investigated. So we take a first step into

the examining of the influence of culture on the relationship between CPORE and customer satisfaction.

4.9.1 PD. In high PD societies like Egypt, superiors and subordinates consider each other as unequal and subordinates expect to be told what to do, while in low PD societies, superiors and subordinates consider each other as equal and thus they are interdependent. This is a necessary condition for trust because it is a willingness to be vulnerable under conditions of risk. Therefore, we argue that low power distant societies will exhibit more interpersonal trust. Customers from high PD countries believe that a service provider will be more likely to engage in unethical behaviour than customers from low PD countries. Thus, customers from high PD countries have less satisfaction towards online retailers than do customers from low PD countries:

H10. The higher the degree of PD, the lower the effect of CPORE on customer satisfaction.

4.9.2 IND. IND is viewed on a high/low continuum, with collectivistic countries occupying the low end of the spectrum and individualistic nations at the high end. IND strongly influences consumers' moral reasoning, beliefs, and ethical decision-making processes (Husted and Allen, 2008). Thus, Customers from high IND countries believe that a service provider will be more likely to engage in ethical behaviour than customers from low IND countries. Thus, customers from high IND countries have high satisfaction towards online retailers than do customers from low IND countries:

H11. The higher the degree of IND, the higher the effect of CPORE on customer satisfaction.

5. Methodology

5.1 Measurement of constructs

A multi-item scale has been developed based on the literature review and service recovery has been developed especially for this study. The study used the four dimensions developed by Roman (2007): security (five items), privacy (four items), non-deception (four items), and fulfilment/reliability (four items). All scales consisted of five-point Likert questions, ranging from "1 = strongly disagree" to "5 = strongly agree". New scales were developed for the service recovery as appropriate existing scales could not be found. Scales for this construct were developed consistent with established scale development procedures (Churchill, 1979). The measured scales of trust and commitment generated based on related studies (Morgan and Hunt, 1994), with modifications to the wording as appropriate for our study. In this study customer satisfaction was measured using five items scale adapted from Anderson and Srinivasan (2003). Repurchase intention was measured using five items scale adapted from Siu *et al.* (2013). Finally, culture value (IND and PD) was measured using seven items proposed by Shin *et al.* (2007).

5.2 Data collection and sample description

The study took place in Egypt among indigenous consumers aged 18 and above. We used online survey and e-mail to collect data. Surveying by e-mail possesses numerous advantages over conventional interviewing methods. Online and e-mail surveys offer a more efficient and convenient form of data collection (Best and Krueger, 2002). In addition, an online approach can be more effective for identifying and reaching online shoppers. Data was collected from students in major universities in

Egypt: first, 110 from the American university in Cairo; second, 90 from Alexandria University; third, 70 from Assiut University; and finally, 40 from Suez Canal University. The sample covers both urban as well as rural areas in Cairo, Alexandria, Upper Egypt, Delta, and the Canal zones. Student samples have often been used in online shopping research (e.g. Kim *et al.*, 2007). This is justifiable as students are computer-literate, having few troubles in using new technology. Students are potential consumers of electrical goods, having actual online experiences (Yoo and Donthu, 2001), being homogeneous in nature (Jahng *et al.*, 2000), and their technological advances and innovativeness qualify them as a proper sample for online shopping research (Yoo and Donthu, 2001). Also, it was a necessary requirement for subjects to participate in the study to have purchased at least an item online in the last six months. We obtained a usable sample of 310 students. Previous IS studies in online shopping conducted their surveys by employing a convenient sampling approach (Li, 2011). Convenience samples are considered valid under two conditions: if the study is exploratory in nature and if the items on the questionnaire are pertinent to the respondents who answer them (Ferber, 1977). This study satisfies both of them. Demographic details of the sample profile are provided in Table I.

6. Data analysis and results

6.1 Descriptive statistics

A total of 310 respondents were surveyed online, 180 were men (58.0 per cent) and 130 were women (42.0 per cent). The majority of respondents were aged between 20 and 30 (61.0 per cent), had post-graduate education (master and doctorate) (52.0 per cent), and had engaged in online shopping between three to six times within the previous year (62.0 per cent). The most recent online shoppers experience for the majority of respondents was within the previous two years (52.0 per cent) and the most online

