

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter investigated process definition and theoretical review of the topic being highlighted and used as fundamental foundation. The literature was collected from various trustworthy published-printed sources (sort of: related book material, journals, newspaper) and digital media (sort of: website, e-book, related material applications).

#### **2.2. Theoretical Background**

##### **2.2.1. Green Marketing**

Green marketing—which simply referred to an activity of marketing and selling products or services into potential consumers designed to minimize negative impact toward environments—trend began over the past few decades since 1970s, when a sharp rise of critical environmental issues has been successful infecting the rise of the environmental movement (Delafrözet. al., 2013). During this time, the environmental thought seems to be adopted in many specific areas and not exceptionally, business. This rise has been impacting the popularity of green business along with the popularity of green consumers bandwagons in the late 1980s (Grant, 2008).

Fundamentally, this trend also caused by: the opportunities for competitive advantage, CSR, government pressure, competitive pressure, and cost or profit issue (Chitra, 2013) on which coupled with an intervention from the external factors that happening in the early 1960s-the early 1980s sort of: a worsening environmental damage, the rise of poverty, inadequate human capital to manage, instability of world security, and, an intervention from political parties, scientists, environmentalists that corporate across the nations, it caused sudden major changes in how business supposed to be (Kopnina and Blewitt, 2015).

Unfortunately, the growing interest of being *green*, wasn't encouraged by the strong knowledge and capability of being *green*. In his book entitled, "*The Green Marketing Manifesto*", Grant (2008) stated that all of sudden the activities has been changed, from marketing products to report and inform citizens about CSR (Corporate Social Responsibility) and has ended up with *green stories telling*. It also worsens by the production of mass green products which has failed to meet citizens and customers' needs, especially in the 1990s. That *green* excitement turned into misdirected and has brought it to the *green stories telling*—where companies can't fulfill their promises and or prove the claims they're making of their green product and services to the customers.

In short, communication is the major concerned during that time. It's not a matter of reporting green activity, but communicating the green products to the customers and so they can choose whether the products also can fulfill their needs, not only eco-friendly (Grant, 2008). Although there is a fiasco, but a number of interest to the green business was growing until now (Chitra, 2013).

### 2.2.2. The Importance of Green Marketing

Since there is adoption of green business, companies need a marketing department which has the capability to communicate this change into citizens. Unfortunately, a traditional marketing felt didn't work for the new marketplace concept and that's how marketing was started turning *green* (Chitra, 2013), that was for the very first time people felt about the importance of green marketing. Similar illustration also shown by Grant (2008) that stated: it was the turning point when companies started to feel they need green marketing.

A change from traditional marketing to green marketing quite interesting because the mingles of two different perspectives. From the green perspective, marketing offers a creative way to engage people in promoting greener while from the business perspective, marketing offered a way to engage people who stands for firms and brands for doing more than just corporate responsibility (Grant, 2008). It has introduced new challenges to the marketers and give them another complexity that must be overcome.

Thus, the importance of green marketing is inevitable for whatever the resources are, those available resources are limited while humans have unlimited wants to be fulfilled. In consequence, the waste efficiency is very important for the business sustainability in the future. So green marketing is one of useful companies' tools that help companies to gain its efficiency. Besides, there is growing interest among consumers' around the world regarding environmental protection that sufficient enough to change their purchasing behaviour, therefore,

green marketing companies is the key to win the competitive advantage over the companies which are not concerned for the environmental protection (Chitra, 2013) as a communication tool for solving the misunderstood in the past and as a strategic tool for marketing green products (Grant, 2008).

