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# Ethically Questionable Consumer Behaviors: Korean and American Perspectives

Jungki Lee\*  
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This study compares the ethical inclination regarding consumer misbehaviors from two countries with contrasting cultural characteristics. National samples of South Korean and American adults provided their perceptions of the appropriateness of 12 ethically questionable consumer actions. The scenarios ranged from illegal actions, such as fraudulently inflating one's losses when filing an insurance claim to legal, yet questionable, actions such as purchasing an item that the buyer recognizes as having been mispriced. The 12 scenarios exhibited a wide range of mean responses in both countries, thereby supporting the oft-stated premise that consumer ethics is a situational phenomenon. Findings indicate not only where the cultures diverge but also where they converge towards a degree of congruence. Plausible explanations for differences based upon cultural dynamics are provided.

Key words: Consumer ethics, Consumer misbehavior, Cross culture, Hofstede, South Korea, United States

## I. Introduction

Consumer misbehaviors are ubiquitous and persistent. From a global perspective, businesses face myriad undesirable consumer behaviors such as shoplifting, illegal downloading, fraud, and shopper violence. Technology has led to

new variants of non-normative consumer behaviors that transpire within in most business sectors. Losses caused by consumer misbehavior are astronomical. One study estimated that the monetary cost incurred by retail theft alone in 43 countries exceeded \$51 billion USD in 2011 (Bamfield 2011). A more recent report by the National Retail Federation estimated losses

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from inventory shrinkage in 2018 in the United States alone to be some \$46.8 billion (McCue 2019). There is little wonder as to why both the academic and the business communities see consumer misbehavior as a real, imminent threat to business. Consequently, consumer ethics continues to receive increased scrutiny.

Culture plays a key role in determining what is and is not acceptable behavior in a specific situation. Because consumers rationalize their own and others' behaviors within the context of the culture to which they belong, they tend to make consumption-related decisions based upon the cultural framework to which they are accustomed (Ueltschy and Krampf 2001). For example, tipping at a restaurant is deemed a must in one culture, desirable in another, unnecessary in another, and even frowned upon in another. One's judgment of what is acceptable in a particular situation is largely affected by the context of their culture.

Researchers have noted an increasing number of international consumer misbehaviors leading to requests to expand this field of study (Cornwell and Drennan 2004). Belk et al. (2005) noted the need to expand the consumer research agenda to include how ethical interpretations and behaviors differ in consumer markets around the world. The need to better understand cultural dynamics and how they interact to influence consumer behavior was summarized by Swaidan (2012, p. 211), when stating "consumer ethics can be understood better by recognizing the

local cultural framework in which moral decisions are being made" while concurrently concluding that "much research is to be done to explore the differences in consumer ethics using culture characteristics."

This study is a response to those calls for additional research. Specifically, the current study addresses this deficiency by comparing the nature of consumer ethics from two countries with contrasting cultural characters: South Korea and the United States. South Korea has been characterized as a country with high power distance index and uncertainty avoidance index scores but with a low individualism index score (Hofstede 1980). Conversely, the United States is known to have a contrasting cultural nature with low power distance index and uncertainty avoidance scores and a high individualism index score. The contrast is apparent: a report by Hofstede Insights (2018) indicates that these two countries diverge, particularly across the dimensions of individualism and long-term orientation. Numerous cross-cultural studies have compared South Korea and the United States because the sharp contrast in cultural character between the two countries allows researchers to scrutinize the effects of culture upon consumer and organizational behaviors (Bernardi et al. 2009; Kim et al. 2010). This study likewise adopts these countries as examples of diverging cultural characters and compares them with the expectation that a relationship between the cultural character and consumer

ethics will be confirmed.

This study differs from existing cross-cultural ethics studies involving South Korea and the United States in that it examines ethical perspectives regarding consumer misbehaviors of each culture from a multitude of perspectives. In prior research, misbehaviors addressed in cross-cultural studies involving South Korea and the USA include retail borrowing (Lee and Johnson 2010), showrooming (Arora et al. 2017), and purchasing a counterfeit item (Lee and Workman 2011; Lee and Shin 2002). Albeit useful in expanding our understanding, these studies have generally focused on a single behavior rather than an array of potential breaches of ethical consumer behavior. Thus, the findings are somewhat anecdotal, and the specific manner by which culture influences the residents of each country's ethical inclination regarding consumer misbehaviors remains largely elusive. A more complete understanding of the culture's influence upon its ethical inclination is likely to be achieved by comparing individuals' ethical judgment from a multitude of perspectives. That is to say, the intricacy between cultural character and the ethical inclination of a culture is likely to manifest by incorporating a wide variety of non-normative consumer actions that are illegal in nature (i.e., stealing from one's employer), as well as those actions that are legal but potentially problematic in the eyes of consumers (i.e., showrooming). This comparison across a broad spectrum of ethically

questionable behaviors (EQBs, hereafter) is likely to result in findings indicating where the cultures diverge as well as where they exhibit a degree of congruence.

## II. An Application of Hofstede's Cultural Dimensions

Each culture has its unique value orientations and commands its members to conform to them. Culture prescribes what is desirable as well as what is not desirable. Furthermore, culture also describes the (un)acceptable means to obtain what one wants. Studies addressing similarities and differences in consumer behaviors across cultures have consistently noted the cultural influences upon the beliefs, attitudes, and behaviors of individuals. Among them, Hofstede (2018) explains how cultures diverge in terms of their value orientation by using six unique cultural characters: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence.

According to Hofstede, South Korea and the USA have a sharp contrast in terms of their cultural character. Table 1 provides an overview of the two countries and documents some disparities between the two cultures. The metric in Table 1 represents indices ranging from 0 to 100 with higher values representing a greater adherence to a particular cultural dimension. A

review of the index values in Table 1 suggests that the cultural gaps between South Korea and the USA are most pronounced along the dimensions of long-term orientation and individualism, followed by uncertainty avoidance, indulgence, masculinity, and power distance. In an effort to scrutinize the influence of cultural character on ethical sensitivity, this study utilizes the two dimensions that exhibit the widest gaps between the countries: individualism and long-term orientation.

