

SECOND ORDER CONFIRMATORY FACTOR ANALYSIS OF ETHICAL MARKETING GUIDELINES FOR SUSTAINABLE GROWTH IN INDUSTRIAL BUSINESS SECTOR

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Abstract

Operating ethical marketing business can make stakeholders live together peacefully without persecution, resulting in national economic security. This research aims to study ethical marketing guidelines for sustainable growth in industrial business sector. The quantitative data were collected by asking 500 people responsible for marketing. Four elements, namely, planning, product, price, and patronage, were investigated. The results of the analysis of the developed model were found to meet the evaluation criteria and consistent with the empirical data with its Chi-square Probability Level, Relative Chi-square, Goodness of fit Index, and Root Mean Square Error of Approximation of 0.129, 1.107, 0.957, and 0.015 respectively.

Keyword: Ethical marketing guidelines, Sustainable growth, second order confirmatory factor analysis

INTRODUCTION

Under a capitalist economy at present, each country's trade policy is intended for ultimate profit. They try to create advantage over their partners by formulating plans and strategies that sometimes affect ethics, stakeholders, as well as domestic and international trade situations. Trade barrier measure is always employed to create competitive advantages. This can be seen from the trade situation between China and the United States. According to IMF's data (2019), the direction of economic growth rate of the United States and China from 2018 to 2019 was found volatile. Both countries experienced a slowing rate of economic growth due to the fierce trade war as shown in Figure 1.

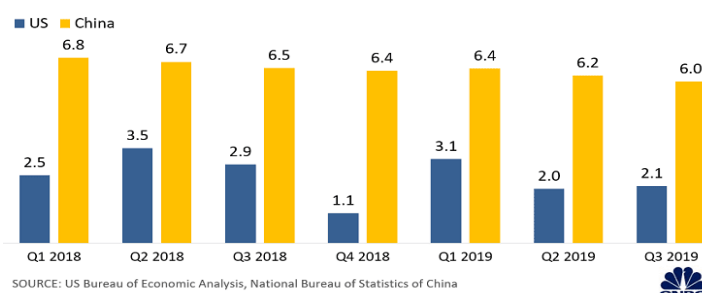


Fig.1: The economic growth rate of the United States and China

Source: CNBC, <https://www.cnbc.com/2020/01/02/trade-war-6-charts-comparing-us-china-economies-and-markets-in-2019.html>, 2020.

This was so because of the impact of the trade war between the two countries. Both wanted to protect the interests of their own countries by setting trade barriers. The results of such barriers affected all involved parties. If all parties involved in the business adhere to ethical marketing practices, they will be able to live together in peace without persecution. Business will gain more profits, resulting in national economic stability. The researcher would, therefore, like to study and analyze second order confirmatory factor analysis of ethical marketing for use to solve the problem. It was hoped that the results of this study would be beneficial to industrial organizations in the way that they put them into practice. In addition, it was also hoped that the information provided in this study would be of use to related organizations, educational institutions, and those interested.

LITERATURE REVIEW

2.1 Marketing ethics is a form of applying ethical principles to business operations in order to create fairness to all stakeholders. As the ultimate goal of a business is to seek profits, businesses operating with lack of ethics always take an advantage over the others to achieve their desired goal. The advantages they take include those related to wages, environment, unfair price setting, overrated advertisement etc. Unethical business practices naturally affect stakeholders of organizations and peace of society as a whole (Wantanakomol and Silpcharu, 2020).

2.2 Ethics is very important for small retail entrepreneurs as it is a practice guideline for them to follow, which will bring happiness and prosperity to their society. If human beings are ethical, they will be able to make good decision in every step of administration. Control on ethical matters will yield benefits to both entrepreneurs and the other parties involved, which will lead to the growth of their own business (Natepanna, 2017).

2.3 Business strategic planning consists of 7 steps, namely, 1) business mission, 2) external environment analysis, 3) internal environment analysis, 4) goal formulations, 5) strategy formulation, 6) implementation, and 7) feedback and control (Kotler & Keller, 2012).

2.4 Marketing strategy can create added value for customers and can also result in profitable relationship, leading to the decision to segment the market share, target customers, and position the products. To formulate strategies, total market should first be identified and divided into segments. Those customers who are most likely to have purchasing opportunities and purchasing power should be selected. Marketing strategies that satisfy customers should be focused (Kotler & Armstrong, 2012).

2.5 Market mix, widely known as 4 Ps, consists of product, price, place, and promotion all of which work in harmony with each other. Every element is, in itself, equally important to marketing management. However, it is up to each marketing executive to place more importance on which one to comply with his strategy so as to ultimately meet the needs of customers' satisfaction (Kotler & Armstrong, 2012).

