CHAPTER THREE

LITERATURE REVIEW

3.1 INTRODUCTION

This chapter presents the literature background in the current study. The chapter consists of three parts. The first part starts by presenting a brief review of business ethics and the ethical issues in marketing. This part also discusses the issues of the ethical branding both general and from an industrial buyers' perspective. In addition, this part discusses the ethical brand effects on industrial buyers' responses (e.g. reputation and brand loyalty) as one of the main aims of this study is to deepen the understanding of industrial buyers' responses. The explanation of branding related to business-to-business is provided in part two. Brief summaries of the main theoretical and practical issues reviewed in the earlier two parts are presented in part three.

PART I

BUSINESS ETHICS AND ETHICAL CONSIDERATIONS IN MARKETING

3.2 BUSINESS ETHICS

Today, business ethics request many fields of knowledge. According to Sison (2000), the field of business ethics' requires not only knowledge of economics but also near-expert knowledge of law, business, management, information and environmental technologies, apart from psychology, sociology and cultural anthropology.

In the most basic terms, a definition of business ethics clarifies the difference between right and wrong and the choice to do the right thing (Weiss, 2002). Thus, business ethics can be applied to describe the organization's behaviour as a whole or even the individual behaviour within a company. This section will examine the definition of business ethics as a foundation for ethical decision making in an organization.

According to Weiss (2002), business ethics has been defined as the study of how to apply moral norms to the business activities, not as a separate ethical standard, but rather how the business solves its problems morally and who becomes an agent of this system.

The above view point is contradictory to the free-market theory proposed by Adam Smith. Smith's view, which states that the main business objective is to gain profit, is not relevant anymore. This viewpoint supposes that an equal balance is a free choice in trading between the company and the customers. Businesses provide what customers want and need, and customers buy. Customers are free to select the product and service. Based on this view, they are protected and regulated by Adam Smith's "invisible hand" (Weiss, 2002). Thus, this viewpoint is contradictory to an ethical perspective.

This is consistent with Szwajkowski (1997) who argued that Adam Smith's "invisible hand" view does not contribute towards stakeholders. This view of Smith's is only profit oriented and is not stakeholder oriented. The current perspective is that being stakeholder oriented is very necessary in the marketplace. The idea behind this perspective is that a company should be aware of not only the profit oriented perspective of the owner, but also the needs and interests of multiple stakeholders. Furthermore, Szwajkowski (1997) explains that stakeholder oriented is a requirement to help society in business activity with moral standard to express fair competitiveness, relevant information are provided to everyone; and a suitable price. So, the view of the "invisible hand" is not relevant to customers who want protection against questionable poor products/brand that are released to the industrial buyers. Hence, stakeholder oriented is a more useful approach in identifying moral and legal issues surrounding product safety. Therefore, considering wider stakeholders with ethical business practices is essential to enhance company reputation as mentioned by Szwajkowski (1997).

Furthermore, Weiss (2002) points out that business ethics deal with what is right to things to do in decisions making, behaviour, and procedures. Ethics and the guiding principle provided by business ethics help managers or individuals in making a decision to stabilize economic and social responsibilities. In addition, Weiss (2002) explained that there are three reasons why ethics are necessary in business – laws are not enough and do not cover every aspects of business activities; it is not effective to inform owners and managers about complex crises having far-reaching ethical consequences in a free-market; complex ethical standard require a consideration and concern for fairness, justice, and due process for people, groups, and society. In other words, ethical reasoning helps people sort through conflicting ideas and information to solve moral dilemmas when a company faces ethical dilemmas. It is essential to consider the output of the decision-making that has been made.

Based on the business ethics perspective, conducting business ethically focuses on the stakeholders' perspective as a whole. Organizations employing business ethics based on a stakeholders orientation need to consider how each decision affects multiple groups, both inside and outside of the organizations. The effect of ethical decision making based on stakeholders' consideration may affect company reputation due to its ethical business practices. Thus, incorporating ethical standards into business practices is necessary to nurture business practitioners' realization of the important roles of ethics and responsibility toward stakeholder as determinants of business success. For example, the topic of ethics and responsibility toward stakeholders is incorporated into the marketing programmes as well as other functions of an organization. The main objective of this is to make organizations realize that responsibility toward stakeholders have a positive effect on the performance of their marketing activities. The current study tries to relate ethical issues in marketing (i.e., the ethical brand) and to determine its effect on industrial buyers' responses. This will be explained briefly in section 3.4.

The next section will explain ethical issues in marketing in order to describe the significant of matter of ethics in marketing.

3.3 ETHICAL ISSUES IN MARKETING

Marketing ethics is defined as the area of marketing study and thought concerned with defining norms for judgments about the moral consequences of marketing action (Kaynack et al., 1991). There have been some articles and researches conducted on ethical issues of marketing (Sparks & Hunt, 1998; Singhapakdi et al., 1999; Chonko & Hunt, 2000; and Whysall, 2000). Sparks and Hunt (1998) acknowledge that ethical sensitivity reflects both the ethical content of a decision and the importance of the ethical issue. Even though ethical sensitivity does not exactly reflect ethical behaviour, it might reflect organizational or professional norms as a specific context. Thus, marketing ethics is concerned with standards for decision-making and right conduct of marketing activities. Furthermore, Sparks and Hunt (1998) suggest that all ideas of ethics and norms within marketing are worthy of further research. For example, the idea to incorporate the social and environmental responsibilities as an expression of the ethical issues of branding may probably be worthy to the current study. Therefore, the current study forwards this direction as the basis of research.

The above point of view is consistent with Chonko and Hunt (2000) who argue that ethical issues in marketing, such as issues of fairness, honesty, pricing strategy, product strategy, and personal decisions are the most frequent ethical problems faced by marketers; therefore, marketing ethics has become popular as a text for publications on ethical guidance in the last decade as mentioned by Whysall (2000).

Based on these perspectives, ethics with economic, social and environmental responsibility become important issues and have an impact on the performance of marketing activities. This is because ethical opinions are not only judged by customers but also by stakeholders as a whole, and these judgments will likely influence customers' responses to a company's products/brands. Therefore, a company needs to incorporate ethical standards concerning the buyer, society and the environment into its marketing practices to ensure consistency with the emerging relationship paradigm in marketing, as Singhapakdi et al. (1999) point out. Product/brand with economically, environmentally and socially responsible practices may bring about positive outcomes regarding customers' responses on the credibility of the company (Logsdon & Wood, 2002). Thus, ethical practice in marketing will be perceived as important, more likely to occur and actually consider not only the benefit for users (economic responsibility), but also to ensure that there is no negative effect on society (social responsibility) nor damage to the environment (environment responsibility).

Based on the above viewpoint, economic, social and environmental responsibilities are the current ethical issues in marketing and the emerging paradigm. This is consistent with Korhonen (2003), who suggests that sustainable development of business can be achieved as an improvement in a company's performance with all three issues – economic, social and environmental – being present in marketing practices. Even in a Malaysian setting, according to Sumiani et al. (2006), the social and environmental issues are of concern to visualize environmental accounting and to report as an instrumental economic tool.

