

**THE INFLUENCE OF DEMOGRAPHIC FACTORS AND
VALUES ON THE CONSUMERS' WILLINGNESS TO PAY
MORE FOR GREEN PRODUCTS**

THESIS

Presented as Partial Fulfillment of the Requirements
For the Degree of Sarjana Ekonomi (S1)
in International Business Management Program
Faculty of Economics Atma Jaya Yogyakarta University



Compiled By:

Karlina

Student ID Number : 05 12 15957

**FACULTY OF ECONOMICS
UNIVERSITY OF ATMA JAYA YOGYAKARTA
SEPTEMBER 2009**

Faculty of Economics

Atma Jaya Yogyakarta University

I hereby recommend that the thesis prepared under my supervision by

KARLINA

Student ID Number: 05 12 15957

Thesis entitled

**THE INFLUENCE OF DEMOGRAPHICS FACTORS AND VALUES ON
THE CONSUMERS' WILLINGNESS TO PAY MORE FOR GREEN
PRODUCTS**

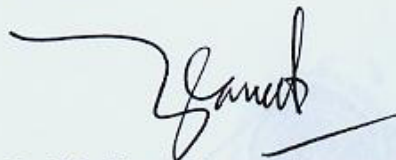
Be accepted in partial fulfillment of the requirements

For the Degree of Sarjana Ekonomi (S1)

in International Business Management Program

Faculty of Economics Atma Jaya Yogyakarta University

Advisor,



Dr. EF. Slamet Santoso Sarwono, MBA.

Dated September 7th, 2009

This is to certify that the thesis entitled

**THE INFLUENCE OF DEMOGRAPHIC FACTORS AND
VALUES ON THE CONSUMERS' WILLINGNESS TO PAY
MORE FOR GREEN PRODUCTS**

Presented by

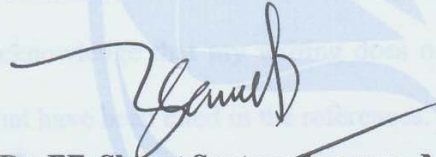
Karlina

Student ID Number : 05 12 15957

Has been defended and accepted on October 7, 2009 towards fulfillment of the requirements for the Degree of Sarjana Ekonomi (S1) in International Business Management Program Faculty of Economics, Atma Jaya Yogyakarta University

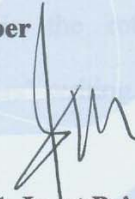
Examination Committee

Chairman

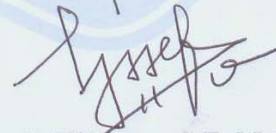


Dr. EF. Slamet Santoso Sarwono, MBA

Member



Drs. C. Jarot Priyogutomo, MBA.



Fandy Tjiptono, S.E, M.Comm.

Yogyakarta, October 7, 2009

Dean



Dr. R. Maryatmo, MA.



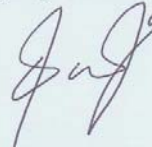
STATEMENT OF THESIS AUTHENTICITY

I am Karlina who signed this paper indeed declared that thesis entitled:

THE INFLUENCE OF DEMOGRAPHIC FACTORS AND VALUES ON THE CONSUMERS' WILLINGNESS TO PAY MORE FOR GREEN PRODUCTS

is truthfully my own thoughts and writing. Citations, statements and or ideas from several sources have previously been written in the references. I fully acknowledge that my writing does not contain others' writing, except for those that have been cited in the references.

Yogyakarta, September 16th, 2009



Karlina

THE INFLUENCE OF DEMOGRAPHIC FACTORS AND VALUES ON THE CONSUMERS' WILLINGNESS TO PAY MORE FOR GREEN PRODUCTS

Compiled By:

KARLINA

Student ID Number: 05 12 15957

Advisor

Dr. EF. Slamet Santoso Sarwono, MBA

Abstract

The objectives of this study are to examine the relation between demographics factors with the consumers' willingness to pay more for green products and the influence of values (individualism or collectivism and security or fun/enjoyment) on the consumers' willingness to pay more for green products. Hypotheses testing are employed with quantitative data and the hypotheses analysis is tested using Chi Square Analysis and Multiple Regression Analysis.

