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**The Impacts of Ethical  
Action on Repurchase  
Intention Mediated By  
Customer Satisfaction on  
Online Business**

## 1. Introduction

The purpose of this study is to examine the extent to which the company's ethical action affects customers' satisfaction and propensity to repurchase their products. Organisational citizenship theory highlights the importance of an organisation's moral conduct to remain in business. A firm that lacks ethics runs the risk of harming society as well as the business. As components of business ethics tools, honesty, reliability, and trustworthiness are regarded as essential to a company's long-term success (Becker, 2019). Certain firms derive their business ethics from their culture, leadership, or the way laws and policies are implemented. Focusing exclusively on the rules and policies, the application of the company's rules and policies is frequently mentioned as the fundamental ethical precept. This has especially to do with the business's reliability, accountability, honesty, and integrity toward its customers. In the meantime, as technology advances; security and privacy become increasingly important

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to customers, and business ethics become more complex. Customers may be deterred from expressing their purpose and desire to transact business if they lack confidentiality and privacy, and are unsatisfied with its products and services. For businesses, intention is essential since it influences future consumer purchasing decisions (Wang et al., 2019). Businesses now focus mostly on repurchasing to remain in business. In this case, customer intention to repurchase their goods and services is the key determinant for sustainable business. Certain factors can encourage the intention to take real action (Ajzen & Fishbein 1974). According to preliminary research, repurchase intention is significantly impacted by return policy and service (Wang et al., 2019). A customer's opinion is also influenced by a product or service's flexibility, ease of return, satisfaction, and customer service, all of which contribute to the customer's intention to repurchase it. These are part of the companies' ethical actions to sustain their business. In practice, return policies can prevent a business from being successful and operating efficiently, even if they are an honest and responsible business practice. While customer service can be a channel for customer and business communication, it can also serve as a point of complaint for the way customer service responds. When consumers complain and the business responds well, it demonstrates that it values ethical behaviour and its customers. This can give satisfaction to customers. Consequently, customers' decisions to patronise a business may be influenced by their level of satisfaction with its actions and responses. The consumer decisions to make repeat purchases are influenced by the customers' level of satisfaction from their previous experiences and the moral behaviour of the company which is reflected in the policies and conduct of its personnel. Given this circumstance, it is unclear how much ethical behaviour influences customers' decision to repurchase a company's goods. Meanwhile, customers continue to make repeat purchases even though they are disappointed in the firm and feel unsatisfied with its ethical behaviour. Prior research indicates that unfavourable consumer perceptions are caused by discontent with the company- in terms of service, products, and behaviour conveyed by the company- this condition raises questions about whether consumer satisfaction is impacted by the company's unethical action (Li, 2015; Trivedi & Yadav, 2020; Wang et al., 2019). Based on this description, there is a knowledge gap regarding how much the company's ethical action influences the customer's satisfaction and propensity to repurchase its products and services.

Customers now prioritise business ethics when making selections about what to buy. Customer's perceptions and intentions are influenced by how businesses

respond to them. How the internet has developed greatly impacts how customers perceive and intend to make purchases. According to early studies, internet transactions are more likely than in-person purchases to involve ethical transgressions (Arjoon & Rambocas, 2011). When shopping online, there is a chance that unethical behaviour may occur (Freestone & Mitchell, 2004 cited in Arjoon, Rambocas, 2011). Online transactions are made easier by distance and less face-to-face contact. Using the internet can reduce expenses and increase the affordability of the products. On the other hand, the internet has given rise to several ethical problems. As internet transactions developed, problems with communication, security, trust, and honesty emerged. Minimal physical contact fosters the development of misbehaviour and a lack of self-control both of which result in unethical behaviour. When the company is involved in misconduct, this could affect how customers view the situation and behave. The actions that could negatively impact the company, like a boycott or product ban, are largely determined by these customers' perceptions (Brunk, 2010). This is essential to prevent potential customers from having the wrong idea about the company's ethical behaviour.

When unethical behaviour arises, the public and the organisation must assess it from the standpoint of moral acceptability. The action has repercussions, both favourable and unfavourable to the individual and other people. The reciprocity principles apply to both parties in this case. The ethical principle of reciprocity highlights how humans are prone to portraying exchange in either a positive or negative light (Allinson, 2008). The idea is that ethics is more than merely reciprocity in action; it also involves a person's belief-making process and justification. In practice, the business knows very little about how customers perceive it. The company must comprehend the elements influencing the opinions and views of its customers. Consumer impression is influenced by numerous factors. A negative perception of customers, for instance, could result from an unsatisfactory encounter with goods and services (Wang et al., 2019). When a product or service fails to live up to expectations, unhappy experiences arise, and then the consumer begins to perceive the company negatively. Negative perceptions might make consumers less likely to purchase the products and services offered by the company, which has an impact on the sustainability of the business. A company's ability to successfully meet the needs and desires of its customers by offering superior goods and services as well as moral action is crucial. Thus, it is crucial to comprehend and look into the moral considerations and commercial practices that have a big impact on customers. Examining the

company's ethical actions and how they impact customers' satisfaction and intentions to repurchase the products are the main goals of this study. This study intends to contribute to the field of organisational citizenship theory, repurchase intention, business ethics, and corporate governance.