In summary, the application of ethical considerations in marketing becomes more essential to convey responsibility to the wider stakeholders. The responsibility that leads to ethical marketing practices covers three aspects that could be apparent in branding i.e. economic responsibility, social responsibility and environmental responsibility. The next section will define the ethical brand in more detail.

3.4 THE ETHICAL BRAND DEFINITION

An ethical brand is a brand that as a moral actor considers economic, social, and environmental responsibilities and has integrity, honesty, accountability and commitment to do the right thing and create added value for the firm, customers and its stakeholders (Fan, 2005). According to Fan (2005), ethics is based upon moral rule or principles of behaviour in making decisions in reference to what is right and wrong. Thus, there are ethical problems in branding where ethical brands are seen as a part of the moral standard in marketing. These ethical issues relate to moral principles based upon doing right action in branding decision as Fan (2005) justifies. As branding expresses the ethical issues regarding moral principles, an ethical perspective can be articulated in terms of responsibility (Erlende and Tavis, 1998)

Responsibility is seen as a key notion of contemporary moral sensitivity that expresses the ethical dimension of human action as explained in a balanced concept of the firm by Erlende and Tavis (1998) in which the firm is perceived as a moral actor. According to these authors, a balanced concept of a firm consists of various important aspects concerning economic, social and environmental responsibilities.

Furthermore, Fan (2005) argues that as a human activity, branding could be interpreted from an ethical standard. Thus, the ethical brand could be an actor entailing moral responsibility. As a moral actor, therefore, brand is understood to act in a manner that reflects moral standard as an expression of personal responsibility that relates to a person as a moral actor. As a moral actor, according to Fan (2005), brand should be evaluated not only according to economics, but on how it contributes to community development, and avoids harming public good and the environment. In other words, brand should consider economic, social, and environmental responsibilities to express moral behaviour by doing the right thing, and have integrity, honesty and accountability, as justified by Fan (2005).

The expression above is similar with Stahl (2005) who advised that

> *'Responsibility is seen as a normative concept formulated by moral statements that deal with risk and uncertainty. If a company expands its operations with a new line of production today it should not only be evaluated by a traditional cost-benefit analysis but also include an environmental assessment. Companies need to consider the legal situation, security regulations and talk to unions, NGOs, neighbouring states etc. All of these aspects have moral relevance and all of them are difficult to capture with traditional moral norms and ethical theories. The ethical company of the future must be able to deal with an ever faster changing environment' (*Stahl, 2005, p.118).

Regarding the above point of view, brand models (such as the one developed by Cretu and Brodie, 2005) may not be relevant due to a lack of consideration (missing element) of its wider stakeholders. The next section will illustrate in detail the missing element in previous brand models.

3.4.1 The Missing Element in Previous Brand Models

According to Fan (2005), the important aspect of brand management in the last 20 years has been considered as product branding while corporate branding has been ignored. This is true in the industrial goods sector that is expanding very fast (i.e. electronic office equipment), and is also reflected in the previous research of branding (Fan, 2005). Based upon the definition of the ethical brand, which, as mentioned in the previous section, it entails not only economic responsibility to its users and its company (shareholders) but also considers its social and environmental responsibility to its stakeholders as a whole and has the integrity to do the right thing. Fan (2005) argues that the view of brand according to Aaker (1991), Kapferer (1997) and Keller (1997), is associated with brand owner and brand user as known by the conventional model. This model, even though useful in describing brand power, however has a number of weakneses as mentioned by Fan (2005).

In addition, Fan (2005) argues that brand, according to the conventional viewpoint, has two important missing aspects: legality and ethics. First, Fan (2005) argues that a strong and good brand has an ethical standard and legality. Consequently, a worthy brand should be measured by not only in terms of its economy or financial aspect, but also its ethical standard. Second, the past models of branding (conventional brand model) tend to consider product brands rather than ethical standard of branding. However, society as a whole and environment has been impacted by the product brands. It is because wider stakeholders may also be potentially affected by branding decisions in every market, for example, employees, suppliers, and the wider community. Although a brand may satisfy one group, it may possibly have a negative effect on another. Therefore, brands should pay attention to stakeholders as a whole because they are also impacted by branding.

This perspective is in line with LeClair et al. (1997), who report that although in theory the acceptable standards are communicated, practically they may disappoint the stakeholders as a result of ineffective and sometimes contradictory implementation and control. This may be typified by when employees are under pressure to meet aggressive goals, receive minimal support and direction, or experience other workplace stress.

Therefore, it requests to develop ethical standards for marketing activity and ethical standards for stakeholders as a whole to maintain the business relationship. For example, a company always promises and guarantees their products and services to customers. Normally, of course, customers would want the companies to fulfil the promises, guarantees and reasonable service expectations as part of their ethical obligations (Peters, 1999). Moreover, a research conducted by Fisher et al. (1999) indicates that more complaints on damaging from an individual customer or industrial buyers will result a negative impact on the company's credibility. This premise becomes unethical issues in marketing due to the company not handling the complaint effectively.

In addition, to avoid unethical behaviour from a company selling a particular product/brand, Zazzau (2006, p. 17) suggests *'examining the product/brand before buying from a manufacturer to determine what, if any, responsibility they claim for the product at the end of its life cycle. For example, does the manufacturer take responsibility for recycling? Is there any return policy in place when one is ready to update equipment?'* Companies such as Dell Computer Corp., IBM Corp., Hewlett-Packard Co., and Gateway Inc. provide the recycle facility for their products. These companies, therefore, have a high ethical brand ranking (see Chapter Two Section 2.3.2) due to their consideration of environmental responsibility that expresses the ethicality of their product/brand.

Regarding the above arguments, commitments are necessary to ensure socially responsible business practices. Each brand is required to embrace the values for customer service, innovation and entrepreneurial strength, and honesty. Therefore, to incorporate these ethical values into branding and into others business activities in areas of quality and ethical behaviour, the employment of social investment and environmental affairs is appropriate as Fan (2005) mentions. In addition, a brand focusing on its safety products throughout its entire lifecycle – including engineering, shipping and installation to use, service and product disposal – may get a positive response from buyers and consequently increases its company reputation (Nnorom & Osibanjo, 2008; and Fan, 2005). In other words, by emphasizing on responsibility to stakeholders as expression of ethical conscious, a brand may boost its credibility, and intention from customers. To maintain the ethical standards, a brand is committed to the excellent standards of honesty and accountability when working with wider stakeholders such as the community and the environment. In summary, an ethical brand consists of three elements/dimensions as follows:

- Economic responsibility – providing a positive impact on its owner and user in terms of profit/benefit, and respecting supplier.
- Social responsibility – which considers the political and socio-cultural system of society.
- Environmental responsibility – which ensures no negative impact on its general public arising from waste associated with the product.

