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The influence of consumer freeloading behavior on an observer's and perpetrator's affective commitment

Mohamad A. Darrat

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**THE INFLUENCE OF CONSUMER FREELOADING
BEHAVIOR ON AN OBSERVER'S AND
PERPETRATOR'S AFFECTIVE
COMMITMENT**

by

Mohamad A. Darrat, B.S., M.B.A.

A Dissertation Presented in Partial Fulfillment
of the Requirements for the Degree
Doctor of Business Administration

COLLEGE OF BUSINESS
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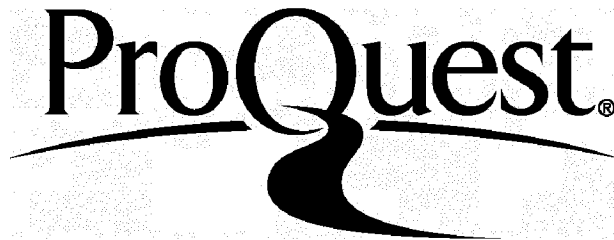
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We hereby recommend that the dissertation prepared under our supervision by Mohamad A. Darrat

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Barry J. Babin
Dr. Barry Babin Supervisor of Dissertation Research
Barry J. Babin
Dr Barry Babin Head of Department
Marketing and Analysis Department

Recommendation concurred in:

Doug Amyx
Dr. Doug Amyx

Bruce Alford
Dr. Bruce Alford

Eric Harris
Dr. Eric Harris

Advisory Committee

Approved: [Signature]
Director of Graduate Studies
Dr. John Francis

[Signature]
Dean of the College
Dr. Chris Martin

Approved: [Signature]
Dean of the Graduate School
Dr. Sheryl Shoemaker

ABSTRACT

The dissertation explores the relationship between customer affective commitment and freeloading behavior. Consumer freeloading results when a consumer takes advantage of a system or market procedures in a way that allows him or her to obtain benefits from a value proposition with no or reduced monetary costs. Thus, the freeloading consumer works the value equation in his/her favor at the expense of the marketer and/or other consumers. In addition to examining the point of view of the consumer performing the unethical behavior, the dissertation also examines the impact of such behavior on a third party observer. How do loyal consumers (versus not so loyal consumers) react in the face of obvious opportunism against the firm they identify with (or do not identify with)? Justice sensitivity, a personality variable that predicts when and how people react to witnessed or experienced injustice, is hypothesized to moderate the relationship between self-conscious emotions, namely guilt and empathy, and observer's and perpetrator's affective commitment.

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Author Muhammad Dmt
Date 8-11-16

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CHAPTER ONE

INTRODUCTION AND CONTRIBUTIONS

Introduction

Consumer ethics can be defined as the moral rules, principles and standards that guide the behavior of an individual (or group) in selecting, purchasing, using, or selling of a good or service (Vitell and Muncy 1992). Consumer unethical behavior is a widely researched topic, investigating issues such as shoplifting (Babin and Babin 1996; Tonglet 2001), consumer fraud (Cole 1989), and internet piracy (Logsdon et al. 1994; Freestone and Mitchell 2004). However, Vitell and Muncy's (1992) definition of consumer ethics may not be quite adequate. Consumer ethics regulate a standard set of rules that individuals follow. But when these rules are not standard and the line between ethical and unethical remains unclear, individuals may find it hard to discern between what is right and what is wrong.

Freeloading is a type of questionable unethical behavior that is unfortunately under researched, despite being commonplace. Freeloading refers to customers who may illicitly attempt to obtain free goods and services. Such financial rewards may be sought in the form of discounts, or in attempting to acquire products and services in their entirety without payment (Reynolds and Harris 2005).

Another interesting topic that has been thoroughly examined in the literature is relationship marketing (Morgan and Hunt 1994). Several studies emphasize the value of enhancing customer relationship as a precondition for successful marketing (Shani and Chalasani 1992; Garbarino and Johnson 1999; Storbacka et al. 1994). Due to increased competition and price pressures, Dwyer et al. 1987 highlight the importance to marketers of understanding how to establish and sustain buyer-seller relationships.

The possible link between relationship outcomes and observed consumer unethical behavior, specifically freeloading, has yet to be examined in the marketing literature. Specifically, does a perpetrator's intention to freeload have any influence on an observer's/perpetrator's customer loyalty towards that store? One main objective of this dissertation is to address this intriguing issue that has been overlooked in the literature.

Consumer Freeloading

According to Merriam-Webster, a freeloader is one who ask for things (such as food, money, or a place to live) from people without paying for them or who imposes upon another's generosity or hospitality without sharing in the cost or responsibility involved. We often hear the word amongst a group of friends referring to one that may eat all the food constantly at a friend's house without offering compensation or spending the night at a friend's house uninvited. Or, it is often referred to a friend that never offers to help pay the restaurant bill. However, a freeloader may also take advantage of not just friends and family but also businesses.

Consumer freeloading results when a consumer manipulates and takes advantage of a system or transaction procedures in a way that allows him or her to obtain goods and services from a value proposition with no or reduced monetary costs (Reynolds and

Harris 2005). Thus, the freeloading consumers works the value equation in his/her favor at the expense of the marketer and/or other consumers. Not to be inherently confused with a shoplifter, a freeloader is one who is not necessarily partaking in any illegal activities; whereas a shoplifter is certainly committing an unlawful act. Businesses suffer severely from the epidemic of freeloading. Although no official data exists on the monetary cost of freeloading on businesses, it is possible that freeloading costs businesses about the same as shoplifting, if not more. According to Business Insider (2014), retail theft in the U.S. has been estimated to cost businesses about \$45 billion in 2014 alone. One in every twelve shoppers shoplift and that as many as 60 percent of consumers have shoplifted at least once in their lifetime (Krasnovsky and Lane 1998). Dishonest and opportunistic consumers who take advantage of the system hurt their honest counterparts, as retailers raise prices to cover losses and the cost of increased commercial security (Tonglet 2002).

One example of a freeloading behavior may include fraudulent returners; i.e., customers who purchase and use goods, and then return them for full refund at a later date (Reynolds and Harris, 2005). Prior literature has often labeled these types of behaviors as “abnormal buy-returns” (Siegel, 1993), “deshopping” (Schmidt et al. 1999), or “retail borrowing” (Piron and Young, 2000). Such customers take advantage of a retailer's return policy by using an item for a duration of time before returning it to the retailer. If the retailer has a strict return policy in place stating that an item will only be reimbursed if it has a manufacturing defect, the customer would then purposely sabotage the item, in turn allowing them to return the item worry free. These types of actions may be preplanned by the consumer or arranged after purchasing the item.

Retail chains have seen a rise in self-service and self-checkout lanes. According to a Retail Banking Research Report, 430,000 self-checkout units in retail stores existed worldwide, with new retailers adopting the self-service strategy every year. One motive of retailers adopting such a strategy is because self-checkout services are cheaper than traditional human cashiers. According to a Reuters (2012) report, Wal-Mart spends \$12 million every second on cashiers' wages. So the installation of a few self-checkout units may help defray the cost of wages as well as keep prices low and commit to their everyday low price guarantee. Also, consumers may actually prefer to self-checkout their items if they are buying personal, private items or perceive they will checkout faster if they scan their own items. However, with the rise of self-checkout services comes the opportunity for consumers to take advantage of the retailer. Malay Kundu, founder of Shoplift Checkout Vision, says that shoplifting is up to five times higher with self-checkout than traditional human cashiers. If not observed closely by an employee, a shoplifting consumer may purposely leave expensive items in their cart without scanning. Another tactic a freeloading consumer may use is weighing an expensive item while purposely inputting a less expensive item into the unit. For example, weighing a 12-ounce sirloin steak but only paying 50 cents a pound because the consumer tricked the unit and input a less expensive item. Often called the "banana-trick" by retailers because of its commonplace, a freeloading consumer would purchase an expensive steak at a greatly reduced price.

Another type of freeloading behavior is fake customer complaints. Customer complaining is widely researched within the service failure literature, with research highlighting the importance of customer complaints and emphasizing that such customer

complaints should be welcomed and encouraged by organizations (Bennett, 1997; Dewitt and Brady 2003; Mittal et al. 2008). However, most research on customer complaining behavior assumes that customers legitimately complain after encountering a service failure. Nevertheless, customer complaints can be illegitimate, fake and/or pre-planned (Day et al., 1977; Jacoby and Jaccard, 1981; and Reynolds and Harris, 2005). An illegitimate customer complaint are complaints from “satisfied users” who may “deliberately fabricate” problems (Jacoby and Jaccard 1981). For example, a customer may dine in at a restaurant and was served food that is up to or above restaurant standards. However, realizing that the restaurant has a *satisfaction guaranteed or your money back* policy, the customer could still complain that the food was cold and demand full refund for the meal.

Freeloading behavior can take different shapes. Digital piracy, the practice of illegally downloading music, movies, software, and other copyrighted digital material on the internet, has garnered much attention within the marketing literature (Al-Rafee and Cronan 2006; Lysonski and Durvasula 2008; Taylor et al. 2009). Even within the illicit online download community, members have labeled other certain members freeloaders or leechers because they do not subsequently share or "seed" their content that they have downloaded. To many researchers, digital piracy may also be viewed as a freeloading activity, since a person who engages in digital piracy is attempting to obtain free music, movies, or software via the internet.

Another type of freeloading behavior are counterfeit coupons. The use of counterfeit coupons is widespread both with online and traditional consumers. According to the Coupon Information Center (2015), coupon fraud costs consumer product

manufacturers hundreds of millions of dollars every year. In fact, a black market on the web exists that consists of companies that offer and teach consumers how to create counterfeit coupons. One such company, *The Purple Lotus*, offers consumers "coupon-making lessons" that include PowerPoint presentations and a detailed guide to coupon fraud. The FBI has started to crackdown on counterfeit coupon makers and have made several arrests (Wired 2015).

Free samples are another example of how consumers may take advantage of both traditional and online stores. Many retailers offer samples to consumers to entice them to potentially buy the products. Although no written rule is presented, many retailers expect consumers to sample in moderation and only take enough to experience the product. However, many consumers may take advantage of the retailer by over-using samples without the intention of buying. Although it is not technically stealing, some retailers and consumers may frown upon this act of opportunistic behavior. Similarly, many websites offer consumers samples via mail. However, the website will usually only deliver one sample to one address. Although no written rule is presented, many online retailers expect consumers to sample in moderation and only take enough to experience the product. However, many consumers may take advantage of the retailer by over-using samples without the intention of buying. One way consumers may bypass the limit of one sample to address is by listing multiple addresses of friends and family. Although it is not technically stealing, some retailers and consumers may frown upon this act of opportunistic behavior.

As show in Figure 1.1, the freeloading construct may be thought of as being on a continuum, where the perceived morality of the behavior is questionable. For example, in

a restaurant environment, not tipping a waiter, filling a water cup with soda, and 'dine and dash' are all examples of a freeloading activity that may fall in different places on the freeloading continuum. Not tipping a waiter is definitely not an illegal activity, however; many observers may still label the perpetrator as a freeloader. On the other hand, 'dine-and-dash', where the perpetrator dines in and intentionally leaves a restaurant without paying the bill, is viewed as an illegal activity because the perpetrator is stealing food. An observer of this behavior may also call this person a freeloader.

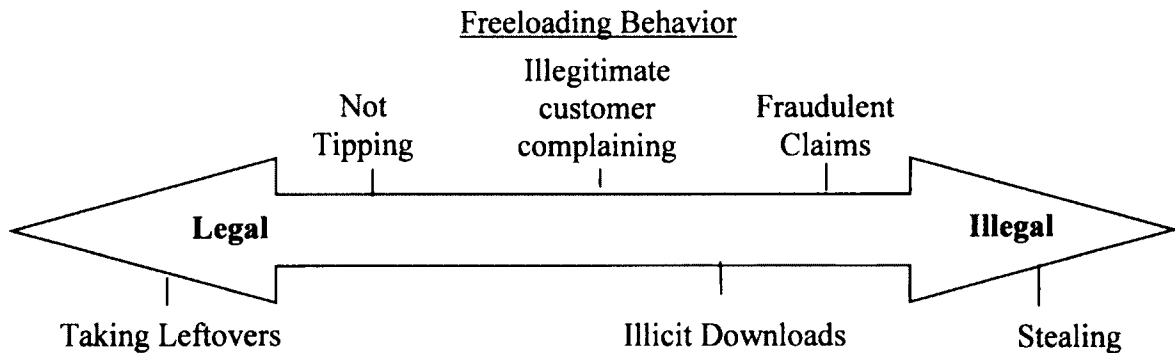


Figure 1.1 *Freeloading Continuum*

In addition to the detrimental effect direct freeloading behavior has on a business, it may also have positive or negative indirect effects. Although seemingly innocent at first, an observer's presence while the freeloading behavior takes place may have profound impacts for the store. With every unethical act committed by a perpetrator unto a business, there may be several observers to the incident. For example, imagine a freeloading consumer is clearly taking advantage of a locally owned mom and pop store by stealing valuable merchandise in clear view of other customers. How would loyal consumers (versus not so loyal consumers) react in the face of obvious injustice

committed? Also, how would the individual committing the act react after the fact? Justice sensitivity may have some effect to the response displayed by both the perpetrator and observer.

Justice Sensitivity

Justice sensitivity is a reliable and established personality variable that predicts when and how people react to witnessed or experienced injustice (Schmitt et al. 2005). People can be victims, beneficiaries, observers, or actual perpetrators of injustice; thus experiencing justice sensitivity from four different perspectives. These four perspectives have proven to positively correlate with justice traits and attitudes such as belief in a just/unjust world, belief in ultimate justice, belief in immanent justice, and a sense of injustice (Schmitt et al. 2005). As Schmitt (2005) argues, the four perspectives correlate differently with other personality constructs and behavioral outcomes. In this dissertation, I plan to focus on two of the four perspectives of justice sensitivity; namely, the observer and the perpetrator.

Observer Justice Sensitivity

Several instances of injustice may take place at a given time. Suppose a bully is harassing a lowly victim while a person is witnessing the problem unfold. How would that person observing the fight react to injustice committed by the bully unto the victim? Schmitt et al. (2005) calls such a person an observer. Unfair incidents are often perceived by persons who are not directly involved in the interaction but who are nevertheless aware of it. How the observer feels and reacts to a witnessed injustice varies greatly depending on the perspective from which it was viewed. An observer justice sensitivity

scale was developed by Schmitt et al. (2005) that assesses how individuals differed in how they react as observers to unfair incidences. Studies show that observers of injustice have been found to feel moral outrage when they witness someone being oppressed or exploited (Montada 1993; Lewis and Jeannette 2004). Literature on moral judgment suggests that people differ substantially in their tendency to condemn unfair acts and in their willingness (desire) to interfere to aid the victim (Hoffman 2000). In addition, observer sensitivity is assumed to be more closely related to one's moral identity (Gollwitzer et al. 2009), and highly sensitive observers are more likely to identify with victims rather than perpetrators (Miller 2001; Vidamer 2000). Furthermore, observer sensitivity is highly correlated with altruistic tendencies such as empathy and social responsibility (Schmitt et al. 2005).

Perpetrator Justice Sensitivity

Along with the other justice sensitivity perspectives developed by Schmitt et al. (2005), perpetrator justice sensitivity was constructed to assess how individuals differed in how they react as a perpetrator to unfair incidences. A perpetrator is an individual who actively exploits a victim or takes advantage of an unfair incident. Research on relative privilege concludes that people tend to feel guilty when they take advantage of somebody compared to others while not able to justify their advantaged situation (Harvey and Oswald 2000; Montada et al. 1986). As with observer sensitivity, perpetrator sensitive individuals also reflected high moral standards, empathy, and social responsibility.

Theoretical Foundation

Social-cognitive theory is a theoretical perspective that posits that people learn by observing others. Social manifestations that surround an individual may influence the person's thinking and action. Aquino and Reed (2002) define moral identity as a self-conception organized around a set of moral trait associations (e.g. generous, caring, and honest) (Aquino and Reed 2002). They argue that moral identity is trait specific and based on recent social-cognition-oriented definitions of the self (Aquino and Reed 2002). That is, moral identity reflects the degree to which being a moral person is important to an individual's self-identity.

The social-cognitive perspective conceptualizes moral identity as an organized cognitive representation of moral values, goals, traits, and behavioral scripts (Shao, Aquino and Freeman 2008). This perspective on moral identity implements theoretical mechanisms from social cognition, memory, identity, and information processing to explain its role in moral functioning (Bandura, 2001). One such mechanism is knowledge accessibility. As the accessibility of a given schema increases, it should exert a stronger influence on behavior (Higgins, 1996). A person's moral identity is assumed to be an important or central part of his or her self-definition if this particular knowledge structure is readily accessible (Aquino and Reed 2002; Narvaez, Lapsley, Hagele, and Lasky 2006) and available for use in processing social information. If it is, then moral identity should act as a powerful regulator of moral action (Aquino and Reed 2002; Lapsley 1996; Lapsley 1998; Lapsley and Lasky 2001; Lapsley and Narvaez 2004; Lapsley and Narvaez 2005). On the other hand, when moral identity is not readily accessible and/or its

activation potential is constrained, then moral identity should be a less potent regulator of behavior (Aquino et al., 2008).

Theoretical Framework

I propose the framework in Figure 1.2 which draws on social-cognitive theory to investigate several hypothesized factors that could determine a perpetrator's intention to freeload. In particular, the moral action (or unmoral action/freeloading behavior) of an individual may be influenced by the moral identity of that individual. However, moral identity may act as a mediator when social consensus is low. In moral situations of high social consensus, there is general agreement on the morality of the issue (e.g., stealing). In situations in which social consensus is not high, however, there is more disagreement about what comprises a moral act in that situation (e.g., not tipping).