The individualism/collectivism index (IDV) addresses the issue of whether the welfare of an individual is considered more valuable than that of the group. Cultures that score high in IDV (i.e., individualistic cultures) promote one's self-interest while those score low in IDV (i.e., collectivistic cultures) subordinate personal interest to that of the group. Naturally, the individualistic cultures tend to support a "me first" mentality among the members and approve and even inspire, at times, their members' self-interest seeking initiatives, while the collectivistic cultures place a "we first" mentality on top

and expect their members to subordinate their personal goals to those of the group (Hofstede 2011). Between them, there is a pronounced dissimilarity in terms of cultural value orientation. Cultural values in individualistic cultures are centered on promoting individual rights and are typified by equality, freedom, independence, and personal happiness. Conversely, cultural values of collectivistic cultures emphasize a harmonious relationship among its members and are represented by cooperation, conformity, friendship, forgiveness, and social usefulness (Triandis et al. 1988).

The long-term/short-term orientation (LTO) dimension is rooted in Confucian values regarding time, tradition, perseverance, and saving for future. A long-term orientation as defined by Hofstede (2001, p. 359) represents "the fostering of virtues oriented towards future rewards, in particular, perseverance and thrift." Alternatively, Hofstede characterized short-term orientation as "the fostering of virtues related to the past and the present, in particular, respect for tradition, preservation of face and fulfilling

<Table 1> South Korea vs. the United States on Hofstede's Six Cultural Dimensions

| Dimension             | South Korea | United States |
|-----------------------|-------------|---------------|
| Power Distance        | 60          | 40            |
| Individualism         | 18          | 91            |
| Masculinity           | 39          | 62            |
| Uncertainty Avoidance | 85          | 46            |
| Long-term Orientation | 100         | 26            |
| Indulgence            | 29          | 68            |

Adapted from Hofstede Insights (2018)

social obligation” (Hofstede 2001, p. 359). A society guided by a long-term orientation emphasizes both the past and the future by promoting planning for future, tradition, saving for future, and perseverance (Bearden et al. 2006). In short-term oriented cultures, individuals are expected to act as stable members of a society, respecting, working for immediate need gratification while continuously keeping up with social trends (Hofstede and Minkov 2010). As a result, the LTO and STO societies exhibit differences in work values. A society with a long-term orientation emphasizes honesty, adaptiveness, accountability and self-discipline, whereas a short-term orientation stresses freedom, rights, achievement, and thinking for oneself (Hofstede and Minkov 2010). Another major difference between these cultures is the placement of utmost value on *virtue* versus *truth*. Hofstede and Minkov (2010, p. 497) contrasted these two cultures by summarizing that “On the long-term side, what works is more important than what is right. Matter and spirit are integrated. Good and evil depend upon the circumstances. On the short-term side, there is a deep concern with righteousness. Matter and spirit are separated, and there exist universal guidelines about what is good and evil.” Thus, in dealing with an event, the long-term oriented culture promotes a relativistic and synthetic perspective while the short-term oriented culture supports an absolute and analytic viewpoint.

### III. Ethics Research Involving South Korea

Research findings regarding the ethical inclination of South Koreans are mixed. It has been stated that Korean society is “guided by virtues and good practical examples” (Padilla *et al.* 2017, p. 39). In light of this mindset, it is only logical to presume that South Koreans maintain relatively high standards regarding ethical behavior and that they are collectively critical of breaches of consumer ethics. Conversely, it is generally agreed that South Korea is best described as possessing a collectivist mindset (Hofstede 1980). Since collectivist cultures are more likely to approve and engage in deceptive behaviors that benefit the members of their cultural enclave (Zourrig and Cosentino 2017), it is a bit paradoxical.

South Korea is deemed to be a high-context country; thus, this philosophy is associated with South Koreans’ tendency to possess a strong sense of history and tradition. This mindset may supersede any written rules designed to guide an individual’s actual behavior. Given this philosophy, Lee and Fullerton (2014) sought to better understand how Koreans viewed a number of ethically questionable consumer behaviors. Their results documented the reality that Koreans are prone to be less critical of their peers, even when their questionable act imposes an economic loss on a victimized

organization. Furthermore, it was determined that there is a meaningful relationship between the level of acceptance associated with a perceived breach in ethical conduct and the size of the victimized organization. Specifically, consumers were more critical of a number of actions when the victimized organization was a small business rather than a large corporation. A second study by the same authors found similar attitudes when the focus was on the magnitude of the harm imposed on the victimized organization (Lee and Fullerton 2016). Koreans are more critical of an act when the financial harm borne by the victim is higher.

Korea was the focus of a recent study that assessed attitudes regarding retail borrowing. Retail borrowing involves the purchase of an item (often fashion), using it for a pre-determined purpose (such as wearing the fashion item to a special event), then returning the item to the retailer (for a refund). The findings of that study were disappointing as almost 20 percent of the Korean respondents admitted to having engaged in retail borrowing (Lee and Johnson 2010). Yet, even those consumers who admitted they had personally engaged in retail borrowing tended to possess a negative opinion about the practice. Recently, South Koreans' general sentiment toward another retail-focused EQB, showrooming, was studied (Arora et al. 2017). Taking a more critical stance towards breaches of ethics by Korean shoppers, Lee (2009) characterized an array of questionable actions

specific to the acquisition of clothing as *immoral behaviors*. (i.e., shoplifting, retail borrowing, abusive behaviors, and excessive demands).