This is in line with the definition of an ethical brand as a moral actor that recognizes its environmental, social, and economic responsibilities, has the integrity (Fan, 2005; and Paluszek, 2006) and also commitment to do the right thing in creating added value to its stakeholders. Therefore, a brand needs to consider the society through the inclusion of ethical values, especially in a broader social environment in order to get a positive meaning of the brand from the general public. This study will then investigate the effect of the ethical brand on its buyers' responses, especially from an industrial buyer's perspective. The next section will explain the position of the ethical brand as an emotional construct and its relationship as it sense as the main theoretical contribution of the present study as well as discussing its outcome (its relationships with company reputation and loyalty).

3.4.2 The Ethical Brand as an Emotional Construct

The concept of 'the ethical brand' is a new creation of value. According to Fan (2005) and Paluzsek (2006) ethical brand comprise of economic, social, and environmental responsibility is an additional variable incorporated in the present study's model and it is viewed as affective/emotional element. The first paragraph discusses about economic responsibility.

- Ethical as Economic Responsibility

The previous definition of ethical consideration of branding illustrates that brand considers economic responsibility for its customers through providing additional value (i.e. value to customer) as reported by Cretu and Brodie (2005). In the other perspective, Selnes (1998) justifies that the relationship between two or more organizations develops and grows over time as a good experience and trust is developed between them. Moreover, trust occurs when there is confidence in the reliability and integrity of a company to do the right thing, thereby expressing ethical responsibility as argued by Fan (2005). In other words, trust is also an expression of the ethical standard in marketing activities (Gundlach and Murphy, 1993). However, the understanding of the ethical expression of trust only reflects and considers the company's responsibility of two parties (customers and stockholders) by having integrity to provide economic responsibility. Trust is stated as an expression of confidence between two or more organizations in an exchange that will not be harmed by these organizations' action (Morgan & Hunt, 1994).

On the other hand, ethical can also be viewed as social responsibility that will be discussed as follows.

- Ethical as Social Responsibility

Separately, as reported by Singhapakdi et al. (1999) an additional way to improve ethical standards in marketing practices is to nurture social responsibility as determinants of business success. For example, in theory, paying attention to the needs of society is a social responsibility, even now this activity is widely held by customers' (Pava, 1996). This is consistent notion with Mitchell (2001) where ethical behaviour is always referred to as moral standards of behaviour that are accepted by people that are from a wider stakeholder to behave ethically in a socially responsible way. Hence, the ethical brand could be a customer perception of brand activities to help communities based on actual data (e.g. number of income is distributed for community development activities; volunteer activities of employees, etc.) or in other words refer to social responsibility. Moreover, as the growing number of customer becomes environmental conscious, this issue could be the important aspect that will be discussed as follows.

- Ethical as Environmental Responsibility

Environmental responsibility has become a concern in the business ethics that manifested as a consideration in any purchasing decision (Fan, 2005; Sumiani et al., 2007). For example, the electronic products that contain hazardous waste when disposed become the issues among industrial buyers when the equipments need to be replaced due to all of hazardous negatively effect on the environment due to waste and create the problem for society as explained by Nnorom and Osibanjo (2008). Being environmentally responsible can be translated through product recycling, disposal programme, and other activity to minimize the negatively environmental impact (Gustin & Weaver, 1996; Lozano, 1996; and Nnorom & Osibanjo, 2008).

- Ethical Brand as Economic, Social, and Environmental Responsibility

According to Fan (2005) an ethical brand should exercise its responsibility in various forms together (economic, social, and environmental responsibilities). As there is no empirical evidence tested on this notion in the past, the current study then is taking this direction. Thus this study tries to provide an empirical evidence of this ethical brand construct, especially in the context of industrial buyers.

In the industrial buyer's context in the past, Cretu and Brodie (2005) use customer value as an ethical concern to express the emotional aspect in the model. As the ethical brand is a creation of value (Paluszek, 2006), therefore, the ethical brand is an emotional aspect expressing a superior value as a new paradigm (Fan, 2005) that may also affect industrial buyers' responses (company reputation, and subsequently brand loyalty). The following section will illustrate the relationship between the ethical brand and company reputation.

3.4.3 The Ethical Brand and Company Reputation

Company (corporate) reputation has been defined as *'a particular type of feed-back received by an organization from its stakeholders, concerning the credibility of the organization's identity claims' (Whetten & Mackey, 2002, p. 401)*. Gundlach and Murphy (1993) suggest that an increasing focus on further ethical standards should be applied to anticipate the wider responsibility to stakeholders as a whole in order to encourage the company reputation. For example, labels of a brand might also represent the communication between a company and its customers. Thus, labels, especially the content of, for example, eco labels or social responsibility labels, should entail what a customer might expect from a labelled brand. If this is not the case, the customer might lose confidence in a brand, which may affect its reputation. Therefore, in the wider stakeholders' perspective, brand needs to consider not only economic responsibility as an expression of trust, but also social and environmental responsibility, having integrity (fairness, honesty, respect and accountability) and commitment to do the right thing as an expression of the ethical consciousness of brand (Fan, 2005).

Furthermore, a company reputation is an evaluation of results compared to a standard of communication that can cause the understanding of the increase in the performance that is produced (Greyser, 1999). Thus, according to the above explanation, in relation to the ethical branding, which is to do the right thing (honesty, integrity, diversity, quality, respect, responsibility and accountability) to its stakeholders as justified by Fan (2005) which clearly indicates that there is a close link between the ethical brand and company reputation. The company is required to make regular efforts to create and continue an ethical brand image that not only encourages its company reputation through providing the business competitive advantages.

The need to incorporate the ethical brand into the marketing practices is also consistent with the emerging relationship paradigm in marketing. Given that "the ethical brand" is a very important antecedent of the relationship with reputation (Fan, 2005), the most important trends in current marketing thinking are the growing emphasis on ethical and socially responsible behaviour. Additionally, the creation of marketing activities that emphasize on providing the ethical brand as the additional value, the superior value, the new paradigm (Paluszek, 2006), indicates that as discussed earlier in this section these values have an important position in contributing to companies through sustainability understanding as simultaneous improvements in all three aspects; economic, environmental and social responsibilities.

Furthermore, although the discussions of marketing relationship related to marketing ethics are limited and not consistently linked. Some of the articles in the 1990s implicitly examined the issues. This argument is consistent with Dunfee et al. (1999, p. 29) who suggest that *'the trend of ethical standard is on fostering ongoing, tightly linked relationships and implicitly acknowledges the role of shared values. Shared values create normative guidelines for behaviour and assist the development of both company reputation and long-term commitment, thereby expressing brand loyalty'*, as justified by Yoo et al. (2000, p. 197), and will be briefly explained in the following section how the ethical brand may encourage commitment thereby expressing loyalty.