## 2. Ethical Action

Ethics is the study of human behaviour from a moral perspective. Ethics has a tremendous impact on the success or failure of a firm. Business success is often influenced by the ethical considerations that the organisation and its components convey. This situation clarifies that ethics and business are related in some ways. Meanwhile, stakeholders and shareholders have always been the company's priority. Ethical issues may arise as a result of attempts to accommodate both parties' interests and priorities, and improve the interaction between these business elements. Consequently, corporate interaction and corporate behaviour must adopt an ethical framework. The relationships between an organisation's members and its external ethical practice shape its internal and exterior ethics. Kantian deontological ethics, which places a strong focus on practice, emphasises that an individual's or an organisation's activity is a process that can confirm the conduct is morally acceptable (Clegg et al., 2007). This implies that the method, as opposed to the value that directs an action, determines ethics. The deontology approach, on the other hand, emphasises that ethics is an obligation rather than a result (Bowie et al., 2005). Being proactive is a duty. Moral behaviour is free from the influence of self-interest (Bowie, 2002). The issues seem to be one of the ethics about the circumstance. When it comes to business practices, ethics in the workplace become a barrier (Bowie et al., 2005; Fatihudin et al., 2018). The goal of the action is to achieve a result. Some behaviours in real life do not convey the lesson (Reath, 2010). The company's unethical actions highlight the need for ethical values to be followed by the enterprise.

Ethics and business behaviour are related and each behaviour change made by the corporation necessitates the choosing of an ethical course of action (Prakash Sethi & Sama, 1998). Ethics are included in the company's norms and procedures, both internally and externally. Decision-making involves ethics since management must strike a balance between the long-term viability of the company and the social good of society. The company's ability to survive is vital. The ability of an organisation to conduct its business and meet its objectives with the least amount of outside financial, managerial, and technical assistance is

known as sustainability (Ali & Anwar, 2021). This term implies that a firm must concentrate on the outside world, including its customers, surroundings, and marketplace.

Performance is less important than striking a balance between social good and corporate sustainability. The organisational citizenship theory places a strong emphasis on the effects of behaviour as a reaction or response to an organisation (Rioux & Penner, 2001). This implies that the actions of the organisation will impact how customers perceive it. As a result, management's primary focus shifts to balancing the company's social and economic performance (Husted & Allen, 2000). The obligation to conduct business ethically affects how outside parties, including consumers, view the company. Businesses can be determined to be sustainable by their activities, values, and the combined efforts of many individuals. These are specifically demonstrated by how the company conducts its operations, relationships, transactions, and governance structure (Ali & Anwar, 2021). Consequently, trust becomes as important as commitment in determining whether the firm will continue. Trust is a commitment that arises from credibility, integrity, character, and interpersonal relationships. It can lead to the development of willingness, openness, and optimistic expectations (Fitriningrum et al., 2022). Since producers and customers are now separated by the internet on online transactions, making time, and geographic boundaries are irrelevant. Throughout the transaction process, the primary problems are a lack of trust and the growth of unethical behaviours.

The sustainability of a firm is determined by dedication. Trust becomes a crucial component of that. Since trust influences the customers' decisions during transactions, it is essential for online businesses (Rausch & Kopplin, 2021). Trust is also a confident attitude. When buyers are assured by a seller's dependability and honesty, trust develops (Arjoon & Rambocas, 2011). When customers see that there is no ambiguity and little chance of risk, they begin to feel confident. When a transaction is conducted online, the limited in-person connection between the buyers and sellers may cause difficulties and unforeseen problems. In these circumstances, trust turns into a propensity to trust. The growth of trust can be promoted by several factors. For instance, security and honesty are thought to influence how customers perceive a product or service (Elbeltagi & Agag, 2016). Businesses now face a new ethical problem when it comes to security, especially with the growth of electronic commerce. When it comes to safety, security becomes a component of trust. When customers conduct transactions online, security is regarded

as safety, particularly when the transactions involve sensitive personal and financial data (Husted & Allen, 2000). One measure of security is a company's capacity to safeguard the data of its clients. In practice, security encompasses more than just data protection. Other elements, such as denial-of-service attacks, unauthorised database modifications, fraud, data misuse, virus propagation, and others, might be signs of security (Elbeltagi & Agag, 2016). These problems may influence their satisfaction and desire to proceed, especially in the case of online transactions.