The sale of counterfeit items is an ongoing concern for marketers today. A study of Korean consumers documented four considerations that potentially influence their decision to purchase a counterfeit item: general attitudes towards counterfeit products; predisposition regarding consumer ethics; perceptions of business ethics; and underlying cultural dynamics (Lee and Workman 2011). A cross-cultural study documented an interesting difference between Americans and Koreans who purchase knock-offs. It was reported that Americans who purchase counterfeit items such as a fake Rolex watch are eager to tell their peers about their good deal; however, Koreans are reluctant to divulge that they have purchased an illegal knock-off (Lee and Shin 2002).

To draw this literature review to a close, attention is directed to a conceptual article that addresses reasons why the ethical predisposition that typifies Korean consumers differs from the ethical predisposition of consumers in other countries (Ha 2013). While incorporating the well-understood theoretical underpinnings articulated by Hofstede (1980) and others, four additional premises were put forth. Factors that influence Koreans' decisions within the realm of consumer ethics are: (1) that they rely extensively on social norms and mores in determining the inappropriateness of an action:

(2) that South Korean society is characterized as one that employs a more relativistic - thus less idealistic - philosophy as a guiding principle; (3) the Machiavellian nature of the Korean society; and (4) that the South Korean society has been noted as being high on the trait of uncertainty avoidance.

#### IV. Hypothesis Development

Vitell (2003) provided a summary, based on over thirty consumer ethics studies published between 1990 and 2003, that the extent to which individuals deem an EQB to be ethical or not is predicated upon three criteria: (1) whether the consumer actively sought an advantage; (2) whether the action was perceived to be illegal; and (3) whether the degree of harm imposed upon the victim is known. According to Vitell (2003), the situation in which a questionable consumer act takes place influences the degree to which that act is deemed acceptable or not. The ethical inclinations of the South Korean and the US cultures may be compared along Vitell's (2003) three criteria. Specifically, each country may apply these criteria to varying degrees in judging an EQB. This study utilizes these criteria, along with Hofstede's cultural character, as a theoretical foundation for the establishment of research hypotheses.

Compared to South Koreans, American consumers are guided by a more idealistic - thus less relativistic - philosophy, where actions and decisions are bound by written rules and regulations rather than by social mores. In an individualistic culture like America, "laws, rules, and regulations are institutionalized to protect individual rights" (Kim et al, p .8), and every member is expected to be treated equally. In a collectivist culture like Korea, "morality is ... contextual and the supreme value is the welfare of the collective" (Trandis 1995, p. 95). Thus, Korean criteria for ethical judgment are "not based as much on universal absolutes as on the effect actions have on individuals, on the family, on co-workers and friends, and on society-at-large" (De Mente 1998, p. 44-45). A sufficient consideration of circumstances and relationship implications is to be exercised before an ethical judgment is levied upon on an EQB in a collectivistic culture. An EQB may be regarded as acceptable by a collectivist if it was done to save face in a close relationship or to maintain a harmonious balance within the group. Such a tendency may also be explained by the long-term oriented nature of Korean culture that encourages its members to place the supreme value upon virtue rather than truth (Hofstede and Minkov 2010). In evaluating an EQB, American consumers are more likely to be concerned with righteousness of the EQB and utilize applicable social norms in a strict manner whereas their Korean counterparts may

take an eclectic, thus less strict, perspective by incorporating contextual matters before reaching a final decision (Ha 2013). Because the American consumers tend to utilize a stricter ethical code in assessing EQBs, American respondents may exhibit a higher level of disapproval for consumer misbehaviors than do their South Korean counterparts. Based upon this reasoning, Hypothesis 1 is as follows.

*Hypothesis 1. At an aggregate level, the respondents in the United States are likely to exhibit a higher level of disapproval for consumer misbehaviors than are their South Korean counterparts.*

The higher idealistic disposition among Americans may result in a better understanding of the illegality specific to an EQB. South Koreans may condemn illegal EQBs; however, with their relativistic ethical philosophy, their level of disdain may not equal that of their American counterparts. For example, lying is known to be acceptable to most collectivistic cultures if it benefits the group, while for individualists like Americans, lying is generally deemed unacceptable because it violates social norms (Trandis 1995). Therefore, in evaluating an EQB that has legal ramifications, Americans are more likely to judge it from the perspective of strict legal/regulatory perspective while South Koreans are likely to incorporate relationship-related and contextual factors in addition to

legal guidelines. Alternatively, the deep concern with righteousness among short-term oriented cultures (i.e., the USA) compared to the relativistic and synthetic perspective of their long-term oriented counterparts (i.e., Korea) may also contribute to Americans exhibiting greater disdain for actions conflicting with laws and regulations (Hofstede and Minkov 2010). The comparative insensitivity to legal implications of an EQB has resulted in a reality that deception and corruption take place more often in collectivistic societies (Li et al. 2006; Trandis et al. 2001). With the high regard for righteousness, Americans are likely to place a stronger level of disapproval on an EQB with legal implications than do their South Korean counterparts. Based upon this reasoning, Hypothesis 2 is as follows.

*Hypothesis 2. American respondents are likely to have a stronger level of disapproval than do their Korean counterparts for any consumer misbehavior that has legal ramifications.*

Due to their heightened regard for relationships with others, South Koreans are likely to be more critical of actions that directly harm an identifiable victim, but less sensitive to those EQBs that have no discernible victims. Although the protection of in-group interest is important to both collectivistic and individualistic cultures, each has a different definition of what constitutes *in-group*. The in-group in the individualistic

culture includes those who have intimate and immediate relationships such as “family, friends, and other people concerned with my welfare” (Trandis 1972). Conversely, the in-group in collectivistic cultures represents “people who are like me in social class, race, beliefs, attitudes, and values” (Trandis 1972). This suggests that the range of in-group is much broader for a collectivist than for an individualist. The collectivistic society’s tendency of placing the group ahead of an individual, coupled with the broader definition of in-group, would make the role of the relational closeness factor more prominent and prevalent in that society’s judgment on matters. One study involving Chinese consumers has documented that one’s propensity to engage in an EQB “is influenced by guanxi-oriented social culture so deeply that it cannot be considered as a purely individual behavior choice” (Liu et al. 2015, p. 411). Similarly, for a collectivist who is contemplating acting in an unethical manner, whether that individual perceives the victim as an in-group member may be more important than the objective nature of the action. A collectivist would associate an EQB with high level of disdain when the victim is a known in-group member. The same action may be viewed as having less negative effect when there is no discernible victim. Therefore, for those EQBs that do not cause direct, discernible harm to an identifiable entity (such as retail borrowing or showrooming), Koreans, in comparison to

Americans, are likely to evaluate them with less disdain.