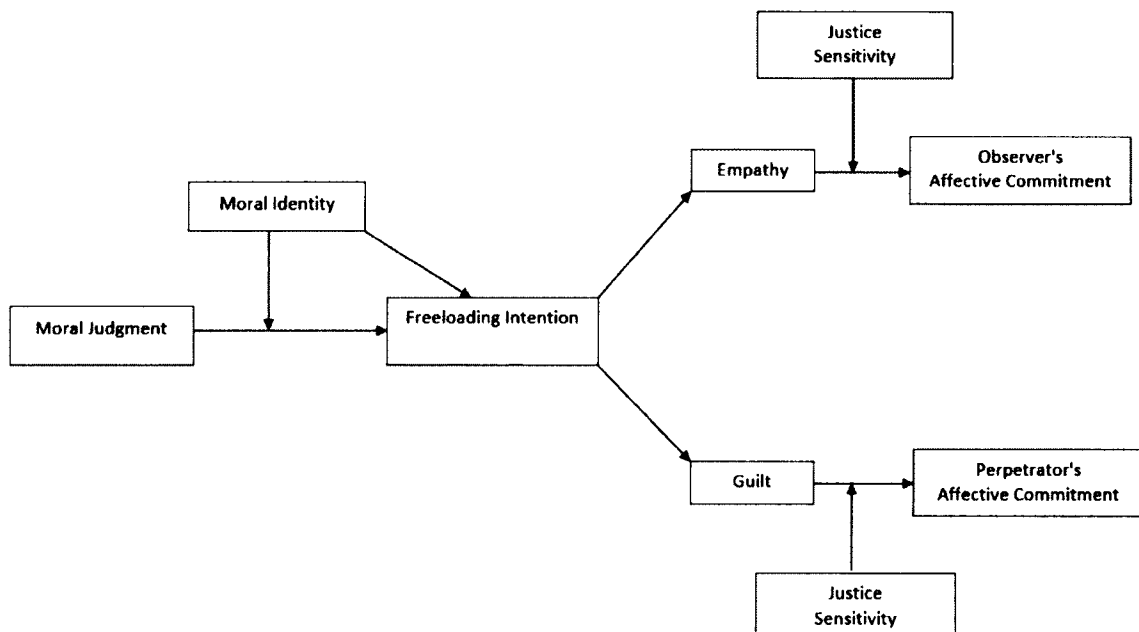


Figure 1.2 Overall Framework

In addition, a perpetrator's affective commitment to an organization is hypothesized to be moderated by the perpetrator's justice sensitivity when the self-conscious emotion of guilt is evoked. Furthermore, an observer's affective commitment to an organization is theorized to be moderated by the observer's justice sensitivity when the self-conscious emotion of empathy is displayed.

Contributions of the Research

Theoretical Contributions

This dissertation aims at filling several gaps in the relevant literature. Research within the marketing ethics literature primarily examines the characteristics and consequences of a consumer's unethical behavior. Not to disparage the significance of examining the facets of consumer unethical behavior, but it seems important to explore the observer's point of view within the marketing ethics literature. With every unethical act committed by a perpetrator unto a business, there may be several (or potentially millions in an online environment!) observers to the incident. How these observers react to the situation is currently ambiguous.

Also, the conceptualization of consumer freeloading may prove useful in understanding the large domain of consumer ethics. Consumer freeloading results when a consumer manipulates and takes advantage of a system or market procedures in a way that allows him or her to obtain goods and services from a value proposition with no or reduced costs (Reynolds and Harris 2005). Thus, the freeloading consumer works the value equation in his/her favor at the expense of the marketer and/or other consumers. The conceptualization of consumer freeloading may be thought of as being on a continuum, where the perceived morality of the behavior is questionable. Vitell and

Muncy's (1992) definition of consumer ethics may not be quite adequate to explain consumer's opportunistic behavior that infringes on others. Perhaps a revised definition is needed to fully understand the dynamics of consumer ethics.

This research also has implications for the conceptualization of the moral decision-making process. A plethora of moral decision making models exist with different key variables that attempt to explain moral behavior, such as moral identity (Aquino and Reed 2002; Lapsley 1996, Lapsley 1998; Lapsley and Lasky 2001a; Lapsley and Narvaez 2004), moral intensity (Singhapakdi et al. 1996; Barnett; 2001; Frey 2001), and moral judgment (Kohlberg 1984). However, many of the findings do not point to a conclusive decision on what motivates moral action. Thus, the findings of this dissertation may suggest that a re-evaluation of ethical decision making models and the assumptions therein is warranted.

In addition, loyalty, a major outcome variable within the marketing discipline, is sparsely discussed in the marketing ethics literature. This possible link between relationship outcomes and observed consumer unethical behavior, specifically freeloading, is currently unclear. It is of utmost importance to understand fully what drives a consumer to be loyal to a business. It may be that price and/or quality are not the sole drivers of consumer loyalty, but rather perceived injustice enacted unto the business may trigger altruistic traits leading to increased consumer loyalty.

Justice is a central issue for many, but not all, individuals. Many justice theories, such as relative deprivation theory (Crosby 1976), equity theory (Adams 1965), justice motive theory (Lerner 1977), and procedural fairness theory (Leventhal 1976), assume that justice matters to all people. Although this claim has been supported by a large

number of empirical studies, the results of these studies have also revealed that individuals differ in their perceptions of and reactions to observed, suffered, or committed injustice (Schmitt et al. 2010). To remedy this dilemma, Schmitt et al. (2005) develop a justice sensitivity scale that predicts when and how people react to witnessed or experienced injustice. However, there is insufficient evidence regarding effects of observer and perpetrator justice sensitivity on behavior. Previous research suggests that different justice sensitivity perspectives vary with regard to behavioral consequences. For example, victim sensitivity is correlated with antisocial behavior, whereas observer and perpetrator sensitivity is correlated with pro-social behavior (Gollwitzer et al. 2009). This dissertation aims to investigate these differential effects in more detail and reveal the extent to which justice sensitivity perspectives lead to pro-social or antisocial behavior.

Managerial Implications

Given the pervasiveness of consumer unethical practice in the marketplace, this research presents valuable insight for managers and policymakers tasked with mitigating such behaviors. As discussed previously, retail theft in the U.S. has been estimated to cost businesses about \$45 billion in 2014 alone (Business Insider 2014). Research in consumer ethics contributes to a better understanding of why consumers carry out unethical behavior (Vitell and Paolillo 2003). By doing so, managers can reduce consumer misbehavior in the marketplace and avoid significant losses (Rawwas and Singhapakdi 1998). Such insight into the dynamics of unethical consumer behavior enables managers to design systems, structures, and priorities calculated to reduce misbehavior (Reynolds and Harris 2009). In terms of practice, this research provides managers with insights on how to improve moral behavior among consumers.

Taken together, this dissertation may contribute to a better understanding about how personality variables such as perpetrator and observer sensitivity shape consumer loyalty, a major outcome variable for many managers. The proposed framework hopes to provide a contribution to filling this important gap in the literature.

Societal Implications

Freeloading behavior has unfortunately become widespread among consumers, affecting many different sectors. The more widespread freeloading becomes, the more acceptable it becomes among consumers. For example, Cohen and Cornwell (1989) found that software piracy is viewed as an acceptable and normative behavior among young people. Therefore, there is not a strong social consensus that digital piracy is unethical. This has led to a freeloading epidemic that has immensely affected the entertainment industry. This negative consumer contagion can lead to higher prices for legitimate consumers that want to buy the product ethically and legally (Khouja et al. 2009). Therefore, managers and policymakers tasked with mitigating such dysfunctional consumer behaviors may help drive the overall price of goods for legitimate consumers.

CHAPTER TWO

DEFINITIONS, LITERATURE REVIEW, AND THEORETICAL FRAMEWORK

Morality

Knowing right from wrong is a virtue instilled within us from a very young age. Many choose to act morally in the face of a dilemma, while others choose to act in questionably ethical ways. The great philosopher Plato recognized this phenomenon and stated "laws are made to instruct the good, and in the hope that there may be no need of them; also to control the bad, whose hardness of heart will not be hindered from crime" (Jowett 1901). But what drives a person to act in such a way? Many theorists have pondered this question and posit that both moral judgment and moral identity of a person may provide an explanation into why a person chooses to behave morally. This section of the literature aims to discuss the antecedents of moral behavior, namely moral judgments and moral identity.

Conceptualization of Moral Judgment

Past researchers have proposed a number of theories of moral functioning, each with different conclusions about what leads to moral action. One of the first and most influential theories of morality, Kohlberg's (1969) cognitive developmental theory, focused largely on the role of moral reasoning. Kohlberg developed and tested a theory

of moral development by asking people to solve moral dilemmas. Kohlberg analyzed the responses to these dilemmas and classified them according to stages of moral development. He found that a person's idea of morality changes as the person matures. Kohlberg's categorizations was an attempt to describe these changes in terms of developmental stages. Therefore, at higher stages of moral reasoning, moral principles and their implications become more important. As a result, individuals feel more obliged to behave consistent with their moral judgments. Hence, the motivation for moral action results directly from moral understanding. Other aspects of morality, such as emotion, play minor roles in this process. Many modern theories of morality that originate from Kohlberg's theory, such as Social Domain Theory (Turiel 1983), also highlight the role of cognition on moral action.

As Kohlberg (1981) argues, although there are many factors that contribute to moral behavior, the most important element is moral judgment, or determining what is right and wrong. The cognitive approach is best demonstrated by Rest's (1986) four-stage model of the moral decision-making process. According to Rest, a moral decision begins with a realization of the moral issue. The individual then makes a moral judgment, establishes an intention to act morally, and, finally, engages in moral behavior. However, moral judgments may prove to be difficult to measure. Reynolds and Ceranic (2007) argue that ethical predisposition provides the best explanation for conceptualizing and measuring moral judgments.

Ethical predisposition refers to the cognitive frameworks individuals depend on when facing moral decisions (Brady and Wheeler 1996). Research in this area has focused on two moral frameworks: consequentialism and formalism. *Consequentialism*,

often termed utilitarianism, represents teleological or "end-point ethics" (Pastin 1986). It refers to the tendency of individuals to assess ethical situations in terms of their consequences for people (Brady and Wheeler 1996) and focuses attention on the ends of an act and posits that the moral act is that which optimizes or creates the greatest good or benefit (Brady 1985). In contrast, *formalism* represents deontological or obligation-based approaches to morality (Kant 1994). It refers to the tendency of individuals to "assess ethical situations in terms of their consistent conformity to rules" of behavior and other formal standards to determine moral behavior (Brady and Wheeler 1996). In sum, the utilitarian pattern relies on consequences to organize and judge moral issues, whereas the formalistic pattern relies on rules, principles, and guidelines to organize and judge moral issues. Research has demonstrated that moral judgment (consequentialism and formalism) can influence moral awareness (Reynolds 2006), moral decisions (Brady and Wheeler 1996; Reynolds and Ceranic 2007) and perceptions of justice (Schminke, Ambrose, and Noel 1997).

However, a major weakness of Kohlberg's model is that empirical research shows that the strength of the association between moral judgment and moral action is small, signifying that there may be other constructs that will better explain moral action (e.g., Blasi, 1983; Bergman, 2004; Hoffman, 1983; Walker, 2004). As a way to account for the unexplained variance, researchers have incorporated additional theories of morality that downplay the role of reasoning and conscious effort of Kohlberg's model. For example, researchers posit that moral emotions (Hoffman 1983) and intuition (Haidt 2001) may play a bigger role in explaining moral action.

In contrast to Kohlberg's cognitive model, Martin Hoffman emphasized the role of emotion on moral action in his Moral Socialization Theory (Hoffman 1970, 1983). Hoffman concluded that "abstract moral principles, learned in 'cool' didactic contexts (lectures, sermons), lack motive force. Empathy's contribution to moral principles is to transform them into prosocial hot cognitions – cognitive representations charged with empathic affect, thus giving them motive force (Hoffman 2000)." That is, while moral understanding helps focus and direct moral emotion, it is emotion that provides the push that leads to moral action.

Most approaches to morality acknowledge the role of both moral cognition and moral emotion in moral motivation, but differ in their stance on which is the primary source motivating moral action. Further, some more integrative perspectives suggest that moral cognition and moral emotion are connected, and that both can function as primary sources of moral motivation (Eisenberg 1987).

Theoretically, although moral cognitive-emotional sources of motivation can motivate moral action in some individuals in some situations, they cannot alone account for extraordinary moral action, consistent moral behavior, and enduring moral commitment (Hardy and Carlo 2005). Therefore, it seems there may be moderating factors between moral cognitive-emotional motivation sources and moral action. As some scholars suggest (Eisenberg 1987), in any given situation there are multiple motives that may persuade an individual towards different courses of action. A moral cognitive-emotional motive, then, will likely be just one of several motives in a moral situation. Ultimately, the individual decides which of these motives to act on. Thus, he or she can choose whether or not to follow moral cognitive-emotional motives; the mere presence of

these motives does not guarantee moral action will result. Hardy and Carlo (2005) argue that it is easy to conceptualize situations where individuals may know the right thing to do, feel emotionally prompted to take the moral course of action, but decide to do otherwise. Therefore, moderators may exist that affect the relative importance of moral cognitive-emotional motives.

Conceptualization of Moral Identity

After much uncertainty arose among theorists regarding Kohlberg's model, two major perspectives of moral identity emerged that attempted to address the unexplained variance on moral action; the character perspective and the social-cognitive perspective.

Character Perspective

Augusto Blasi grew skeptical of Kohlberg's cognitive model and attempted to fill the gap between moral understanding and moral action. Blasi's (1983) Self Model is arguably the most influential and developed model of moral identity. The Self Model was developed to address the limitations of Kohlberg's cognitive developmental model, especially in terms of accounting for moral action, such as when a person demonstrates a sustained commitment to acting on his or her moral beliefs (Blasi 1983).

The Self Model has three components. First, the model posits that people not only decide the "right" or "moral" way to act in a given situation by making a moral judgment, but they also make a judgment of responsibility. That is, an individual must assess whether they are responsible for acting on their judgment (Blasi 1984). Second, the criteria for making moral judgments arise from a person's *moral identity*, which Blasi defined it as reflecting individual differences in the degree to which being moral is a central or essential characteristic of the sense of self (Blasi 1995). For example, a person

with a strong moral identity may hold values and ideals (such as being honest, being fair, or being a good person) as more central to his or her notion of self than someone with a weak moral identity (Blasi 1984). The third component of the Self Model is the human tendency to strive for self-consistency. This tendency provides the motivational drive for moral action, so that a person whose self-definition is centered on moral concerns will feel compelled to act in a manner that is consistent with his or her moral self-construal (Blasi 1984).

Blasi's character perspective has proven particularly helpful in explaining how moral character serves to motivate exemplary moral behaviors. For example, it has helped understand the actions of rescuers of Jews in Nazi-Europe (Monroe and Epperson 1994; Samuel and Oliner 1988); social activists (Damon and Colby 1992); young adult volunteers (Matsuba and Walker 2004); philanthropists, and heroes (Monroe 2002).

Blasi's Self Model has many strengths that set it apart from other models. First, the Self Model positions a central role for the self by introducing the concept of moral identity. Blasi argues that focusing only on moral understanding and moral emotions provides an incomplete picture of moral motivation; an individual's moral identity is also critically important. In addition to its explanatory power, the Self Model has many other advantages that set it apart from other models. Summarizing these strengths, Hardy and Carlo (2005) illustrate that Blasi: 1) emphasized the central role of self in moral actions; 2) addressed the issue regarding how moral action was motivated by moral identity; 3) pointed out that individual differences in moral desires, rather than moral capacities (e.g., moral reasoning ability) account for differences in moral behaviors; and, 4) specified that the desire for self-consistency serves as the driving force linking moral identity to moral

action. In addition, the character perspective visualizes moral identity as durable and stable over time. Therefore, it can explain moral exemplars' strong commitment to their moral beliefs and their frequent and consistent dedication to moral causes across different situations (Shao, Aquino and Freeman 2008).

Although the Self Model is a conceptually strong model that attempts to explain the intricacies of moral action, it is not without its limitations. First, it appears to be relevant to a relatively narrow set of moral behaviors that are carried out only after thoughtful consideration (Hardy & Carlo, 2005). Therefore, the character perspective might not be able to explain some automatic, less deliberate, and less readily observable moral actions, such as spontaneous, honest disclosure of undesirable aspects of a job during salary negotiations, nonverbal demonstrations of empathy and compassion toward co-workers, or even the willingness to recycle office supplies (Shao, Aquino and Freeman 2008). In fact, Blasi (1983, 1993, 1999, 2005) argues that for behavior to be "moral," it must be a calculated choice involving moral deliberations and desires. But limiting the study of moral behavior to acts that result from deliberate and conscious processes fails to account for the possibility that most of what represents everyday morality may be implicit, automatic, and driven by moral heuristics rather than calculative reasoning (Shao, Aquino and Freeman 2008, Lapsley and Narvaez 2004; Narvaez and Lapsley, 2005; Narvaez 2008).

Secondly, the character perspective overlooks the intricacies and complex nature of personal identities (Markus and Kunda 1986). As a result, it applies only narrowly to individuals for whom moral identity occupies the most central location within the self and does not say much about *when* and under *what situations* moral identity will be (or

will not be) experienced as part of the sense of self relative to other identities (Aquino, Freeman, Reed, Lim, & Felps, 2008). This second limitation implies that the character perspective may not be as helpful for explaining the unpredictable and spontaneous behavioral action displayed by many individuals across different situations. This profound limitation of the character perspective is highlighted by Hart (2005), who argued that Blasi's notion of moral identity tends to ignore social backgrounds and thus oversimplifies the complex structures of moral functioning. To address these limitations, some researchers have turned to a social-cognitive perspective for conceptualizing moral identity.

Social-Cognitive Perspective

Social-cognitive theory is a theoretical perspective that posits that people learn by observing others. Social manifestations that surround an individual may influence the person's thinking and action. Therefore, the social-cognitive perspective conceptualizes moral identity as an organized cognitive representation of moral values, goals, traits, and behavioral scripts (Shao, Aquino and Freeman 2008). This perspective on moral identity implements theoretical mechanisms from social cognition, memory, identity, and information processing to explain its role in moral functioning (Bandura, 2001). One such mechanism is knowledge accessibility. As the accessibility of a given schema increases, it should exert a stronger influence on behavior (Higgins, 1996). A person's moral identity is assumed to be an important or central part of his or her self-definition if this particular knowledge structure is readily accessible (Aquino and Reed, 2002; Narvaez, Lapsley, Hagele, and Lasky 2006) and available for use in processing social information. If it is, then moral identity should act as a powerful regulator of moral action (Aquino and

Reed, 2002; Lapsley, 1996, 1998; Lapsley and Lasky, 2001a; Lapsley and Narvaez, 2004, 2005). On the other hand, when moral identity is not readily accessible and/or its activation potential is constrained, then moral identity should be a less potent regulator of behavior (Aquino et al., 2008).

