

CHAPTER II

LITERATURE REVIEW

2. Theoretical Background

2.1 Green Marketing

Green marketing is the development and advertisement of products based on their sustainability and environmental impact. Pollution has been a long-time problem that haunts the survivability of our planet. The incorporation of a broad range of activities, like product modification, changing the production process, strategic advertising, and packaging changes (Chen, 2012). Agustin (2015) defines green marketing as the process of marketing products that are assumed to be safe for the environment. Green marketing can be said to offer products that are not only environmentally friendly but also include the production process, packaging changes, and product modification activities.

According to Akehurst (2012) green marketing are all activities designed to produce and facilitate all changes that are expected to satisfy people needs and desires, with minimal impact on natural environment. This happens because the fulfillment of people needs and desires has the potential of causing negative impact on the environment.

The task for companies in this new environmental era is to identify opportunities to augment their products' environmental credentials in order to strengthen their brand equity (Chen, 2012). Ecologic marketing has the role to

inform the consumers about environment pollution issues severity and to educate them according to ecological principles base (Chang, 2013). By using green marketing, a company can also have a better brand image. The image portrays a company as aware to the environment thus eliminating the guilt of consumer.

Agustin (2015) said that a company will get solutions to environmental challenges through marketing strategies, products, and services in order to remain competitive. This includes: New technology to deal with waste and air pollution, standardization of products to guarantee friendly products environment, provide products that are 'truly' natural, product orientation through resource conservation and that pay more attention to health. While (Chen, 2012) identified several reasons to develop corporate green marketing: reduce pressure on the environment, competitive advantage, improve the image of the organization, explore opportunities to gain new markets, and increase the value of the product. The task for companies in this new environmental era is to identify opportunities to augment their product's environmental credentials in order to strengthen their brand equity.

According to Rahayu et al., (2017) there are criteria that can be used to determine whether a product is friendly or not to the environment, namely: a) The level of danger of the product to human health, b) How far the product can cause damage environment while in the factory, used or disposed of. c) The level of use of a disproportionate amount of energy and resources while in the factory, used or thrown away. d) How much product causes waste that does not useful when the packaging is excessive or for a short use. e) To what extent does the product involve

unauthorized use? useless or cruel to the environment. f) Use of materials derived from species or threatened environment.

2.2 Customer Purchase decision

Customer purchase decision are a concept that have multiple process and steps. Customer purchase decision are influence by a person lifestyle, personality, gender, benefits of the product, quality of the product and a person needs (Lori Roberts, 2017). Understanding customer thought before deciding are regularly used by marketing strategist to help brand increase sales and search for loyal customer. Based on past studies, customer has regularly picked a brand that are familiar or align with their personal interest.

According to Kotler, Amstrong, & Parment (2020), consumers' purchasing decision is to buy the most preferred product or brand. Still, two factors can arise between purchase intention and purchase decision. The first factor is the attitude of others. The second factor is an unexpected situational factor. Consumers can form purchase intentions based on expected income, expected price, and expected product benefits.

According to Kotler, Amstrong, & Parment (2020), buying is just part of a much larger buying process – starting with need recognition and working your way up to how you feel after making a purchase. Marketers want to be involved throughout the buyer decision process. The buyer's buying process consists of five stages: need

recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behaviour.

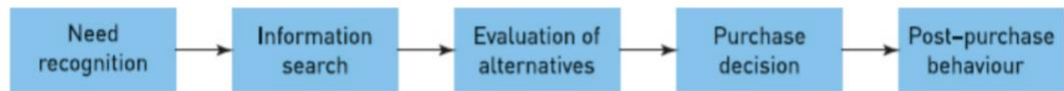


Figure 1
Stage of Buying Process

1. Need recognition

Need recognition is the buyer recognizes a problem or need. Marketers must research consumers to determine what type of need or problem arises, causes it, and leads consumers to a particular product.

2. Information search

Interested consumers can seek more information. If a consumer's need is intense and a satisfying product is imminent, they will likely buy it. If not, the consumer can store the need in his memory or perform a search for information related to the need. A higher level of consumer engagement means more research and consideration is done in every buying process.