### **2.2.3. Eco-Labeling**

Companies often used eco-labelling and green packaging to promote the identification of green products. Eco-labelling defined as a label on environmentally friendly products. The labels contain whether a small simple piece of paper or a complex that is included as part of the package. The content is the brand of the green products and the green products description (Delafrözet. al., 2012). The importance of eco-labelling, even increasing when the potential consumers' do not have any knowledge about green product since the green product is not an ordinary product. Sometimes it takes a lot of description to raise consumers' knowledge and awareness. This importance also cited on Sammer's and Wustenhagen's (2006), a research that identify the eco-label is a crucial tool to mediate the green product between seller and buyer. While Delafröoz (2013) cited that study done by Rashid's (2009) study finds that eco-labels has a positive effect on consumers' knowledge and intention to purchase. It always has positive relations with green packaging when it comes to impress potential consumers.

Therefore, understanding the consumers' response of eco-labelling has its own weight in this study. Juwaheeret. al. (2012) agreed what Thorgersen (2002)

and Rashid (2009) have stated that those are valued as purchase influence in buying decision making. By understanding what consumers' reaction toward eco-labelling may provide business man a broader knowledge of strategic innovation on selling and promoting the green products. The most important things that has to be highly noticed was it has two-side effect, either positive or negative. In other hand, several studies justified that green packaging and eco-labelling on products were important tools for communicating certain information and characteristics of the product in an effective way (Juwaheer et. al., 2012). Previous study done by Eagly and Kulesa (1997) Swenson and Wells (1997); Travis (2000); Pickett-Baker and Ozaki (2008) found that green brands and eco-packaging influence to change the impression and behaviour of consumers' green consumption.

#### **2.2.4. Green Packaging and Branding**

Besides eco-labelling, green packaging and branding also important tools for communication between seller and buyer. Green packaging defined as product design and what covered the product. Green packaging is an important tool for product identification because people could value the characteristics of the product from it. Based on Harvard Business Review (1997), the green packaging contributed by DFE (Design for Environment). DFE defined as an amenity for creating the products that are easier to recover, reuse, and recycle. DFE investigated the effects of certain product that could have certain impact to the environment during the design stage. It includes all process from the beginning of the product cover design until a full forecasting and analysis of

how customers will use and dispose it. DFE forecasting and analysis provides a wide range of both internal and external perspectives from technical staff, environmental and product experts, end-consumers, and engaged-representatives. Thus, this benefit is to support the brand awareness and support the message that brought by green branding.

Based on Rahbar and Wahid (2011), the eco-brand identified as a brand that environmentally safe and its feature could be used to assist the consumers to differentiate green products among other products and it generalized as green brand. However, according to First and Khetriwal (2008) in Juwaheer *et. al.* (2012), the green branding concept less explored by the green marketers even though several studies demonstrated that environmentally friendly brands has raised more consumers' awareness and researches observed by Eagly and Kulesa (1997); Swenson and Wells (1997); Travis (2000); Pickett-Baker and Ozaki (2008) affirmed that brands has power to change the impression and behaviour of consumers' consumption.

Unfortunately, this concept less explored knowing that green branding effect may result in an effective strategic greening product utilized functional attributes and emotional benefits (Aaker, 1996; Hooley *et. al.*, 1998; Kottler, 2000; Hartmann *et. al.*, 2005 cited by Juwaheer *et. al.*, 2012).

#### **2.2.5. Environmental Advertisement**

An eco-advertisement often used by companies to attract the citizens' consciousness to improve the environmental issues. The objectives of eco-

advertising itself is to influence consumers' or potential buyers by encouraging them to buy a product that's less harmful to the environment. Delafroozet. al.(2013) cited Davis's study (1994) that there were three elements: *the first*, ads must contain from companies' environmental concern statement, *the second*, the companies must show the concern and dedication in environment protection and show the change of it, *the last*, description about real action on environmental protection and concern companies has done before.