Furthermore, the tendency of emphasizing equality and sharing among in-group members in collectivistic cultures (Hofstede 1991; Swinyard et al. 1990) may contribute to the development of the mindset of downplaying the harm inflicted by an EQB upon the victim. Meanwhile, Americans, with their individualistic nature may be affected more by fairness and justice than by relationship implications in evaluating an EQB. Thus, American consumers’ acceptance of an EQB may be less swayed by whether or not the victim is identifiable when evaluating an EQB. In summary, South Koreans are likely to lower the ethics bar when the victim associated with an EQB is identifiable whereas that propensity may not be as prominent among Americans. Based upon this reasoning, the following hypothesis has been developed.

*Hypothesis 3. American respondents are likely to have a higher level of disapproval than do their South Korean counterparts for any consumer misbehavior that has no discernible harm incurred by a victim.*

Not all EQBs have either legal or relationship-based implications. In evaluating an EQB that does not have either legal or relationship implications, consumers in both countries would consider fairness a critical criterion. Although fairness is recognized as a widely held cultural

virtue in individualistic societies, collectivists also ascribe to it when dealing with those outside the group (Trandis 1994). Specifically, respondents in both cultures are likely to believe that an individual consumer's action is acceptable as long as it does not conflict with norms underlying fair exchange in the marketplace. Conversely, when an EQB is judged to undermine the fair exchange norms, those actions may be disdained by both cultures (Chen et al. 2002). For an EQB that does not interfere with Vitell's (2003) criteria, (i.e., actively seeking benefits, legality, and the existence of discernible victim), responses of both cultures may converge: an EQB that is perceived to be (im)permissible in one culture may be evaluated similarly in another. This thinking leads to the delineation of the final research hypothesis.

*Hypothesis 4. Respondents of South Korea and the United States are likely to have similar tendencies in evaluating EQBs with fairness implications.*

## V. Methodology

This study assesses consumers' attitudes towards EQBs in South Korea and the United States. The initial step was to develop a questionnaire incorporating a set of ethically questionable consumer actions. There are myriad

scales documented in the literature that have focused on consumer ethics while having been subjected to empirical scrutiny (Fullerton and Neale 2010; Vitell and Muncy 1992; Vitell and Muncy 2005). Because of its recent use and adoption by successive studies (Neale and Fullerton 2012; Lee and Fullerton 2014), the set of scenarios developed by Fullerton and Neale (2010) was adopted for the current study.

The set of 12 vignettes incorporates a wide spectrum of ethically questionable consumer behaviors ranging from those widely addressed in the literature (i.e., exaggerating losses on an insurance claim) to controversial consumer actions that have recently emerged (i.e., retail borrowing). It also includes a number of actions that are illegal in nature (i.e., stealing from one's employer), as well as actions that are legal but potentially problematic to other consumers (i.e., showrooming). Thus, the survey addresses a variety of ethically questionable consumer actions making it possible to compare consumer ethics in the two cultures from various perspectives.

For each EQB, a scenario was used where an individual is described as attaining a personal gain from the behavior. The 12 vignettes used portrayed actions undertaken by a third party such as a co-worker, a neighbor, or an unknown individual in a queue. Respondents evaluated someone else's action rather than their own. To avoid any inherent bias that respondents might have regarding the victimized organization, no marketers' names were used in the descriptions.

A balanced, forced, six-point itemized rating scale was constructed for the respondents to rate each action. The scale was anchored by *very unacceptable* and *very acceptable*. The questionnaire concluded with several demographic questions. The survey was translated into Korean and modified as needed to fit the context of both countries. The Korean questionnaire was back-translated in order to validate the translation.

Data collection in each country used panels maintained by professional research organizations. The Korean survey was delivered face-to-face; the interviewer explained the focus of the study to prospective respondents and asked them to complete the survey. The interviewer remained accessible for problems or questions that arose. The American sample was drawn using a panel maintained by eRewards. Potential respondents were sent an email that provided a link to an Internet-based questionnaire. Sample demographics were monitored during the data collection process with subsequent invitations being sent to underrepresented groups of consumers. It was not disseminated via an open-access format. In order to participate, the prospective respondent must have been invited by the survey administrator. The results of these data collection procedures were two representative national samples: 239 South Korean and 815 American adults.

To determine the measurement properties of the items, both common method bias and measurement invariance were examined. To test

whether the observed responses were affected by common method bias issues, Harmon's one-factor test was applied to both countries. The result of the factor analysis indicated that no single factor accounts for more than 50% of the variance of these variables (.39 in Korea and .35 in the USA). An additional exploratory factor analysis produced three-factor solutions for both countries. Since multiple factors were observed and the maximum variance explained by a single factor is less than .5, there is no evidence of the presence of common method bias.