3. Evaluation of alternatives

How consumers process information to arrive at brand choices. Consumers arrive at attitudes towards different brands through evaluation procedures. Consumers evaluate purchasing options depending on the individual consumer and the particular buying situation.

4. Purchase Decision

Consumers rank products and brands in the evaluation stage and form purchase intentions. Consumers can create purchase intentions based on expected income, expected price, and expected product benefits.

5. Post-purchase behavior

After buying a product, consumers will be satisfied or dissatisfied and engage in post-purchase behavior. After purchase, consumers are satisfied with the benefits of the selected product or brand and are happy to avoid shortages of products and brands that are not purchased. Post-purchase behavior is closely related to customer satisfaction.

The purchase decision is the decision of the consumer to decide to buy after evaluating several factors such as brand, the location of purchase, amount to be purchased, time of purchase, as well as the method of payment that can be done (Kotler & Keller, 2013). Dimensions of purchase decision variables used in this study based on theoretical studies are: a) Product Selection, b) Brand Selection, c) Selection of Purchase Channels, d) Purchase Time, e) Amount of Purchases (Kotler P. K., 2012)

Kotler and Keller (2012) revealed that the Factors that influence buying interest consist of two external factors, namely the behaviour of other people and unexpected situations. Interest is considered a strong internal stimulus and motivates action. Buying interest starts from the interest and desire of consumers to buy a product. Buying interest is obtained from a learning process and a thought process that forms a perception. This buying interest creates a motivation that continues to be recorded in his mind and becomes a very strong desire which in the

end when a consumer has to fulfil his needs will actualize what is in his mind. Consumer interest is how likely consumers are to buy a brand or how likely consumers are to switch from one brand to another.

2.3 Brand perceived quality

The perceived quality of a brand determines the quality value in the eye of customers. The perception of a brand that have good quality are one of factors that drive sales. Perceived quality is defined as customer's perception of overall performance of a product or service with its intended purpose (Alhaddad, 2015). So, the more a product lived up to their intended purpose the more customer will perceived it as a product with good quality.

Perceived quality has a greater influence in a customer's purchasing process and in brand loyalty. This influence is very important when customers are in a condition, which makes them unable to make an analysis of the quality. Perceived quality can be used as a helping tool when company intends to utilize a pricing strategy with premium price and further extend a brand in several markets (Stahl, 2012).

Customer in this era expected more quality of a product even when the product has cheaper price. These phenomena came with the integration of the internet. As information is easier to gain, customer now can compare a product with its competitor easily. Customer are smart enough to see a review on internet before purchasing a product. In respond a product needs to have a high-quality image to compete in a free market. Perceived quality is an interesting subject to practitioners and researchers, since it has a beneficial impact on the view of marketing

performance. Perceived quality provides value to customers through buying and distinguishing the brand from other competing brands (Chang, 2013), as consumers often judge the overall value of a product or service in accordance with the intended objectives that have been defined. It can also be used as a general assessment of the product's desirability or superiority (Kabarasi Far, 2011). Zeithaml (2012) declares that perceived quality is the perception of a customer concerning the quality of goods or services compared to those of the competitors, which does not include the technical dimension.

2.4 Generation Y

Generation y or millennials refers to generation of people born between 1980 to 2000. Generation y is slowly becoming the biggest segment of consumer in the history. The number of people considered as generation y is so big that the buying power increase yearly. Their characteristics are independent, self-sufficient, and have high level of spending power. (Jackson, Stoel, & Brantley, 2011)

According to Ladhari, et.al (2019) generation y is less loyal, like to be an early adopter who aren't afraid to try new things and influenced by social media over exposure. They are often describe as over consuming, materialistic and brand conscious. Mass-market brands are avoided because generation y are tend to pick products or services that are less mainstream, thus making them the biggest potential market for luxury brand.

2.5 Generation Z

Generation z or post millennials refers to generations of people born after 1995. Generations z have many terms such as iGeneration, gen tech, online

generation and many more. This generation born in the span of technological boom which create a digitalization environment (Dalot, 2018). According to Jiri (2016) generation z characteristics in general are not a good listener unlike other generation like baby boomer or generation y. Because of their reliance to technology they are lacking the social skills and communication skills.