The green advertising is important because it is the way companies could communicate their product characteristics and their product specialty in a deeper way. Other than that, green advertising also facilitates green product promotion. Understanding the effect of green advertising on consumer purchasing patterns could give people an impetus to set better promotion. This assistance could help marketers gain more trust among citizens since based on Kilbourne's and Polonsky's (2005) argument, the green advertisement has low credibility. Nonetheless, it has low credibility, it still has a chance to gain the consumers' credibility and attention through emotional intelligence by providing the truth information about environmental issues and product contributions without any exaggerated statements or claims (Kong *et. al.*, 2014). The chance comes from the weakness of the eco-labelling, branding, and packaging communication. That weakness caused from the fallacy of impressing people through eco-labelling, branding, and packaging and has been worsened by the ambiguity of the elaboration and the term being used (Grant, 2008; Green, 2009).

### **2.2.6. Green Premium Pricing**

Based on Christopher (2002), premium pricing is a practice of keeping the price of a product or a service high. A premium pricing strategy is a strategy that sets the price of a product higher than a similar product. In the green context, the premium pricing set because of a certain value behind production cost that will go to the environmental contribution. A study done by Swezey and Bird (2001) found that green premium pricing contributes towards consumers' environmental behaviour. The implication in green premium pricing for the green marketing is that the willingness of consumers to pay more for certain green products or services to contribute more to the environmental issues or green value that consumers could consume, such as: health value. This was what differs from other green pricing strategies and motivates more consumers to adopt a greener lifestyle.

### **2.2.7. Eco-Image**

Consumers' Perception defined as consumers' impression, awareness, and/or consciousness about something, in this context: green product, being offered or the party that offered consumers. This impression usually affected by the advertisements, by published-reviews, by the public relations, by social media, by personal experiences, and or by other amenities (Source: <http://businessdictionary.com/definition/customer-perception.html>, Accessed on: June, 7<sup>th</sup>-2016). Consumers' perception often easier understood by the consumers' actual response to green marketing tools. Green marketing tools,



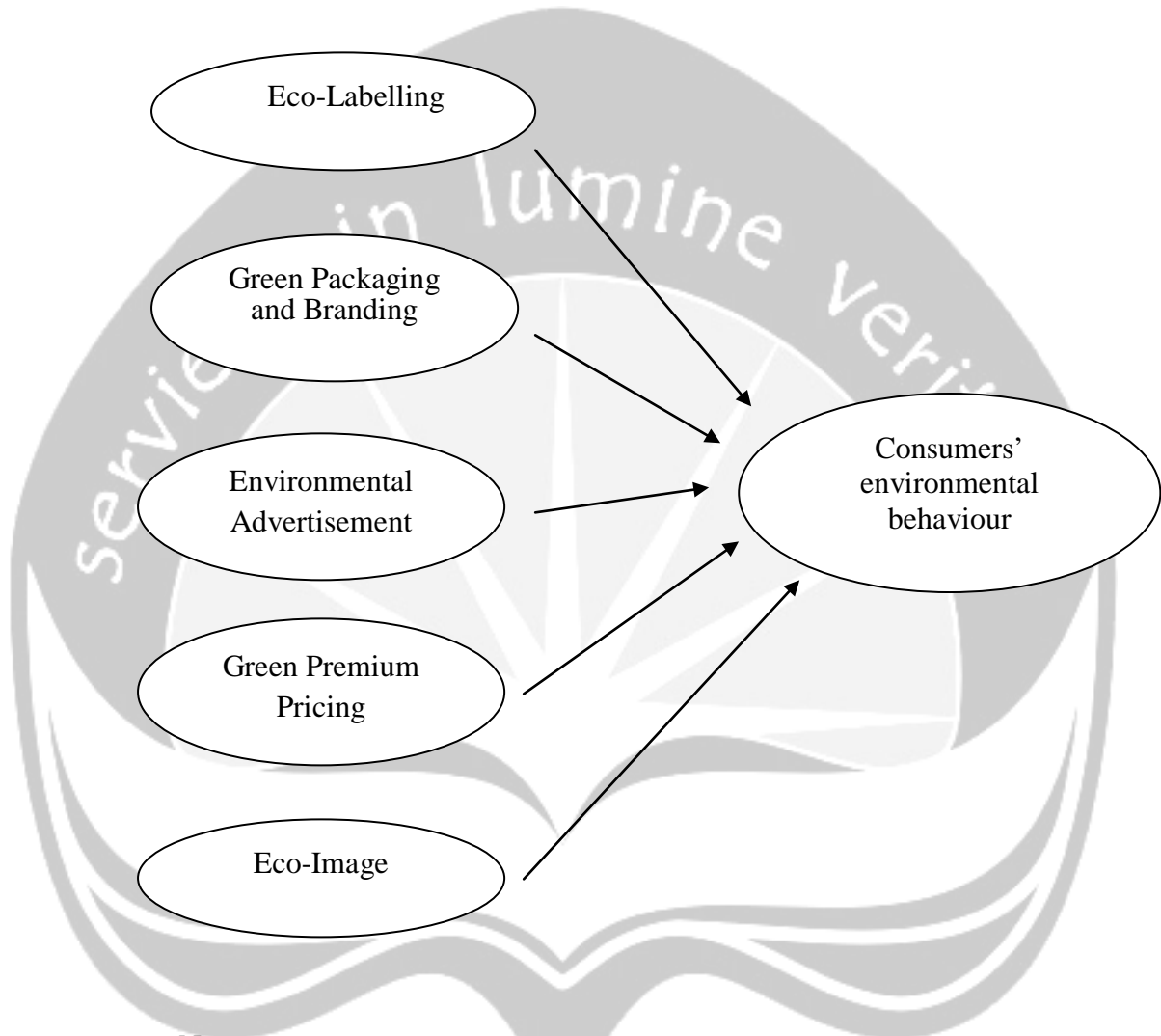
sort of eco-label, eco-brand, eco-ads increase the awareness of green products' attributes. Indeed, the term eco-image itself derived from consumers' perception and green marketing itself. Hence, the eco-image refers to the fundamental of what may affect the perception of green concept (Delafrözet. al., 2013).