### 3. Repurchase Intention

One of the things that propels an activity is intention. A behaviour that prompts a person to act has intention as a direct antecedent. (Ajzen, 2015, 2020). In the context of business, intention is typically defined as the desire to complete a transaction or commercial action. For instance, executing a buyback action is an example of an activity motivated by belief and based on intention. Intention motivates action and is derived from prior experiences or outcomes. In this circumstance, intention serves as the foundation for consumer behaviour in business. Experience from past behaviour that creates a belief and impression may lead to the desire to do another similar activity. When customers act, for as by repurchasing goods or services after using them, they are demonstrating the importance of intention. (Jacob et al., 2020). The repurchasing fact is a crucial commercial factor. This is what businesses need to focus on.

The ambition to repurchase is crucial to a business's ability to survive. Following their initial purchase transaction, the customers' next course of action is to make more purchases. An important component in determining the repurchase intention is the experience from the initial purchase. A favourable impression is what motivates buyers to send back their purchases. Repurchase intention is more valuable than the first buy because of this favourable impression (Wang et al., 2019). The early study revealed the increase in loyal customers as presented through their repeat purchases caused a significant increase in the business profit (Trivedi & Yadav, 2020). In practice, the purchase rate of online transactions is influenced by some factors, including ease of purchase, value, contentment, flexibility and fairness when returning goods, and quality of services. In this circumstance, repurchases depend on customer satisfaction and how businesses respond to their customers. Customers are less inclined to repurchase goods or services

when they are dissatisfied. Companies must address consumers' aspirations to repurchase their goods and services to address this problem (Li, 2015). For this reason, the company has to understand what the customers need and want, and then provide them with high-quality products and services (Ferrell, 2004). Because consumers' willingness and intention to buy the products may be hampered by disgruntled customers. Consequently, companies could enhance their offering, establish strong ties with vendors, or concentrate on initiatives that draw in customers. Many businesses' failure arises from a failure to comprehend the requirements and desires of consumers. Customers may become uncomfortable if their expectations are not met. If this occurs, the business has to acknowledge its errors and make amends. According to earlier studies, it would be preferable for firms to ask for forgiveness offer compensation, and appeal options to disgruntled customers to achieve these improvements (Li, 2015; Tarofder et al., 2016). These deeds will create a favourable image and entice customers to buy their items again.

In addition to raising customer pleasure, customer perception affects repurchase intentions. Numerous earlier studies have shown that a customer's perception has a major impact on whether or not they decide to repurchase a product (Elbeltagi & Agag, 2016; Trivedi & Yadav, 2020). As mentioned previously, the consumer experience for online transactions is determined by factors including privacy, safety, and convenience of use. From their first or existing transaction, customers may have a favourable image if they feel secure and private. When they have a safe feeling and privacy during the transaction, trust grows. Trust is important in online transactions because there is not much in-person interaction between buyers and sellers. As a result, customers' intention to continue making repeat purchases and business sustainability are determined by trust. In practice, these variables rely on how the community uses the culture. Individualism is one example of a cultural trait that may influence consumers' choices. Compared to a collectivistic culture, an individualist society is more concerned with privacy, convenience, and safety (Elbeltagi & Agag, 2016). Customers in this culture are less likely to repurchase the products if these expectations are not met. In practice, some customers stick with the same suppliers despite negative encounters or dissatisfaction during the transactions. This is because some customers try to shun change and remain passive or inactive. (Li, 2015). This situation creates a knowledge gap about why customers keep buying the products even after experiencing dissatisfaction during the transaction.

#### 4. Customer Satisfaction

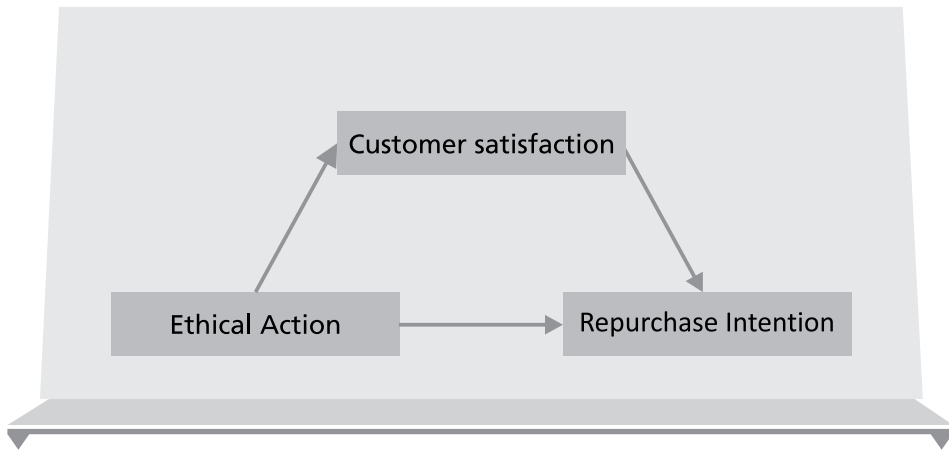
An important factor in internet business transactions is customer satisfaction. Customers are more inclined to refer or repurchase goods when they are satisfied with the transaction or the products themselves. Customer satisfaction with online purchases can be impacted by some variables. The factors that mostly impact customers' satisfaction with online transactions are privacy, trust, and safety. Following a comparison of the customer's perception or impression of a corporate product, customer satisfaction emerges (Prasilowati et al., 2021). Customers' decisions and behaviour about the items are influenced by their perceptions of the product's impact on their feelings and level of satisfaction. When the advantages of the products match the expectations of the customers, the sensation of satisfaction primarily manifests (Prasilowati et al., 2021). Customers who are satisfied with the product are therefore more likely to become loyal to the brand and be eager to make additional purchases. As a result, the main way to gauge whether products and services are up to par with customer expectations is through customer satisfaction (Darmawan, 2019).