Generation z as a consumer that are usually focused on trends. As a young generation who grew up with technology generation z is very aware of innovation, and prefer product that mind blowing or creative. Convenience of a products are attracting this generations specially with social media marketing, e-commerce and delivery service (Wood, 2013).

2.6 Previous Studies

Table 1
Previous Studies

Author	Title of Article	Variable	Analysis Tools	Conclusion
I Gusti Agung Nanda Dwipamurti, M. Kholid Mawardi, Inggang Perwangsa Nuralam (2018)	The Effect of Green Marketing on Brand Image and Purchase Decision (Study on Consumer of Starbucks Café Ubud, Gianyar Bali)	<ol style="list-style-type: none"> 1. Green Marketing 2. Brand Image 3. Purchase Decision 	<ol style="list-style-type: none"> 1. Structural Modelling 2. PATH Analysis 	In this study the results showed Green Marketing influence directly toward Brand Image and Purchase Decision, while Brand image also showed positive effect on Purchase Decision
Quang Hung Le (2021)	Factors Affecting Consumer Purchasing Behaviour: A Green Marketing Perspective in Vietnam	<ol style="list-style-type: none"> 1. Green Marketing <ol style="list-style-type: none"> a) Convenience b) Communication c) Customer solutions d) Customer cost 2. Perceived Value 3. Purchase Decision 	<ol style="list-style-type: none"> 1. Regression Analysis 2. PATH Analysis 	This study identify the factors affecting the green marketing element of students food purchasing decision at Co-op Mart chain in Ho Chi Minh City. Most of the student's life

				during university hours and part-time work is tied to university and local residence. Students are willing to pay more for green product because of Co-op Mart green pricing, policy and marketing strategy.
M. Sivaram, Niknik Ahmad Munawar, Hapzi Ali (2019)	Determination of Purchase Intention Through Brand Awareness An Perceived Quality (Case Study: For consumers PT. Sentosa Santosa Finance Tangerang area)	<ol style="list-style-type: none"> 1. Brand Awareness 2. Perceived Quality 3. Purchase Intention 	<ol style="list-style-type: none"> 1. Structural Equation Modeling (SEM) 	The results of this study prove that there is an influence of brand awareness on purchase intention in CS Finance consumers, brand awareness has a positive and significant effect on perceived quality in CS Finance consumers, and there is a positive and significant effect of perceived quality on purchase intention on CS Finance consumers.
Kadek Aria Satriawan, Putu Yudi Setiawan (2020)	The Role of Purchase Intention in Mediating The Effect of Perceived Price and Perceived Quality on Purchase Decision	<ol style="list-style-type: none"> 1. Purchase Intention 2. Perceived Price 3. Perceived Quality 4. Purchase Decision 	<ol style="list-style-type: none"> 1. Structural Equation Modeling (SEM) 	The results of this study suggest that perceived price and perceived quality influence purchase decision of Xiaomi smartphones. Purchase intention also mediated perceived price

				and perceived quality towards the purchase decision of Xiaomi Smartphone.
R Astuti, P Deoranto, MLA Wicaksono, A Nazzal (2021)	Green marketing mix: an example of its influences on purchasing decision	<ol style="list-style-type: none"> 1. Green Product 2. Green Price 3. Green Place 4. Green Promotion 5. Purchasing Decision 	<ol style="list-style-type: none"> 1. Structural Equation Modeling (SEM) 	A structural model was tested in this study and provides evidence that three of the 4 latent variables of green marketing mix influenced on purchasing decision of mozzarella cheese consumers.
Ratlan Pardede, Tarcicius Yudi H (2017)	Pengaruh persepsi harga dan kualitas produk terhadap keputusan pembelian konsumen yang di mediasi kepuasan konsumen	<ol style="list-style-type: none"> 1. Perceived Price 2. Product Quality 3. Customer Purchase decision 4. Customer satisfaction 	<ol style="list-style-type: none"> 1. Structural Equation Modeling (SEM) 	<p>The result of this study indicates that:</p> <ol style="list-style-type: none"> 1. Customer purchase decision does not influence by perceived price 2. Customer purchase decision does not influence by product quality 3. Customer satisfaction influence customer purchase decision 4. Perceived price influence customer satisfaction 5. Product quality influence customer satisfaction 6. Customer satisfaction influence customer