Many conceptual strengths of the social-cognitive perspective set it apart from the character perspective of moral identity. The social-cognitive perspective provides a well-established method for understanding the role of moral identity in understanding the implicit and automatic behaviors that are typical of everyday moral functioning (Lapsley and Narvaez 2004). This perspective also appears to provide a useful framework for understanding the relationship between person-specific and situational factors in everyday moral functioning. Simply put, the implementation of a social-cognitive perspective of moral identity clarifies *when* and under *what circumstances* a particular identity will be experienced as part of the sense of self (Aquino et al. 2008). Therefore, the social-cognitive perspective of moral identity aids in explaining both unpredictable situations and the complexity of individual moral behavior.

A major drawback of the social-cognitive perspective is that it places moral identity alongside many of other possible identities that can guide moral action. Thus, the social-cognitive perspective ignores the possibility of morality being the sole identity schema within an individual. Therefore, the social-cognitive perspective may be less helpful in explaining the ethical behavioral consistency of true moral exemplars. For example, Mahatma Gandhi, Mother Teresa, Nelson Mandela, and many other unknown moral exemplars who have chosen to live by an extreme level of moral code. Such extreme commitment to moral action is more difficult to account for within the

social-cognitive perspective because it tends to view moral motivation as being influenced by situational factors. As Shao, Aquino and Freeman (2008) highlight, the character perspective allows us to explain better the situations where people are willing to pursue a moral course of action despite what might appear to observers to be obvious situational pressures to act otherwise.

*Other Possible Explanations of Moral Action/ Theory
of Planned Behavior*

Another type of model that may explain the behavioral intention of an individual are expectancy value models. Attitudes toward a specific action may also activate an individual's schema to predict behavioral intentions. Attitude behavior models attempt to predict a behavior from an attitudinal standpoint. Research (Cameron, 2009) reveals that the attitude/behavior relationship is not perfect and that attitudes are just one among many other variables that impact individual behavior.

The Theory of Reasoned Action (TRA) and the Theory of Planned Behavior (TPB) are at the core of many attitude and behavior models (Ajzen 1980, 1985). The TRA focuses on volitional behaviors, and identifies one's behavioral intention as the antecedent of behavior. Behavioral intention is composed of one's attitudes toward the behavior and subjective norms. Attitudes are a function of the evaluation of one's belief about a certain behavior and the strength with which such is held (Ajzen, 1980). Subjective norms are composed of normative beliefs, or what is believed to be the expectation of important others and one's motivation to comply with these others. Individuals weigh their own attitudes against their perceptions of others attitudes; if these attitudes are in conflict, they decide how to behave based upon costs and benefits of assigning more weight to either one's own attitudes or those of others.

TPB extends the TRA by incorporating perceived behavioral control into the model along with attitudes and subjective norms. Based on Bandura's (1977, 1982, 1986) concept of self-efficacy, perceived behavioral control refers to one's perceived ability to perform a given behavior (Bandura, 1977; Bandura, 1982; Bandura 1986). An individual's perceived behavioral control is determined by one's control beliefs, or the perception of the existence of factors that may help or hinder the behavior, and one's perceived power, the perception of the impact of each factor in helping or hindering the behavior. Madden et al., (1992) find that the addition of perceived behavioral control in the TPB significantly enhances the explanatory power of the model (increases the percentage of explained variance).

A plethora of research within the consumer unethical behavior literature has used the TRA as well as the TPB to predict a consumer's intention to behave unethically. Research within the digital piracy area examines the individual characteristics of downloaders as well as the likelihood of these downloaders to engage in digital piracy (Robertson et al. 2012; Yoon 2011; d'Astous 2005). Other researchers like Beck and Ajzen (1991) and Harding et al. (2007) use the TPB to predict consumers' dishonest actions such as cheating and shoplifting; while Carpenter et al. (2005) and Miyazaki (2009) use it to predict fraudulent financial reporting and insurance claims.

Although the TRA and TPB have garnered much praise and acceptance within the marketing literature, some researchers remain skeptical about their reliability and the need to modify the models by including further constructs to improve their predictability. In particular, some studies highlight the importance of self-identity within the TPB framework (Sparks and Guthrie 1998; Terry et al. 1999; Shaw et al. 2000). Identity

theory posits that individuals act on the basis of how they define themselves, and adjust the implications of their behavior in a way consistent with their identity. For example, Terry et al. (1999) use self-identity to help better explain household recycling behavior. These authors report that, along with attitudes and subjective norms, a measure of self-identity proved significantly related to behavioral intentions.

Although robust and highly researched, the TPB model may not fit the framework proposed in this dissertation for several reasons. First, the proposed framework mainly hypothesizes that an individual's moral identity, rather than attitudes and beliefs, would influence moral action. In addition, research has shown that a positive relationship exists between moral identity and prosocial behaviors (Aquino and Reed 2002; Hardy 2006). Conversely, there is evidence that connects moral identity with a reduced likelihood of portraying anti-social behaviors. Sage et al. (2006) used a sample of adult male footballers to examine the influence of moral identity on behaviors while playing football. Results show a negative relationship between moral identity and anti-social behaviors such as trying to get an opponent injured, diving to fool the referee, and elbowing an opposition player. Therefore, it is hypothesized that an individual's moral identity has a positive effect on moral action.

Measurement of Moral Identity

Much in line with the social-cognitive perspective, Aquino and Reed (2002) define moral identity as a self-conception organized around a set of moral trait associations (e.g. generous, caring, and honest) (Aquino and Reed 2002). They argue that moral identity is trait specific and based on recent social-cognition-oriented definitions

of the self (Aquino and Reed 2002). That is, moral identity reflects the degree to which being a moral person is important to an individual's self-identity.

Aquino and Reed (2002) develop a scale of moral identity that asks participants to rate themselves in terms of the extent to which a group of moral traits is important to them and assess two sub-dimensions of moral identity called internalization and symbolization. According to Aquino and Reed (2002), the internalization dimension captures the extent to which the moral self-schema is experienced as being central to one's self-definition. The symbolization dimension captures the degree to which the moral self-schema is projected outwardly through one's actions in the world. Completion of this measure involves asking participants to imagine a person who possesses nine moral traits—caring, compassionate, fair, friendly, generous, helpful, hardworking, honest, and kind—and then having them indicate the degree to which possessing these traits is reflected in their actions (the symbolization subscale) and important to their sense of themselves (the internalization subscale). Aquino and Reed's (2002) measure has established excellent psychometric properties and has effectively been used in several studies to measure moral identity (Aquino et al., 2008; Aquino, Reed, Thau, and Freeman, 2007; Olsen, Eid, and Johnsen, 2006; Reed and Aquino, 2003; Reynolds and Ceranic, 2007; Sage, Kavussanu, and Duda, 2006).

However, some limitations do exist with directly measuring moral identity. As Shao, Aquino and Freeman (2008) argue, direct measures of moral identity may not be appropriate for identifying moral exemplars. Using Aquino and Reed's (2002) measure of moral identity as an example, it is difficult to imagine that an individual would rate the group of traits (e.g., caring, honest, friendly, kind) as undesirable or unimportant to their

sense of themselves. Rather, many individuals are likely to rate themselves at the highest possible value in terms of the importance of these traits. Thus, the group of top scorers on a direct measure of moral identity is likely to include many individuals for whom moral identity is a highly self-important aspect of the self, but many of these individuals may not reach the level of exemplars of moral excellence, at least according to the standards used by those who take an indirect/latent approach to the measurement of moral identity (Shao, Aquino and Freeman 2008). Therefore, the direct measurement of moral identity may be vulnerable to social desirability or self-presentational biases. However, much research in this area that have used such measures to predict moral outcomes conclude that these biases are not a serious problem (Aquino and Reed 2002; Aquino et al. 2007; Moberg and Caldwell 2007; Olsen et al. 2006; Reed and Aquino 2003; Reynolds and Ceranic 2007; Sage et al. 2006).

Many definitions and conceptualizations of moral identity exist within the literature (*see* Shao, Aquino and Freeman 2008 *for a review*). However, Aquino and Reed's (2002) conceptualization of moral identity is generally accepted and agreed upon in the literature (Aquino and Reed 2002; Aquino et al. 2007; Moberg and Caldwell 2007; Olsen et al. 2006; Reed and Aquino 2003; Reynolds and Ceranic 2007; Sage et al. 2006). Moreover, Aquino and Reed (2002) develop a measure of moral identity that yielded good psychometric properties and internal and external validity. Therefore, Aquino and Reed's (2002) conceptualization of moral identity will be adopted in this dissertation. Hence, moral identity is viewed in this study as linked to specific moral traits, but it may also be related to a distinct mental image of what a moral person is likely to think, feel, and do (Kihlstrom and Klein 1994). Therefore, although moral identity is fixed in a trait-

based conceptualization of the self, it is presumed that a person's moral identity may be influenced by social means such as religion, individuals/role-models, or any social construction (Aquino and Reed 2002). It is hypothesized that the person has adopted moral identity as part of his or her social self-schema if he or she attempts to see the world in terms of the implications of moral characteristics linked to that social construction (Reed 2002).

Social Consensus

Some researchers (Reynolds and Ceranic 2007) argue that social consensus on a particular moral issue plays a part in the moral decision process. In particular, freeloading behavior, where the perceived morality of the behavior is questionable, may have different effects on the flow of the moral decision process depending on the type of freeloading behavior committed.

Human behavior is complex in nature. Social networks bind individuals together to varying degrees and shape each person's behavior. Well before the rise of the internet and online social networking, traditional interpersonal social networks have been touted as a major factor in determining how individuals and societies move towards consensus in the adoption of attitudes, beliefs, values, traditions, and ideologies (Deutsch and Gerard 1955; Fischer 1958)

Social consensus refers to the degree of social agreement regarding whether a proposed act is good or evil (Jones, 1991) or unethical versus ethical. It is one of six defined characteristics that specify the moral intensity of an issue, the extent to which the issue is subject to moral consideration, moral judgment, and moral action (Jones, 1991). Whereas the other five characteristics of moral intensity (magnitude of consequences,

concentration of effects, probability of effect, temporal immediacy, and proximity) are strictly descriptive in nature, social consensus is normative in nature (Weaver & Trevino, 1994). Social consensus indicates the extent to which there is a general agreement within society about what is right or wrong. There could be high or low social consensus on a moral issue. In moral situations of high social consensus, there is general agreement on the morality of the issue (e.g., stealing). In situations in which social consensus is not high, however, there is more disagreement about what comprises a moral act in that situation (e.g., not tipping). Reynolds and Ceranic (2007) argue that social consensus can decrease the need for individual moral judgment. As Jones (1991) argued, “it is difficult to act ethically if a person does not know what good ethics prescribes in a situation; a high degree of social consensus reduces the likelihood that ambiguity will exist” (p. 375). By reducing ambiguity about what is right and wrong, social consensus can minimize the need for individual moral judgment.

Empirical results by Reynolds and Ceranic (2007) demonstrate that when social consensus was not high, moral judgments influence moral behavior even after the effects of moral identity are accounted for. Further, their results of studies suggest that in situations in which social consensus is not high, the moral status of a behavior must be determined by an act of moral judgment; therefore, moral identity was motivational to the extent that it had a direction to motivate. They conclude that a combined approach, an approach that considers and incorporates moral judgments, moral identity, and the interaction of the two, in studying moral behavior.

Emotion and Loyalty

The literature review focuses on possible antecedents of freeloading behavior, namely moral identity and moral judgment. The dissertation will now review possible consequences of freeloading behavior and the possible impact it has on both the observer's and perpetrator's consumer loyalty when emotions are accounted for. This subsection of the literature review will address specific self-conscious emotions that are highly correlated with justice sensitive individuals (such as shame, guilt, and empathy). Finally, the possible link between such self-conscious traits and consumer loyalty will be examined.

Emotions in Marketing

A clear definition of emotion has put many philosophers and theorists at great disagreement about what it clearly entails. The literature contains a plethora of definitions of emotions (e.g., Plutchik 1980 cited 28 definitions of emotion in their review). Plutchik (1980) concluded that there was little consistency among the definitions and they were not explicit enough to specify what an emotion actually entails. For purpose of simplicity and organization, this dissertation will adopt Bagozzi's et al. (1999) definition of emotion, conceptualized as: 1) a mental state of readiness that arises from a cognitive appraisal of events or thoughts; 2) accompanied by physiological processes; 3) often expressed physically (e.g., in gestures, facial features); 4) and may result in specific action to affirm or cope with the emotion, depending on its nature and meaning for the person having it. Emotions are associated with intense states of arousal (Mandler 1976) and are capable of disrupting ongoing behavior (Dick and Basu 1994).

Emotions and the role it has on marketing practices have garnered much attention among marketing researchers. Richins (1997) identifies seventeen emotional dimensions consumers most frequently experience in consumption experiences. Sherman et al. (1997) explore how store environment and emotional states of consumers may influence various dimensions of purchase behavior. It was found that the environment in the store and the emotional state of consumers may be key determinants of purchase behavior. Yu and Dean (2000) investigate the role of emotions on consumer satisfaction and loyalty. They found that the best predictor of overall consumer loyalty and positive word of mouth is positive emotions.

Self-Conscious Emotions

Self-conscious emotions are a set of specific emotional traits that include shame, guilt, embarrassment, pride, and empathy. These emotions deal with complex appraisal of how one's behavior has been evaluated by the self and other people. Therefore, self-conscious emotions involves the ability to evaluate one's self and to infer the mental states of others (Beer et al. 2003). Such emotions play a central role in motivating and regulating people's thoughts, feelings, and behaviors (Tangney and Fischer 1995). Given their cognitive complexity, Lewis et al. (2004) argue that self-conscious emotions emerge later in development than emotions like happiness and sadness. Therefore, self-conscious emotions differ from basic emotions because they require self-awareness and self-representations (Tracy and Robins 2004). Self-conscious emotions may also guide individual behavior by compelling individuals to do things that are socially valued and to avoid doing things that lead to social approbation (Tangney and Dearing 2002).

Shame and Guilt

Shame and guilt both involve negative self-reflected value judgments. Although sometimes used interchangeably, a consensus has emerged in recent decades about a theoretical distinction between the two. The distinction was first proposed by Lewis (1971) and received substantial elaboration and further support from studies by researchers such as Tangney and Fischer (1995). Emotions have relatively distinct antecedents and are both linked with social and moral transgressions, involve self-awareness, and motivate reparations for transgressions (Keltner 1996). The distinction between the two depends on how much of the self is affected: *Guilt* denounces a specific action by the self, whereas *shame* condemns the entire self (Millon and Lerner 2003).

Shame is usually considered more harmful to the self-compared with guilt. Shame indicates that the entire self is bad, simple reparations or constructive responses may seem pointless. Research shows that this lack of constructive solutions may lead to many of the pathological illnesses associated with shame, such as suicide and major depression (Tangney, Burggraf, and Wagner 1995). Shame is not produced by any specific situation but rather by the individual's interpretation of the event (Lewis 2000). Shame also produces socially undesirable outcomes such as a complete withdrawal from others. Other people, however, respond to shame with anger (Tangney et al. 1992). Research also suggests that this shift in emotions can lead to violent outbursts (Baumeister et al., 1996).

In contrast, guilt is less destructive and harmful to the self than shame. Guilt is produced when individuals evaluate their behavior as failure but focus on the specific features of the self, or on the self's action which led to the failure (Lewis 2000). Unlike

shame, where the focus is on the entire self, an individual that displays guilt focuses on the self's actions and possible behaviors that may repair the failure.

According to Baumeister, Stillwell, and Heatherton (1994), guilt is mainly interpersonal and seems to strengthen relationships. People may try to avoid hurting others because it makes them feel guilty. After a transgression, guilt makes people seek to make amends or rectify the situation in an attempt to repair the damage to the relationship and makes people change their behavior so that they will not repeat the damaging behavior (Lewis et al. 2004). Feeling guilty is also sometimes a positive outcome to a relationship, because guilty feelings confirm that the person cares about the relationship (even if the transgression made it appear that he or she did not care). In addition, people sometimes exaggerate how hurt or upset they are by another person's actions, in order to make that person feel guilty, hence priming the transgressor to attempt to repair the relationship. The guilt makes the other person more willing to comply with the wishes of the person who felt hurt (Lewis et al. 2004).

Embarrassment

Embarrassment is a negative emotion arising from a threat to the presented or public self in the presence of real or imagined audiences (Miller and Leary 1992). It is an "aversive state of mortification, abashment, and chagrin that follows public social predicaments" (Miller 1995). It is different than shame and guilt because it is a public emotion. In addition, embarrassment correlates more highly with public self-consciousness than with private self-consciousness (Edelmann 1985). Miller (1992) found that the most general causes of embarrassment were "normative public deficiencies;" that is, situations in which the individual behaved in an absent-minded,

clumsy, or unfortunate way (e.g. tripping, forgetting someone's name, triggering security alarm at a supermarket). If embarrassment is experienced in private, it is because individuals are visualizing what others might think of them (Sabini, Garvey, and Hall 2001). After feeling embarrassed, an individual has a general motive to seek social approval (Miller 1996). Embarrassed people tend to feel they have impaired their social identities and want to repair their public selves.

Our knowledge of the conceptualization of embarrassment is due to the pioneer research of Goffman (1959), who argues that embarrassment is an emotion resulting from a breakdown in everyday social encounters. According to Goffman, embarrassment occurs in social interactions when unwanted events intervene and result in loss of composure and ability to participate in an encounter. Many researchers build upon Goffman's framework and now contend there to be two valid theories of embarrassment (Miller 1996): social evaluation theory and the dramaturgic theory.

Social evaluation theory posits that for an individual to be embarrassed, his or her self-esteem or his or her self-esteem in the eyes of others has been diminished. The model posits that embarrassment is caused by the threat of negative social evaluation Miller (1996). For example, an individual who trips publicly on a flight of stairs is likely to feel embarrassed. Based on social evaluation theory, such an emotion arises from the tripper's perception that others are thinking more negatively of him or her. Although social evaluation theory has good explanatory power for many situations, it fails to explain awkward episodes of embarrassments when the individual is the center of attention.

In contrast, the dramaturgic theory model describes embarrassment to occur as a result of disruption of social performance, regardless of what an individual thinks of

himself or herself. Often termed the awkward interaction account, the theory posits that embarrassment may arise from a loss of social script (Crozier and Jong 2012). When a person does not know how to act and does not know what the social expectations are, the individual is likely to feel embarrassed (Goffman 1956). For example, when a group of friends are singing "Happy Birthday" to an individual, it may feel awkward for the individual and he or she may not know how to act, even though the group of friends are wishing him or her well.