The business has an impact on customer satisfaction in addition to its products. A characteristic that sets apart a company's service and business model is the ethical behaviour of its personnel (Trivedi & Yadav, 2020). Customers' impressions and experiences are positively impacted by how businesses and employees handle them. For instance, staff may act unethically when interacting with customers due to pressure from firms (Trivedi & Yadav, 2020). Employees who are under pressure to fulfil targets may act unethically by pressuring customers to purchase their products. Customers' decisions and actions may be influenced by the pressure that results in dissatisfaction. In addition to the action taken by the company and its employees, trust is another factor that determines satisfaction. Trust is not derived from how companies and staff handle their customers. Trust develops from customers' feelings as a consequence of the business's reliability and integrity (Arjoon & Rambocas, 2011). Additionally, interaction between businesses and their customers fosters trust. Customers' trust may be eroded by deceit, ignorance, dishonesty, and a lack of communication. Customers' trust may occasionally be earned by the company's or its workers' communication or presentation of information (Trivedi & Yadav, 2020). Customers are more satisfied when a corporation and its personnel behave ethically. As mentioned previously, consumer satisfaction may influence their propensity to make additional purchases. Thus, the key to ensuring customer pleasure lies in the actions of the



company and its personnel. In light of this description, the following hypotheses emerge:

- H1: The company's ethical action positively impacts customers' repurchase intention.
- H2: Ethical behaviour positively affects customer satisfaction.
- H3: Customer satisfaction positively affects customers' repurchase intention.
- H4: The company's ethical action positively affects customers' repurchase intention mediated by customer satisfaction.



**Figure 1. Research Model**

Source: own study

## 5. Research Methods

This study examined the effects of a company's ethical action on repurchase intention through the mediation of customer satisfaction using a quantitative method. Questionnaires are used to gather data to examine the relationship between the variables. Reaching large numbers of respondents using questionnaires allows this study to get their feedback on customer satisfaction, ethics, and repurchase intention. The responders, who range in age from 15 to 64, are Tokopedia users in South Jakarta, Indonesia. Tokopedia is the Indonesian e-commerce with the most monthly visitors. According to data

from the Indonesia Central Bureau of Statistics, which was used to choose the respondents, South Jakarta has the highest rate of e-commerce activity and the largest percentage of productive people with the range of age of 15 to 64 age range (72.61%). Meanwhile, there were 159,346,667 monthly users as of the second quarter of 2022 (Insight, 2024). A survey using online questions is used because of the Covid-19 epidemic. For this study, a total of 171 respondents have been approved. The survey is designed using a Likert scale of 4, ranging from strongly disagree (1) to strongly agree (4) based on the indicators described in the literature review. The reason to use a Likert scale of 4 is, first to prevent gathering choices at the midway value, which could skew the test findings, an even scale is used (Tanujaya et al., 2022). Secondly, to avoid bias in choosing almost identical responses, a symmetrical scale is also meant to provide the right psychological distance (Pornel & Saldana, 2013), and avoid the propensity to declare neutrality (Asún et al., 2016). Table 1 displays the modified versions of these questions based on earlier research for each variable. To determine the validity the data are analysed. The Partial Least Square (PLS) and Structural Equation Modelling (SEM) are used to evaluate the hypotheses behind these results.

**Table 1. Measurement Instrument of Variables**

Variables	Definitions	Indicator	Scale
Ethics	Integrities and responsibilities of the business to ensure customers feel comfortable and protected (Agag, 2019).	Seven measurement items adapted from Agag (2006) regarding privacy, safety, value, recovery services, no theft, value, communication, and reliability	4- point Likert Scale
Customer Satisfaction	The mindset, assessment, and emotional state of consumers following their purchase and usage of a product or service (Leninkumar, 2017).	Five measurement items adapted from Leninkumar (2017) and Trivedi (2020) regarding being pleased with a product or service, possibilities to repurchase, and customer fulfilment response	4- point Likert Scale
Repurchase Intentions	The things that encourage consumers to make repeat purchases of goods (Wang et al., 2019)	Four measurement items were adapted from Tarofder (2016) and Trivedi (2020) regarding willingness, intention, continuity, and repurchase.	4- point Likert Scale

**Source:** own study

## 6. Results and Discussion

This section consists of two subsections: results and comments. The results provide statistical analysis performed using survey data. In the meantime, the statistical findings discussed in the literature review are examined in the discussion section about theories and concepts.