3.4.4 The Ethical Brand Encourages a Long-Term Commitment as an Expression of Loyalty

Commitment has been defined in many ways, including the need to maintain the relationship, the willingness to make short-term sacrifices, the establishment in the relationship, and investment in maintaining the relationship (see: Kim & Frazier, 1997; Morgan & Hunt, 1994; and Lancastre & Lages, 2006). According to Morgan and Hunt (1994), commitment is seen as the buyer's intention to keep and maintain the relationship in the future. In terms of the relationship, it is consistent with Moorman et al. (1992) in which commitment is seen as a permanent desire to keep a valued relationship. In business-to-business contexts, Morgan and Hunt (1994) justify that commitment is seen as the need to maintain an established relationship and a confidence stability of the relationship.

Regarding the ethical brand definition that is mentioned earlier by Fan (2005), the company offering an ethical brand that recognizes its social, economic and environmental responsibility may have superior value to stakeholders. By providing an ethical brand, the company may behave to bring positive outcomes for the firm and avoid to be harmful for stakeholders (Anderson & Narus, 1990). In other words, the ethical brand is a vital aspect to increase good feelings of the brand. Therefore, the ethical brand may also contribute to smooth business-to-business relationships and long-term commitments. The commitment can also express brand loyalty as *'a deeply held commitment to re-buy or repurchase a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour' (Yoo et al., 2000, p. 197)*.

Additionally, the growing number of industrial buyer pay much attention on ethical business practices, they do consider the ethical aspect in branding seriously. This will insist on branding to behave more ethically responsible. Ethical behaviour is a vital aspect to be considered during the product/brand evaluation (Creyer & Ross, 1997), it may also encourage commitment as an expression of loyalty (Davis, 2003). In other words, ethical branding may be considered as an emotional factor in the final selection of the supplier, offering legality and ethicality to obtain a commitment to re-buy or to be loyal. Therefore, the ethical brand is seen as not only one of the key factors (Fan, 2005), but also it may be a critical success factor to smooth business to business relationships that may express the effect of the ethical brand on industrial buyers' responses (i.e. brand loyalty).

In summary, the past studies have defined the ethical brand construct/concept as economic responsibility. From the above discussion, by taking the notion of Fan (2005) and Paluzsek (2006), the ethical brand could be seen as economic together with social and environmental responsibility, the present study tests this construct empirically manner. Further, the present study intents to examine the relationships of the ethical brand within its responses (outcome) such as company reputation and loyalty and this further enhances the study's theoretical contribution.

The next section will illustrate the antecedents (e.g. product quality, service quality, and price perception) of the ethical brand.

3.4.5 The Antecedents of an Ethical Brand

According to Singhapakdi et al. (1999), one of the perceived important of ethics and social responsibility is quality that is significantly correlated to ethical intentions in marketing. As a result, a marketing professional's perception regarding the importance of ethics and social responsibility seems to influence positively a customer's perceived ethical problem. Even, in the recent study by Cretu and Brodie (2005), the perception of customer's value in business-to-business can be influenced by perceived benefits of product quality, service quality, and price, in which customers value is claimed as the ethical foundation by Gundlach and Murphy (1993), and Kavali et al, (1999) as explained earlier in the previous section. Therefore, the ethical brand may be influenced by these antecedents (e.g. product quality, service quality, and price perception).

According to Crosby et al. (2003, p. 19), *'quality of a product is defined as its capability to perform the customer's needs and expectations. Quality needs to be defined, first, in terms of parameters or characteristics, which vary from product to product'*. This construct is the main driver in business-to-business context as mentioned by Van Riel et al. (2005). The ethical brand on the other hand, has been described as a brand that recognizes environmental, social, and economic responsibilities as well as a commitment (Fan, 2005; and Paluzsek, 2006) to do the right thing. It can create additional value to firms and customers as well as its wider stakeholders. In addition, the above scenario is also supported by Kavali et al. (1999) who justify that marketing activities can be justified by the ethical paradigm in which the quality of product should achieve ethical dimensions in respect of the growing concern of nature.

In terms of service quality, according to Aaker (1997), service has been seen as a customer-oriented outcome. This outcome is achieved when a firm acts upon performances or efforts to people or objects. Therefore, service quality along with its physical quality of product, increasingly forms the basis for market competition (Alvarez & Galera, 2001) by offering the value of service (Jayawardhena et al., 2005).

The perceptions of the ‘‘benefits’’ of product and service are not limited only to the functional aspects (physical attributes, service attributes and technical support) of the offering but can result in emotional components in business-to-business context (Van Riel et al., 2005; Brady & Cronin, 2001; and Patterson & Spreng, 1997). Therefore, the cognitive influences the affective where the ethical brand may be incorporated (Fan, 2005), in which the ethical brand is as a superior value and a new paradigm (Paluszek, 2006).

Price in business markets on the other hand, has been illustrated as what a customer firm pays a supplier firm for its product offering (Anderson & Narus, 1998). A company spends some budget in enhancing quality in order to achieve more income. While, Lichtenstein et al. (1993) explain that price in particular influences customers' behaviour because it is presented in all purchase situations.

Moreover, Bolton and Kannan (2000) justify that contradictory information concerning price can result in diminishing loyal customers. Customers' evaluation uses their internal reference price of the brand as a comparison to the previous prices paid in that category. Thus, all attributes that distinguish brands from competitor has provide the benefits for the buyers in which they are willing to pay a premium price (Kukar-kinney et al., 2006; and Wood, 2000). In other words, the ethical brands that consider their social, economic, and environmental responsibilities and also commitment (Fan, 2005;

and Paluzsek, 2006) to do the right thing may be able to present the different perspective as the added value to both firms and buyers by having integrity in considering stakeholders as a whole. Thus, ethical consideration is a vital aspect during the brand selection and customers are willing to pay premium price (higher price) for a manufacture's brand (Kukar-kinney et al., 2006; and Creyer and Ross, 1997).

In summary, given that the cognitive influences the affective where the ethical brand migth be incorporated (Fan, 2005); therefore, product quality, service quality, and price perception are cognitive aspects as the antecedents of the ethical brand. The antecedents influence the ethical brand as the effective component and the appropriateness in the industrial buyer's context. The next section will describe the ethical brand from the industrial buyer's perspective in detail.

3.5 ETHICAL BRANDING FROM THE INDUSTRIAL BUYERS PERSPECTIVE

An ethical brand has the additional values of social, environmental, and economics provided to its stakeholders. It becomes an important factor to offer valuable benefits to an organization's buyer. Additionally, Kennedy and Dawn (2001), from the economic perspective, portray the reduction cost as a significant factor in their consideration to purchase activities. Even though the price factor is important to buyers, the sales force must continue to offer valuable benefits to customers. It suggests that the more influences there are, the more intent the buyer has to purchase the product/brand. However, the sales managers' role is very important as they serve as trained resources for their customers and to provide them comfort towards the product and the technology. They also consider the value of the supplier to support in terms of encouragement, guidance and incentive to use the product/brand.