Embarrassment is considered to play a major role in regulating social behavior. Miller and Leary (1992) argue that the "possibility of being embarrassed seems to dictate and constrain a great deal of social behavior; much of what we do, and perhaps more importantly what we don't do, is based on our desire to avoid embarrassment". That is, individuals will go out of their way to avoid feeling embarrassed.

Negative Self-Conscious Emotions in Marketing

Interestingly, empirical research regarding the effects of negative self-conscious emotions on consumer consumption activities is lacking. In particular, evidence concerning guilt, shame, and embarrassment commonly experienced by consumers within a marketing context and how they regulate consumer behavior is relatively unknown, save for a few published works and specific social settings.

Huhman and Brotherton (1997) found that guilt appeals are generally used by charities to induce pro-social behaviors. Basil et al. (2006) demonstrated the effect of guilt on charitable-donation intention and actual donations was mediated by a sense of responsibility. Hibbert et al. (2007) examines the relationship between knowledge of persuasion tactics and charities, and the level of guilt experienced in response to an

advertisement and subsequent donation intentions. They suggest that guilt is positively related to donation intention, and persuasion and agent knowledge impact the extent of guilt experienced. Basil et al. (2008) hypothesizes that empathy and self-efficacy generates guilt and reduces maladaptive responses, which in turn shape donation intention.

Guilt has also been examined in a retail context. Dahl et al. (2005) examines the interpersonal aspect of guilt and found that a consumer's lack of purchase can lead to a guilt response when social connectedness with a salesperson exists and the consumer perceives he or she has control over the purchase decision. They also conclude that when consumers experience guilt, they intend to pursue reparative actions during future purchase interactions with the salesperson to reciprocate the initial connection they established.

Although embarrassment is a commonly expressed emotion that influences all aspects of social behavior, little research exists that attempt to explain its role in marketing. While embarrassment has been shown to occur in product purchase (Dahl et al. 2001), and has been identified as one of the seventeen emotions consumers most frequently experience in consumption experiences (Richins 1997), there has been very little research that examines why embarrassment occurs in consumer behavior and its implications. A majority of the work produced by marketing researchers is exploratory. For instance, Grace (2007) conduct a study using the critical incident technique to determine how embarrassment functions in a service context. She identifies a number of antecedents, classifying them as either "source" (e.g. customer, service provider) or "stimuli" (e.g. criticism, awkward acts, image appropriateness, forgetfulness, lack of

knowledge, and violations of privacy). Further, Grace (2007) found embarrassment to be manifested by emotional, physiological, and behavioral reactions, and its long-term consequences include both positive and negative behavioral intentions and word-of-mouth communications.

In addition, marketing scholars examine how embarrassment plays a role in a consumption experience of purchasing embarrassing products, such as condoms or tampons. Dahl, Manchanda, and Argo (2001) define embarrassment in a purchase context as “an aversive and awkward emotional state following events that increase the threat of unwanted evaluation from a real or imagined social audience.” Therefore, embarrassment occurs with awareness of a social presence during purchase selection and commitment, whether real or imagined (Dahl, Manchanda, and Argo 2001). In addition, product familiarity influences the impact of social presence on embarrassment. More specifically, purchase familiarity is shown to reduce the influence of social presence on embarrassment (Dahl, Manchanda, and Argo 2001). In other words, if an individual accustomed with purchasing the embarrassing product, he or she is less influenced by the presence of others and will not feel embarrassed.

To date and to the author's knowledge, shame has not been examined in the present marketing literature (see Table 2.1). As Pounders (2011) highlights, this is an alarming fact not only because of the commonplace of shame among consumers, but also because it was identified as one of the seventeen emotions experienced in consumption by Richins (1997).

Table 2.1

Summary of Negative Self Conscious Emotions in Marketing Research

Negative SC Emotion	Context	Articles
Guilt	Charitable Donations	Basil, Ridgeway, and Basil (2006); Basil, Ridgeway, and Basil (2008); Hibbert et al. (2007) ;Huhman and Brotherton (1997)
	Retailing and Sales	Dahl, Honea, and Manchanda (2005)
Embarrassment	Salesperson Performance	Verbeke and Bagozzi (2002)
	Purchasing Products	Dahl, Manchanda, and Argo (2001) Rehman and Brooks (1987)
	Service Context	Grace (2007)
Shame	<i>none</i>	<i>none</i>

Note: Pounder (2011)

Empathy

Empathy is a highly valued, prosocial emotional process. Empathy is an affective state that motivates altruistic tendencies that encourages warm, close interpersonal relationships and hinders antisocial behavior (Eisenberg and Miller 1987). It involves viewing another person's situation from the perspective of that person, understanding how the situation appears to that person, and how that person is reacting cognitively and emotionally to the situation (Granzin and Olsen 1991).

Empathy research identifies two motives on why individuals exhibit empathy, the empathy-altruism hypothesis and egoistic alternatives. *The empathy altruism hypothesis* proposes that empathy motivates individuals to help others through altruism, focusing on the welfare of the needy others (Batson 1987 et al.) That is, emotions accelerate a need within an individual to benefit the person whom the empathy is felt for. Research

supports the conclusion that feeling empathy for a person in need leads to increased motivation to help that person (Batson 1991; Eisenberg and Miller 1987). The *egoistic alternative* to empathy proposes that individuals evoke empathy to reduce their anticipated sense of guilt. Research also supports the egoistic alternative to empathy to help explain charity appeal advertisements and the motives of donation behaviors (Hibbert, Smith, Davies and Ireland 2007; Basil, Ridgway, and Basil 2008), bone marrow donation (Lindsey 2005), and prosocial volunteering (Quiles and Bybee 1997).

Evidence suggests that guilt and empathy are greatly influenced by one another, whereas feelings of shame often interfere with an empathic connection (Joireman 2004; Stuewig et al. 2010; Leith and Baumeister 1998; Hoffman 1982; Hoffman 1994; Tangney 1991; Tangney et al. 1994; Tangney et al. 1996; Tangney and Dearing 2002;). The cited research, through comprehensive factor analysis and rigorous empirical experiments, verify that guilt-prone individuals are generally empathic individuals and that guilt-prone individuals consistently correlate with empathic concern. Likewise, Schmitt et al. (2005) suggests that highly justice sensitive individuals (observer and perpetrator) also reflected high moral standards and empathetic tendencies.

In contrast, studies show that individuals that exhibit shame have been associated with greatly reduced feelings of empathy for others and a tendency to evoke personal distress responses. Research has shown that personal guilt conveys greater empathy for others involved in the situation compared to personal shame experiences (Leith and Baumeister 1998; Tangney et al. 1995). In addition, when people are experimentally manipulated to feel shame, they display less signs of empathy and perspective-taking than non-shamed controls (Tangney 1995; Tangney et al. 1996).

*Link Between Emotions and Loyalty – Cognitive
Appraisal Theory*

Given the lack of previous research specifically addressed at consumer emotions, perceived justice, and subsequent consumer loyalty, the research presented here is to some extent exploratory in nature. However, some conceptual and empirical evidence in the service literature may suggest that emotions are relevant in understanding consumer loyalty.

Service recovery models are abundant in conceptualizing emotions and loyalty. Many of the service recovery models use cognitive appraisal theory to explain the roles of emotion on consumer loyalty. Cognitive appraisal is “a process through which a person evaluates whether a particular encounter with the environment is relevant to his or her well-being” (Folkman et al. 1986, p. 992). Cognitive appraisal theory suggests that specific emotions result from an individual’s interpretation of an event (positive or negative). Therefore, an individual’s emotional response is likely to depend on whether the outcome of a judgment is attributed to oneself, to others, or to impersonal circumstances (Smith and Ellsworth 1985). For instance, when a customer perceives that a recovery attempt is unfair, he or she is more likely to experience stronger emotions if the recovery outcome is viewed as being under the direct control of the service provider (Smith and Ellsworth 1985). DeWitt et al. (2008) investigate customer loyalty following a service recovery. They suggest that both positive and negative emotions play partial mediating roles between perceived justice and customer loyalty.

Self-conscious emotions may also result as a response after an unethical action committed by a perpetrator as well as an observer to the unethical action. Unlike the service recovery literature which explain that these emotions are induced by an employee

in charge of the service recovery, such emotions in this context are induced by a perpetrator committing the unethical action.

Research Hypotheses and Model

After reviewing the literature, it became clear that many questions regarding the antecedents and consequences of freeloading behavior were left unanswered. In particular, research has varied on concluding what motivates consumer to freeload. As the literature review discusses, past researchers have proposed a number of theories of moral functioning, each with different conclusions about what leads to moral action. Moral identity has often been concluded to influence moral action, but a number of different supporting determinants have been proposed. Also, freeloading behavior may be seen by many individuals as legal, whereas other individuals may label the behavior as illegal. Therefore, social consensus may also influence an individual to decide whether or not to freeload. Therefore, hypotheses H1 – H4 are proposed.

H1: When social consensus regarding the moral issue is high, moral identity will negatively influence freeloading intention even after the effects of moral judgement (Figure 2.1).

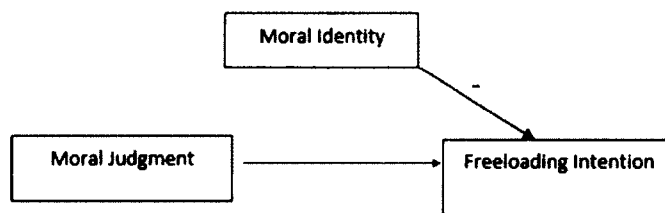


Figure 2.1 *Hypothesis 1*

H2: When social consensus regarding the moral issue is low, moral identity will moderate the relationship between moral judgment and freeloading intention such that a greater moral identity and greater moral judgment will result in less freeloading intention (Figure 2.2).

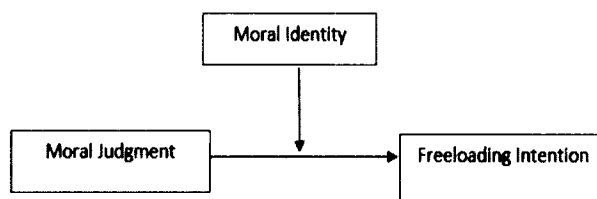


Figure 2.2 *Hypothesis 2*

In addition, research commonly investigates the individual committing the unethical behavior and its impact on businesses, but ignores such an impact on a third party observer. With every unethical act committed by a perpetrator unto a business, there may be several observers to the incident. This unexplored phenomenon may prove important to researchers who want to understand the dynamics and behavior of consumers who witness acts of injustice. As discussed in the literature review, justice sensitive individuals go through a series of self-conscious emotions that may influence their subsequent behavior. Although unintended by the retailer, such emotions evoked by the observer may influence their loyalty behavior. Therefore, hypotheses H3 and H4 are proposed:

H3: An observer's justice sensitive will moderate the relationship between empathy and affective commitment such that a greater justice sensitivity and greater empathy will result in more affective commitment (Figure 2.3).

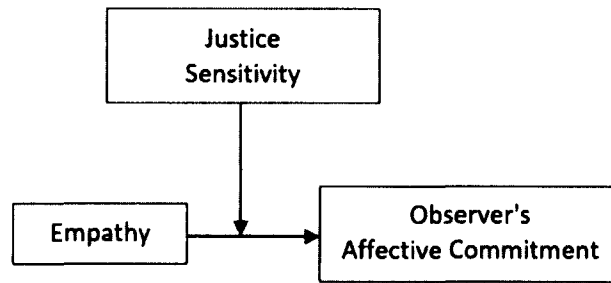


Figure 2.3 *Hypothesis 3*

H4: A perpetrator's justice sensitivity will moderate the relationship between guilt and affective commitment such that a greater justice sensitivity and greater guilt will result in more affective commitment (Figure 2.4).

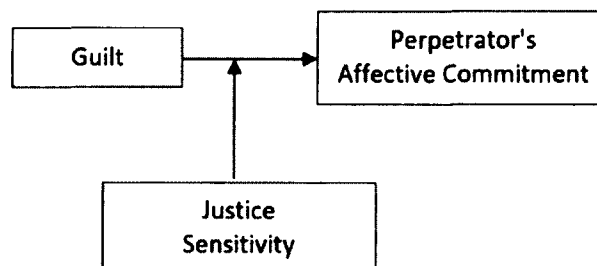


Figure 2.4 *Hypothesis 4*

Given hypotheses H3 and H4, the overall framework is proposed in Figure 2.5.

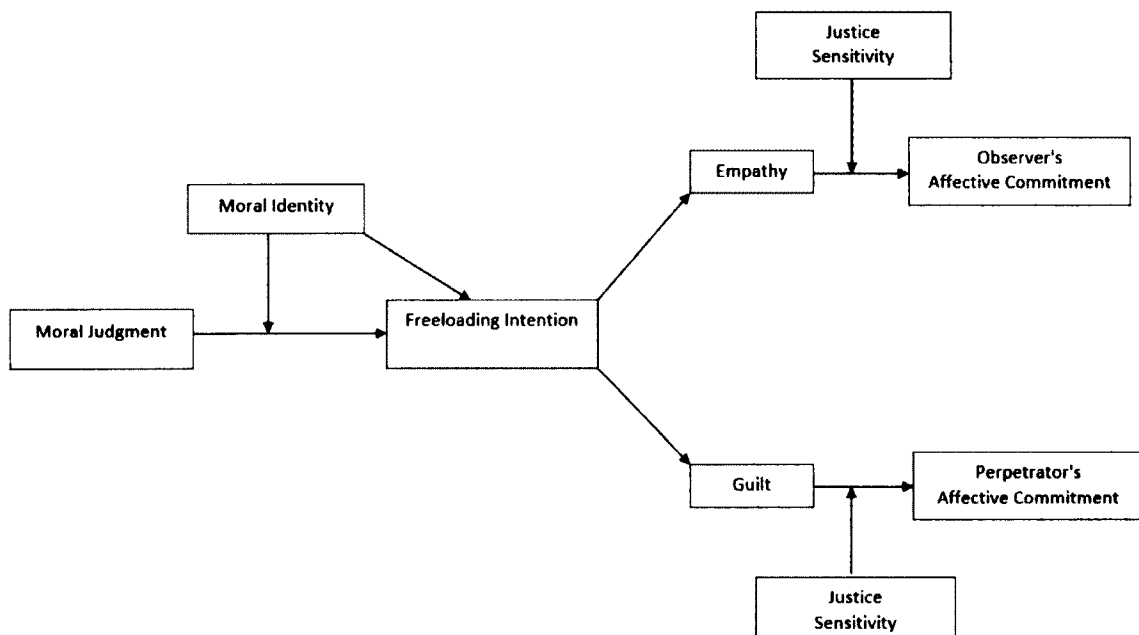


Figure 2.5 Overall Framework

The framework in Figure 2.5 draws on social-cognitive theory to investigate the antecedents and consequences of freeloading behavior. Several hypothesized factors could determine a perpetrator's freeloading behavior. In particular, the moral action (or unmoral action/freeloading behavior) of an individual may be influenced by the moral identity of that individual. However, moral identity may act as a mediator when social consensus is low. In moral situations of high social consensus, there is general agreement on the morality of the issue (e.g., stealing). In situations in which social consensus is not high, however, there is more disagreement about what comprises a moral act in that situation (e.g., not tipping). Reynolds and Ceranic (2007) argue that social consensus can decrease the need for individual moral judgment. In situations of low social consensus, moral identity may directly influence moral action. In addition, a perpetrator's affective

commitment to an organization is hypothesized to be moderated by the perpetrators justice sensitivity when the self-conscious emotion of guilt is evoked. Furthermore, an observer's affective commitment to an organization is theorized to be moderated by the observer's justice sensitivity when the self-conscious emotion of empathy is displayed.

According to Schmitt et al. (2005), a perpetrator who is highly sensitive displays personality traits such as guilt, empathy and social responsibility. As discussed in the literature review, guilt and empathy are greatly influenced by one another and that guilt-prone individuals are generally empathic individuals and consistently correlate with empathic concern (Joireman 2004; Stuewig et al. 2010; Leith and Baumeister 1998; Hoffman 1982; Hoffman 1994; Tangney 1991; Tangney et al. 1994; Tangney et al. 1996; Tangney and Dearing 2002).

Therefore, it is theorized that a highly sensitive perpetrator will less likely repeat the freeloading behavior. On the other hand, a perpetrator who is not highly sensitive will not display such personality traits, in turn turning the freeloading consumer into a habitual freeloader.

An observer who is highly sensitive displays altruistic tendencies such as empathy, social responsibility, or agreeableness. The observer is also likely to identify with victims rather than perpetrators (Miller 2001; Vidamer 2000). Therefore, it is theorized that a highly sensitive observer will empathize with the victim (retailer), in turn positively affecting the observer's affective commitment.

CHAPTER THREE

RESEARCH METHOD

Experimental Design

To examine the antecedents of freeloading intention and affective commitment, the subjects will respond anonymously to an online survey measuring their moral identity and moral judgment. The study will employ a two (Discount: high vs. low) by two (Retail Environment: Online vs. Brick and Mortar) by two (Viewpoint: Observer vs Perpetrator) between-subjects design. Subjects will be assigned randomly to one of the eight experimental conditions. The experiment's instructions will ask subjects about unethical (or ethical) freeloading intention and their likelihood of committing such an act as shown in this example:

You've just finished your degree program and moved to a new town. You need to furnish your apartment. Among other things, you need a new TV. A friend tells you about a good deal at Myers, a big box store with a convenient location. While shopping, you find a 52-inch 1080p LCD HD-Smart-TV. The TV is priced at \$1,000. Myers offers a 20% student discount (totaling \$200). To get the discount, you need to provide a student ID. Although you are no longer a student, you still have your student ID. Nothing on your ID indicates that it is no longer valid. After placing the TV in your shopping cart and taking into consideration the student discount, you approach the cashier.