### 6.1. Results

Only 171 of 196 respondents who returned their questionnaires were accepted, according to the survey. Twenty-five (25) questionnaires were rejected because the respondents had never used Tokopedia for a transaction. According to these findings, there are 98 female respondents, or 57 per cent of the total, and 73 male respondents, or roughly 43 per cent. Fifty-four (54) per cent or 92 of the respondents, are in the age range of 21 to 30 years old. There are just six respondents, or four per cent who are between the ages of 51 and 60 years old. Six per cent of respondents only completed high school, while 57 per cent of respondents hold undergraduate degrees. Six respondents are entrepreneurs, while 56 per cent of respondents are employees based on their occupation. According to the survey, only seven respondents spend more than Rp. 5,000.000,00 (US\$ 340) on Tokopedia purchases, while 132 respondents, or 77 per cent of the sample, spend less than Rp. 1,000,000.00 (US\$ 70) monthly.

SMART PLS 4 was used in this study's data analysis. The reason for using these tools is that the data are complicated models without distributional data assumption and have a limited sample size (Hair et al., 2015; Hair et al., 2019). The statistical test findings show that some variables need to be eliminated due to insufficient loading factor values. Since it interferes with the test, ER 1 (getting the products by the order) must be removed. Meanwhile, because their loading factor values are less than 0.60 points, END1 (exaggerate the benefits and characteristics of its products), EP1 (demonstrate compliance and govern the protection of customers' data), ES1 (secure payment method), RI 3 (doing shop online once a week), and RI 4 (shop online once a month) must be removed. Additional experiments are carried out. The test indicates that the data are normally distributed, with a skewness value of 0.234 for repurchase intention, 0.883 for customer satisfaction, and 0.836 for ethics. Customer satisfaction and repurchase intention were authentic based on the instrument test, as indicated by their respective AVE ratings of 0.716 and 0.556. As shown in table 2, the ethical variable has 0.456 points that do not meet the coverage validity.

**Table 2. Instrument Tests**

Variables		Outer loadings	Cronbach's alpha	Composite reliability (rho c)	Average variance extracted (AVE)
CS1	I Like shopping on Tokopedia	0.874	0.919	0.938	0.716
CS2	I am satisfied with my decision to buy at Tokopedia	0.893			
CS3	Tokopedia provides good services	0.871			
CS4	I did the right thing by buying at Tokopedia	0.883			
CS5	I will repurchase the goods I need at Tokopedia	0.855			
EC1	I got clear information about promotions held on Tokopedia	0.716	0.880	0.903	0.456
EC2	I get clear information about products sold on Tokopedia	0.739			
ER2	I have received goods delivery services by the provision on Tokopedia	0.687			
ER3	I have received shopping services through the provision of Tokopedia	0.811			
ESR1	There is a good compensation policy regarding the damage of products on Tokopedia	0.751			
ESR2	There is a good compensation policy regarding delays in delivering products on Tokopedia	0.662			
ESR3	Tokopedia has completed the compensation policy regarding damage by the provisions of Tokopedia	0.728			
ESR4	Tokopedia has completed the compensation policy regarding delays in delivering by the provisions of Tokopedia	0.763			
ESV1	Tokopedia adheres to the highest level of business ethics in all its transactions	0.720			

RI1	I intend to buy again at Tokopedia	0.824	0.877	0.904	0.556
RI2	I shop again at Tokopedia	0.783			
RI5	I am willing to repurchase the products on Tokopedia	0.875			
RI6	I will continue to use Tokopedia for the next few months	0.881			
RI7	I will use Tokopedia in every transaction I make	0.761			
RI8	Shortly, I will shop at Tokopedia again	0.828			

Source: own study

A discriminant validity test is performed to determine if there are any distinctions between the constructs that could influence the outcomes. All of the variables in table 3 are correlated, and the Fornell-Larcker criterion is satisfied based on the Heterotrait-Monotrait ratio (HTMT) and criterion.