Research on industrial buyers' behaviour, conducted by La et al. (2009), determines that a key factor of corporate strategy is the management of the buyer's and customer's behaviour. A good knowledge of clients and their value perception through continuous and systematic research of customers' behaviour is needed by successful management. The organization could focus on what the value is for clients and how to achieve inter functional coordination to create superior value to obtain a strong brand. Then, strong brands can add value to get better responses from industrial buyers due to having a value creation as mentioned by Fan (2005) and Paluszek (2006).

Consistent with Henneberg and Mouzas (2007, p.3) who justify that *'a value-creating system is conceptually derived from final customers as the starting point of the whole system, i.e. as the demand-creating entity that holds the system together. Every part of this system, including upstream suppliers, is directed by this rationale and needs to be marketed accordingly. In effect, from a marketing point of view, value-creating systems need to be understood in reverse'.*

Based on the above viewpoint, building brands leads to being ethical and may become increasingly important in the business-to-business (B2B) context in highly competitive market conditions. Branding becomes a powerful platform to differentiate products from competitors and build long term commitments. Therefore, brands which offer better value (i.e. the ethical brand) than the competitors may help a company to create a sustainable competitive advantage in a business-to-business context. The value, considering economic, social, and environmental responsibilities, may be a strategic marketing tool to clarify a company's proposition to its stakeholders, thus, creating a differential superior offering compared to the competitors. For a clearer picture, the next section will illustrate the impact of incorporating the ethical brand on industrial buyers' response model.

3.6 THE IMPACT OF INCORPORATING THE ETHICAL BRAND ON INDUSTRIAL BUYER RESPONSE MODEL

3.6.1 To Provide a More Comprehensive Behavioural Model Based Upon Business Buyer Responses (Such as Company Reputation and Loyalty)

The theory of branding has been discussed for many years (Feldwick, 1996), and the understanding of branding is transformed from time to time. The market conditions have also changed unlike the past, nowadays is definitely complicated today to distinguish among products or brands and build brands compared to it was several decades ago (Aaker, 1997). Therefore, the conventional strategy, which emphasizes product oriented and visual features as the product differentiation is inappropriate to the modern market (Arnold, 1992; Crainer, 1995).

According to Wood (2000), there has been a shift from focusing on a product to a brand. The new approach focuses on brand strategy and its value (Wood, 2000). This approach emphasizes brands as an image in the consumer's mind (Boulding, 1956; Keller, 1993), brand personality (Aaker, 1996; Goodyear, 1993); brands as value systems (Sheth et al., 1991); and brands as added value (De Chernatony & Mcdonald, 1992; and Doyle, 1994). This approach has been acknowledged by both practitioner and academic researchers (Aaker, 1991; Kamakura & Russell, 1993; Keller, 1993; and Krishnan, 1996).

As a consequence, brands are possibly believed to be the essential factor of success through differentiation in achieving competitive advantages for firms (Wood, 2000). These competitive advantages might be achieved via the ethical brand as a superior value to be one of the constructs besides the already existing variables to set up positive responses from buyers. In other words, the ethical brands that considers the environmental, social, and economic responsibilities having commitment (Fan, 2005;

Paluzsek, 2006) to do the right thing, shall provide the creation of new values to the company and buyers, and also to the wider stakeholders.

Additionally, Paluszek (2006) states that ethics in the brand is a core – as an integrated element, new paradigm, scalable business model, and environmental commitment. For example: As one type of recycling incentive, Lexmark offers a "rebate" cartridge for many of its laser printers. This provides an up-front discount to customers who agree to use the cartridge once and then return it to the company. The alternative of using high-yield products also has environmental implications. High-yield cartridges give customers significantly more pages from a single cartridge, which translates into fewer cartridges to buy, less materials to utilize in the manufacturing process, and fewer opportunities to throw cartridges away (Rowh, 2003).

Furthermore, brands with ethical concern (Fan, 2005) play a significant role in increasing the products value and protecting them from competitors to produce similar products (Aaker, 1991). Therefore, a strong brand with ethical concern is counted as a worthy asset of a firm and may affect the buyers' responses (e.g. company reputation, and subsequently brand loyalty).

In terms of reputation, Ettenson and Knowles (2008, p.5) justify that 'a *strong brand helps communicate that the company and its offerings are relevant and uniquely able to meet the buyers' needs. A solid reputation is desirable because all businesses ultimately depend (either directly or indirectly) on the goodwill of the governments and the communities in which they operate. The strength of brand depends on how well it has fulfilled its promise to customers').*

On the other hand, industrial buyers' responses could be expressed as brand loyalty (Cretu & Brodie, 2005; and Van Riel et al., 2005). Brand loyalty as discussed earlier is seen as a commitment of the buyer to continue the long time relationship with a brand's manufacturer (Lam et al., 2004; Oliver, 1999). Customer's commitment to repurchase the brand might be illustrated by the feeling of positive behaviour from a company to its stakeholders as a whole. Thus, the feeling of the ethical brand considering its responsibility to stakeholders may affect the industrial buyers' responses (i.e. company reputation and subsequently brand loyalty). Therefore, incorporating the ethical brand (the EB) is very important for a company to get a positive response (e.g. reputation, subsequently loyalty) from industrial buyers.

Furthermore, given that the cognitive influences the affective where the ethical brand can be incorporated (Fan, 2005), product quality, service quality, and price perception (Osman et al., 2002; Ansbery, 2000; Kaydo (1999); Rocks (2000); Cretu & Brodie, 2005; and Van Riel et al., 2005) are cognitive aspects as the antecedents of the ethical brand as the effective aspect (Fan, 2005) and may be appropriate in the industrial buyer's context as explained in the previous section.

Based on the above viewpoint, it is necessary to provide a model to clearly investigate whether the ethical brand has an effect on the company reputation and brand loyalty or not. As the new paradigm as Paluzsek (2006) mentioned, even research on whether the ethical brand affects loyalty is limited. Therefore, this study tries to provide further understanding on the relationship between the existing constructs (e.g. quality of product and service, and perception of price) and on whether the company reputation and brand loyalty may be mediated by the ethical brand. This effort will be conducted to develop approaches and methods to measure the contribution in the literature in order to understand simultaneous improvements in all three aspects; economic, environmental and social, as discussed in the previous section. Consistent with Fan (2005) who suggests that future studies in branding should focus on the ethical brand as a construct, and its impact and consequences on customer responses (company reputation and loyalty in this study). Also, as supported by Singhapakdi et al. (1999) the additional way to improve ethical standards in marketing practices is to nurture marketing practitioners' realization of the important roles of ethics and social responsibilities as determinants of business success. By incorporating the ethical brand as a new construct, this study may provide a more comprehensive behaviour model of branding based on business buyers' responses (such as company reputation, and loyalty).