Variable	Categories	Frequency	Percept (%)
Gender	Male	180	58.0
	Female	130	42.0
Age	< 20	100	32.0
	20 < 30	190	61.0
	30 > 40	15	5.0
	< 40	5	2.0
Monthly income	£1,000 or below	220	71.0
	£1,001-2,000	80	26.0
	£2,001-3,000	10	3.0
	£3,001 or above	–	0.0
Education	Bachelor degree	100	32.0
	Diploma	50	16.0
	Master or doctorate	160	52.0
	Other	–	0.0
	Frequency of online shopping within a year	< 3 times	80
	4-6 times	190	62.0
	7-9 times	30	10.0
	> 10 times	10	2.0
Experience	< 2	120	38.0
	2 < 5	160	52.0
	> 5	30	10.0

Table I.
Sample profile

shoppers income monthly was £1,000 or below (71.0 per cent). Table II shows the respondents demographics. The χ^2 -test for the early and late respondents shows they did not differ significantly ($p > 0.05$) in gender or age. We therefore excluded the possibility of non-response bias.

6.2 Measurement model analysis

The study used Structural Equation Modelling partial least squares (PLS) technique, as it is typically used when the investigated phenomenon is new and the study aims at theory generation rather than confirmation (Urbach and Ahlemann, 2010). In addition, a PLS approach, which does not require a normal distribution, as opposed to covariance-based approaches, which do require a normal distribution, was more appropriate because of the distributional properties of our manifest variables. Finally, the PLS methodology is capable of including both formative and reflective measures simultaneously in a model, which was a constraint we faced with the measures that we used. We assessed the measurement model through tests of convergent validity, discriminant validity, and reliability using commonly accepted guidelines. These results are shown in Tables II and III.

We also performed tests for multicollinearity due to the relatively high correlations among some of the constructs.

Items	TRU	COM	SAT	REP	IND	PD	CPORE	<i>p</i> -Value
TRU1	<i>0.846</i>	-0.165	0.005	0.053	0.062	-0.033	-0.097	< 0.001
TRU2	<i>0.811</i>	0.406	-0.061	-0.043	-0.002	0.007	-0.061	< 0.001
TRU3	<i>0.765</i>	-0.012	0.177	-0.259	-0.031	0.043	0.409	< 0.001
TRU4	<i>0.854</i>	-0.211	-0.105	0.220	-0.032	-0.012	-0.213	< 0.001
COM1	-0.196	<i>0.869</i>	-0.095	0.075	0.076	-0.032	0.043	< 0.001
COM2	-0.076	<i>0.832</i>	0.321	-0.196	-0.007	0.016	0.007	< 0.001
COM3	0.359	<i>0.802</i>	-0.065	0.142	-0.049	0.007	-0.121	< 0.001
COM4	-0.064	<i>0.845</i>	-0.157	-0.018	-0.025	0.010	0.063	< 0.001
SAT1	0.143	-0.135	<i>0.816</i>	-0.169	0.001	0.002	-0.078	< 0.001
SAT2	0.030	-0.043	<i>0.812</i>	0.149	-0.005	-0.065	-0.026	< 0.001
SAT3	-0.116	0.266	<i>0.817</i>	0.087	0.057	0.049	0.073	< 0.001
SAT4	-0.054	-0.084	<i>0.859</i>	-0.063	-0.051	0.013	0.028	< 0.001
REP1	0.065	-0.013	-0.146	<i>0.818</i>	0.083	-0.100	-0.071	< 0.001
REP2	-0.053	0.263	0.004	<i>0.836</i>	-0.072	0.111	-0.089	< 0.001
REP3	-0.130	-0.221	0.315	<i>0.793</i>	-0.070	0.074	0.080	< 0.001
REP4	0.106	0.083	-0.123	<i>0.850</i>	0.036	-0.064	-0.061	< 0.001
REP5	0.006	-0.128	-0.036	<i>0.813</i>	0.021	-0.018	0.149	< 0.001
IND1	-0.023	-0.031	0.048	0.037	<i>0.857</i>	0.091	-0.148	< 0.001
IND2	0.018	-0.051	-0.048	0.009	<i>0.858</i>	-0.010	0.159	< 0.001
IND3	0.005	0.082	0.101	-0.045	<i>0.865</i>	-0.080	-0.012	< 0.001
PD1	-0.082	-0.073	-0.129	0.005	-0.124	<i>0.877</i>	0.035	< 0.001
PD2	0.112	-0.017	0.161	0.094	0.102	<i>0.867</i>	-0.106	< 0.001
PD3	-0.030	0.090	-0.003	-0.098	0.002	<i>0.871</i>	0.071	< 0.001
CPORE1	-0.283	-0.093	-0.192	-0.052	0.009	0.059	<i>0.748</i>	< 0.001
CPORE2	-0.034	0.132	-0.132	-0.072	0.007	0.058	<i>0.871</i>	< 0.001
CPORE3	-0.138	-0.030	-0.046	0.150	0.014	0.013	<i>0.853</i>	< 0.001
CPORE4	-0.208	0.076	0.208	-0.069	-0.005	-0.071	<i>0.866</i>	< 0.001
CPORE5	0.237	-0.117	0.122	0.035	-0.025	-0.047	<i>0.801</i>	< 0.001