In this study, two facts are revealed. First, consumer demographics factors (age, gender, level of education, monthly income, employment status, house ownership, marital status and family size) are not related to the consumer's willingness to pay more for green products. Second consumers' values (collectivism) is significantly influence the consumer's willingness to pay more for green products although the other values such as Individualism, Security, and Fun/Enjoyment do not significantly influence the consumer's willingness to pay more for green products.

Keywords: Demographics Factors, Consumers' Values, Consumers willingness to pay more, Green products.

PREFACE

Nowadays, people have become more aware of their environment. They try to slow down the process of global warming in many different ways. One of the efforts to slow down the process of global warming is that now people try to create, produce, and market the environmental-friendly products or, also known as, green products. The process of creating, designing, fabricating, packaging, and promoting the green products are also known as a part of green marketing.

Considering the importance of green marketing and its issues, this study tries to find out the profile of green consumers that are willing to pay more for green product in Indonesia. The previous study of Laroche *et al.* (2001) identified several factors that may influence consumers' willingness to pay more for environmental-friendly products. The factors that may influence consumers' willingness to pay a higher price for environmental-friendly products are: demography, knowledge, values, attitudes, and behavior. This research focuses on two factors of the five categories, i.e. consumer's demographics factors and values (individualism or collectivism and security or fun/enjoyment).

The research findings brought by 206 questionnaire attributes have led the writer to a conclusion that: there is no relation between consumers' demographics (gender, age, level of education, monthly income, employment status, house-ownership, marital status, and family size) with the consumers' willingness to pay more for green products. And consumers' willingness to pay more for green products is significantly influenced by consumers' values (Collectivism) although the other consumers' values such as security, fun, and individualism are

statistically proved as not influencing the consumers' willingness to pay more for green products.



ACKNOWLEDGMENT

The work of thesis entitled “**THE INFLUENCE OF DEMOGRAPHIC FACTORS AND VALUES ON THE CONSUMERS’ WILLINGNESS TO PAY MORE FOR GREEN PRODUCTS**” represents the concerted efforts and love of many people around me who always stand by me to give care, strength, and support whenever and wherever I am.

Firstly, I would like to express my thanks especially to **My Jesus Christ, my best friend and my savior** who always give me strength whenever, wherever and who ever I am. With that strength I can go through some difficulties in studying and writing this thesis. You are the best, My Lord!

Secondly, I would like to say thanks a lot to my supervisor, **Dr. EF. Slamet Santoso Sarwono, MBA** who kindly supervises me in writing my thesis and giving me some suggestions into my study. I always remember his dedication for his students and his enthusiasm to give his best for UAJY. He is a really a good lecturer, teacher, and a master for me.

Then I want to give special thanks:

1. To all lecturers in **FE UAJY especially for “My Mom” Mahestu Noviandra** who give me a lot of knowledge, suggestion, and inspiration during my study in **IBMP UAJY**.
2. To **Mrs. Bening in Pusat Bahasa** who kindly taught me English during my study in UAJY and became my English consultant.
3. To **Ci Mila** (my English teacher when I was in Stece) who are busy taking care of her son and family but still have time to help me in translating my

questionnaire, your work is very helpful for my study. Thanks for your help and support.

3. To **Mas Adit**, who always helping me in the international office and always give me support to finish my study.

4. To **Vicky and Febbie Tantra** who are fighting together with me in the final exam. Finally, we are finishing S1 in UAJY. Thanks to Febbie who study together with me and give support to me in the last minutes in final exam and for our chit-chat in Parsley one day before final exam. Next time, we go to somewhere for reunion ya, Bi... ^ _____ ^ let's be a naked travelers and let's visit each part of the world!

5. To My all best friends in IBMP; Carol, Hendra Pepi, Dewi, Vely, Wandoet, Stephanie Sugi, Ovie, Citra, Intan Saputro, Gina Gincil, Yaya Andrea, Becky, Sandyta, San-San, Vincent, Heri, Diaz, Ivan, Koh Stevi, Yeny, Yunike, Jimmy, Chibi, Intan Pus, Ari, and all IBMP friends that I can't mention one by one, "Thanks for your helps, supports, and friendships."