3.6.2 Identification of Ethical Dimension Attributes that Form an the Ethical Brand

An ethical brand that recognizes social, environmental, and economic responsibilities by having commitment to doing the right thing is derived from the theory of social responsibility (Fan, 2005). Rationally, the concept of social responsibility is a universal principle or value that refers to normative obligations (Enderle & Tavis, 1998). For example, distributing some budget or time for community development is environmentally conscious, acting ethically towards a wider stakeholders as whole (Carroll, 1991) is the reflection of a company's manager ethical act (Enderle & Tavis, 1998; Gustin & Weaver, 1996; Lozano, 1996; and Webb, 1996).

The theory of social responsibility is rather easy to understand, this is because the definition has been developed clearly to a certain condition (Jacoby & Chestnut, 1978). For example, in theory, paying attention to the needs of a society is a social responsibility, even now this activity is widely held by customers (Pava, 1996). Thus, the ethical brand could be a customer's perception of brand activities to help communities based on actual data (e.g. number of income distributed for community development activities; volunteer activities of employees, etc.).

However, a brand can be exercised in various forms (economic, social, and environmental responsibilities), but especially through the development of environmentally friendly activities, helping with charity work, and interacting in an ethical manner with the whole stakeholders around the world (Brown & Dacin, 1997; McMillan, 1996; Pinkston & Carroll, 1996; and Robertson & Nicholson, 1996). Being environmentally responsible can be translated through product recycling, disposal programme, and other activities to minimize the negatively environmental impact (Gustin & Weaver, 1996; Lozano, 1996; and Nnorom & Osibanjo, 2008). Charitable efforts include participation by donating money, food and beverages, facilities, personal time, or the use of one's business or personal name (Webb, 1996; and Brown & Dacin, 1997).

Moreover, Enderle and Tavis (1998, p.1132) attempt to develop *'an updated conceptualization of the study of ethics through a more definitive explanation of corporate responsibility'*. Additionally, Enderle and Tavis (1998, p.1132) describe three responsibilities of the firm: *'economic (e.g., taking care of stakeholders), social (e.g., engage in cultural activities), and environmental (e.g., consume fewer resources)'*.

In terms of economic activity, this responsibility involves not only productive but also distributive aspects (Enderle, 1993). In detail, the economic responsibility consists of *'make/maximize profit: in the short term and in the long term, improve productivity, preserve/increase the wealth of owners/investors, respect suppliers, regarding employees via preserve/create jobs, pay fair wages, provide social benefits, and (re-) educate and empower employees'* (Enderle and Tavis, 1998, p.1132).

While, in terms of social responsibility, explained that *'the attributes are respect the spirit and letter of the laws and regulations, respect social customs and cultural heritage, engage selectively in cultural and political life. These involve the firm's acceptance of the legal and sociocultural standards of the society in which the firm operates, e.g., the tax laws, the gender relationship or the role of the family and also a more dynamic role, though only through preferred activities, in the political and sociocultural systems. This includes the dynamic involvement of the firm in the background of the legal framework of business and in solving public policy problems; it can also involve engaging in philanthropy, educational initiatives'* (Erlende and Tavis,1998, p.1133).

In terms of environmental responsibility, according to Enderle and Tavis (1998, p.1134), whatever decisions made and whatever action taken by the firm is associated with the 'environment'. It has an impact on *'both consuming natural resources (as inputs of the firm's production process like raw materials, energy, etc.) and burdening the environment (as outputs such as waste and pollution of various types)'*. Moreover, Nnorom and Osibanjo (2008) mention the use of electrical and electronic assemblies or otherwise common material waste due to product disposal. For this purpose, Nnorom and Osibanjo (2008) suggest that each company should have a programme of recycling the material, recovering the valuable material or product from the waste and disposal for final disposition, then final placement or destruction of waste.

For each of these responsibilities, as *'moral actors – individuals as well as companies – are characterized by aspiring to ethical ideals, if they are to overcome purely re-active behavior and take a pro-active stance'* (Enderle and Tavis, 1998, p. 1135). In reference to this, a brand must behave responsibly, referring to societal norms in the three aspects.

Based on the above view, firms or brands cannot stand on the shareholder side under any analysis of ethics or law. Considering the stakeholder is much more likely to provide wealth maximization for the society as a whole in the long term. Therefore, brand, considering stakeholders as a whole (Fan, 2005), is an ethical concern provided by its firm as a corporate responsibility.

Corporate responsibility is seen as the compulsory concept of an organization that does not only perform its business and hold on to its legal guidelines, but also to look out for the welfare of its stakeholders as a whole by considering the three parts of economic, social, and environmental responsibilities to achieve corporate sustainability (Mikkilä & Toppinen, 2008). In other words, corporate responsibility is an expression used to view the customers' observation towards a company's commitments to be responsible to the needs of its stakeholders or association with society.

In the past, discussing corporate responsibility has been an issue in business literature for decades, such as by Bowen (1953) and Carroll (1999). Even the topic of corporate environmental responsibility is an urgent issue (Shrivastava, 1994; and Starik & Rands, 1995). While this topic has been the subject of separate empirical study, social and environmental issues become national boundaries as an urgent area regarding the 2007 Report of the Intergovernmental Panel on Climate Change (htpp://www.ipcc.ch/). This is consistent with Logsdon and Wood (2002) who justify that ethical business practice has increasingly become a necessary aspect to be applied in the globalization of trade by regarding the moral, labour and environmental standards, and human rights protection.

Based on the above illustration, the ethical brand may be illustrated as a brand responsibility to its environment and maintain quality-of life of people and other living creatures as described by corporate responsibility. Ethical brand image could then be based upon the perception of a brand's economical, social, and environmentally responsible actions by designated sample/stakeholder groups.

In summary, attributes of economic responsibility that lead a brand to be ethical may consist of both productive and distributive aspects by considering such items as: "Make/maximize profit: in the short term and in the long term", "Improve productivity", "Preserve/increase the wealth of owners/investors", "Respect suppliers", "Regarding employees via preserve/create jobs, pay fair wages, provide social benefits, and (re-) educate and empower employees". Attributes of social responsibility that lead a brand to be ethical may consist of being responsible to the local system of socialculturas and politics which include: "Respect the spirit and letter of the laws and regulations", "Respect social customs and cultural heritage", "Engage selectively in cultural and political life" as explained by Erlende and Tavis (1998). On the other hand, attributes of environmental responsibility that leads a brand to be ethical may consist of "consuming less natural resources (as inputs of the firm's production process like raw materials, energy, etc.) and burdening the environment (as outputs such as waste and pollution of various types), recycling the material, recovering the valuable material or product from waste and disposal for final disposition, and final placement or destruction of waste" as mentioned by Nnorom and Osibanjo (2008, p. 848).

The next part will discuss business-to-business (B2B) branding in more detail.