The scenario represents a high discount in a brick and mortar store condition. The discount is manipulated by the amount of the discount. The size of the college discount in the high condition is 20%, or \$200. The size of the discount in the low condition is 10%, or \$5. The retail environment is manipulated by the type of store, a traditional store or an online store. Myers was chosen as the fictional store name because of its unfamiliarity to American consumers. The viewpoint will be manipulated by informing the subject before the scenario the point of view situation. For example, in the perpetrator condition, subjects will be informed to 'imagine yourself in a situation'. In the observer condition, subjects will be informed to 'imagine a friend telling you about a particular shopping experience'. The observer will then proceed to read about how their friend was involved in a situation where he or she is presented with an opportunity to take a college discount that he or she is not entitled to. A receipt, shown in Figures 3.1-3.4, for each respective condition will be shown to reflect the amount of the discount as well as the retail environment.

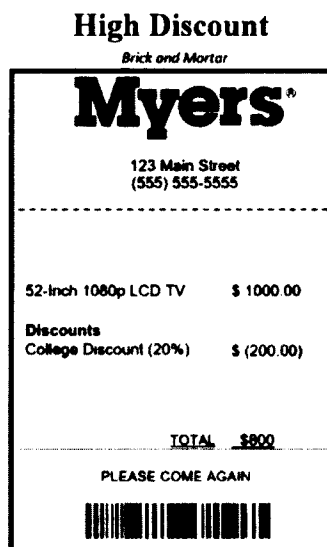


Figure 3.1 *High Discount Brick and Mortar Receipt*

High Discount

Online

Myers[®].com

www.myers.com

52-inch 1080p LCD TV	\$ 1000.00
Discounts	
College Discount (20%)	\$ (200.00)
TOTAL \$500	

PLEASE VISIT US AGAIN AT WWW.MYERS.COM




Figure 3.2 *High Discount Online Receipt*

Low Discount

Brick and Mortar

Myers[®]

123 Main Street
(555) 555-5555

Bread	\$10
Razor	\$10
Soap	\$5
Candy	\$5
Water	\$5
Milk	\$5
Peanuts	\$10
Discounts	
College Discount (10%)	(\$5)
Total \$45	

PLEASE COME AGAIN




Figure 3.3 *Low Discount Brick and Mortar Receipt*

Low Discount

Online

Myers.com
www.myers.com

Flour	\$10
Razor	\$10
Soap	\$5
Candy	\$5
Water	\$5
Powdered Milk	\$5
Peanuts	\$10
College Discount (10%)	(\$5)
Total	\$45

PLEASE VISIT US AGAIN AT WWW.MYERS.COM




Figure 3.4 *Low Discount Online Receipt*

Control

Although the survey will be anonymous, social desirability bias could still strongly influence the responses of the subjects. Therefore, social desirability bias will be measured with 37 items from Paulhus's (1984) Balanced Inventory of Desirable Responding scale and will be included as a control.

Proposed Measurements

Justice Sensitivity

Justice sensitivity is a reliable and established personality variable that predicts when and how people react to witnessed or experienced injustice (Schmitt et al. 2005). The proposed framework focuses on two perspectives of justice sensitivity, namely the observer and the perpetrator. These two perspectives of justice sensitivity are hypothesized to moderate the relationship between intention to freeload and observer's and perpetrator's loyalty. Following Schmit's (2005), observer sensitivity will be assessed

by 10 items (7-point likert scale; 1=total disagreement, 7=total agreement) that will examine how individuals feel and react to situations in which they notice or learn that someone else is being treated unfairly, put at a disadvantage, or used. Likewise, perpetrator sensitivity will be assessed by 10 items (7-point likert scale; 1=total disagreement, 7=total agreement) that will examine how individuals feel and react to situations in which they treat someone else unfairly, discriminate against someone, or exploit someone.

Affective Commitment

Both academics and practitioners acknowledge the importance of consumer loyalty. Many definitions of loyalty within the marketing literature have been proposed. Loyalty has commonly been conceptualized as repeat purchasing frequency or brand loyalty (Tellis 1988). To dispel any confusion on the term, Oliver (1997) defined loyalty as:

A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, *despite* situational influences and marketing efforts having the potential to cause switching behavior (Oliver 1999, p. 34).

This dissertation will adopt Oliver's (1999) definition of loyalty. Therefore, affective commitment, rather than behavior loyalty, is used to conceptualize loyalty within the proposed framework. Affective commitment will be assessed by nine items (7-point likert scale; 1=total disagreement, 7=total agreement) based on De Wulf's et al. (2001) study.

Freeloading Intention

Freeloading intention will be adapted from Ajzen' (1985) TPB scale. The intention scale will ask subjects to indicate how likely you would be to claim the college discount. Intention will be assessed by three items (7-point likert scale; 1=total disagreement, 7=total agreement).

Moral Identity

Acquino and Reed (2002) develop a scale of moral identity that asks participants to rate themselves in terms of the extent to which a group of moral traits is important to them; and assesses two sub-dimensions of moral identity called internalization and symbolization. According to Aquino and Reed (2002), the internalization dimension captures the extent to which the moral self-schema is experienced as being central to one's self-definition. The symbolization dimension captures the degree to which the moral self-schema is projected outwardly through one's actions in the world. Completion of this measure involves asking participants to imagine a person who possesses nine moral traits—caring, compassionate, fair, friendly, generous, helpful, hardworking, honest, and kind—and then having them indicate the degree to which possessing these traits is reflected in their actions (the symbolization subscale) and important to their sense of themselves (the internalization subscale).

Moral Judgment

Moral judgment will be assessed by Reindebach et al's multidimensional ethics scale (1990) which represents a set of ethical criteria used for evaluating the perceptions of the ethical content of a business scenario. The multidimensional ethics scale is three dimensional, namely moral equity, relativistic, and contractualism. The moral equity

dimension describes a broad-based, moral equity dimension using pairs of opposing terms such as fair/unfair, morally right/ morally wrong, and morally just/morally unjust. The relativistic dimension is more concerned with the guidelines and requirements of social and cultural norms with: traditionally acceptable/traditionally unacceptable; culturally acceptable/culturally unacceptable. The contractualism dimension measures notions of implied obligation, contracts, duties and rules and represents the idea of a “social contract” that exists between business and society. Taken together, this multidimensional ethics scale represents the tendency of individuals to "assess ethical situations in terms of their consistent conformity to rules" of behavior and other formal standards to determine moral behavior (Brady and Wheeler 1996). In sum, the multidimensional scale relies on consequences to organize and judge moral issues and uses rules, principles, and guidelines to organize and judge moral issues. Research has demonstrated that moral judgment can influence moral awareness (Reynolds 2006), moral decisions (Brady and Wheeler 1996; Reynolds and Ceranic 2007) and perceptions of justice (Schminke, Ambrose, and Noel 1997).

Social Consensus

As discussed in the literature review, social consensus refers to the degree of social agreement regarding whether a proposed act is good or evil (Jones, 1991) or unethical versus ethical. It is one of six defined characteristics that specify the moral intensity of an issue, the extent to which the issue is subject to moral consideration, moral judgment, and moral action (Jones, 1991). Social consensus indicates the extent to which there is a general agreement within society about what is right or wrong. There could be high or low social consensus on a moral issue. Jones's (1991) scale of social consensus

will be used and consists of one item asking subjects their opinion on the extent people agree that a specific set of behaviors are morally good things to do.

Empathy

Empathy will be assessed by a self-report scale comprised of eight items selected from the dimensions of perspective taking (cognitive empathy) and empathic concern (affective empathy) of the Interpersonal Reactivity Index (IRI; Davis 1980). In the business ethics literature, empathy has been measured using the perspective taking and empathic concern dimensions of the IRI (Cohen 2010; Chowdhury and Fernando 2014).

Guilt

Guilt will be measured by a self-report scale consisting of three items and will assess the degree to which a person feels sorry and personally responsible for something that has happened (Gelbrich 2011). Guilt will be assessed on 7-point likert scale (1= total disagreement, 7= total agreement).

CHAPTER FOUR

RESULTS AND ANALYSES

Sample

The sample provided by Qualtrics includes responses from college students from at a medium sized public university in the Southern United States. College students are relevant to this particular study because the context of the study revolves around student discounts. The majority of students are familiar with student discounts and businesses in college towns commonly employ student discounts as a standard promotional tactic. A total of 206 observations were recorded. Seventeen (17) observations were removed for missing data. These responses were dropped because more than 50% of the survey were incomplete. Therefore, a grand total of 189 observations were analyzed. The majority of the students (92.6%) were in the age range of 18-25. One hundred and sixteen (61.4%) subjects were male. One hundred and thirty-eight (73%) subjects were Caucasian, twenty-two (11.6%) were African American, seventeen (9%) were Asian, and the remaining subjects listed 'other' (5.3%). Subjects were assigned randomly to one of the eight experimental conditions. Neither age nor gender influenced any hypothesized relationships because they had no effect on the dependent variables; freeloading intention nor affective commitment.

Manipulation Checks

Manipulation checks were used for both the discount (high vs. low) and the retail environment (online vs brick and mortar) experimental variables. One separate item checked the discount manipulation. The question asked subjects to indicate how much the college discount was worth. The adjustable scale was set from \$0 to \$250. An independent samples t-test was used to test the differences in agreement between the high and low conditions. Subjects in the high condition displayed a mean of \$168.67 as opposed to a mean of \$13.52 in the low condition ($t=21.59$, $p<.001$). Therefore, the results shown in Table 4.1 are consistent with an effective discount manipulation.

Table 4.1

Means and Standard Deviations of Discount Manipulation

Discount	N	Mean	S.D.
High	93	168.67	65.97
Low	97	13.52	25.10

A single item checked the validity of the environment manipulation. The question asked subjects to recall what type of store Myers was by choosing an online or a brick and mortar store. A cross-tabulation of the results is shown in Table 4.2. Among those in the online experimental condition, 70 indicate that Myers is indeed an online store and 21 indicate that it is a bricks and mortar store. Among those in the bricks and mortar condition, 24 reported Myers as an online store and 75 report it as a bricks and mortar store. Thus, 145 out of 190 subjects (76%) correctly answered the manipulation check items. A chi-square test of independence was used. A significant test-statistic is observed

($\chi^2(1) = 52.64, p < .001$). Therefore, the results are consistent with an effective retail environment manipulation.

Table 4.2

Cross Tabulation of Results

<u>Subject Recall</u>			
Retail Setting	Online	BnM	Total
Online	70	21	91
BnM	24	75	99

Confounding Check

To check for confounding variables, discount group was tested against retail environment. An insignificant test-statistic is observed ($\chi^2(1) = 0.341, p = .559$). An independent sample t-test was also used to check for confounding variables of the discount group manipulation. The difference in means is $-\$9.65$, the p-value is 0.47, and 0 is squarely within the confidence interval. Therefore, there is no evidence of confounding based on the manipulations.

Confirmatory Factor Analysis

The theoretical measurement model representing all relevant latent constructs is tested using confirmatory factor analysis (CFA) using AMOS 20.0 (Anderson and Gerbing 1988). The CFA was run on the seven multi-items constructs: moral identity, moral judgement, freeloading intention, guilt, empathy, justice sensitivity, and affective commitment. The original model displayed less than adequate fit statistics: $\chi^2 = 3,116.93$,

df=1,356, CFI=.719, PNFI=.564, RMSEA=.083 (Hair et al. 2010). Therefore, a closer look at the residuals is warranted to find potential problems in the measurement model.

Examination of the residuals indicates that multiple items from multiple scales contained high residual values and were subsequently deleted: empathy (four items), affective commitment (five items), moral judgement (two items), moral identity (eight items), intention (one item) and justice sensitivity (two items). Twenty-three items were dropped from the original model resulting in a total of 34 items (40% dropped). A majority of the affective commitments items were removed not only because of the high residual values but also because a behavioral loyalty construct may have been more appropriate when measuring the relationship between loyalty and self-conscious emotions rather than an attitudinal loyalty construct. Further discussion regarding this issue can be found in Chapter Five.

The moral identity scale loaded on two factors, internalization and symbolization. Further examination revealed that the symbolization factor contained high residual values. Thus, moral identity will be conceptualized through the internalization dimension which captures the extent to which the moral self-schema is experienced as being central to one's self-definition. The study will move forward with only a single dimension of moral identity for several reasons. The concept of two dimensions of self-importance-one private, the other public (Erickson 1964) - is consistent with Aquino and Reed's (2002) two dimensions of moral identity. While the symbolization dimension is concerned with a general sensitivity to the moral self as a social object whose actions in the world can express that one has these characteristics, the internalization dimension is more concerned with the self-importance of the moral characteristics. In other words, the

internalization dimension captures the private self and the symbolization dimension captures the public self. Freeloading intention is a behavior that is usually committed in private, away from the public eye. In addition, Aquino and Reed (2002) conclude that the internalization dimension predicts actual moral behavior. Therefore, it is appropriate to conceptualize moral identity within the internalization dimension in the context of the present study.

A second CFA was run with the adjusted scales which produced the model fit: $\chi^2=763.94$ $df=474$, CFI=.910, PNFI=.714, RMSEA=.057. As shown in Table 4.3, the CFI is just below the cutoff standard and the RMSEA is less than .08 indicating an acceptable model fit (Hair et al. 2010).

Table 4.3

Confirmatory Factor Analysis

Model	χ^2	df	p	CFI	PNFI	RMSEA
<u>Model 1</u>	3,116.93	1,356	.00	.719	.564	.083
Freeloading Intention (3 items)						
Affective Commitment (9 items)						
Moral Judgement (8 items)						
Moral Identity (13 items)						
Empathy (8 items)						
Guilt (3 items)						
Justice Sensitivity (10 items)						

Model 2	721.59	443	.00	.912	.718	.058
Freeloading Intention (2 items)						
Affective Commitment (4 items)						
Moral Judgement (6 items)						
Moral Identity (5 items)						
Empathy (4 items)						
Guilt (3 items) ¹						
Justice Sensitivity (8 items)						
¹ Construct items remain unchanged throughout analysis						

Construct Validity

A comprehensive assessment of construct validity is an important requirement for CFA. Convergent validity was assessed by examining the average variance extracted (AVE) and construct reliabilities for the finalized constructs. The average variance extracted is the amount of common variance among latent construct indicators (Hair et al., 2010). AVE values were acceptable ranging from .52 to .80, except for the intention and affective commitment constructs. These two constructs failed to meet the .50 cutoff value for convergent validity with values of .29 and .43. Internal consistency was measured through composite reliability. All constructs were acceptable ranging from .75 to .92, except for intention (.53). Table 4.4 indicates that factor loadings are above .5 for all constructs except for one intention item and one affective commitment item. Due to the importance of freeloading intention and affective commitment in the current study, a decision was made to keep the items.

Table 4.4

Standardized Factor Loadings

	INTENT	AFFCOMT	MJUDGE	MIDEN	EMPATHY	GUILT	JS
INTENT1	0.63						
INTENT2	0.48						
AFFCOMT1		0.66					
AFFCOMT5		0.81					
AFFCOMT6		0.71					
AFFCOMT9		0.40					
MJUDGE3			0.64				
MJUDGE4			0.81				
MJUDGE5			0.70				
MJUDGE6			0.74				
MJUDGE7			0.77				
MJUDGE8			0.81				
MIDEN1				0.64			
MIDEN2				0.89			
MIDEN3				0.77			
MIDEN6				0.88			
MIDEN7				0.84			
EMPATHY5					0.66		
EMPATHY6					0.82		
EMPATHY7					0.73		
EMPATHY8					0.64		
GUILT1						0.92	
GUILT2						0.94	
GUILT3						0.83	
JS3							0.65
JS4							0.62
JS5							0.76
JS6							0.79
JS7							0.73
JS8							0.71
JS9							0.75
JS10							0.76

Discriminant validity is supported when the average variance extracted for a construct is greater than the shared variance between constructs (Hair et al., 2010). According to Tables 4.5 and 4.6, all AVE estimates are greater than the corresponding maximum shared variance (MSV) and average shared variance (ASV). Therefore, the construct measures display adequate discriminant validity. Nomological Validity requirements were met since all significant inter-construct correlations were related according to the underlying theory.

Table 4.5

Descriptive and Variables Intercorrelations

Variables	Mean	S.D.	CR	AVE	MSV	ASV	1	2	3	4	5	6	7
1. Freeloading Intention	5.08	1.51	0.53	0.298	0.230	0.069	1						
2. Moral Judgement	4.43	1.70	0.88	0.557	0.336	0.113	0.480**	1					
3. Guilt	3.93	1.64	0.92	0.803	0.249	0.122	-0.386**	-0.499***	1				
4. Empathy	5.08	1.16	0.80	0.515	0.339	0.130	0.118	-0.048	0.271**	1			
5. Moral Identity	5.76	1.08	0.90	0.657	0.353	0.135	-0.024	-0.228**	0.227**	0.582***	1		
6. Justice Sensitivity	5.09	1.07	0.90	0.523	0.353	0.138	0.040	-0.186*	0.340***	0.545***	0.593***	1	
7. Affective Commitment	4.70	0.85	0.75	0.436	0.055	0.024	0.134	0.059	0.144*	0.235*	0.123	0.172	1

Notes: *p<0.05, **<0.01, ***p<.001

Table 4.6

Means and Standard Deviations

Independent Variables Means (S.D)		Intention	Moral Judgement	Moral Identity	Guilt	Empathy	Justice Sensitivity	Affective Commitment
<i>Viewpoint</i>								
Observer		5.10 (1.45)	4.42 (1.71)	5.76 (1.08)	3.96 (1.59)	5.02 (1.23)	4.92 (1.02)	4.71 (0.88)
Perpetrator		5.06 (1.58)	4.46 (1.69)	5.77 (1.11)	3.90 (1.69)	5.14 (1.08)	5.27 (1.10)	4.66 (0.89)
<i>Retail Environment</i>								
Brick and Mortar		5.23 (1.41)	4.47 (1.65)	5.76 (1.05)	3.93 (1.61)	4.99 (1.13)	5.02 (1.08)	4.65 (0.84)
Online		4.92 (1.61)	4.40 (1.75)	5.77 (1.13)	3.93 (1.67)	5.17 (1.19)	5.17 (1.07)	4.73 (0.92)
<i>Discount group</i>								
High (\$200.00)		5.00 (1.61)	4.33 (1.70)	5.71 (1.17)	4.03 (1.74)	5.08 (1.23)	5.11 (1.05)	4.64 (0.91)
Low (\$5.00)		5.16 (1.41)	4.55 (1.69)	5.82 (1.08)	3.82 (1.54)	5.07 (1.09)	5.08 (1.10)	4.73 (0.85)
Overall Mean		5.08 (1.51)	4.44 (1.70)	5.76 (1.08)	3.93 (1.64)	5.08 (1.16)	5.09 (1.07)	4.69 (0.88)

Social Consensus

As discussed in the literature review, social consensus refers to the degree of social agreement regarding whether a proposed act is good or evil (Jones, 1991) or unethical versus ethical. Social consensus indicates the extent to which there is a general agreement within society about what is right or wrong. There could be high or low social consensus on a moral issue. Jones's (1991) scale of social consensus consists of one item asking subjects their opinion on the extent people agree that a specific set of behaviors are morally good things to do. In the context of the present study, the social consensus item asked subjects 'in your opinion, to what extent do your peers agree that claiming discounts that you are not entitled to are morally good things to do?' A median split is used to separate the social consensus between high and low. The results indicated that 87 subjects (46%) believed that claiming an unentitled discount involves a high degree of social consensus, whereas 102 subjects (54%) do not. The median and mean are 4.00 and 4.12 respectively.