6. To My "**PROFICIAT**" brothers and sister: Iyas, Rika, Nicho, and Mahesa (Indopewter). Keep working to catch our dreams, Guys! Thanks a lot for your supports.

7. To My KKN family, **Mahesa, Dodi, Mba Suster Susmiyati** and **Team KKN Tembi** who kindly support me during the process of KKN and creating this thesis. You inspire me Guys.... Thanks..

Thanks again for My Jesus for giving me a great people that always together with me in happiness and sadness; to my boyfriend, **Ambrosius Albert**, I thank

you for your many hours of support and cheer. You give me a lot of support in mental, when my mental breakdown you give me strength and makes me feel comfortable in doing my studies. Thank to you patiently listen to my problems and help me to solve it. Thanks for accompanying me in studying!

I would also like to acknowledge my thanks to **all of my Gossgals sisters:**

- ♥ **Veronica Raulita,**
- ♥ **Niken Triana Kadaryono,**
- ♥ **Cornelia Hariyanto,**
- ♥ **Rindi Allorelung,**
- ♥ **Emilia Santoso,**
- ♥ **Linda Hidayat, and**
- ♥ **Stephie Dellytania**

who are always be there for me, supporting my work and in the final exam, listening to all my sighs, and cheer me up.... Thanks a lot for this friendship! Love you all, Sist...

And lastly, and most importantly, I want to thank my family: to my lovely mom, **Uki Setiawati**, who always pray for me and give me strength and support in every condition. She is one of my spirit, I am very grateful to God to give a mother likes you!; to my lovely dad, **Suhendro**, who always encourage me and pray for me to work hard for my life and future. Thanks Dad for guarding me until now!; to my lovely aunty, **Evie Susanti and Endang Pertiwi and her family**, who gives me a lot of support and prayer; to both of my brothers, **Satria Nugraha**

and **Wira Pratama**, who always give me support and helps; and to my **grandmothers**, who always pray for me.

Thank you all! I hope I can always be there for you just like the way you supporting me!

Hopefully, this thesis can give additional knowledge for the readers and for the future research. And I apologize if I made mistakes to you all.



With Love,

Karlina

TABLE OF CONTENTS

	Page
TITLE PAGE	i
APPROVAL PAGE	ii
STATEMENT OF THESIS AUTHENTICITY	iii
LEGALIZATION PAGE	iv
ABSTRACT	v
PREFACE	vi
ACKNOWLEDGEMENT	viii
TABLE OF CONTENTS	xii
LIST OF TABLES	xvi
LIST OF FIGURE	xvii
LIST OF APPENDICES	xix
DEDICATION PAGE	xx
CHAPTER I: INTRODUCTION	1
1.1. Background	1
1.2. Problem Identification	5
1.3. Problem Areas	5
1.4. Operational Definition	6
1.5. Research Objective	8
1.6. Benefits of the Study	8
1.7. Writing Structure	9

CHAPTER II: THEORITICAL BACKGROUND AND HYPOTHESES

DEVELOPMENT	10
2.1. Definition of Green Marketing	10
2.2. The Content and Significance of "Green Marketing"	10
2.2.1. The Prior Stage to Enter Green Product into the Market	11
2.2.2. The Stage after the Entry of "Green Products" into the Market	12
2.3. Segmentation and Positioning within Green Market	14
2.4. Defining Green Market Segment.....	15
2.4.1. Demographic Segmentation	15
2.4.1.1. Socioeconomic Grouping	16
2.4.1.2. Demographic Factor.....	16
2.4.1.3. Age.....	16
2.4.1.4. Gender.....	17
2.4.2. Lifestage Segmentation	17
2.4.3. Psychographic Segmentation	18
2.4.3.1. Level of Education.....	18
2.5. Profile of Green Consumers : A Literature review.....	19
2.5.1. Consumers' Demographics Characteristics	20
2.5.2. Consumers' Values	22
2.6. Hypotheses Development	24