Research Objective

To study the model of second order confirmatory factor of ethical marketing guidelines for sustainable growth in industrial business sector.

RESEARCH METHODS

Step 1. The population of this study was 2,744,198 small and medium entrepreneurs (The Office of SMEs Promotion, 2018). They were divided into 5 groups according to their business nature; namely, production, trade, service, agriculture, and others. Five hundred appropriate samples were selected as, according to Comrey and Lee (2002), the most appropriate number of the sample size for the analytical research was 500.

Step 2. The instrument for collecting the data was a five-point rating scale questionnaire conforming Likert's method (David & Sutton, 2011). There were 97 questions in the questionnaire. The quality of the instrument was tested. It was found that the values of the index of item objective congruence (IOC), the discrimination, and Cronbach's Alpha coefficient were 0.60-1.00, 0.41-1.00, and 0.987 respectively.

Step 3. The data collection of this study was made by interviewing the samples requested to answer the questions in the questionnaire. A team of 10 trained interviewers were employed in this study. Descriptive statistics was used to analyze the data via SPSS software while AMOS software was used to analyze the Multivariate Statistical Analysis. The Data-Model Fit was evaluated according to the set criteria value (Arbuckle, 2011) as follows: 1(the Chi-square Probability Level of more than 0.05, 2(the Relative Chi-square of less than 2, 3(the Goodness of fit Index of more than 0.90, and 4(the Root Mean Square Error of Approximation of less than 0.08.

RESEARCH RESULTS

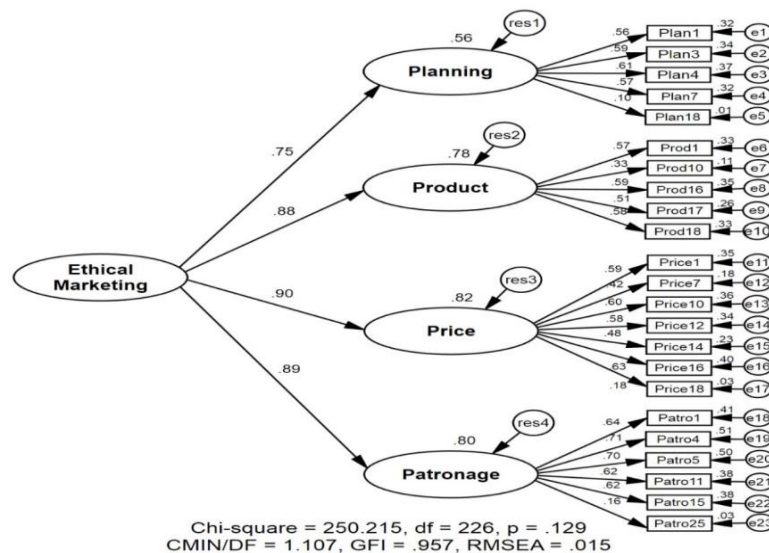


Figure 2: The analysis of second order confirmatory factor of ethical marketing guidelines for sustainable growth in industrial business sector

1. The results obtained, **as a whole**, from the analysis of second order confirmatory factor of ethical marketing guidelines for sustainable growth in industrial business sector

Figure 2 displays the statistic values obtained from the evaluation of the Data-Model fit of the study after the model was improved and modified. It was found that all calculated values passed the set criteria; i.e. the Chi-square Probability Level was 0.129, 2) the Relative Chi-square was 1.107, 3) the Goodness of fit Index was 0.957, and 4) the Root Mean Square Error of Approximation was .015. It could, therefore, be concluded that the developed model was consistent with the empirical data.

The guidelines for ethical marketing in this study comprised 4 Latent variables, namely, price, patronage, product, and planning. Their regression weight and R^2 values ranged as follows: 1) Price: Regression Weight = 0.90, $R^2 = 0.82$, 2) Patronage (Place & Promotion): Regression Weight = 0.89, $R^2 = 0.80$, 3) Product: Regression Weight = 0.88, $R^2 = 0.78$, and 4) Planning: Regression Weight = 0.75, $R^2 = 0.56$.

2. The results obtained from the analysis of **each** second order confirmatory **factor** of ethical marketing guidelines for sustainable growth in industrial business sector.