				purchase decision to mediate perceived price and product quality
Karin Sedneva (2019)	The Influence of Recommendations in Social Media on Purchase Intentions Generations Y and Z	<ol style="list-style-type: none"> 1. Social media usage 2. Online reviews 3. Opinion leaders 4. Generation 5. Intention to purchase 	<ol style="list-style-type: none"> 1. Regression analysis 2. PATH analysis 	This study compared the influence of social media recommendations towards purchase intentions of consumers from generation z and y. the results indicate that generation y is more likely to use social media recommendation such as products review while generation z is influenced by an opinion leader such as social media personality or influencer.
Rafael Bravo, Jose Miguel Pena, Sara Catalan (2020)	Intergenerational differences in customer engagement behaviours: An analysis of social tourism websites	<ol style="list-style-type: none"> 1. Generational Cohorts 2. Customer engagement behaviours 3. Customer Self - efficacy 4. Customer Satisfaction 	<ol style="list-style-type: none"> 1. Regression analysis 	The results of this study suggest that generations have different engagement behaviour in social media settings.
W.L.M.V Perera, D.M.R Dissanayake (2013)	The impact of brand awareness, brand association and brand perceived quality on female consumer's purchase decision of foreign makeup products	<ol style="list-style-type: none"> 1. Brand Awareness 2. Brand Association 3. Perceived Quality 4. Purchasing Decision 	<ol style="list-style-type: none"> 1. Regression analysis 	<p>The results of this study suggest that:</p> <ol style="list-style-type: none"> 1. Brand awareness influence purchase decision 2. Using 5 indicators namely brand image, brand personality, brand perceived value,

				<p>psychological association and brand attitude it is identified that brand association influence purchase decision</p> <p>3. The influenced of brand perceived quality towards purchase decision were identify using perceived ingredient quality, perceived functional quality, perceives package quality, perceived price quality and perceived promotional quality</p>
Asst. Prof. Dr. Asude Yasemin Zengin, Elif Hasret Kumcu (2018)	Green Consciousness and Intention to Purchase Green Product: A Comparison Between Generation Y and Z	<ol style="list-style-type: none"> 1. Generation Y 2. Generation Z 3. Green Consciousness 4. Green Intention 	<ol style="list-style-type: none"> 1. Independent Sample t-test 	<p>This study finds that different generation behave differently toward their green purchase intention and green consciousness</p>
Clement Lee Jian Beng, Lam Jeen Mun, NG Sut Kian, Ooi Shi Ying, Tai Yu Shiuan (2019)	The Impact of Branding Toward Cosmetics Products: A Comparison Beetwen Generation Y and Generation Z in Perak State	<ol style="list-style-type: none"> 1. Brand loyalty 2. Brand Awareness 3. Brand Credibility 4. Brand Congruence 5. Brand Image 	<ol style="list-style-type: none"> 1. Descriptive Analysis 2. Regression Analysis 3. Independent Sample t-test 	<p>The result of this study suggest that:</p> <ol style="list-style-type: none"> 1. Different generation Perceive Brand loyalty differently 2. Different generation Perceive Brand

				<p>Awareness differently</p> <p>3. Different generation Perceive Brand Credibility differently</p> <p>4. Different generation Perceive Brand Congruence differently</p> <p>5. Different generation Perceive Brand Image differently</p>
Anand Shankar Raja M, Apurva Muralidhar (2019)	Understanding the purchase intention characteristics of Gen Y and Gen Z and introspecting the modern demand variable in fashion industry need to explore the demand characteristics	<ol style="list-style-type: none"> 1. Purchase Intention 2. Generational Cohorts 	1. Structural Equation Modelling (SEM)	This study suggest that generation y and generation z are influence by different factors of purchase intention
D Dwidienawati, S B Abdinagoro, D Gandasari, D Tjahjana (2021)	Do generation Y and Z rally concern about environmental issue?	<ol style="list-style-type: none"> 1. Generational Cohort 2. Generation Y 3. Generation Z 4. Environmental Issue 	1. Independent Sample T-test	This study finds that both generation y and generation z react differently toward environmental issue with generation z being more active.