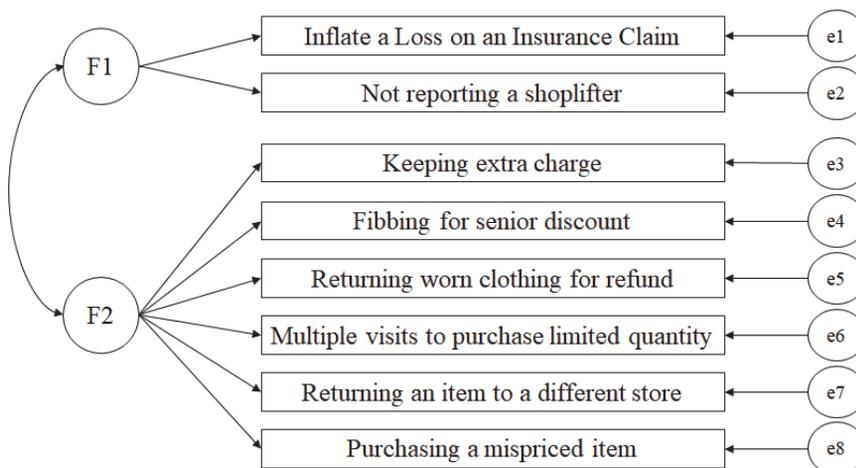
In addition, since the study's data includes respondents from two different countries, the measurement invariance test was deemed necessary for a valid cross-cultural comparison. The measurement invariance test examines whether the questionnaire measures the same construct in both samples (Steenkamp and Baumgartner 1998). It investigates not only the adequacy of measurement across multiple countries, but also the appropriateness of pooling the data (Rungtusanatham et al. 2008). To determine whether there is support for measurement invariance, both configural invariance and metric invariance tests were performed (Milfont and Fischer 2010). Given the absence of an *a priori* structure, the three-factor solution that emerged during the exploratory factor analysis serves as a starting point. A review of the three factors indicates that factor 1 roughly represents legal, yet

ethically questionable behaviors, factor 2 deals with EQB's with legal implications, and factor 3 with the single item of showrooming. Factor 3 was removed from subsequent analysis because it comprised a single item. Next, an item purification process was undertaken during which three items (stealing from one's employer, borrowing a membership card, and knowingly purchasing counterfeit items) were additionally removed due to cross-loading and poor factor loading issues. As a result, the confirmatory factory analysis model comprised two factors and eight items. A test for measurement invariance was conducted on this CFA model (See Figure 1).

First, the configural invariance test sought to determine whether the factor structures of the Korean and American samples are equivalent.

The unconstrained model with the two groups exhibited a reasonable model fit (CMIN/DF = 4.43, CFI = .94, RMSEA = .06). Although the CMIN/DF index is above the recommended level, that index is sensitive to sample size; considering the large sample size of the current study, this result could be anticipated. Thus, the fit of the unconstrained model was deemed adequate, indicating that the two countries' samples are roughly equivalent regarding factor structure. Additionally, the metric invariance test was conducted. The unconstrained model (chi-square = 168.36, df = 38) was compared with a constrained model (chi-square = 179.0, df = 46) in which regression coefficients were set to be the same for both samples. The chi-square difference test of the models had an insignificant p-value (p = .225) indicating that

<Figure 1> CFA Model for Measurement Invariance Test across Samples



Unconstrained Model Fit: CMIN/DF = 4.43, CFI = .94, RMSEA = .06

that the two groups were invariant. Based upon these results, the items used in the study were found to represent equivalent meanings to the citizens of both countries. Upon completion of the measurement invariance test, the original 12 items were reincorporated for further analyses.

Overall ethical predisposition was measured by calculating grand means across the 12 scenarios for the two countries. Then the sample mean for each of the 12 individual scenarios was calculated for each country. A t-test was used to identify any statistically significant difference between the two countries' grand means. Independent sample t-tests were used for each specific scenario to identify any EQB where the respondents from the two countries differed.

## VI. Results

Table 2 summarizes the respondents' demographic information. As far as the representativeness of the samples is concerned, the South Korean sample was found to be slightly less educated and the American sample was slightly older than what has been reported in the country statistics (cf. Index Mundi 2018). Yet, both samples were estimated to reflect the characteristics of their respective country's other known parameters, making them sufficiently representative. Thus, the generalizability of the two samples

is deemed to provide the ability to objectively assess each population while comparing the ethical predispositions of the Koreans and the Americans.

The initial analysis involved the classification of actions based upon their level acceptance (or non-acceptance) in each country. Respondents in both countries had a high level of reluctance to approving the EQBs under investigation. For the Americans, 11 of the 12 actions exhibited a mean below the scale's midpoint (3.5), thereby indicating that these actions were deemed unacceptable by the American consumers. The three most unacceptable actions for the Americans were stealing from one's employer (1.90), inflating losses on an insurance claim (2.00), and retail borrowing (2.06). The only action that the American respondents deemed acceptable was showrooming (4.54).

A similar pattern was observed for the Koreans as they rated 10 of the 12 actions unacceptable. The three most unacceptable actions from a Korean perspective were inflating losses on an insurance claim (2.56), returning an item to a store other than the one where it was purchased (2.56), and retail borrowing (2.58). The two actions Koreans viewed as acceptable were showrooming (4.61) and borrowing a membership card to avoid fees (3.82). Thus, the broad-based consumer approval/disapproval of the 12 EQBs was similar, albeit not identical in the two countries. Despite these similarities, the magnitude of the disapproval for the scenarios that

<Table 2> Respondents' Demographic Profiles

|                        | Number        |             | Percentage    |             |
|------------------------|---------------|-------------|---------------|-------------|
|                        | United States | South Korea | United States | South Korea |
| <b>Gender</b>          |               |             |               |             |
| Female                 | 405           | 127         | 49.7          | 53.1        |
| Male                   | 410           | 112         | 50.3          | 46.9        |
| <b>Age</b>             |               |             |               |             |
| Under 25               | 79            | 48          | 9.7           | 20.1        |
| 25-34                  | 131           | 47          | 16.1          | 19.7        |
| 35-44                  | 141           | 28          | 17.3          | 11.7        |
| 45-54                  | 146           | 74          | 17.9          | 31.0        |
| 55-64                  | 125           | 37          | 15.3          | 15.5        |
| 65 or older            | 193           | 5           | 23.7          | 2.1         |
| <b>Education</b>       |               |             |               |             |
| Less than High School  | 6             | 6           | .7            | 2.5         |
| High School Graduate   | 104           | 108         | 12.8          | 45.2        |
| Some College           | 259           | 11          | 31.8          | 4.6         |
| College Graduate       | 280           | 101         | 34.4          | 42.3        |
| Graduate Degree        | 166           | 13          | 20.4          | 5.4         |
| <b>Income</b>          |               |             |               |             |
| Less than \$10,000     | 33            | 21          | 4.0           | 8.8         |
| \$10,000 to \$24,999   | 126           | 29          | 15.5          | 12.1        |
| \$25,000 to \$49,999   | 255           | 54          | 31.3          | 22.6        |
| \$50,000 to \$74,999   | 182           | 54          | 22.3          | 22.6        |
| \$75,000 to \$99,999   | 113           | 49          | 13.9          | 20.5        |
| \$100,000 to \$149,999 | 74            | 19          | 9.1           | 7.9         |
| Over \$150,000         | 32            | 10          | 3.9           | 4.2         |