The results of the analysis of the four second order confirmatory factors of ethical marketing guidelines for sustainable growth in industrial business sector as shown in Figure 2 can be described as follows:

2.1 With regard to planning factor, five observable variables gained the regression weight from the most to the least were: 1) Plan4: 0.61 Take all complaints of the stakeholders for

consideration and correction, 2) Plan3: 0.59 Regularly review and monitor ethical marketing measures, 3) Plan7: 0.57 Cultivate consciousness of personnel to be ethical in the workplace, 4) Plan1: 0.56 Set the ethical marketing as a clear core policy of the organization, and 5) Plan5: 0.10 Make the best use of resources including recycling and reuse.

2.2 As for the factor related to the product, five observable variables were found gaining the top regression weight as follows: 1) Prod16: 0.59 Place the importance on safe and easy to use packaging, 2) Prod18: 0.58 Assure that consistent standards and quality can be maintained in every stage of production, 3) Prod1: 0.57 Honestly produce products that meet the standards required by customers, 4) Prod17: 0.51 Not violate rights of or imitate from other manufacturers, and 5) Prod10: 0.33 Develop products as well as lead the customers' society to be a good and peaceful one.

2.3 Seven distinguished observable variables concerning price were: 1) Price16: 0.63 Make no price war with competitors, 2) Price10: 0.60 Exclude groups setting prices that are unfair to customers, 3) Price1: 0.59 Do not take an opportunity to raise the price when the product is popular, 4) Price12: 0.58 Do not use the price fixing method so that buyers have to buy the products in the specified price, 5) Price14: 0.48 Do not set a price that is higher than the cost incurred, 6) Price7: 0.42 Do not use pricing technique to mask information so that it appears cheaper than those of the competitors', and 7) Price18: 0.18 Pricing must be the same for all groups of customers.

2.4 Regarding patronage factor (i.e. Place & Promotion), the top six observed variables gaining higher regression weight were: 1) Patro4: 0.71 In transporting goods, measures must be taken to prevent damage to life and property, 2) Patro5: 0.70 Select the best sellers that are ethical, not using unscrupulous sales techniques, 3) Patro1: 0.64 Deliver goods or services on time, 4) Patro11: 0.617 Do not present anything that could cause conflict in society, 5) Patro15: 0.62 Communication must not contain ambiguous message that could cause misunderstandings, 6) Patro25: 0.16 If the delivery of the products is delayed, inform the customer immediately.

Table 1: Mean and standard deviation of guidelines of ethical marketing for sustainable growth in industrial business sector

Guidelines of ethical marketing for sustainable growth in industrial business sector	\bar{x}	S.D.
Guidelines of ethical marketing as a whole	3.80	0.41
1. Planning	3.89	0.49
2. Product	3.78	0.52
3. Price	3.79	0.54
4. Patronage (Place & Promotion)	3.74	0.54

3. The results obtained **as a whole** from the analysis of the importance level of ethical marketing guidelines for sustainable growth in industrial business sector.

Table 1 shows that the studied ethical marketing guidelines for sustainable growth in industrial business sector was, as a whole, at a high level of importance with the mean of 3.80. When

each factor of the ethical marketing was taken into consideration, it was also found that everyone was at a high level of importance too. The calculated mean of each factor can be put in a descending order as follows: 1) Planning $\bar{x} = 3.79$ 3) Product $\bar{x} = 3.78$, and 4) Patronage (Place & Promotion) $\bar{x} = 3.74$.

4. The results obtained from the analysis of the importance level of ethical marketing guidelines for sustainable growth in industrial business sector as in an individual question item.

When each item of the questionnaire was investigated to find how important the informants rated, it was found that every item gained a high level of importance. The first three top items of each factor would be presented here in a descending order of their mean as follows: 4.1 Planning: 1) Set the ethical marketing as a clear core policy of the organization ($\bar{x} = 3.97$), 2) Make the best use of resources including recycling and reuse ($\bar{x} = 3.89$), and 3) Regularly review and monitor ethical marketing measures ($\bar{x} = 3.87$).

4.2 Product: 1) Assure that consistent standards and quality can be maintained in every stage of production ($\bar{x} = 3.86$), 2) Develop products as well as lead the customers' society to be a good and peaceful one ($\bar{x} = 3.78$), and 3) Place the importance on safe and easy to use packaging ($\bar{x} = 3.77$).

4.3 Price: 1) Pricing must be the same for all groups of customers ($\bar{x} = 3.88$), 2) Do not use the price fixing method so that buyers have to buy the products in the specified price ($\bar{x} = 3.83$), and 3) Do not take an opportunity to raise the price when the product is popular ($\bar{x} = 3.80$).