CHAPTER III: RESEARCH METHODOLOGY.....26

3.1. Introduction..... 26

3.2. The Sampling Procedure and Data Collection..... 27

3.3. The Research Instrument and Modifications 28

3.4. Translation Procedure for the Instrument 29

3.5. Pilot Test..... 30

3.6. Questionnaire Analysis Method..... 31

3.7. Hypothesis Testing Method..... 32

 3.7.1. Chi-Square Analysis..... 32

 3.7.2. Multiple Regression Analysis 33

CHAPTER IV: ANALYSIS AND DISCUSSION34

4.1. Respondents' Profile 34

4.2. Data Description 39

4.3. Hypothesis testing..... 40

 4.3.1. Chi-Square Analysis..... 40

 4.3.2. Multiple Regression Analysis 50

4.4. Discussion and Analysis of Findings..... 53

**CHAPTER V: CONCLUSIONS, LIMITATION, AND MANAGERIAL
IMPLICATIONS 56**

5.1. Conclusion 56

5.2. Research Limitation..... 57

5.3. Managerial Implication.....	57
5.4. Directions for the Future Research	58
REFERENCES.....	59
APPENDICES	60



LIST OF TABLES

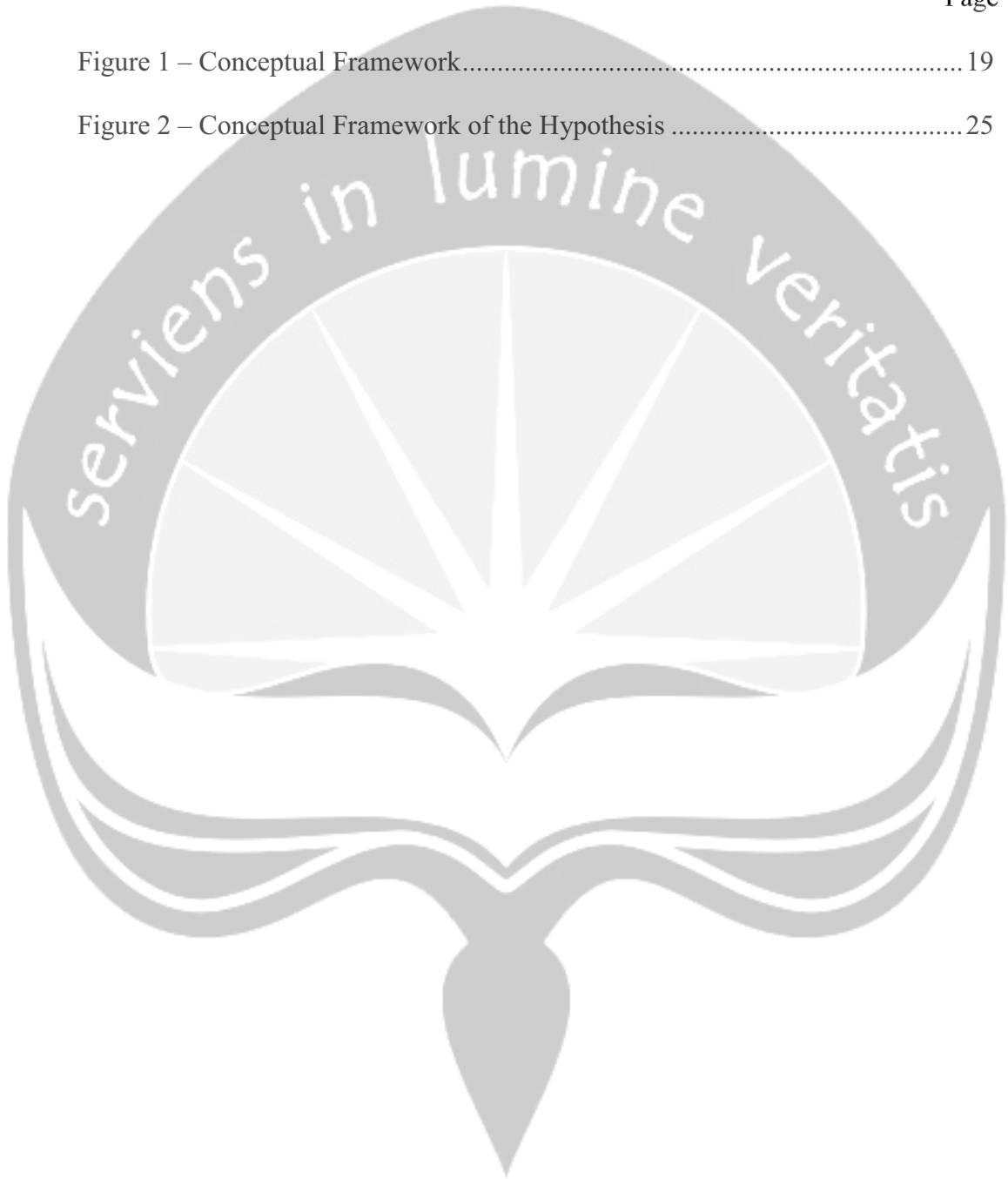
	Page
Table 3.6 – Validity Results	31
Table 4.1 - Respondent’s Characteristic based on Gender	34
Table 4.2 - Respondent’s Characteristic based on Age.....	35
Table 4.3 - Respondent’s Characteristic based on Level of Education.....	35
Table 4.4 - Respondent’s Characteristic based on Monthly Income	36
Table 4.5 - Respondent’s Characteristic based on Employment Status.....	37
Table 4.6 - Respondent’s Characteristic based on House Ownership	37
Table 4.7 - Respondent’s Characteristic based on Marital Status.....	38
Table 4.8 - Respondent’s Characteristic based on Family Size	38
Table 4.9 – Descriptive Statistic	39
Table 4.10 - The Categorical Data of Consumers’ Willingness to Pay More for Green Products	41
Table 4.11 - Crosstabs of Consumers’ willingness to pay more for green products with Gender.....	42
Table 4.12 - Crosstabs of Consumers’ willingness to pay more for green products with Age	43
Table 4.13 - Crosstabs of Consumers’ willingness to pay more for green products with Level of Education	44
Table 4.14 - Crosstabs of Consumers’ willingness to pay more for green products with Monthly Income	45