generated the greatest disdain in the two countries is noteworthy. The American means were considerably lower for those EQBs than were the means for the most strongly criticized behaviors in Korea. For instance, stealing from one's employer, with a mean of 1.90, was the most strongly criticized action for the American

sample. Conversely, with a mean of 2.56, the harshest criticism among the Koreans was the act of inflating an insurance claim. Therefore, the condemnation of the most unacceptable action in Korea was not as strong as was the disdain for the most harshly criticized action in the United States. Thus, there is anecdotal

evidence that differences between the two countries exist. It is also noteworthy that the twelve behaviors assessed in this study were found to encompass both acceptable and unacceptable domains of consumer misbehavior in both cultures. The means for the 12 scenarios are delineated in Table 3.

The main purpose of this research deals with the assessment of cross-cultural differences between the two countries regarding acceptance of the 12 EQBs. This analysis began with a comparison of the grand means for the two countries as postulated in the Hypothesis 1.

Comparison of the grand means incorporating all 12 EQBs suggests that American consumers have a significantly higher level of disdain for ethically questionable consumer behaviors than do the Korean consumers ( $M_{USA} = 2.64$  vs.  $M_{Korea} = 3.12$ ,  $p < .01$ ). Thus, hypothesis 1, which posits a higher level of disapproval for EQBs among Americans at an aggregate level is supported.

After checking the statistical significance of the difference between the countries, an additional scrutiny that addresses the effect size at the grand mean level and each EQB

<Table 3> Cross-Cultural Differences of Acceptability - USA versus Korea

| Questionable Action   | Mean |       |          | Sig | Cohen's d |
|---|------|-------|----------|-----|-----------|
|   | USA  | Korea | $\Delta$ |     |           |
| Borrow Membership Card to Avoid a Fee                       | 2.69 | 3.82  | -1.13    | .00 | .86       |
| Keeping Extra Change  | 2.13 | 3.15  | -1.02    | .00 | .83       |
| Stealing from one's Employer                                | 1.90 | 2.74  | -0.84    | .00 | .63       |
| Fib for Senior Discount                                     | 2.19 | 3.05  | -0.86    | .00 | .72       |
| Fail to Report a Shoplifter                                 | 2.17 | 2.78  | -0.61    | .00 | .51       |
| Inflate a Loss on an Insurance Claim                        | 2.00 | 2.56  | -0.56    | .00 | .47       |
| Return Worn Clothing for Refund                             | 2.06 | 2.58  | -0.52    | .00 | .27       |
| Purchase Counterfeit Jewelry Knowingly                      | 3.08 | 3.37  | -0.29    | .01 | .21       |
| <i>Actions that are equally criticized in the countries</i> |      |       |          |     |           |
| Multiple Visits to Purchase Limited Quantity                | 3.09 | 3.29  | -0.20    | .07 | -         |
| Seek Info from One Retailer; Buy elsewhere                  | 4.54 | 4.61  | -0.07    | .48 | -         |
| Return an Item to a Different Store                         | 2.65 | 2.56  | +0.09    | .37 | -         |
| <i>Actions that is criticized more harshly in Korea</i>     |      |       |          |     |           |
| Purchase a Mispriced Item                                   | 3.20 | 2.86  | +0.34    | .00 | .25       |
| <b>Grand Mean</b>   | 2.64 | 3.12  | -0.48    | .00 | .62       |
| <b>Range (Max-Min)</b>                                      | 2.64 | 2.05  |          |     |           |

1: very unacceptable 6: very acceptable

level was deemed necessary because the study's sample sizes were quite large. An analysis using G\*Power 3.1.9.2 (Faul et al. 2007) produced results indicating the effect size ( $d$ ) of .62 at the grand mean level (where  $n_{USA} = 815$ ,  $n_{Korea} = 239$ ,  $M_{USA} = 2.64$ ,  $M_{Korea} = 3.12$ ,  $S_{USA} = .74$ ,  $S_{Korea} = .80$ ,  $\alpha = .05$ ), indicating that the magnitude of the difference between the groups is substantial from the perspective of Cohen's (1988) convention. The power of the analysis was .999; therefore, the difference between the two countries was significant, not only from the statistical perspective but also from the substantive viewpoint. The effect size associated with each EQB is also presented in Table 3.

To identify the underlying items contributing to the difference between the countries at the aggregate level, the difference for each individual EQB was examined. Independent samples t-tests were used to assess that disparity. The differences in the mean scores were then ordered on an ascending basis using the metric reflecting the difference between the countries (See Table 3). This hierarchy facilitated the grouping of the measured differences into three categories: (1) *actions that are criticized more harshly in the United States*; (2) *actions that are criticized at an equal level in the United States and South Korea*; and (3) *actions that are criticized more harshly in South Korea*. These three categories are reviewed in conjunction with Vitell's (2003) three criteria to scrutinize

the nature of cultural influences upon consumer ethics.