4.4 Patronage (Place & Promotion): 1) Select the best sellers that are ethical, not using unscrupulous sales techniques ($\bar{x} = 3.93$), 2) Do not present anything that could cause conflict in society ($\bar{x} = 3.82$), and 3) In transporting goods, measures must be taken to prevent damage to life and property ($\bar{x} = 3.76$).

DISCUSSION

1. According to the findings, the element that most influence ethical marketing for sustainable growth in industrial business was price. It gained the Standardized Regression Weight of 0.90 at the statistical significance level of 0.001. Why this was so may be because price was a very important factor. Change of price could affect buyers' feeling. Price was considered the first factor in purchasing decisions. This corresponded with Nancy and William Hauck (2010)'s study. They mentioned that consumers might not agree if the price would go up. However, their finding suggested that consumers still took into account the manufacturer that operated under ethical marketing operation; i.e. they were willing to pay a little bit extra for ethical products. In addition, Avinash and Neeraj (2018) found in their study that consumers wanted prices for environmentally friendly products.

2. It was found in this study that setting the ethical marketing as a clear core policy of the organization was the most recognized ethical marketing guideline in relation to planning. As it is common that everyone in an organization practices the same way, so do those in ethical market. If an organization sets a clear and appropriate ethical marketing policies in its plan and announces

for all parties to strictly follow, such organization will be able to compete in the market and may gain even larger share in the market. The finding in this study accords with that in Tito Conti (2013)'s. They said that good marketing plan was a factor that contributes to consumers' satisfaction. It could help to build insights into perception of both consumers and stakeholders. Moreover, it could foster organizational innovation that will add value to marketing as well.

3. As for the element concerning product, the item that reads assuring that consistent standards and quality can be maintained in every stage of production was found gaining the highest mean score of importance as it was believed that standardized and quality products could affect the image of the organization. This confirmed Jeffrey and Joan (2012)'s finding that factor of standardized and quality products could indicate the virtuousness and unique value of the organization and it was a factor of sensitivity to consumers.

4. The questionnaire item about price that was highly rated by the informants was that pricing must be the same for all groups of customers. It was, with respect to price, considered the most important in ethical marketing as pricing was an important factor affecting consumers' perception of the product value. If the price of the same product were set differently for different groups of customers, customers would feel that they were taken advantage of setting unfair price to them. Juha and Pentti (2012) mentioned in his study that price of a product affected the creation product value. They added that, according to the principles of consumer psychology, good pricing must not make customers feel that they have been taken advantage or treated unfairly by manufacturers, which would be a major cause of the lack of loyalty to that very suppliers.

5. Selecting the best sellers that are ethical, not using unscrupulous sales techniques was the ethical marketing guideline that was ranked the most important in relation to patronage. As most executives usually consider only total sales and profits, they obviously neglect the ethical values and codes of conduct. Presently, there are no penalties for dealers that behave in violation of ethics towards business partners. This was in accordance with the study of Jang and others (2018) who found that deciding to choose inappropriate dealers who did not take good care of and were not responsible for customers would create customers' dissatisfaction and would eventually result in not repeat buying.

RECOMMENDATIONS

1. It is recommended that entrepreneurs apply the ethical marketing guidelines presented in this study to their business for the long run of sustainable profit growth. This will result in the involved parties to live together in peace, the stability of national economy, and eventually the world trade.

2. Online media such as Facebook, YouTube, Instagram, is advised to be used as a channel for publicity due to consumers' wildly use of the Internet. Public relations media should be able to use with mobile phones since most Gen Z consumers focus on online media via wireless devices. Two-way communication is highly recommended to create a collaborative experience with customer. Enough and concise information with easy to remember pictures should be

emphasized. Thing to ultimately bear in mind is that those information should entertain the audience too.

Ethical marketing should be swift to minimize conflicts with customers, create good image for the organization, and continuously create opportunities to increase profits. Both public and private communicators should stimulate consumers to realize the importance of and responsibility for environmental problems, specifically those arising from human actions. In this case, a marketing communicator may use emotional motive to stimulate and convince consumers to buy environmentally friendly products.

3. The government sector should foster ethical marketing for sustainable growth of business and build strength to economic system in various ways such as establishing an agency for the supervision and promotion of ethical marketing in establishments, providing measures (tax measure, for example) to support establishments operating ethical market and etc.

4. Educational institutions should foster ethical marketing by specifying in the course where students learn to be entrepreneurs in the future, making them realize the importance of ethical marketing and providing them with clear guidelines to operate ethical marketing. This will be beneficial to new entrepreneurs who are going to operate ethical market in the future.

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