2.7 Hypothesis Development

2.7.1 Green Marketing Influence on Customer Purchase Decision

According to Ali (2021) Green Marketing Influence consumer buying behaviour and environmental knowledge play a role among dependent and independent variables. Green Marketing has been proven to be capable of influencing customer purchase decision. This helps a brand such as Starbucks to target a market with environmental knowledge. Green Marketing is done by promoting the benefits of consuming this product such as not using a harmful ingredients and less harmful production to the environment (Astuti, 2021).

In a research by Dwipamurti, et.al (2018) suggest that green marketing influence customer purchase decision. Not only customer purchase decision but, green marketing also influence brand image. Based on previous research from Hung (2021), marketing mix (4Cs) activities in green marketing influence customer purchase behaviour which eventually leads to purchase decision. Based on the findings above, this research first hypothesis:

H1: Green Marketing give impact customer purchase decision.

2.7.2 Brand Perceived Quality Influence on Customer Purchase Decision

In essence, perception relates to a person's behaviour in making decisions about what is desired. One way to know the consumer behaviour is analysing consumer perceptions of the product. With consumer perceptions, can be known things that become strength, weakness, opportunity, or threat for a product. According to Alhaddad (2015) perceived quality has a significant influence on

brand image and brand image, it also influences brand trust as well as brand loyalty. Customer decision making stages can be influence by both external and internal forces. A brand that have a good perceived quality can swayed a buyer from its competitor in the decision-making stages. Satriawan, et.at (2020) examined the effect of perceived price and perceived quality towards purchase decision mediated by purchase intention of Xiaomi smartphones. The results suggest that perceived quality influence purchase decision of Xiaomi smartphone. This is due to customer being satisfied with the decision based on the expected quality and price of the product. Studies show that today the company has been successful in convincing consumers that the absolute level of quality is actually different or the variety of variations in the quality exposes consumers to risk.

In other research by Asshidin (2015), Customer in Malaysia tend to buy imported product from United state rather than local Malaysian product because the reputations of imported product are better in quality. By using five items namely, perceived ingredient quality, perceived functional quality, perceived package quality, perceived price quality and perceived promotional quality, Perera, et.al (2013) identify the influence of brand perceived quality towards purchase decision. It is safe to say, having a good brand reputations positively impacted customer purchase decision.

H2: Brand Perceived Quality give impact customer purchase decision.

2.7.3 Different perception of Green Marketing from different generation

According to Zengin (2018) generation y and generation z perceive green marketing differently. Generation y and z are only one decade apart and they share similarity and differences. Both generations are really concern with the environment issue in this world. They actively reduce using plastic and follow a lifestyle with sustainability in mind. This study found that generation z is more active than generation y specially in the digital realm. Although both generations are aware of green marketing, they perceive and behave it differently.

In other study conducted by Dwidienawati, et.al (2021), customer from different generation in turkey behave and perceive green conscious and purchase intention toward green product differently. Based on the findings above, this research third hypothesis is:

H3: Different generations perceive green marketing differently.

2.7.4 Different perception of Brand Perceived Quality from different generation

According to Raja (2019), customer from generation y and z have significance difference perceiving brand image, brand awareness, brand credibility, brand congruence and brand loyalty. Based on these findings, generation z is more likely to be influence by independent variable than generation y.

In other research by Beng, et. al (2019) suggest that by understanding the demand characteristics of customer from different generation, it can be identify that there are differences in their purchase behavior. There are factors that represent purchase behavior and intention which are customer knowledge, celibately

endorsement product quality, customer rating perceived quality or value, social media effect, innovation, lifestyle, visual attraction, brand consciousness, social comparison and feedback or review. So, it safe to say that customer from generation z and y perceive brand perceived quality differently.

H4: Different generations perceive brand perceived quality differently.