## 6.1 Americans Are More Critical of EQB than Are Koreans

A review of the eight *actions criticized more harshly in the United States than in Korea* suggests that two factors relevant to the study's hypotheses mediate cross-cultural differences regarding their unacceptance. First is the legality of an action. American respondents had significantly higher level of disapproval than their Korean counterparts for each action that had legal ramifications. The current study's array of EQBs includes four actions with legal overtones (stealing from employer, failure to report shoplifter, inflating loss on insurance claim, and knowingly purchasing counterfeit jewelry). For each of these actions, the American respondents not only rated them as highly unacceptable (means  $< 2.20$ ), but they also rated them significantly more harshly than did their Korean counterparts. Thus, hypothesis 2, which deals with a stronger level of disapproval by the US respondents than their South Korean counterparts for consumer misbehaviors with legal ramifications is supported.

Simply stated, any EQB with potential legal ramifications is strongly disdained by American respondents, perhaps because they believe in the value of righteousness and deem it wrong to pursue personal gains via misconduct contrary

to law and order. The tendency to disdain EQBs with an issue regarding illegal conduct was evident even if the consumer was not overtly committing an illegal action. For example, while the act of shoplifting is illegal, the consumer's failure to report it is not, so there are still legal ramifications associated with this action. The illegality of an action, however, seems to serve a less critical role in the Koreans' judgment of an EQB. In making a judgment call regarding an EQB, Koreans seem to consider social mores to be as important as is the legality of an action (Lee and Fullerton 2014). Interestingly, for Korean respondents, two legal, but socially undesirable actions, specifically those of returning an item to a store other than where it had been purchased (2.56) and retail borrowing (2.58) are deemed as unacceptable as is the illegal act of inflating one's loss on an insurance claim (2.56). Thus, the illegality of an EQB exerts a varying degree of influence in determining one's acceptance judgment in the two countries.

The second factor that underlies the category of actions criticized more harshly in the United States than in Korea is the existence of discernible harm incurred by a victim of consumer misbehavior. Four actions were criticized more harshly by the American respondents than by Korean respondents: borrowing a membership card to avoid fees ( $M_{USA} = 2.69$  vs.  $M_{Korea} = 3.82$ ), fibbing about one's age to secure a senior discount ( $M_{USA} = 2.19$  vs.  $M_{Korea} = 3.05$ ), retail borrowing ( $M_{USA} = 2.06$  vs.  $M_{Korea} =$

2.58), and knowingly purchasing counterfeit jewelry ( $M_{USA} = 3.08$  vs.  $M_{Korea} = 3.37$ ). A common characteristic of these EQBs is that they may not be perceived as causing a direct, discernible harm to an identifiable victim. In such cases, Koreans tend to evaluate an action with less disdain than do Americans. Perhaps due to their belief in citizenship spirit, Americans' acceptance of an EQB was less affected by the existence of an identifiable victim. Thus, the existence of a discernible victim appears to exert a varying degree of influence in determining one's acceptance within the two countries. This finding supports hypothesis 3 that posits a higher level of disapproval among American consumers for any EQB that has no discernible harm incurred by the victim.

Findings reported in this section illustrate that South Koreans and Americans diverge sharply on the role of relationship-oriented factors. While rules and fairness tend to serve as an absolute guideline for American consumers in evaluating an EQB, that tendency was less obvious among Koreans. Although the issue of legality is important to Koreans, their final decision regarding the (un)acceptance of an EQB appears to reflect additional factors such as social mores and the existence of a discernible victim. This finding is consistent with previous research findings that characterize Korean culture by high collectivism and high long-term orientation.

## 6.2 No Difference between the Two Countries

The three actions that did not exhibit any cross-cultural differences between the United States and Korea include making multiple visits to a retailer to purchase a limited quantity good ( $M_{USA} = 3.09$  vs.  $M_{Korea} = 3.29$ ), showrooming ( $M_{USA} = 4.54$  vs.  $M_{Korea} = 4.61$ ), and returning an item to a store other than where it was purchased ( $M_{USA} = 2.65$  vs.  $M_{Korea} = 2.56$ ). In this category, there is no legal issue or discernible victim involved. Rather, these situations share a common context in that consumers take advantage of marketing initiatives that were established by the marketers. For these actions, the impact of cultural differences was inconsequential: residents of the two countries exhibited a similar level of acceptance or unacceptance for the three scenarios. This finding supports Hypothesis 4, which addresses the similar tendencies between South Koreans and Americans in evaluating EQBs with fairness implications.

For consumer actions involving taking additional advantage of what marketers have already offered, the consumers' acceptance in the two cultures seems to converge. For these EQBs, consumers seem to share the notion that an individual's action that conflicts with norms underlying fair exchange are permissible, as long as the individual's gain is within an acceptable range (Hofstede 1980). On the other hand,

when an individual's opportunistic behavior is judged to undermine the fair exchange norms to an excessive extent, those actions are disdained by citizens of both countries (Chen *et al.* 2002).

## 6.3 Koreans More Critical of EQB than Americans

Finally, Koreans criticize the action of purchasing a mispriced item far more harshly than do Americans ( $M_{USA} = 3.20$  vs.  $M_{Korea} = 2.86$ ). This finding was unexpected. Yet in hindsight, an explanation may well be based upon differences in cultural characteristics germane to the two countries. Americans seem more inclined to accept the Robin Hood syndrome (Shoham *et al.* 2008). They tended to support a consumer action that takes from the wealthy companies to benefit less advantaged consumers. Conversely, Koreans rated the action of purchasing a mispriced item significantly less acceptable than did the Americans. A plausible explanation underlying this mindset may be based upon the collectivistic and long-term orientation of Korean culture. In a collectivistic culture like South Korea, many business entities gain acceptance from the local community as a big-brother type neighbor who makes socially meaningful and useful contributions to the community. Taking advantage of such businesses' honest mistakes may be viewed by Koreans as a threat to the culture's core values of cooperation, interdependence, harmony, and

social usefulness (Lee and Fullerton 2014). Furthermore, collectivistic cultural norms also dictate clemency and generosity as important ingredients for maintaining harmonious relationships. Taking advantage of the business's honest and obvious mistake runs counter to the Koreans' long-term orientation which places high priority on honesty, accountability, and self-discipline (Hofstede and Minkov 2010).