#### **2.2.8. Consumers' environmental behaviour**

Kopnina and Blewitt (2015) in their book, "*Sustainable Business*" wrote that since the post-World War II there was growing interest among people to questioning the world sustainable as an effect of the damage and crisis left by the war. It affected the change in how they think and behave. They gradually change their consumption behaviour since they believe that by the change their behaviour could be a contribution to the environmental protection. Consumers' try to consume goods and services that environmentally safe. Thus, there was a green consumers' bandwagons and the trend of being green in 1980's-1990's (Kopnina and Blewitt, 2012). However, Louchran and Kangis (2004) wrote that strong environmental issues view claims do not necessarily can directly translate into actual purchasing decisions to green products and services. Yet, Juwaheeret. al.(2012) highlighted that it may vary depending on the geographical context cause of demographic backgrounds.

### 2.3. Research Framework

Figure 2.1. | Research Framework



Note:

This research framework is adapted from Juwaheer *et. al.* (2012).

### 2.4. Hypothesis Development

Studies explained that eco-labelling, green packaging and branding, environmental advertisement, green premium pricing, and eco-image has an important role in consumers' environmental behaviour.

The previous study done by Juwaheeret. al. (2012) has shown that there is an influence between green labelling and consumers' purchasing patterns, between green branding and consumers' green purchase intention. A study done by Rashid's (2009) found that eco-labelling has a positive effect on consumers' knowledge and intention to purchase green products. Meanwhile, the positive relationship also found between green advertising and consumers' environmental behaviour (Juwaheer et. al., 2012). While a study done by Swezey and Bird (2001) has shown that green premium pricing contributes towards consumers' environmental behaviour. The influence of eco-image and consumer behaviour also found in the previous study by Delafroozet. al. (2013). Thus, by those literatures, a hypothesis formulated as follows:

H1. Eco-labelling, green packaging and branding, green premium pricing, environmental advertisement, and eco-image significantly influence to consumers' environmental behaviour.