Main Analysis

A multivariate analysis of variance (MANOVA) was used before testing specific relationships. This model used all experimental variables and all covariates to predict both final dependent variables (intention and affective commitment) within a full-factorial design. The results suggest a significant multivariate F (based on Wilks' Lambda) statistic for moral judgement [$F(2,174) = 7.50, p < .001$] guilt [$F(2,174) = 4.30, p < .05$], and marginally significance results for empathy [$F(2,174) = 2.64, p < .1$]. The results shown represent the univariate, full factorial ANCOVA analyses that followed. Table 4.7 displays descriptive statistics.

Table 4.7

Analysis of Variance Results for Freeloading Intention (High Social Consensus)

ANCOVA Results for Freeloading Intention (High Social Consensus)	df	F	Significance of F	η_p^2	B
<i>Main effects</i>					
Viewpoint	1	.95	.33	.01	-.28
Retail Environment	1	2.22	.14	.03	-1.60
Discount (\$200 vs \$5)	1	.17	.68	.00	-.27
<i>Two-way interactions</i>					
Retail Environment × Discount	1	.21	.65	.00	1.68
Retail Environment × Viewpoint	1	1.05	.31	.01	2.20
Viewpoint × Discount	1	2.20	.14	.03	.52
<i>Three-way interaction</i>					
Retail Environment × Discount × Viewpoint	1	5.68	.02	.07	-2.80
<i>Covariates</i>					
Moral Judgement	1	7.33	.00	.09	.41
Moral Identity	1	.03	.86	.00	-.03
Social Desirability	1	1.84	.18	.02	.40

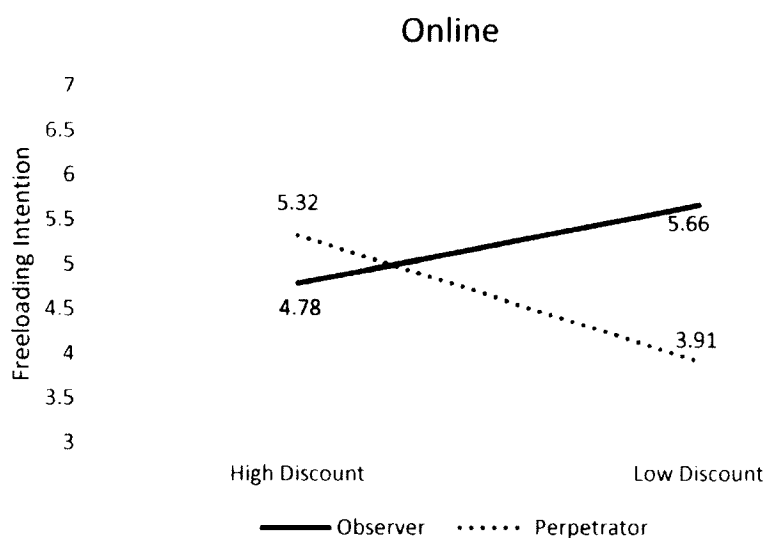
Overall Model: [F(10,76) = 2.17 p<.05]. $R^2 = .22$, Adjusted $R^2 = .12$

Hypothesis 1

A full factorial, two (Discount: high vs. low) by two (Retail Environment: Online vs. Brick and Mortar) by two (Viewpoint: Observer vs Perpetrator) ANCOVA model was used to test the hypothesized relationships between freeloading intention, moral judgement, moral identity, and social desirability in the high social consensus group. The ANCOVA predicts freeloading intention using each treatment as a main effect, all four interaction terms, and subjects' moral identity, moral judgement, and social desirability as covariates. The overall univariate model F is statistically significant [F(10,76) = 2.17 p<.05].

H1 argues that when social consensus regarding the moral issue is high, moral identity will negatively influence freeloading intention. An insignificant main effect of discount group was found on intention ($F = 0.68, P > .10$). Subjects in the low discount group reported their intention of taking the discount with a mean intention of 5.08 compared to 5.20 in the high discount group. In addition, the results indicate insignificant effects of moral identity ($F=0.03, P>.10, \beta=-0.03$) on freeloading intention. Therefore, H1 is not supported.

A significant, three-way interaction between Retail Environment \times Discount \times Viewpoint is observed on freeloading intention ($F=5.68, p<.02$). The driving force behind the significance is the Discount Low \times Online cell between the observer and perpetrator. The interaction is displayed in Figure 4.1. Observers in the online store, high discount condition reported higher mean intentions than the low discount condition ($\bar{x}_{\text{online-high-observer}}=4.78, \bar{x}_{\text{online-low-observer}}=5.66$). In addition, perpetrators in the online store, high discount condition reported higher mean intentions than the low discount condition ($\bar{x}_{\text{online-high-perpetrator}}=5.32, \bar{x}_{\text{online-low-perpetrator}}=3.91$).



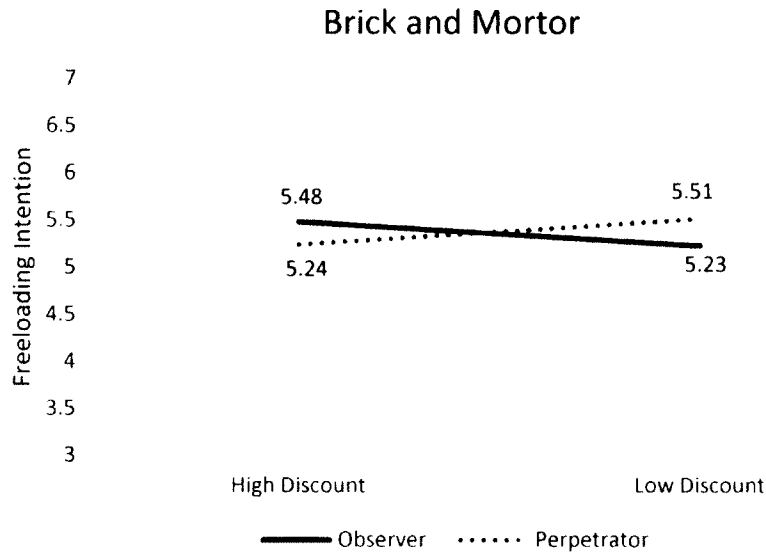


Figure 4.1 Retail Environment × Discount × Viewpoint Interaction

Hypothesis 2

H2 argues that when social consensus regarding the moral issue is low, moral identity will moderate the relationship between moral judgment and freeloading intention. A full factorial, two (Discount: high vs. low) by two (Retail Environment: Online vs. Brick and Mortar) by two (Viewpoint: Observer vs Perpetrator) ANCOVA model was used to test the hypothesized relationships in the low social consensus group between freeloading intention, moral judgement, moral identity, social desirability, and moral identity × moral judgement as an interaction term. The overall univariate model F is statistically significant [$F(11, 90) = 2.55$ $p < .001$].

Although an insignificant main effect of discount group was found on intention, the results show significant effects of moral judgement ($F = 22.94$, $p < .001$, $\beta = 0.79$) on freeloading intention. However, Table 4.8 indicates insignificant effects of social

desirability ($F=.95$, $P>.10$, $\beta=0.02$) on freeloading intention. In addition, the moral identity \times moral judgement interaction term is insignificant ($F=.67$, $P>.10$, $\beta=0.12$). Therefore, H2 is not supported.

Table 4.8

Analysis of Variance Results for Freeloading Intention (Low Social Consensus)

ANCOVA Results for Freeloading Intention (Low Social Consensus)	df	F	Significance of F	η_p^2	B
<i>Main effects</i>					
Viewpoint	1	.61	.44	.00	-.22
Retail Environment	1	1.67	.20	.02	.00
Discount (\$200 vs \$5)	1	.03	.86	.00	.48
<i>Two-way interactions</i>					
Retail Environment \times Discount	1	1.36	.25	.02	-1.10
Retail Environment \times Viewpoint	1	.23	.63	.00	-.07
Viewpoint \times Discount	1	.00	.97	.00	-.35
<i>Three-way interaction</i>					
Retail Environment \times Discount \times Viewpoint	1	.34	.56	.00	.75
<i>Covariates</i>					
Moral Judgement	1	22.94	.00	.20	.79
Moral Identity	1	1.11	.29	.01	.15
Social Desirability	1	.00	.95	.00	-.02
Moral Identity \times Moral Judgement	1	.67	.42	.00	.12

Overall Model: $[F(11,90) = 2.55 p<.001]$. $R^2 = .24$, Adjusted $R^2 = .14$

Although not hypothesized, it was believed that many subjects would more likely take advantage of an online store compared to a brick and mortar store. An online consumer would be keener into taking the discount due to the anonymity factor of the internet. However, the ANCOVA proved otherwise. An insignificant main effect of retail environment was found on intention ($F = 1.67$, $P > .10$). Subjects in the online condition

reported their intention of taking the discount with a mean intention of 4.83 compared to 5.23 in the brick and mortar condition.

Similarly, the Retail Environment \times Discount interaction did not affect intention ($F = 1.36, P > .10$). The interaction is displayed in Figure 4.2. Subjects in the online store reported similar mean intentions for both discount conditions ($\bar{x}_{\text{online-high}}=4.62, \bar{x}_{\text{online-low}}=5.04$). In addition, subjects in the brick and mortar store reported similar mean intentions for both discount conditions ($\bar{x}_{\text{BnM-high}}=5.39, \bar{x}_{\text{BnM-low}}=5.08$).

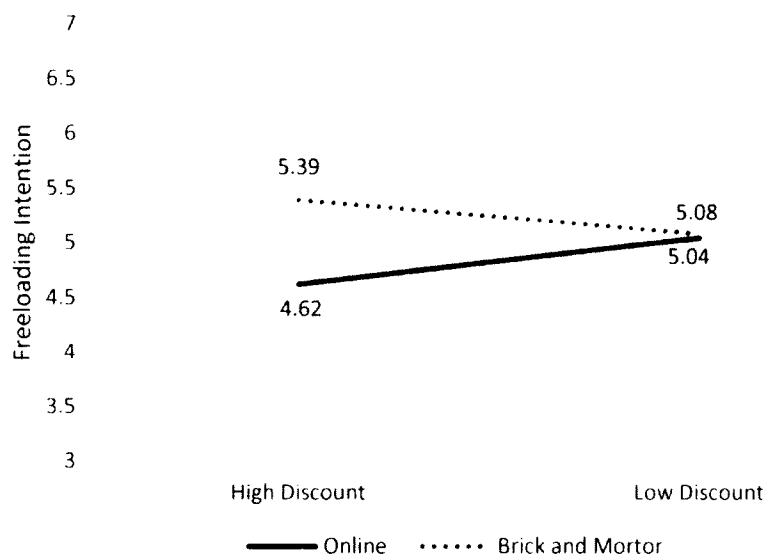


Figure 4.2 Retail Environment \times Discount Interaction 1

Hypothesis 3

A full factorial, two (Discount: high vs. low) by two (Retail Environment: Online vs. Brick and Mortar) ANCOVA model was used to test the hypothesized relationships between empathy, justice sensitivity, affective commitment, and empathy \times justice sensitivity as an interaction term in the observer group. The ANCOVA predicts affective commitment using each treatment as a main effect, two interaction terms, and subjects'

empathy, justice sensitivity, and social desirability as covariates. The overall univariate model F is insignificant [$F(7, 87) = .92$, $p > .10$].

H3 states that an observer's justice sensitive will moderate the relationship between empathy and the observer's affective commitment. An insignificant interaction between empathy \times justice sensitivity was found on affective commitment ($F = 1.94$, $P > .10$). In addition, the results from Table 4.9 indicate insignificant effects of empathy ($F=2.57$, $P>.10$, $\beta=0.17$) and justice sensitivity ($F=.11$, $P>.10$, $\beta=-0.04$) on affective commitment. Therefore, H3 is not supported.

Table 4.9

Analysis of Variance Results for Affective Commitment (Observer)

ANCOVA Results for Affective Commitment Observers	df	F	Significance of F	η_p^2	B
<i>Main effects</i>					
Retail Environment	1	.23	.63	.00	.27
Discount (\$200 vs \$5)	1	.96	.33	.01	.00
<i>Two-way interactions</i>					
Retail Environment \times Discount	1	.92	.34	.01	-.36
<i>Covariates</i>					
Empathy	1	2.57	.11	.03	.17
Justice Sensitivity	1	.11	.74	.00	-.04
Social Desirability	1	.14	.71	.00	.07
Justice Sensitivity \times Empathy	1	1.94	.17	.02	.12

Overall Model: [$F(11, 90) = 2.55$, $p < .001$]. $R^2 = .24$, Adjusted $R^2 = .14$

Similarly, the Retail Environment \times Discount interaction did not affect affective commitment ($F = .92$, $P > .10$). The interaction is displayed in Figure 4.3 Observers in the online store reported similar mean affective commitment scores for both discount conditions ($\bar{x}_{\text{online-high}}=4.58$, $\bar{x}_{\text{online-low}}=4.94$). In addition, observers in the brick and

mortar store reported equal mean affective commitment scores for both discount conditions ($\bar{x}_{\text{BnM-high}}=4.67$, $\bar{x}_{\text{BnM-low}}=4.67$).

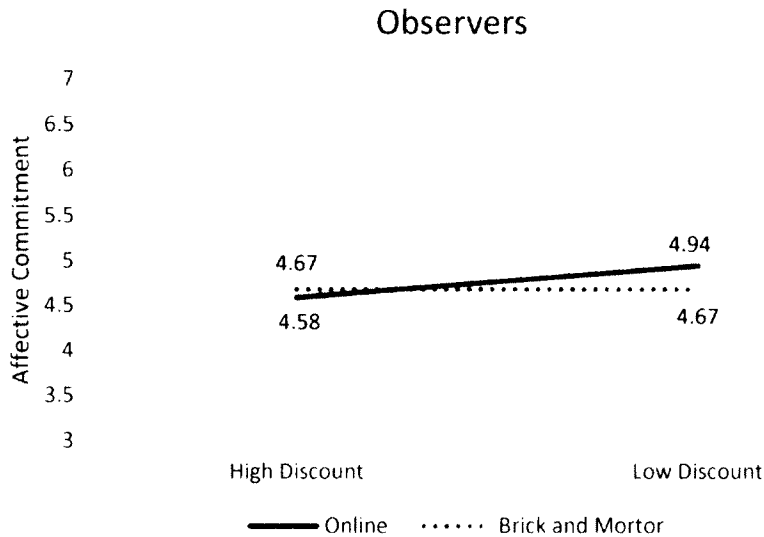


Figure 4.3 Retail Environment × Discount Interaction 2

Hypothesis 4

A full factorial, two (Discount: high vs. low) by two (Retail Environment: Online vs. Brick and Mortar) ANCOVA model was used to test the hypothesized relationships between guilt, justice sensitivity, affective commitment, and guilt × justice sensitivity as an interaction term in the perpetrator group. The ANCOVA predicts affective commitment using each treatment as a main effect, two interaction terms, and subjects' guilt, justice sensitivity, and social desirability as covariates. The overall univariate model F is insignificant [$F(7, 86) = .96, p > .10$].

An insignificant interaction between guilt × justice sensitivity was found on affective commitment ($F = .05, P > .10$). In addition, the results from Table 4.10 indicate

insignificant effects of guilt ($F=.09$, $P>.10$, $\beta=0.03$) and social desirability ($F=.00$, $P>.10$, $\beta=-0.12$) on affective commitment. Therefore, H3 is not supported.

Table 4.10

Analysis of Variance Results for Affective Commitment (Perpetrator)

ANCOVA Results for Affective Commitment Perpetrators	df	F	Significance of F	η_p^2	B
<i>Main effects</i>					
Retail Environment	1	.21	.64	.00	.14
Discount (\$200 vs \$5)	1	.07	.79	.00	.00
<i>Two-way interactions</i>					
Retail Environment × Discount	1	.08	.78	.00	.22
<i>Covariates</i>					
Guilt	1	.09	.77	.00	.03
Justice Sensitivity	1	3.76	.06	.00	.23
Social Desirability	1	.00	.95	.00	.12
Justice Sensitivity × Guilt	1	.05	.82	.00	.02

Overall Model: [F (7, 86) = .96 p<.10]. R2 = .07, Adjusted R2 = .00

Similarly, the Retail Environment × Discount interaction did not affect affective commitment ($F = .03$, $P > .10$). The interaction is displayed in Figure 4.4. Perpetrators in the online store reported similar mean affective commitment scores for both discount conditions ($\bar{x}_{\text{online-high}}=4.65$, $\bar{x}_{\text{online-low}}=4.76$). In addition, Perpetrators in the brick and mortar store reported equal mean affective commitment scores for both discount conditions ($\bar{x}_{\text{BnM-high}}=4.62$, $\bar{x}_{\text{BnM-low}}=4.62$).