**Table 3. Discriminant Validity**

Indicators	HTMT			Fornell Larcker		
	Customer Satisfaction	Ethics	Repurchase Intention	Customer Satisfaction	Ethics	Repurchase Intention
Customer Satisfaction				0.846		
Ethics	0.833			0.778	0.675	
Repurchase Intention	0.859	0.694		0.811	0.656	0.748

Source: own study

This study evaluates several aspects of the model structure based on the results of this earlier test. This is done with the understanding that while PLS is a model for testing prediction (Hair et al., 2019), testing the model fit is equally necessary. The R-Square generated by this study was 0.677 points for repurchase intention which indicates that both variables significantly impact the repurchase intention

for 67.7 per cent. Meanwhile, the adjusted R-square was 0.673 points indicating that both variables strongly impact the repurchase intention for 67.3 per cent. The structure model of this study can also be approved based on the results of the Norma Fix Index (NFI), which displays a value of 0.807 points. Next, SMRS displays a value of 0.071 points which was below 0.08 points. This condition shows that this model fit is acceptable. The inner model evaluation is also used to test the model's structure. The outcomes of the parameter estimation process are resilient or unbiased since the inner model's collinearity statistic (VIF) is less than five except for CS2 ("I am satisfied with my decision to buy at Tokopedia"). Ethics has little effect on repurchase intention, but it can have a significant impact on consumer satisfaction, according to the  $f^2$  effect size. Therefore, ethics can have an impact on consumer satisfaction, while repurchase intention is less likely to be impacted by how companies convey their ethics, as seen by the  $f^2$  result in table 4.

**Table 4. F-square result**

Indicators	Customer Satisfaction	Ethics	Repurchase Intention
Customer Satisfaction			0.674
Ethics	1.529		0.005
Repurchase Intention			

**Source:** own study

Through resampling or bootstrapping, the hypotheses are examined. This test primarily focuses on the coefficient route, which is used to investigate the relationships between the variables. Table 5 and figure 1 demonstrate customer satisfaction is positively correlated with repurchase intention. Repurchase intention is influenced by customer satisfaction for the  $p$ -value of 0.00 points, according to a particular test used to assess the mediation of that factor. Ethics demonstrates A similar situation with a positive correlation with customer satisfaction for the  $p$ -value of 0.00 points. In contrast, ethics is unable to demonstrate its impact on the intention to repurchase. This situation demonstrates that while ethics may have an impact on customer satisfaction, ethics may not always have an impact on promoting repeat business. Customer satisfaction has a significant influence on mediating

ethical action to encourage customers to repurchase the products, according to effect result ( $v$ ) of 0.2078 points.

Statistical tests that only include the testing of hypotheses show that three out of four hypotheses are accepted. From figure 1, the way firms and their staff portray ethics does not have an impact on customers' intention to repurchase a business's goods or services as the t-statistic shows 0.899 points. Consequently, it may be concluded that the company's ethical activity does not have any influences on customers favourably repurchase intention. Therefore, hypothesis  $H_1$  cannot be accepted. In the meantime, a t-statistic of 19.779 points indicates that ethical behaviour has a positive and significant impact on customer satisfaction. Given that this outcome demonstrates how moral behaviour can considerably and favourably impact consumer satisfaction, the second hypothesis ( $H_2$ ) is accepted. As a t-statistic of 9.885 points, customer satisfaction shows its positive and significant on repurchase intention. This result causes the third hypothesis ( $H_3$ ) to be accepted. Using a specific indirect test, the result of the fourth hypothesis test demonstrates that, when customer satisfaction acts as a mediating factor, the company's ethical action can significantly and positively influence the customers' intention to repurchase the products or services at the t-statistic result of 7.868 points. Therefore, the fourth hypothesis ( $H_4$ ) is accepted as shown in table 5 and Figure 1.

**Table 5. Hypothesis Testing Results**

Indicators	Path Coefficient	Standard deviation	T statistics	P values	Confidence Interval	
					2.5%	97.5%
Customer Satisfaction -> Repurchase Intention	0.757	0.077	9.885	0.000	0.603`	0.906
Ethics -> Customer Satisfaction	0.776	0.039	19.779	0.000	0.696	0.848
Ethics -> Repurchase Intention	0.081	0.080	0.899	0.369	-0.088	0.266
Ethics -> Customer Satisfaction -> Repurchase Intention	0.587	0.075	7.868	0.000	0.451	0.742