Table II.
Loadings and
cross-loadings of
measurement items

Note: Italic items are factor loadings

All constructs had variance inflation factors (VIF) values less than 2.2, which is within the cut off level of 3.0.

Lastly, reliability was assessed using Cronbach's α and composite reliability tests. As shown in Table III, the recommended threshold of 0.70 was met.

6.3 Structural model assessment

The model explains 62 per cent of variance for trust, 68 per cent of variance for commitment, 81 per cent of variance for satisfaction and 69 per cent of variance for the repurchase intention. *H1* since we wanted to have stronger evidence of the existence of the five ethical dimensions, following the method utilized by Dabholkar *et al.* (1996), we performed CFA comparing several possible factor structures as indicated in Table IV. The results show that the eleven factors model, one second-order factor fits the data much better than the other factor models. For example, the AARS difference between the proposed 11-factor model and the others models is highly significant (AARS = 0.758, $p < 0.001$).

The overall fit measures suggest that the model is a plausible representation of the structures underlying the empirical data. The APC = (0.168, $p < 0.001$), ARS = (0.773, $p < 0.001$), AARS = (0.758, $p < 0.001$), AVIF = (2.653), and GOF = (0.742). As long as the Average Path Coefficient (APC), the Average R^2 (ARS), and the Average adjusted R^2 (AARS) are significant under 5 per cent level, and the average VIF is lower than 5. As well as the geometric mean of the average communality (GOF) suggests a large effect size, the overall fit indices indicate a good fit of the model (Kock, 2011). These findings suggest that CPORE can be modelled as a second-order construct. This provides strong support for the five dimensions as aspects of CPORE as a second-order construct, thus confirming *H1*. Further evidence for acceptance of the

Construct	Reliability	AVE	TRU	Correlations and square roots of AVEs					CPORE
				COM	SAT	REP	PD	IND	
TRU	0.891	0.672	(0.826)						
COM	0.904	0.701	0.815	(0.837)					
SAT	0.896	0.682	0.777	0.800	(0.822)				
REP	0.912	0.676	0.748	0.774	0.665	(0.820)			
PD	0.895	0.660	0.760	0.801	0.782	0.762	(0.798)		
IND	0.905	0.685	0.608	0.688	0.753	0.800	0.705	(0.780)	
CPORE	0.917	0.651	0.770	0.779	0.728	0.803	0.707	0.693	(0.896)

Notes: TRU, trust; COM, commitment; SAT, satisfaction; REP, repurchase intention; CPORE, consumer perceptions regarding the ethics of online retailing; PD, power distance; IND, individualism

Table III.
Results of composite
reliability and
convergent/
discriminant validity
testing

Models	APC	ARS	AARS	AVIF	GOF
Eleven factors, one second-order factor	0.168	0.773	0.758	2.653	0.742
Eleven factors	0.187	0.713	0.708	2.851	0.702
Ten factors	0.217	0.706	0.702	2.949	0.689
Nine factors	0.261	0.707	0.704	3.191	0.687
Eight factors	0.321	0.694	0.691	3.364	0.674
Seven factors	0.430	0.681	0.679	3.185	0.675

Table IV.
Summary results
of models fit indices

second-order factor structure is found in the variance explained by the structural equations. CPORE as a second-order construct explains 81 per cent of customer satisfaction, as opposed to 72 per cent in the alternative.

H2 examines the effects of CPORE on trust. CPORE is significantly related to trust ($B = 0.79, p < 0.01$). *H3* examines the effects of CPORE on customer satisfaction. CPORE is significantly related to consumer satisfaction ($B = 0.18, p < 0.01$). *H4* examines the effects of CPORE on commitment. CPORE is significantly related to commitment ($B = 0.40, p < 0.01$) (Figure 2).