PART II

BUSINESS TO BUSINESS (B2B) BRANDING

As mentioned earlier, this study aims to investigate the effect of the ethical brand on, particularly the industrial buyers' responses. This part will explain the concept of industrial buyers (business market), then followed by business-to-business (B2B) branding that presents the major role of branding in B2B. The differences between business-to-consumer (B2C) and business-to-business (B2B) are also discussed in this part, and how brand value (i.e. the ethical brand) can be a function of expected performance in business-to-business (B2B) context will also be explained in this part.

3.7 BUSINESS MARKET CONCEPT

Industrial market consists of all organizations that require goods and services installed within the organization to conduct business activities to gain profit by selling, renting, or supplying product of service to others. According to Webster and Wind (1972), an industrial buyer (organizational buying) has been described as the decision-making process of organisation in purchasing products and services, and the need to identify, evaluate, and choose among brands and its providers. The major industries of the business market are agriculture, forestry, and fisheries, and then there are construction, mining, transportation, manufacturing, communication, banking, finance, insurance, and distribution, services, and public utilities.

Apparently, Kotler (2003) explains that the marketer for industry commonly conducts transaction with a few buyers and they do most of the purchasing. The suppliers are always asked to adjust their bids in accordance with the needs of the final consumers. The demand of industrial buyer is derived from the individual market demand and it seems inelastic where not much is influenced by the change of price. The industrial market demand seems to be more unpredictable than the individual market demand. The significance of this is that product and service are bought by professional buyer (i.e. agent), who depend on their industrial purchasing policies, limitations, and standards. Many participants of the organization are influenced during the buying process decisions; therefore, the committees consisting of the professionals and senior managers are involved in purchasing the main equipments to be installed. Even many industrial buyers commonly use leasing rather than paying by cash, especially when they consider buying equipments, such as the amount of electronic office equipment.

Based on the above characteristics, it can be summarized that industrial buyers are professional buyers. Therefore, relationships between buyers and suppliers are very important in order to maintain for a long time commitment. For this reason, the marketer of industrial buyers must strictly observe the buying patterns of this type of buyers.

Due to the complete characteristics, the marketers for industrial buyer have to provide the complete information of their products, prices, and other important information, such as via the Internet nowadays. Purchasing agents and brokers perhaps can be very helpful as they are able to provide clearer information easier than before (Webster and Wild, 1972).

Based on the above viewpoint, therefore, the focus of this present study is of the buying members of industrial buyers which consist of professionals and even some good experienced manager representatives of a company to response the issues (the ethical brand and its effect) presented in this study.

Related to branding, the next section will provide the discussion about business-to-business branding.

3.8 BUSINESS-TO-BUSINESS (B2B) BRANDING

3.8.1 The Major Role of Branding in the Business-to-Business Market

Today, it is commonly agreed that the main role of a business-to-business (B2B) brand is to function as a Trademark – as could be trusted that the company is able to provide for the buyers as to what is mentioned (Hutton, 1997). According to Hutton (1997), CEOs agree that an established company with a well-known brand will gain higher benefit from the markets. As a consequence, most top companies now frequently utilize a brand management as an additional function within their organizations. However, there may be more importance are asserted upon the rational or technical aspects and less importance are affirmed on the self-expressive and emotional benefits of brands (Wilson, 2000).

The recent study by Bendixen et al. (2004) use customer choice experiments to examine the comparative substance of ‘‘the brand’’ versus ‘‘delivery’’, ‘‘price’’, ‘‘technology’’ and ‘‘availability of spare parts’’. However, with the exception of the study by Mudambi (2002), little explicit attention has been given to distinguishing between the influence of brand value and the performance of company as an expression of its reputation. Mudambi’s (2002) model includes product attributes (physical product properties, and price), service attributes (the technical support services, the ordering and delivery services, the quality of the working relationship) and branding attributes (how well known the supplier is and the general reputation of the supplier).

However, since a few years ago, more and more business-to-business (B2B) brand managers realize that they have been isolated in the organization. Their role have been only as a watchdog over the identity or 'brand police', with very little effect on improving business performance. This happens as they are always positioned in the wrong departments that do not match with their existing specialization as gaining less profit for the organization. Of course this situation may always be argued on the grounds that the functions and requirements of business-to-business (B2B) branding, marketing and communications management are no different from those in business-to-consumer (B2C), and there is a limited relevance to the industrial sector (Robbins et al, 1998).

However, there are some evidences in business that brands are important. This is shown by a number of the well-known brand in business-to business context, such as ABB, Caterpillar, Cisco, Dupont, FedEx, GE, HP, IBM and Intel that already have high international reputations (Ailawadi & Keller, 2004).

In spite of brand name, there have been many benefits proven when owning a famous brand both in business-to-business and business-to-consumer context. A result of an empirical study has shown that brand equity still has an important role in the business-to-business sector (Gordon et al., 1993).

In addition, Firth (1997) determines that brands of the well-known companies usually sell at premium prices compared to brands of the unwell-known companies. Thus, the willingness of customers to pay a premium price for the brands shows that brand equity exists in industrial buyers' context, as justified by Hutton (1997) where the buyers choose product/service from the famous brand. Thus, industrial buyers also consider a certain brand in their purchasing decision in order to get the greater value, even though it is sold at a higher price. Therefore, having a strong brand and its differentiation will maintain and sustain the relationships with its customer; subsequently getting loyalty of the buyers in the highly competitive market (Lynch & Chernatony, 2004; and Webster & Keller, 2004). Furthermore, the next section will clarify the differences between business-to-business (B2B) branding and business-to-consumer (B2C) branding.

3.8.2 The Differences between Business-to-Business Branding and Business-to-Consumer Branding

While product and service for the consumer market are usually sold in the mass market, on the other hand, products and services for business-to-business (B2B) is often developed through developing a sustainable interaction with customers (Robbins et al., 1998).

According to Robbins et al. (1998), an interactive business between buyers and sellers typically involves many functions of both seller and buyer within their organizations, including - the product design, production, service and finance. Thus, the personal interaction in business-to-business (B2B) is driven by personal interaction involving their skills, values, attitudes and behavior - which add value to the brand and company reputation, while business-to-consumer (B2C) marketing is generally driven by a marketing department within a mass marketing culture,.

Substantially, according to *Kotler (2003) and Mudambi (2002, p. 527) 'the differences between business-to-consumer (B2C) and business-to-business (B2B) market'* are outlined as follows:

Table 3.1 The Differences between Business-to-Consumer (B2C) and Business-to-Business (B2B) Market

Consumer Markets	Industrial Markets
Standardized products Impersonal buyer-seller relationships	Customized products and services Personal buyer-seller relationships

Mass marketing driven by marketing/brand management department Brands mainly driven by emotional and self-expressive benefits	Marketing mainly via personal contacts involving many functions of the company Brands mainly driven by functional and emotional benefits.