**Source:** own study

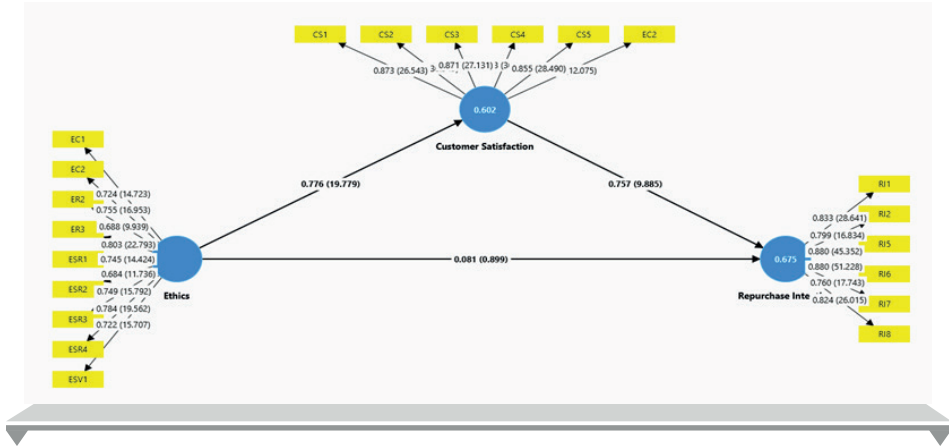


Figure 2. Model Structural Test

Source: own study

These statistical results demonstrate that to match the model, several indicators are eliminated. These metrics pertain to the goods, payment methods, data security, and frequency of purchases. These eliminations demonstrate that safety payments, goods, giving information about products and promotion, data security, and making up for delays are not morally righteous acts, but rather duties or things that the business must do. Therefore, this test model cannot be influenced by these ethical indicators. These test results can be influenced by the ethical behaviour of the business, such as receiving items following the order, receiving delivery services, compensating, and obeying ethical rules and practices only. Nonetheless, these elements have a big impact on customer satisfaction and will only have an impact on repurchase intention if the business can satisfy customers first. Ethics can influence customer satisfaction but has minimal effects on the inclination to repurchase. These results are supported by the hypotheses test, which shows that only if the company's ethical behaviour can first satisfy the customer can customer satisfaction work as a mediating factor between the company's ethical act and the customer's decision to repurchase its goods and services.



## 6.2. Discussion

This study shows how much customers' inclination to repurchase a company's goods or services is impacted by customer satisfaction before the company's ethical actions. The external presentation of a business and its members is a confirmation of actions that are morally and socially acceptable (Clegg et al., 2007). This is the Kantian take on the matter. Following ethical guidelines has more to do with procedure than morality. An action generates a result when it is performed. According to this study, the most important ethical actions that may influence customers' intentions to keep buying their products or services are commitment, compensation, and communication unless the customers feel satisfied with these commitments, compensation, and information delivered by the firm. Organisational citizenship theory places a strong emphasis on the need to present well, which is the foundation for the development of trust (Organ, 2018; Rioux & Penner, 2001). Being well-informed and committed elicits a direct reaction or response from the customers, which has an impact on the business. Among these pledges made are the provision of products and the compensation of damages. This shows that demonstrating an attitude of commitment and communication can indirectly affect customers' perception which can be the basis of trust.

In this study, trust is defined as a business's ability and commitment to address complaints and issues that arise during transactions, as well as how the organisation offers solutions and/or compensation to address these concerns. When customers are assured of the dependability and honesty of the company, trust develops (Arjoon & Rambocas 2011). Customers experience this emotion when they feel safe, secure, and protected. Risk and security are essential to the development of customer trust in online transactions. Protection of customer information is a component of security. According to this study, security has little influence on satisfaction or repurchasing decisions. Customers are not as likely to view security as an ethical practice or factor that encourages them to repurchase products. By ignoring these factors during the test, this condition is demonstrated. The degree of familiarity with the internet is correlated with the habit of making transactions online. Consequently, the security, compliance, and product features are seen as standard items that the company offers. Based on this scenario, it seems that business reliability is the source of confidence.

Offering recompense is thought to be the most moral course of action for resolving commercial difficulties, even with security. According to this study,

firms are perceived to be able to effectively address dissatisfied customers by providing compensation. According to preliminary research, dissatisfied consumers are likely to make more purchases from a company if their grievance is resolved amicably (Bijmolt et al., 2014). Action in this case is a duty that results in a consequence. Organisational citizenship theory emphasises the impacts of customer behaviour, which is a response to the business (Organ, 2018; Rioux & Penner, 2001; Yi et al., 2013). Resolving issues arising from dissatisfied transactions is the goal of handling complaints. Nonetheless, unless there is no self-interest incentive, the behaviour can be seen as truly moral (Bowie, 2002). This study reveals that when complaints are resolved effectively and compensation is provided, customers' needs are satisfied and their intent to keep buying the goods is satisfied. This requirement suggests that the payment of compensation is an example of the firm acting ethically. This circumstance is probably at odds with the organisational citizenship theory which highlights the absence of incentive in ethical action. However, when management must deal with the need to balance social goods, to demonstrate citizenship organisation and sustainability of business, ethics can be a crucial factor in the decision-making process. Sustainability becomes increasingly significant when management is faced with moral decisions and sustainable business practices, while paying compensation may not be a morally just thing to do. Offering an apology could be seen as one of the business's more moral decisions. According to this study, a corporation can demonstrate its ethical behaviour and apologies by addressing issues and offering recompense for mistakes or losses. An early study indicates that offering an apology to dissatisfied customers (Tarofder et al., 2016) does not seem to have a favourable effect on their likelihood of making another purchase from this study. As a result, customer satisfaction can only operate as a mediating factor between a company's ethical actions and a customer's intention to repurchase its goods and services if the company's ethical conduct can first satisfy the customer.