In relation to *H5* results showed that trust is significantly related to consumer satisfaction ($B = 0.37, p < 0.01$). *H6* examines the effects of trust on consumer commitment. Trust is significantly related to consumer commitment ($B = 0.47, p < 0.01$). *H7* results show that commitment is significantly related to consumer satisfaction ($B = 0.51, p < 0.01$). *H8* results show that commitment is significantly related to consumer repurchase intention ($B = 0.48, p < 0.01$). *H9* results show that satisfaction is significantly related to consumer repurchase intention ($B = 0.38, p < 0.01$). *H10* examines the moderating effects of PD on the relationship between CPORE and consumer satisfaction. PD does not moderate the relationship between CPORE and consumer satisfaction ($B = 0.08, p = 0.07$). *H11* examines the moderating effects of IND on the relationship between CPORE and consumer satisfaction. IND moderates the relationship between CPORE and consumer satisfaction ($B = 0.11, p = 0.023$). Table V summarizes our hypothesis testing results.

To verify the mediation role of trust and commitment we conducted two additional PLS analyses. One included CPORE only (base model); and the other included CPORE and trust (Model 2). As the results (in Table VI) indicate, the path from CPORE to satisfaction in the base model was significant ($B = 0.11, p < 0.05$) but the indirect effect of the CPORE on consumer satisfaction via trust and commitment is greater than its

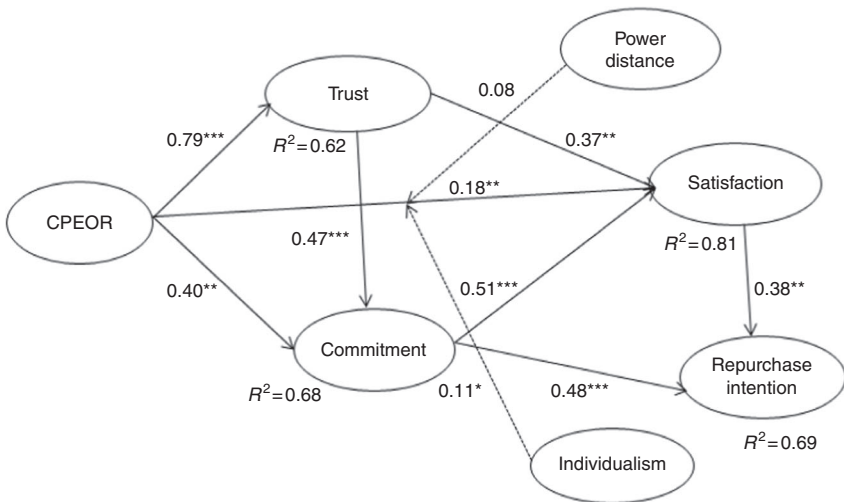


Figure 2.
PLS result of
research model
of main test

Notes: $n = 130$; $APC = (0.168, p < 0.001)$; $ARS = (0.773, p < 0.001)$; $AARS = (0.758, p < 0.001)$; $AVIF = (2.653)$; and $GOF = (0.742)$. The asterisks represent the level of coefficients: *0.05; **0.01; ***0.001

Hypothesis	Result
1. CPORE is a second-order construct composed of five dimensions (i.e. security, privacy, fulfilment, non-deception, and service recovery)	Support
2. There is a positive relationship between CPORE and consumer trust	Support
3. There is a positive relationship between CPORE and consumers' satisfaction	Support
4. There is a positive relationship between CPORE and customer commitment	Support
5. Customer trust has a direct positive effect on customer satisfaction	Support
6. Customer trust has a direct positive effect on customer commitment	Support
7. Customer commitment has a direct positive effect on customer satisfaction	Support
8. Customer commitment has a direct positive effect on repurchase intention	Support
9. Customer satisfaction has a direct positive effect on repurchase intention	Support
10. The higher the degree of power distance, the lower the effect of CPORE on customer satisfaction	No support
11. The higher degree of individualism, the higher the effect of CPORE on customer satisfaction	Support

Table V.
Summary of
hypothesis
testing results

Path	Base model	Model 2	Full model
CPORE → satisfaction	0.11	0.13	0.18
CPORE → trust		0.79	0.79
Trust → satisfaction		0.83	0.37
Trust → commitment			0.47
CPORE → commitment			0.40
Commitment → satisfaction			0.51

Table VI.
Testing of
mediating models

direct effect on it ($B = 0.18$, $p < 0.01$). To further test the mediating effects, we also conducted a Sobel test. The results also supported the mediating effects of trust ($p < 0.001$) and commitment ($p < 0.001$).