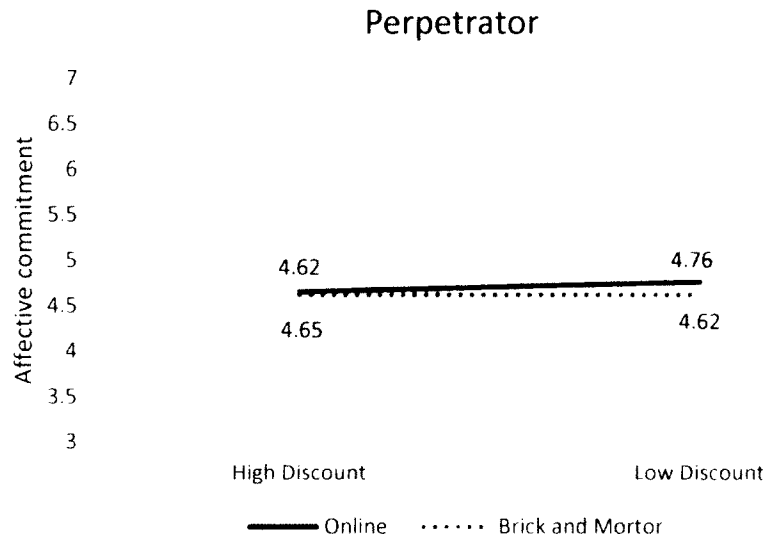


Figure 4.4 Retail Environment × Discount Interaction 3

Although not hypothesized, it was believed that many subjects would be more loyal to a store depending on how much money was saved by taking the discount (\$200 vs. \$5.00). After taking into account the subjects self-conscious emotions, he or she would be more likely to increase his or her affective commitment to the store. If a larger discount was taken, a greater increase in affective commitment will be seen. However, the ANCOVA did not indicate any such findings. An insignificant main effect of retail environment was found on affective commitment ($F = 0.07$, $P > 0.10$). Subjects in the high discount condition reported a mean affective commitment of 4.64 compared to 4.69 in the low discount condition.

Other Results

Empathy and Gender

The literature suggests that women are more empathetic in general than men (Brody and Hall 2000). To explore this phenomena, additional analyses is conducted in

the context of this dissertation to examine if empathetic concern differs for males and females in regards to the retail environment.

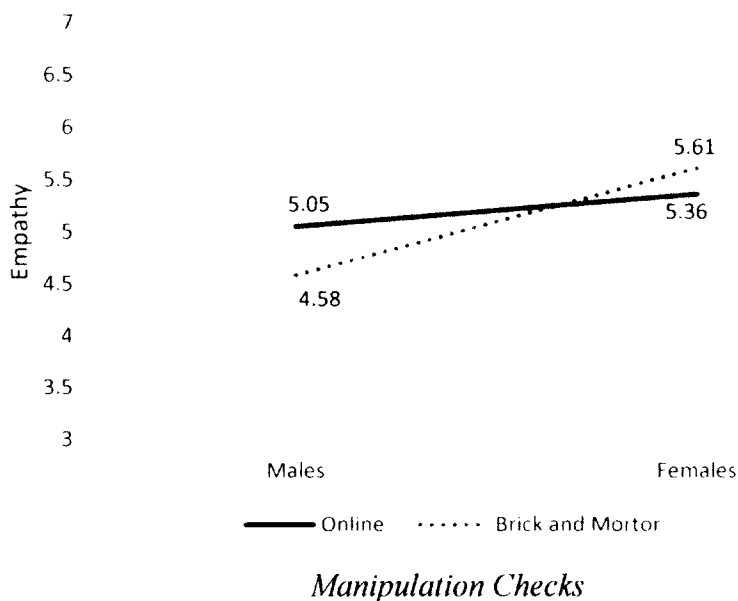
A full factorial, two (Retail Environment: Online vs. Brick and Mortar) by two (Gender: Male vs Female) ANCOVA model is used to test the relationship between empathy, gender, and retail environment. The ANCOVA predicts empathy using each treatment as a main effect, one interaction term, and social desirability as a covariate. The overall univariate model F is statistically significant [$F(4,184) = 6.55$ $p < .001$].

As Table 4.11 indicates, a significant main effect of gender is found on empathy ($F = 17.82$, $P < .001$). Males reported a mean empathy of 4.81 compared to 5.50 for females. However, an insignificant main effect of retail environment ($F=2.07$, $P>.10$, $\beta=0.22$) is found on empathy. Additionally, the results indicate insignificant effects of social desirability ($F=2.07$, $P>.10$, $\beta=0.22$) on empathy. In addition, the Gender \times Retail Environment interaction did influence empathy ($F = 4.84$, $P < .05$). The interaction is displayed in Figure 4.5. Although both males and females reported similar mean empathy scores for online stores ($\bar{x}_{\text{male-online}}=5.05$, $\bar{x}_{\text{female-BnM}}=5.36$), females were much more empathetic to the brick and mortar store than males ($\bar{x}_{\text{male-BnM}}=4.58$, $\bar{x}_{\text{female-BnM}}=5.61$).

Table 4.11

Analysis of Variance Results for Empathy and Word of Mouth (WOM)

ANCOVA Results for: Empathy Word of Mouth (WOM)						
	df	F	Significance of F	df	F	Significance of F
<i>Main effects</i>						
Gender	1	17.83	.00	-	-	-
Retail Environment	1	.49	.48	-	-	-
Discount (\$200 vs \$5)	-	-	-	1	.19	.67
Viewpoint	-	-	-	1	.14	.71
<i>Two-way interactions</i>						
Retail Environment × Gender	1	4.60	.03	-	-	-
Viewpoint × Discount	-	-	-	1	5.27	.02
<i>Covariates</i>						
Social Desirability	1	2.07	.15	-	-	-
Empathy	-	-	-	1	12.00	.00

*Figure 4.5 Gender × Retail Environment Interaction*

Word of Mouth (WOM)

Marketers have acknowledged the importance of Word of Mouth (WOM), emphasizing that it affects the majority of all purchase decisions (Brooks 1957; Dichter 1966). To explore this phenomena, additional analyses is conducted in the context of this dissertation to examine if WOM differs for perpetrators and observers in regards to the discount amount.

A full factorial, two (Discount: high vs. low) by two (Viewpoint: Observer vs Perpetrator) ANCOVA model is used to test the relationship between WOM, Viewpoint, and Discount. The ANCOVA predicts WOM using each treatment as a main effect, one interaction term, and empathy as a covariate. The overall univariate model F is statistically significant [$F(4,184) = 4.4$ $p < .05$].

An insignificant main effect of Discount is found on WOM. ($F = 0.19$, $P < .1$). Subjects in the low discount condition report a mean WOM of 5.33 compared to 5.26 in the high condition. In addition, an insignificant main effect of Viewpoint is found on WOM. ($F = 0.139$, $P < .1$). Observers reported a mean WOM of 5.31 compared 5.28 in the perpetrator condition. In addition, the results indicate significant effects of empathy ($F=12.00$, $P>.001$, $\beta=0.23$) on WOM.

The Discount \times Viewpoint interaction did influence empathy ($F = 5.27$, $P > .05$). The interaction is displayed in Figure 4.6. Perpetrators reported a higher mean WOM in the high condition ($\bar{x}_{\text{perpetrator-high}}=5.40$) compared to the low condition ($\bar{x}_{\text{perpetrator-low}}=5.11$). Observers reported a lower mean WOM in the high condition ($\bar{x}_{\text{observer-high}}=5.11$) compared to the low condition ($\bar{x}_{\text{observer-low}}=5.52$). These

results may suggest that perpetrators are more willing to inform friends and family of an opportunity to save money illegitimately in the high condition compared to the low condition.

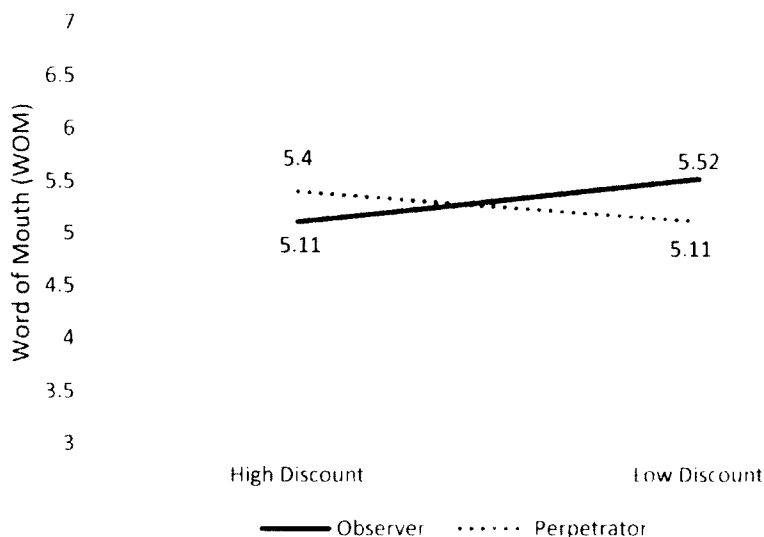


Figure 4.6 Discount × Viewpoint Interaction

Summary of Findings

- Finding 1: No social consensus regarding claiming unentitled discounts for both amounts are equal.
- Finding 2: Lack of support for H1, which argues that when social consensus regarding the moral issue is high, moral identity will negatively influence freeloading intention. The results indicate insignificant effects of moral identity on freeloading intention
- Finding 3: Lack of support for H2, which argues that when social consensus regarding the moral issue is low, moral identity will moderate the relationship between moral judgment and freeloading intention.

Significant effects of moral judgement on intention (positive), but no moderating relationship between moral judgment and freeloading intention.

- Finding 4: Lack of support for H3, which argues that an observer's justice sensitive will moderate the relationship between empathy and the observer's affective commitment.
- Finding 5: Lack of support for H4, which argues that a perpetrator's justice sensitivity will moderate the relationship between guilt and the perpetrator's affective commitment.
- Finding 6: Reported means of freeloading intention was higher for brick and mortar stores than online stores.
- Finding 7: Females reported higher empathy means than males.
- Finding 8: Females are more empathetic towards brick and mortar stores than online stores.
- Finding 9: Perpetrators word of mouth (WOM) mean scores are higher in the high discount condition than the low discount condition. This may suggest that perpetrators are more willing to inform friends and family of an opportunity to save money illegitimately in the high condition compared to the low condition.

CHAPTER FIVE

DISCUSSION OF FINDINGS, LIMITATIONS, AND FUTURE RESEARCH

Discussion

This research examines the effects of moral identity and moral judgement on consumer freeloading behaviors and, consequently, the effect of these behaviors on affective commitment. Consumer freeloading results when a consumer manipulates and takes advantage of a system or transaction procedures in a way that allows him or her to obtain goods and services from a value proposition with no or reduced monetary costs (Reynolds and Harris 2005). Such freeloading behavior may also be seen by differing viewpoints. As discussed in the introduction, it may be that price and/or quality are not the sole drivers of affective commitment, but rather perceived injustice enacted unto the business that may trigger altruistic traits leading to increased affective commitment by both the perpetrator and the observer.

The empirical results suggest that moral judgment, determining what is morally right and morally wrong, does have a significant positive effect on freeloading intention, but no material support was found for moral identity as an antecedent of freeloading intention. The lack of strong support for hypotheses (1 and 2) may be due to an absence of a social consensus among college students regarding the perceived morality of

claiming unentitled discounts. Unlike Reynolds and Ceranic's (2007), who consider two distinct moral behaviors, the present study examines one moral behavior but manipulates the size of the discount. Therefore, it is possible that college students perceive taking advantage of the unentitled discounts as a normal activity, regardless of how much is being saved, as implied by the similar means of freeloading intention for both discount amounts. Perhaps college students are so conditioned to take advantage of discounts to the extent that ignoring such discounts is viewed as an anti-social norm. Furthermore, this study uses self-report data, although ethics studies (e.g., Ones, Viswesvaran, and Schmidt 1993) discourage such a practice when measuring misbehavior due to social desirability bias. However, the opposite effect is encountered with freeloading intentions as indicated by the estimates of high means. Again, it appears that claiming unentitled discounts is considered socially desirable by college students. Indeed, some students may boast and brag among their peers about how they took advantage of a particular store. Consequently, college students that refuse to take such discounts would actually be behaving out of the norm.

Several reasons may exist on why college students justify taking unentitled discounts. According to a study by the advocacy group Young Invincible (2016), per student state spending decreased on average by more than 20% between 2008 and 2015. In addition, recent research by the Center on Budget and Policy Priorities (2015) concludes that many public universities have increased tuition by 28% or more since 2008 to compensate for the loss of state funding associated with the stagnant economy. Consequently, many state universities have downsized administrative and faculty positions, increased class size, and even eliminated programs and departments altogether.

Thus, college students may believe that they *deserve* such unentitled discounts in response to low state funding to education and rising tuition.

The lack of support for H3 and H4 disconfirms the possible relationship between self-conscious emotions and affective commitment within the freeloading context. In retrospect, a behavioral loyalty construct may have been more appropriate when measuring the relationship between loyalty and self-conscious emotions rather than an attitudinal loyalty construct. Emotions impact post-purchase behaviors such as repeat visits, repurchase intentions, and recommendations (Westbrook 1987; Allen et al. 1992; Laverie, Kleine, and Kleine 1993; Mano and Oliver 1993), all of which are behavioral outcomes of loyalty. On the other hand, an attitudinal loyalty construct can be conceptualized as the attitudinal dispositions that one has towards a service provider (Dick and Basu 1994). Attitudinal loyalty has been found to influence post-purchase behaviors such as strong preference to the service provider (Mitra and Lynch 1995); instill a feeling of affiliation with the product, service, or organization (Fournier 1998); and/or promote altruistic behavior which includes helping the service provider or other customers for better service delivery (Price et al. 1995). This study used an attitudinal loyalty construct because I believe that the relative attitude, which is an emotionally based assessment of the brand, would correlate more with self-conscious emotions. It turns out that this was not the case.

Consistent with prior research (Brody and Hall 2000), females are more empathetic than males. In addition, females are more empathetic towards brick and mortar stores than online stores ($\bar{x}_{\text{male-BnM}}=4.58$, $\bar{x}_{\text{female-BnM}}=5.61$). Intuitively, this makes sense because of the human element that is present in a brick and mortar store. A

consumer is more inclined to feel empathetic towards a human being compared to an online website. The majority of websites have a 'live chat' feature that aims to help consumers with any questions they may have about a particular product. However, these 'live chat' sessions are absent of physical interaction between the consumer and the online store. One possible solution online stores may implement to increase empathetic concern is to input interactive faces throughout the website to provide online shoppers a sense of human interaction.

Interestingly, the reported means of freeloading intention was higher for brick and mortar stores than for online stores (Table 4.6, $\bar{x}_{\text{BnM}}=5.23$, $\bar{x}_{\text{online}}=4.92$). The concept of public versus private morality was thought to have influenced freeloading intention and the retail environment. A consumer would be more inclined to take advantage of an online store compared to a brick and mortar store. Additionally, online "anonymity" should protect one from social criticism. However, results of this study support the opposite effect. At least in part, online trust may explain this reverse effect. Headlines such as hacking, fraud, online scams, and online identity theft have raised concerns among online shoppers. According to the NCC Group (2016), an information assurance firm, roughly 67% of online shoppers are concerned about getting their online personal and financial information stolen – and they think companies are not doing their best to alleviate their fears. Hence, online shoppers would feel very skeptical about the discounts and become less inclined to accept them.

The finding that the mean scores of the perpetrators' word of mouth (WOM) are higher in the high discount condition compared to the low discount condition is also intriguing ($\bar{x}_{\text{high discount}}=5.40$, $\bar{x}_{\text{low discount}}=5.11$). These results may suggest that the

perpetrators are more willing to inform friends and family of an opportunity to save some money illegitimately in the high condition compared to the low condition. Although positive WOM was measured, the outcome of the WOM would relate negatively towards the store. This in turn will lure potential freeloaders to the store and translate into loss of profits. To avoid this type of WOM, managers may be advised to design systems, structures, and priorities aimed at reducing consumer misbehavior (Reynolds and Harris 2009).

Limitations and Future Research

Like other empirical inquiries, this study has several limitations. First, the experimental design involved claiming unentitled discounts. As discussed previously, many types of freeloading behaviors exist. Therefore, these results may not be replicated in a different freeloading context involving a more serious freeloading behavior (i.e., stealing). An interesting avenue of future research could be to examine the evidence for different types of freeloading behaviors.

Second, intention was measured rather than actual behavior. Therefore, freeloading intention may not accurately predict future freeloading behavior. Bagozzi and Dholakia (2002) suggest that intentions and actual behaviors may not overlap due to changes in true intentions overtime. Consequently, it appears fruitful to consider measuring actual freeloading behavior within the model to confirm if freeloading intentions correlate with freeloading behavior.

Third, the sample consisted of only college students. Although this particular study was appropriate because the majority of students are familiar with student discounts and businesses in college towns commonly employ student discounts as a standard

promotional tactic, contextual variables such as income, social environment, and culture were largely ignored. Cross-cultural differences could also affect the perception of morality on specific misbehaviors. For example, 1.3 billion of counterfeit goods seized in the U.S. by the Department of Homeland Security during 2012 (amounting to 84% of the total seized counterfeit goods) were from China (Global Intellectual Property Center 2013). In addition, China has the world's second highest software piracy rate (Business Software Alliance 2010). Therefore, certain freeloading behaviors may be viewed as socially acceptable among different types of cultural backgrounds. To ensure generalizable results, future research may need to collect data that spans not only different college students but also diverse cultures and societies.

Fourth, the study focuses on two self-conscious emotions; namely, guilt and empathy. A number of other human emotions, such as shame, embarrassment, and anger, may lead to different types of behaviors. In particular, anger (a basic human emotion) towards a perpetrator may lead an observer to confront the misbehaving perpetrator. Anger becomes hostility or aggression when it is directed toward someone who has threatened an individual's identity and made him or her feel insecure (Bushman and Baumeister 1998). Such hostility or aggression within a retail setting may be translated into confronting the perpetrator or informing proper authorities. Therefore, investigating many facets of human emotions that may play a role in different types of behaviors is a promising line of future research.

Fifth, the study used a scenario approach to demonstrate the freeloading behavior committed on the store. Although consumers can create visual, realistic images from verbal stimuli (MacInnis and Price 1987), it may prove difficult for subjects to visualize

both the freeloading behavior as well as the store given the different viewpoints and retail environments examined in the study. Future researchers could consider creating computer-generated virtual stores in an effort to test the robustness of the results. Such an experiment would expose subjects to differing viewpoints (e.g., first person or third person) as well as to physical store surroundings.

Sixth, the high discount condition which involved a television and the low discount condition which involved household goods may have introduced a potential confound in the experiment. Future researchers should design an experiment where subjects in both discount conditions experience the same product. For example, a scenario involving a store that offers a percentage discount on all purchases and vary the percentage discount, or using the same product but at two different price points. Personal computers and cellphones are examples of product categories that vary greatly in price points.