## 7. Conclusion

The importance of ethics in business becomes apparent, particularly when conducting business online. The company and its employees' actions decide how long the business will last. The company's implementation of regulation, policies, reliability, accountability, and integrity is seen as the moral step it took to preserve the firm. Customers' propensity to repurchase goods or services is

thought to be impacted by their level of satisfaction with the company. When employees are under pressure to fulfil targets, unethical behaviour may surface during online transactions. Consumer views and behaviour are influenced by how companies and employees handle and resolve unethical behaviour. These unethical actions could prevent customers from intending to repurchase. By contrast, the business's action is a duty that results in a product. The customers' plan to repurchase can be influenced by how much the company can satisfy them which is presented through their commitment and communication to resolve its mistakes and losses. Companies need to demonstrate their ethical actions such as commitment, resolving mistakes and losses, and delivering information that satisfies customers to gain trust. In practice, this study demonstrates that trust arises from habitual behaviour in which offering security is less likely to be viewed as a moral decision that does not influence repurchasing. However, given that self-interest and incentive are involved, offering compensation might not be a morally righteous thing to do. Nonetheless, this study shows that offering compensation for mistakes or losses is regarded as demonstrating moral behaviour. The decision between promoting corporate sustainability, social good, and showcasing citizenship organisation forces the management to take it into account when handling complaints or dissatisfied customers. The fact that apologies have no beneficial effect on the intention to repurchase is evidence of this. Offering compensation is considered more effective to satisfy and keep customers purchase their products. Repurchasing is crucial to sustainable business. Only when a company's ethical behaviour can firstly please the consumer can it serve as a mediator between the customer's intention to repurchase its goods and services and the company's ethical acts.

This study contributes to the customer behaviour and ethics literature by extending prior studies about customer behaviour, organisational citizenship, and ethical behaviour. The outcome demonstrates how crucial it is for business to satisfy their customers which can be reached through presenting their commitment, resolving issues, and delivering well-information to their customers. These actions may be considered as presenting their moral behaviour and obligation. When customers are pleased and satisfied with these actions, it can encourage the intention to make another purchase. Entrepreneurs should encourage moral behaviour, particularly when handling complaints or dissatisfied customers. Providing compensation can be an effective strategy for businesses looking to retain customers.

This research is not without limitations. Small samples in this study create an opportunity to conduct the same research using more samples and

marketplaces to gain more insight into the roles of ethical action and customers' perceptions. Secondly, the ethical considerations in this study are restricted to information distribution, payment, complaint resolution, and data security. This might not adequately illustrate the moral conduct that the business must exhibit toward its customers. Therefore, to give a more comprehensive picture of the relationship between ethical behaviour in business operations carried out by the organisation, it is anticipated that future research will incorporate other ethical behaviour components. Third, this study was carried out in Jakarta, Indonesia, during the Covid-19 pandemic, when there was a significant reliance on online shopping. With customers having other options for making purchases besides relying on e-commerce and different business environments than Jakarta, Indonesia, this situation will be different. Next, future studies may analyse types of action taken by the company that effectively sustain their businesses. The study can be done quantitatively and qualitatively to have a better understanding of ethical action.

### **Abstract**

This study aims to examine the impacts of ethical action taken by the company on customer satisfaction and intention to repurchase the products. The study was motivated by the emergence of unethical behaviour during online transactions due to limited direct contact between businesses and customers. Some companies have attempted to resolve these unethical issues. The issue of unethical behaviour still frequently arises. In contrast, unethical behaviour is less likely to stop customers from repurchasing the products. Dissatisfied customers repeat buying products from the same company or marketplaces even after they deal with an unsatisfied situation. Organisational citizenship theory is used as the framework for this study. Using a quantitative method through a survey, this study examines 171 users of the Indonesian marketplace, Tokopedia, in South Jakarta Indonesia. The survey is focused on the perception of ethical behaviour, customer satisfaction, and repurchase intention. Structural Equation Modelling (SEM) and Partial Least Square (PLS) 4 are used to examine the data. This study reveals that presenting ethical actions such as security and trust may not help the business sustain itself. Complaints and dissatisfaction with customers should be handled by offering compensation rather than apologies which may hinder

them from repurchasing the products. Repurchasing is therefore essential to a sustainable firm, and customer satisfaction can only act as a mediator between a company's ethical behaviour and customer intention to repurchase if the company's ethical behaviour can first satisfy the consumer.

**Keywords:** *ethical action, trust, customer satisfaction, repurchase intention, e-commerce.*

**JEL**

**Classification:** M31, L2, M14, D91.

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