The fit indices values are as follow: $APC = (0.168, p < 0.001)$, $ARS = (0.773, p < 0.001)$, $AARS = (0.758, p < 0.001)$, $AVIF = (2.653)$, and $GOF = (0.742)$. They suggest good model fit with the data (statistically significant APC , ARS , and $AARS$), and low overall collinearity ($AVIF < 5$). As well as the geometric mean of the average communality (GOF) suggests a large effect size.

Furthermore, Cohen's (1988) effect size f^2 defined as "the degree to which the phenomenon is present in the population" was used to further examine the substantive effect of the research model. Cohen (1988) suggested 0.02, 0.15, and 0.35 as operational definitions of small, medium, and large effect sizes, respectively. Thus, our model suggested that both trust ($f^2 = 0.84$) and satisfaction ($f^2 = 0.70$) have a large effect size whereas commitment ($f^2 = 0.10$) has a small effect size and repurchase intention ($f^2 = 0.26$) has a medium effect size.

The study tests the predictive validity of the structural model following the Stone-Geisser Q^2 . According to Roldán and Sánchez-Franco (2012), in order to examine the predictive validity of the research model, the cross-validated construct redundancy Q^2 is necessary. A Q^2 greater than 0 implies that the model has predictive validity. In the main PLS model, Q^2 is 0.53 for TRU, 0.62 for COM, 0.59 for SAT, and 0.62 for REP that is positive and hence satisfies this condition.

7. Discussion

The aim of this study was to develop and test a comprehensive model of CPORE from the consumers' perspective with the extending research model adapted from Roman (2007) study and incorporating Hofstede's cultural dimensions as moderators in the model. First, we confirmed that CPORE is a multidimensional construct composed of five dimensions: security, privacy, fulfilment/reliability, non-deception, and service recovery. Prior research in the traditional marketplace addressing consumers' ethical perceptions has considered a limited number of dimensions. Moreover, most of this research has conceptualized and measured ethics as undimensional construct (e.g. Lagace *et al.*, 1991). Nevertheless, a few studies carried out in traditional settings (e.g. McIntyre *et al.*, 1999) suggested that unidimensional approach to consumers' ethical perceptions may not be sufficient to capture its complexity and dimensionality. This may be especially true in the online context. The internet is continually evolving and has a multifaceted nature (Gregory, 2007). Therefore, it is important that CPORE are specified at a more abstract level, which implies reflective first-order dimensions. Second, the findings of this study show the direct effect of CPORE on customer satisfaction. These results confirm the findings of previous studies that online retailing ethics significantly impacts the customer satisfaction (e.g. Roman and Cuestas, 2008; Kurt and Hacioglu, 2010). Thus online stores with good ethics could establish a favourable relationship with customers, thereby acquiring the customers' satisfaction and trust. As well as we found a direct effect of consumer satisfaction on repurchase intention. These finding consistent with previous studies that support a direct positive relationship between customer satisfaction and repurchase intention (e.g. Zhang *et al.*, 2011; Tsai *et al.*, 2006; Rose *et al.*, 2012). Third, the model and results show that there are partial mediating effects of trust and commitment that impact the relationship between online retailing ethics and consumer satisfaction. Previous studies have suggested that trust and commitment appear to be antecedents or precursors to satisfaction (e.g. Göran *et al.*, 2010). Trust and commitment promote relationship marketing success (Morgan and Hunt, 1994).

Fourth, there is a strong positive linkage between trust and commitment. This confirms the fundamental tenet of the commitment-trust theory. As well as the consumer commitment had a significant positive effect on repurchase intention. These finding is consistent with previous studies that support a direct positive relationship between customer trust and repurchase intention (e.g. Mukherjee and Nath, 2003).

Fifth, we found that IND had a positive significant effect on the relationship between online retailing ethics and consumer satisfaction. This is in contrast to Hofstede (1980), who concluded that Egypt, with a score of 22 is considered a collectivistic society. One possible reason for this is that The Egyptian national culture has undergone major shifts in all indices, placing Egypt in different quadrants characterized by low PD, individualistic, and feminine culture striving to enhance their quality of life. Contrary to expectations, PD had no significant effect on the relationship between online retailing ethics and consumer satisfaction.

8. Conclusion

8.1 Theoretical implications

This study contributes to the literature in the following ways. First, the study provides empirical support for the developed model of CPORE with its multidimensional constructs. A key aspect of the multidimensional conceptualization is that security and privacy are distinct in terms of discriminant validity (i.e. they measure different facets

of CPEOR). Several scales developed to measure online service quality tend to collapse privacy and security concepts into one dimension (Parasuraman *et al.*, 2005). Prior research in the traditional marketplace addressing consumers' ethical perceptions has considered a limited number of dimensions. For example, in Wolfenbarger and Gilly's (2003) study, the security/privacy dimension refers to: "security of credit card payments and privacy of shared information".