Consumer entitlement may also play a role in the perceived ethicality of many freeloading behaviors, including college student's perceived morality of taking unentitled discounts. Boyd and Helms (2005) state that consumer entitlement is the extent to which consumers perceive himself or herself to be a special customer of the firm and expects special treatment in a retail environment. This special treatment leads consumers to believe that they deserve a special outcome irrelevant of their effort in participation (Finney & Finney, 2010). Entitlement may also be considered as passive opportunism, which Ertimur and Venkatesh (2010) state may "manifest itself when the consumer does not expend the necessary information and effort in participation in the creation of the core

offering”. Therefore, future researchers should take into account the role of consumer entitlement and its effect on the perceived ethicality of freeloading behaviors.

Lastly, businesses may also differ in their tolerance of freeloading behaviors. Some businesses may turn a blind eye towards certain freeloading behaviors because of their initial thoughts of minor profit losses. For example, fare evasion, where a traveler intentionally does not purchase the required ticket to travel, is rampant throughout major metropolitan cities. In fact, Kevin Ortiz, a Metropolitan Transportation Authority (MTA) spokesman, reported that fare evasion costs the MTA in New York City alone up to \$100 million every year (NY Daily News 2013). Due to the tolerance of transportation authorities to fare evasion, it appears that it has become socially acceptable behavior among many travelers. Future research could examine different types of freeloading behaviors and their implications which could alert organizations to such dangerous misbehaviors and help minimize its social acceptance among consumers.

Contributions

Theoretical Contributions

This dissertation aims at filling several gaps in the relevant literature. Research within the marketing ethics literature primarily examines the characteristics and consequences of a consumer's unethical behavior. Not to ignore the significance of examining the aspects of consumer unethical behavior, but it seems important to explore the observer's point of view within the marketing ethics literature. With every unethical act committed by a perpetrator unto a business, there may be several (or potentially

millions in an online environment!) observers to the incident. Although the proposed model was not supported, the dissertation did shed light on the varying viewpoints during an ethical scenario.

Also, the conceptualization of consumer freeloading may prove useful in understanding the large domain of consumer ethics. Consumer freeloading results when a consumer manipulates and takes advantage of a system or market procedures in a way that allows him or her to obtain goods and services from a value proposition with no or reduced costs (Reynolds and Harris 2005). Thus, the freeloading consumer works the value equation in his/her favor at the expense of the marketer and/or other consumers. The conceptualization of consumer freeloading may be thought of as being on a continuum, where the perceived morality of the behavior is questionable.

This research also has implications for the conceptualization of the moral decision-making process. A plethora of moral decision making models exist with different key variables that attempt to explain moral behavior, such as moral identity (Aquino and Reed 2002; Lapsley 1996, Lapsley 1998; Lapsley and Lasky 2001a; Lapsley and Narvaez 2004), moral intensity (Singhapakdi et al. 1996; Barnett; 2001; Frey 2001), and moral judgment (Kohlberg 1984). However, many of the findings do not point to a conclusive decision on what motivates moral action. Thus, the findings of this dissertation may suggest that a re-evaluation of ethical decision making models and the assumptions therein is warranted.

In addition, loyalty, a major outcome variable within the marketing discipline, is sparsely discussed in the marketing ethics literature. This possible link between relationship outcomes and observed consumer unethical behavior, specifically

freeloading, is currently unclear. It is of utmost importance to understand fully what drives a consumer to be loyal to a business. It may be that price and/or quality are not the sole drivers of consumer loyalty, but rather perceived injustice enacted onto the business may trigger altruistic traits leading to increased consumer loyalty. Although affective commitment, an attitudinal loyalty variable, was not supported in the model, other behavioral loyalty variables may be supported.

Managerial Implications

Given the pervasiveness of consumer unethical practice in the marketplace, this research presents valuable insight for managers and policymakers tasked with mitigating such behaviors. As discussed previously, retail theft in the U.S. has been estimated to cost businesses about \$45 billion in 2014 alone (Business Insider 2014). Research in consumer ethics contributes to a better understanding of why consumers carry out unethical behavior (Vitell and Paolillo 2003). By doing so, managers can reduce consumer misbehavior in the marketplace and avoid significant losses (Rawwas and Singhapakdi 1998). Such insight into the dynamics of unethical consumer behavior enables managers to design systems, structures, and priorities calculated to reduce misbehavior (Reynolds and Harris 2009). In terms of practice, this research provides managers with insights on how to improve moral behavior among consumers.

Societal Implications

Freeloading behavior has unfortunately become widespread among consumers, affecting many different sectors. The more widespread freeloading becomes, the more acceptable it becomes among consumers. For example, Cohen and Cornwell (1989) found that software piracy is viewed as an acceptable and normative behavior among

young people. Therefore, there is not a strong social consensus that digital piracy is unethical. This has led to a freeloading epidemic that has immensely affected the entertainment industry. This negative consumer contagion can lead to higher prices for legitimate consumers that want to buy the product ethically and legally (Khouja et al. 2009). Therefore, managers and policymakers tasked with mitigating such dysfunctional consumer behaviors may help drive the overall price of goods for legitimate consumers.

Future Research Stream

Figure 5.1 outlines future research avenues and potential target journals, and although it does not cover all potential future research avenues; it aims to provide future researchers some guidance concerning different freeloading behaviors, self-conscious emotions, basic emotions, diverse consumer environments, and varying viewpoints regarding different ethical scenarios.

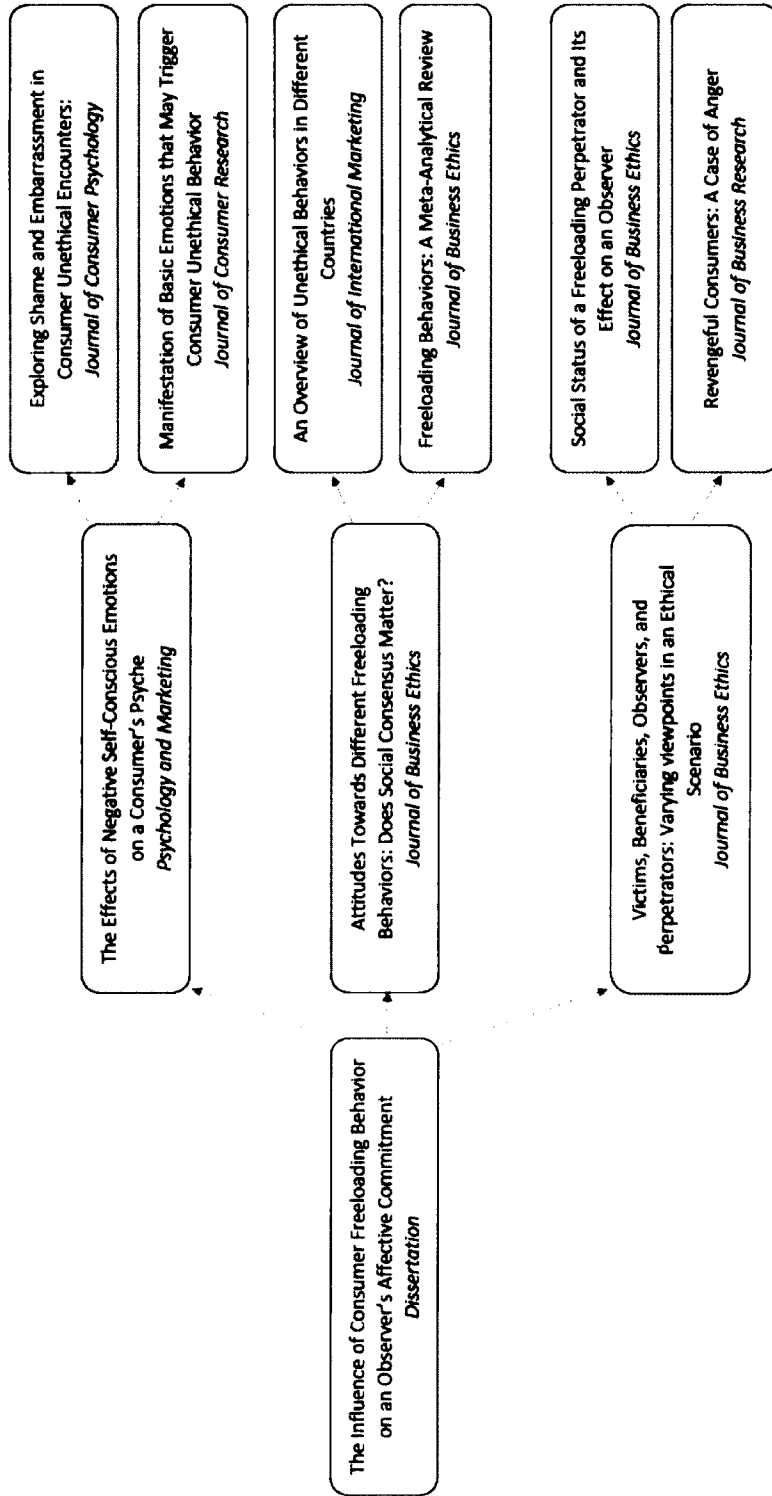


Figure 5.1 Future Research Stream

APPENDIX A

MEASUREMENTS

Affective Commitment

(De Wulf 2001)

[1= total disagreement, 7= total agreement]

1. This store gives me a feeling of trust
2. As a customer, I have a high quality relationship with this store.
3. I like the efforts this store is making to keep me committed.
4. I am happy with the relationship efforts this store is making to a customer like me.
5. I have trust in this store.
6. I am satisfied with the relationship I have with this store.
7. This store really cares about me.
8. This is my favorite store.
9. I am willing to "go the extra mile" to remain a customer of this store.

Freeloading Intention

*(Ajzen 1985 *Adapted)*

[1= total disagreement, 7= total agreement]

1. Please indicate how likely you would be to claim the discount
2. How likely would you be to actually act just as described in the scenario?
3. How likely would you be to actually act just as described in the scenario five years ago?

Justice Sensitivity

(Schmitt et al. 2005)

[1= total disagreement, 7= total agreement]

Observer

1. It bothers me when someone gets something they don't deserve
2. I am upset when someone does not get a reward he/she has earned
3. I cannot easily bear it when someone unilaterally profits from others
4. It takes me a long time to forget when someone else has to fix others' carelessness
5. It disturbs me when someone receives fewer opportunities to develop his/her skills than others
6. I am upset when someone is undeservingly worse off than others
7. It worries me when someone has to work hard for things that come easily to others
8. I ruminate for a long time when someone is treated nicer than others for no reason
9. It gets me down to see someone criticized for things that are overlooked with others
10. I am upset when someone is treated worse than others

Perpetrator

1. It gets me down when I take something from someone else that I don't deserve
2. I have a bad conscience when I deny someone the acknowledgment he or she deserves
3. I cannot stand the feeling of exploiting someone
4. It takes me a long time to forget when I allow myself to be careless at the expense of someone else
5. It disturbs me when I take away from someone else the possibility of developing his or her potential
6. I feel guilty when I enrich myself at the cost of others
7. It bothers me when I use tricks to achieve something while others have to struggle for it
8. I ruminate for a long time when I treat someone less friendly than others without a reason
9. I have a bad conscience when I criticize someone for things I tolerate in others
10. I feel guilty when I treat someone worse than other

Moral Identity

(Aquino and Reed 2002)

[1= total disagreement, 7= total agreement]

Identity invoking stimuli

Listed below are some characteristics that may describe a person.

1. Caring
2. Compassionate
3. Fair
4. Friendly
5. Generous
6. Helpful
7. Hardworking
8. Honest
9. Kind

The person with these characteristics could be you or it could be someone else. For a moment, visualize in your mind the kind of person who has these characteristics. Imagine how that person would think, feel, and act. When you have a clear image of what this person would be like, answer the following questions:

Internalization

1. It would make me feel good to be a person who has these characteristics.
2. Being someone who has these characteristics is an important part of who I am.
3. A big part of my emotional well-being is tied up in having these characteristics.
4. I would be ashamed to be a person who has these characteristics. (R)
5. Having these characteristics is not really important to me. (R)
6. Having these characteristics is an important part of my sense of self.
7. I strongly desire to have these characteristics.

Symbolization

8. I often buy products that communicate the fact that I have these characteristics.
9. I often wear clothes that identify me as having these characteristics.
10. The types of things I do in my spare time (e.g., hobbies) clearly identify me as having these characteristics.
11. The kinds of books and magazines that I read identify me as having these characteristics.
12. The fact that I have these characteristics is communicated to others by my membership in certain organizations.
13. I am actively involved in activities that communicate to others that I have these characteristics.

Moral Judgment

(Reidenbach et al. 1991)

[1= not important to me, 7= very important to me]

1. Morally Wrong, Morally Right
2. Unfair, Fair
3. Morally Unjust, Morally Just
4. Unacceptable in My Family, Acceptable in my Family
5. Illegal, Legal
6. Violates a Contract, Does not Violate a Contract
7. Socially Unacceptable, Socially Acceptable
8. Traditionally Unacceptable, Traditionally Acceptable

Social Consensus

(Jones 1991)

[1= there is a great deal of disagreement, 7= there is a great deal of agreement]

1. In your opinion, to what extent do your peers agree that the following behaviors are morally good things to do?

Guilt

(Gelbrich 2011)

[1= total disagreement, 7= total agreement]

1. I feel guilty
2. I am remorseful
3. I am blameworthy

Empathy

(Davis 1980)

[1= total disagreement, 7= total agreement]

1. I believe that there are two sides to every question and try to look at them both.
2. I sometimes find it easy to see things from the “other person’s” point of view.
3. I try to look at everybody’s side of a disagreement before I make a decision.
4. When I’m upset at someone, I usually try to “put myself in his or her shoes” for a while.
5. I often have tender, concerned feelings for people less fortunate than me.
6. I would describe myself as a pretty soft-hearted person.
7. Other people’s misfortunes usually disturb me a great deal.
8. I am often quite touched by things that I see happen

Anger

(Gelbrich 2011)

[1= total disagreement, 7= total agreement]

1. I am furious.
2. I am outraged.
3. I feel indignant.

Shame

(Alison et al. 2011)

[1= total disagreement, 7= total agreement]

1. ashamed
2. embarrassed
3. insecure
4. vulnerable
5. guilty

Word-of-Mouth Intention

(Brüggen, Foubert, and Gremler 2011)

[1= total disagreement, 7= total agreement]

1. I am likely to say positive things about this store to other people.
2. I am likely to recommend this store to a friend or colleague.
3. I am likely to say positive things about this store in general to other people.
4. I am likely to encourage friends and relatives to shop at this store

Balanced Inventory of Desirable Responding (BIDR)

(Paulhus 1988)

[1= total disagreement, 7= total agreement] (*=negatively worded items)

1. My first impressions of people usually turn out to be right.
- *2. It would be hard for me to break any of my bad habits.
3. I don't care to know what other people really think of me.
- *4. I have not always been honest with myself.
5. I always know why I like things.
- *6. When my emotions are aroused, it biases my thinking.
7. Once I've made up my mind, other people can seldom change my opinion.
- *8. I am not a safe driver when I exceed the speed limit.
9. I am fully in control of my own fate.
- *10. It's hard for me to shut off a disturbing thought.
11. I never regret my decisions.
- *12. I sometimes lose out on things because I can't make up my mind soon enough.
13. The reason I vote is because my vote can make a difference.
- *14. My parents were not always fair when they punished me.
15. I am a completely rational person.
- *16. I rarely appreciate criticism.
17. I am very confident of my judgements.
- *18. I have sometimes doubted my ability as a lover.
19. It's all right with me if some people happen to dislike me.
- *20. I don't always know the reasons why I do the things I do.
- *21. I sometimes tell lies if I have to.
22. I never cover up my mistakes.
- *23. There have been occasions when I have taken advantage of someone.
24. I never swear.
- *25. I sometimes try to get even rather than forgive and forget.
26. I always obey laws, even if I'm unlikely to get caught.
- *27. I have said something bad about a friend behind his or her back.
28. When I hear people talking privately, I avoid listening.
- *29. I have received too much change from a salesperson without tell him or her.
30. I always declare everything at customs.
- *31. When I was young I sometimes stole things.
32. I have never dropped litter on the street.
- *33. I sometimes drive faster than the speed limit.
34. I never read sexy books or magazines.
- *35. I have done things that I don't tell other people about.
36. I never take things that don't belong to me.
- *37. I have taken sick-leave from work or school even though I wasn't really sick.
38. I have never damaged a library book or store merchandise without reporting it.
- *39. I have some pretty awful habits.
40. I don't gossip about other people's business.

APPENDIX B

HUMAN USE APPROVAL LETTER



LOUISIANA TECH
UNIVERSITY

MEMORANDUM

OFFICE OF UNIVERSITY RESEARCH

TO: Dr. Barry Babin and Mr. Mohamad Darrat *Stan Napper*
 FROM: Dr. Stan Napper, Vice President Research & Development
 SUBJECT: HUMAN USE COMMITTEE REVIEW
 DATE: February 16, 2016

In order to facilitate your project, an EXPEDITED REVIEW has been done for your proposed study entitled:

**"The Influence of Consumer Unethical Behavior on
Observer's Customer Loyalty"**

HUC 1397

The proposed study's revised procedures were found to provide reasonable and adequate safeguards against possible risks involving human subjects. The information to be collected may be personal in nature or implication. Therefore, diligent care needs to be taken to protect the privacy of the participants and to assure that the data are kept confidential. Informed consent is a critical part of the research process. The subjects must be informed that their participation is voluntary. It is important that consent materials be presented in a language understandable to every participant. If you have participants in your study whose first language is not English, be sure that informed consent materials are adequately explained or translated. Since your reviewed project appears to do no damage to the participants, the Human Use Committee grants approval of the involvement of human subjects as outlined.

Projects should be renewed annually. *This approval was finalized on February 16, 2016 and this project will need to receive a continuation review by the IRB if the project, including data analysis, continues beyond February 16, 2017.* Any discrepancies in procedure or changes that have been made including approved changes should be noted in the review application. Projects involving NIH funds require annual education training to be documented. For more information regarding this, contact the Office of University Research.

You are requested to maintain written records of your procedures, data collected, and subjects involved. These records will need to be available upon request during the conduct of the study and retained by the university for three years after the conclusion of the study. If changes occur in recruiting of subjects, informed consent process or in your research protocol, or if unanticipated problems should arise it is the Researchers responsibility to notify the Office of Research or IRB in writing. The project should be discontinued until modifications can be reviewed and approved.

If you have any questions, please contact Dr. Dr. Mary Livingston at 257-2292 or 257-5066.

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