Adapted from: Kotler (2003) and Mudambi (2002, p. 527)

Another obvious differentiation between business-to-business (B2B) and business-to-consumer (B2C) is the definition of the buyer. Most of the products and services sold to business-to-business (B2B) are purchased by humans (except for purchasing made by e-commerce system). The important difference which is not like consumers is that these people buy functions for the common good and not for the benefit of themselves or their families (Kotler, 2003).

In general, a method utilized for structuring the purchase decisions of business-to-business (B2B) is a risk assessment and the value is obtained for the buying organization (Michell et al., 2001). According to Michell et al. (2001), a classical model believes the purchase of low value products and low risk (such as paper clips) may become the responsibility of the office junior, while the purchase decision involves a lot of experienced members of the organization to purchase goods that are more important complex and time consuming, such as trucks and electronic office equipment. Therefore, the responsibility of the ethical brand (Fan, 2005) may influence business-to-business (B2B) purchasing decision to provide superior value (Paluszek, 2005) and to reduce risk.

Consistent with Popular Wisdom (as cited in Jansson & Paul, 2004), one way to manage and reduce risk is to buy capital goods from the famous brand that has been ‘recognized’ by the company to reduce uncertainty, where all cost components are clearly identified by both the individual buyers and the buying company. In other words, the main motivation for the industrial buyers is security. As a result, the status of the main suppliers' experiences in 10 years and more is an example of industrial buyers' loyalty that is achieved by maintaining the seller-buyer relationship.

In summary, related to the higher competition, the use of sophisticated technology, and enhancing qualities of supply-chain-management, as well as the importance of brand awareness, a company may have the most superior brand to offer higher values. Thus, ultimately, business prospects demand facts; otherwise the market does are unlikely to gain trust. However, they can also respond to emotional stimulations as the existance of humans being, such as the ethical brands. At least, in business-to-business (B2B) environment ethical conscious, brand may influence the buyers by offering the clearer facts of companies' prospects.

The next section will discuss in more detail whether the emotional aspects connect to business-to-business (B2B) or not?

3.8.3 How Brand Value as the Ethical Brand Can be a Function of Expected Performance

According to Mudambi et al. (1997), brand value has been defined as a function of the expected benefits from the cost of the products and services offered. While customers will perceive on four basic components: product, distribution, support service and company - both tangible and intangible aspects in measuring the expected performance.

Physically, the tangible aspect could be interpreted in various ways; however, emotional and intangible elements are also considered in most interpretations (de Chernatony and McDonald, 1998). Therefore, intangible components, such as "company reputation" and "the ethical brand," may become the elements of risk and uncertainty of their consideration to assist them out in business-to-business context.

In addition, business-to-business (B2B) purchasers prefer to maintain their business relationship with companies of good reputation in the market based upon its performances (Jayawardhena et al., 2007; McQuiston, 2004; Mudambi et al., 1997). It is a crucial success factor in most business-to-business (B2B) markets. Therefore, the ethical brand and company reputation as intangible aspect along with tangible aspects become the important factors in business-to-business (B2B) contexts.

The above explanation provides an illustration that a simple way of offering a different value will allow business buyers to reconsider their purchases. The additional intangible or emotional factors of the product and service offered will influence the rational and systematic decision-making. Furthermore, the effect of brand value is very useful in providing additional information to the industrial buyer so that they are willing to pay at premium prices.

Many researchers (e.g. Anderson et al., 2000; Anderson & Narus, 1998; and Mudamby and Wong, 1997) indicate that to get the different benefits, most industrial buyers are willing to pay high premium prices. The payment amount of the premium price depends on the amount of benefit they will gain from the brand offering, and the importance of the additional benefit to their company.

In addition, according to Mudamby and Wong (1997), the intangible benefits of a brand are more difficult to copy, such as the perceived overall quality of the brand as ethically conscious, that offers stakeholders' consideration (e.g. economic, social and environment responsibilities) mentioned by Fan (2005) as additional values, superior values and a new paradigm (Paluszek, 2006). These intangible components require biger budgets to develop and maintain the purpose as justified by McWilliams and Siegel (1997); Alexander and Bucholz (1998). However, after being well established, these intangible/irrational components become key factors of success with the sustainable differentiation and could be charged at the premium price. Thus, combining product and service with the irrational aspects may create a successful brand due to having unique identities and added value provided to the buyers. Thus, it is clear that in a business-to-business (B2B) context, brand value has been a function of the expected performance of the offer as Mudambi et al. (1997; 26) had claimed earlier.

The next part below will discuss the summary of theoretical and practical problems.

PART III

THE SUMMARY OF THEORETICAL AND PRACTICAL PROBLEMS

The discussion in the previous section has drawn both theoretical and practical problems. It has provided an understanding towards the current research being conducted. A brief summary of these problems is outlined as follows:

3.9 ACADEMIC ISSUES

- Can the ethical brand be applied in a business-to-business market?
- How can the ethical brand be a function of the expected industrial buyers' responses?
- What are the ethical dimensions and its attributes that form the ethical brand in business-to-business context?
- Is the ethical brand important at all in explaining industrial buyers' responses? How does this affect or contribute to the understanding of corporate responses (company reputation and loyalty)?

3.10 PRACTICAL ISSUES

- Does the ethical brand play an important role in the business-to-business market?
- Does the core value of the ethical brand that is applied by the company match that of the industrial buyers?
- Does the ethical brand affect industrial buyers' responses (company reputation, and subsequently loyalty)?
- What are the important dimensions of the ethical brand that affect industrial buyers' responses?

3.11 CONCLUSION

The conventional strategy, which emphasizes on product oriented and visual features as its differentiation is inappropriate, to the modern market as this approach only considers shareholders and customers (Arnold, 1992; Crainer, 1995). Issues in ethical branding become more popular due to the growing number of customers become ethical conscious. The ethical brand consideration consists of three aspects: economic, social, and environmental responsibilities having integrity, honesty, accountability to do the right thing that creates added value for its stakeholders (Fan, 2005; and Paluszek, 2006). Thus, brands can create a different value in order to protect them from being imitated by competitors (Aaker, 1991). An ethical brand with its responsibility may be counted as a worthy asset for a company. Consequently, the ethical brand may affect the industrial buyers' responses, such as company reputation (Fan, 2005), and subsequently brand loyalty (Yoo et al., 2000).

On the other hand, the ethical brand is important in business-to-business context because it offers the new creation of value, creates the established differentiation, and offers the premium price, that influence the buyers to be loyal in the high competitive market. (Lynch & Chernatony, 2004; and Webster & Keller, 2004). The present study investigates this issue. Additionally, the ethical brand may also be influenced by its antecedents (e.g. product quality, service quality, and price perception). This indicates that the process of buying decision of business-to-business (B2B) is driven by both rational and emotional considerations. Therefore, it is very important to conduct an in depth research, especially to explore relationships of the antecedents with company reputation and brand loyalty by incorporating the ethical brand as an emotional factor from the industrial buyers' perspective. The next chapter will discuss the theoretical model development of this study from which the hypotheses are developed to be tested.