## VI. Conclusions

This study represents an effort to further our understanding about the influence of culture on consumers' (un)acceptance of consumer misbehavior. Of the 12 ethically-questionable behaviors in this study, statistically significant differences between American and South Korean consumers regarding acceptance and unacceptance were documented. At an aggregate level, the American respondents were found to possess a higher ethical standard than did their Korean counterparts. A review of the differences of individual EQBs revealed that the Americans applied a stricter code than did their Korean counterparts when evaluating questionable behavior with potential legal underpinnings. Conversely, Korean respondents, being influenced by the collectivistic and the long-term oriented nature of their culture, were found to consider not only the nature of an action itself but also

its impact on relationships among social members. Specifically, when making an acceptance judgment of an EQB, Koreans were found to consider a number of relationship-related factors, including the existence of a discernible victim, clemency, and social harmony. Thus, the influence of culture on the acceptance of EQBs is clearly present in Korea and the United States. However, it is noteworthy that there was a group of actions for which assessments of the EQBs by respondents from the two countries converged. A general conclusion from the analysis is that culture does exert significant influence on consumers' assessments regarding ethically questionable buyer actions - not unequivocally - but in varying degrees.

Regardless of these obvious contributions, the study has a few limitations. First, the array of twelve EQBs administered in this study, although more extensive than most studies using single EQB, may not adequately represent EQBs across the world. New variants of EQBs are produced and emerged in the marketplace on a daily basis. Second, although observed differences between the countries across several EQBs are statistically significant, some of them have the effect size of less than 3.0, indicating that the differences in substance are just marginal. In addition, the two populations were somewhat inequivalent particularly in terms of their income and age. Use of more balanced samples in terms of the size and the demographic characteristics could have enhanced statistical power of the

study. Finally, regardless of the study's effort to control measurement invariance, differences in contact methods in countries may harbor sources of measurement error. Future studies incorporating these and other legal and political issues are expected to produce more justifiable contributions.

The findings of the study provide several managerial implications, especially for businesses seeking to expand into the international domain. First, it is crucial to keep in mind that national culture serves as a benchmark for one to make decisions regarding ethicality. When on the verge of making a judgment call regarding an EQB, Koreans are found to rely heavily on the long-term-oriented, collectivistic norms of their culture while their American counterparts use social fairness-based, individualistic virtues of their culture. Korean consumers are likely to raise the ethics bar when the identity of a victim associated with an EQB is established whereas such tendency seems to be weaker among Americans. Conversely, when Korean consumers see no discernible victim associated with an EQB, their latitude of acceptance may become broader, making them less sensitive to losses incurred by the business. Therefore, organizations crossing a border into a collectivistic culture like Korea need to understand the necessity of gaining acceptance from consumers in the host country as a close, big-brother type neighbor who makes pro-social contributions for the local community (Jones 1991). After

all, consumers in collectivistic cultures tend to view non-normative behaviors targeting a big brother's business as serious threats to its relationship-oriented core values.

The findings further benefit businesses by shedding light on the Korean and American psyche. Granted, South Korea has been gaining attention from the international community as an emerging economic power, but research on South Korean consumer misbehaviors is still scarce compared to that focussing on the United States. A lack of understanding of the unique ethical predispositions within the Korean community is likely to harbour sources of puzzlement and frustration and may even result in failure for foreign business entities. Although, it does not provide answers to all the questions pertaining to consumer ethics, the snapshot of the ethical inclination among Korean and American consumers documented in this study should furnish foreign businesses with a better understanding of these markets.

The findings suggest several future research directions. First, a host of research topics can be generated by investigating consumer misbehaviors and ethics in conjunction with cultural character. Which cultural values are prevalent when a consumer makes a judgment call on an EQB? To what extent would demographic variables such as age serve as mediating variables in one's ethical judgment in different cultures? How about the influence of the Internet upon the convergence of global consumer ethical codes

and universal ethical standards - closing the *ethics gap*? Answers to these questions would contribute to furthering our understanding of the correlation between culture and ethics.

Second, an expansion of this study's context beyond the retail sector could result in meaningful contributions. While this study has its primary focus on consumer ethics in retail settings, studies have reported the pervasiveness of consumer misbehaviors in professional and non-professional services sectors (Greer 2015). Consumers' acceptance and/or judgment of other consumers' EQB may be affected by such factors as the nature of business, size of business, as well as the detrimental effects caused by the EQB.

Finally, consumer ethics literature should expand into the domain of consumer misbehaviors targeting non-financial gains. Although existing research on consumer ethics addresses the issue of salient and explicit consumer misbehaviors that have financial implications, frontline service personnel have reported experiencing a formidable level of emotional turmoil caused by implicit, overt, and covert consumer misbehaviors such as shoppers' condescending attitudes and unreasonable demands. Future ethics research that specifically deals with covert, yet more ubiquitous consumer misbehaviors, in conjunction with cultural character, is highly anticipated.

In conclusion, this article presents a unique perspective on the area of consumer ethics. It supports the research hypotheses that emanated from the literature review. Consumer ethics

was found to be situational in nature. Second, differences between the attitudes held by South Koreans and Americans were documented. Significant differences were in evidence for nine of the 12 scenarios. Finally, many of the differences could be explained by the cultural differences that separate the mindsets of the consumers in the two countries. Thus, it demonstrates the significant interactions between culture and consumer ethics. Consumers from South Korea view reality differently from their American counterparts when deciding what their response will be in a particular situation. The differences between the cultures were not omnipresent. This study has not only expanded our understanding of consumer ethics, but has also broadened the consumer ethics research agenda. It is highly anticipated that future studies will address consumer ethics across a number of situational contexts as well as in diversified cultural contexts.

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