Table 4.15 - Crosstabs of Consumers' willingness to pay more for green products with Employment Status	46
Table 4.16 - Crosstabs of Consumers' willingness to pay more for green products with House Ownership	47
Table 4.17 - Crosstabs of Consumers' willingness to pay more for green products with Marital Status	48
Table 4.18 - Crosstabs of Consumers' willingness to pay more for green products with Family Size	49
Table 4.19 – Chi-Square Analysis Results	50
Table 4.20 – Multiple Regression Analysis Results	51



LIST OF FIGURES

	Page
Figure 1 – Conceptual Framework.....	19
Figure 2 – Conceptual Framework of the Hypothesis	25



LIST OF APPENDICES

Appendix A – Research Instrument (English version)

Appendix B - Research Instrument (Bahasa Indonesia version)

Appendix C - Crosstabs Analysis (Chi-Square Analysis) Results

Appendix D – Descriptive Statistics

Appendix E – Multiple Regression Analysis Result

Appendix F – Research Data



I dedicated this thesis to My Jesus Christ

and

To the most special persons in my life:

Stephanus Suhendro and Stephanie Uki Setiawati

Ign. Satria Nugraha

Yoh. Wira Pratama

Evie Susanti

V. Endang Pertiwi

Ida Muljani

Liu Kim Fung

Ambrosius Albert

And to the people I love and to anyone who love me.

You are the reason why I do my best
in this life.

Happiness is when we can share everything to the other.

Karlina

Ambillah Ya Tuhan

Ambillah Ya Tuhan kebebasanku

Kehendakku budi ingatanaku

Pimpinlah diriku dan Kau-kuasai

Perintahlah akan kuataati

Hanya rahmat dan kasih-Mu padaku

Yang Ku mohon menjadi milikku

Hanya rahmat dan kasih padaku

Berikanlah menjadi hartaku

Lihatlah semua yang ada padaku

Kuhaturkan menjadi milik-Mu

Pimpinlah diriku dan Kau-kuasai

Perintahlah akan kutaati

(Maz. 247 (1-2))