2.7.5 Different perception of Customer Purchase Decision from different generation

According to Sedvena (2019), Generation y and generation z has differences in their buying process and purchase decision. Generation y is more influence by product reviews on social media while generation z adopt opinion leaders recommendation. The differences of both generation stem from their habits that are shape by environment and change of era. Both generations are exposed to the internet from a young age, making them rely on technologies much more than their predecessor.

Different generation have different behaviour as a customer. Generation z is the most differentiated generation. The willingness to change and try new things are what separate generation z with others generations (Bravo, Pena, & Catalan, 2020). In other research by Ladhari (2019) suggest that generation y also have the tendencies to be an early adopters and try new things.

H5: Different generations perceive customer purchase decision differently.

2.8 Conceptual Framework

This research uses two frameworks from two different journal. Green marketing and purchase decision were taken from Dwipamurti (Dwipamurti, 2018).

Brand perceived quality was taken from Siyaram, Munawar, & Ali (Siyaram, Munawar, & Ali, 2019). This study combines both framework with green marketing, brand perceived quality and purchase decision as dependent and independent variables.

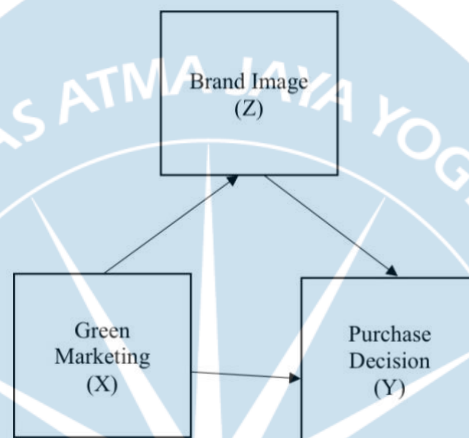


Figure 2
Previous studies framework

Source: Dwipamurti (2018)

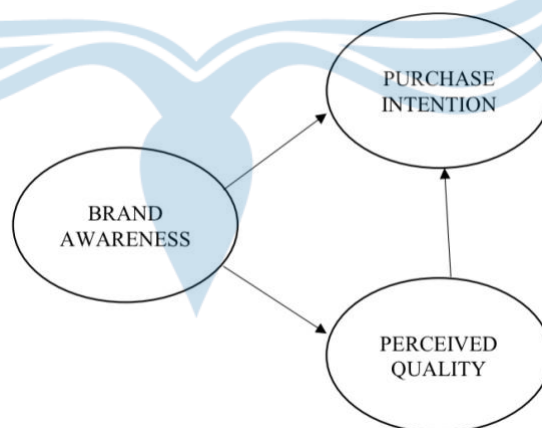


Figure 3
Previous studies framework

Source: Siyaram, Munawar, & Ali (2019)

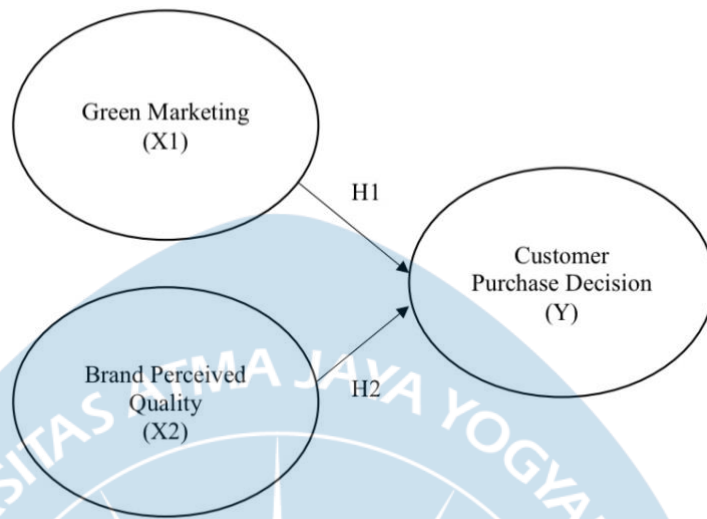


Figure 4
Critical Framework

Sources: Dwipamurti, (2018) and Siyaram, Munawar, & Ali (2019)