Second key contribution of the present study stems from the analysis of the effects of CPORE on consumer satisfaction via trust and commitment. As well as the effects of consumer satisfaction on repurchase intention. Overall, this is particularly relevant if we take into account the psychological distance theory. Several theories of interpersonal communication suggest physical proximity in communication fosters stronger bonds between the parties than communication that occurs remotely (e.g. Latane, 1981). The current study shows that CPORE factors become a key means of fostering consumers' satisfaction and trust in a context where communications occur remotely.

The third key contribution stems from the analysis of the effects of national culture on the relationship between CPORE and customer satisfaction using Hofstede's cultural dimensions. The influence of culture on the relationship between online retailing ethics and customer satisfaction has not been investigated. So we take a first step into the examining of the influence of culture on the relationship between CPORE and customer satisfaction. This study confirmed that IND plays a moderating role in predicting consumer satisfaction through the online retailing ethics.

Finally, we demonstrate that an extended key mediator variables model of the commitment-trust theory of Morgan and Hunt (1994) explained perfectly well the role of electronic trust and commitment in online retailing in the Egyptian context. Apart from the re-examination of commitment-trust theory in the online retailing context, our study attempts to make some other fundamental contributions in understanding online customer behaviours. Customer trust plays a key role in success of any retail business. Our research found that online retailing ethics play an important role in consumer trust and commitment building in online retailing.

8.2 Managerial implications

Research suggests that ethics can play a critical role in the formation and maintenance of long-term relationships with customers (Gundlach and Murphy, 1993). In order to successfully operate a commercial website from an ethical perspective, online retailers need to understand how consumers' ethical perceptions are formed. The present study compiled a list of 22 items (grouped into five factors) that online retailers can use to assess such perceptions. These items would provide several hints to online retailers in terms of how to shape their customers' satisfaction and repurchase intentions.

The results also show that CPORE can assist in improving repurchase behaviour. Security and reliability are the most relevant predictors of customer satisfaction. Since it is difficult to build stronger relationships with customers in online business because online shoppers can easily transfer between retailers with minimal associated switching costs, e-retailers must first focus on decreasing consumer anxiety regarding transaction security and fulfilment. In e-commerce market, where there is the high competition, e-commerce websites should differentiate their products or service from other sites by providing the advanced ethical performance. The value achieved by consumers' increases when online practitioners continuously attempt to improve their ethical performance.

Online retailers could build organizational trust across tools of the ethical management such as codes of ethics, training on ethics, and auditing ethics (Pucetaite and Lamsa, 2008). Our research found that online retailing ethics play an important role in consumer trust and commitment building in online retailing. On the other hand, high trust and commitment enhance consumer satisfaction. Thus, online retailers should foster practices which can reliably reveal the honesty of products and services to online shoppers to promote favourable customer attitudes of online retailers, which in turn will increase customer satisfaction.

Consumers in countries with a high IND have positive perceptions regarding retailer provision of safe payment methods, protection of their personal information, and accuracy of quality and quantity of ordered items. Multinational enterprises may first consider entering into the online markets where consumers with these cultural patterns proliferate, to make a good impression with new/old online service providers in order to move into online sales. Additionally, corporations must understand the specific cultural context in Egypt to participate in this attractive online market. This is especially true of multinational vendors who want to enter e-commerce in Egypt in the current globalized world.

8.3 *Limitation and future research*

Despite the contributions of this study some research limitations need acknowledgment. First, this study employed a convenience sample. We encourage future studies to use random sampling of general consumers. Second, while this study examined the consequences of e-retailing ethics, future study should be extended to examine the antecedents of e-retailing ethics (e.g. culture; religion) that influence customer perceptions about e-retailing ethics. Third, the ethics literature identifies some factors which influence ethical judgments of consumers (e.g. sex, age, and education). Such research could identify how each variable, individually and cooperatively, impacts consumer ethical evaluations of online retailing. Fourth, we did not collect data from non-internet shoppers because the focus of this study was online consumers referring to their latest purchase online. It may be an interesting extension, however, to test this conceptual model for other populations like non-online consumers. Finally, our study only focused on two national culture dimensions (IND and PD). Another suggestion for future research is to examine the impact of other culture dimensions (e.g. masculinity and uncertainty avoidance).

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