

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Research Background**

The awareness of consumers about the global environmental problems has increased in many countries. There are 10 most important environmental issues facing the world, such as global warming, clean and renewable energy, ocean system collapse, electronic & nuclear waste, water degradation, land rush, biodiversity conservation, increase human population, new technologies and habitat loss. The consumer's awareness of these environmental problems encourages business industries to concern how they can create environmental friendly products and services.

Green Marketing has become a necessity for both producers and consumers for the creation of a healthy environment. According to American Marketing Association (AMA), Green marketing is the marketing of products that presumed to be environmentally safe. The awareness of consumers in many countries about the importance of environmental issues has increased. The Global environmental problems that globally faced Global warming issue makes consumers pay more attention in buying products. Many producers from many products start to use friendly material in their production process including packaging and labeling. Marketers have to find strategies to attract more people to become interested in buying green products.

The last 1980s was said to be the mark of the first stage of green marketing. In this stage, the industry was first introduced to the concept of "Green

Marketing” (Peattie and Crane, 2005). The 1990s decade, which was the second stage, began with very high and hopeful forecast about the emergence of a “green tide” of consumers and new products (Vandermerwe and Oliff, 1990).

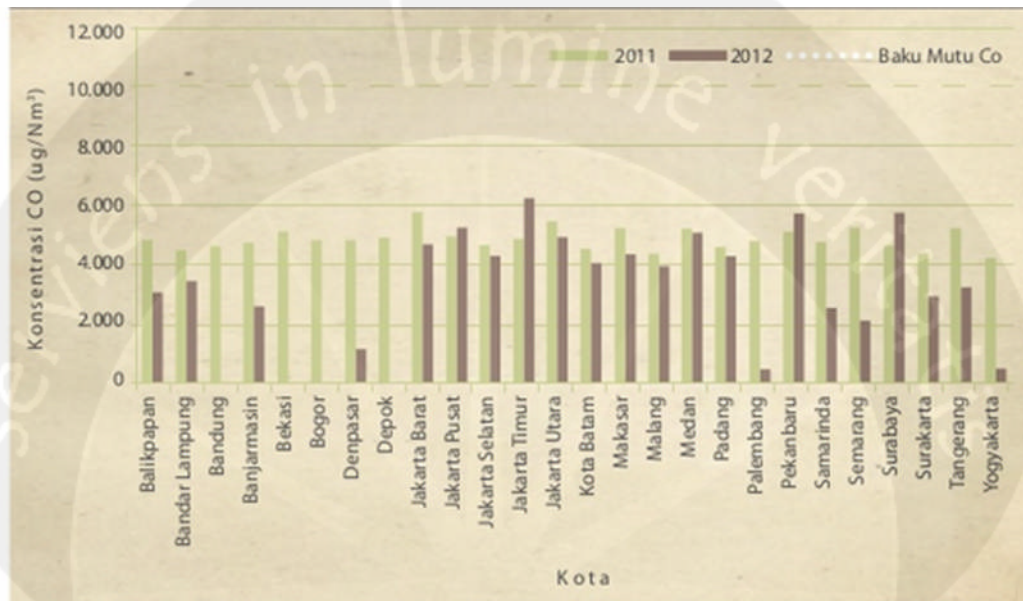
The third stage of green marketing has been started since 2000. The third stage of green marketing has been started since 2000. More advanced technology has been implemented, deceptive claims are taking at stricter enforcement, new regulation from the government and a thorough and detailed inspection from various environmental organizations and the media, consumer’s confident has been greatly improved and many high quality green products has been made during this period. In addition to the global concern of environmental quality that is steadily rising, green marketing now has picked up its momentum again like back in the 1990s (Lee, 2008).

The force of “going green” is now extending to the Asian region, where environmental threats are alarming local governments and citizens (Lee, 2008). The fast growing economy in Asia has led to vigorous rise of financially empowered consumers across Asia who is willing to spend more than previous generations (Li and Su, 2007).

In Indonesia, pollution is one of the issues. 96% of Indonesian lives within 100 km of the coast, placing huge demands on the country’s coastal environment. Large amounts of sewage and industrial pollution because of rapid economic growth, causing in the decline reef areas especially cities such as Jakarta, Ambon and Ujung Pandang. The rapid urbanization and economic development leads in many environmental problems such as air pollution, traffic congestion, garbage management, and reliable water and wastewater service.

The data from Indonesian environmental status 2012 concluded that environmental quality is deteriorating, but the rate of destruction and the rate of pollution is reduced. The data from ministry of environment below showed the concentration of CO in 2011 and 2012 in 26 cities in Indonesia.

Figure 1.1: Concentration of CO 2011-2012 in urban (road monitoring)



Source: Ministry of Environment 2012

The data above showed that mostly the concentration of CO in many cities has decreased during 2012 only in Jakarta Pusat, Jakarta Timur, Pekanbaru and Surabaya that had increasing in concentration of CO. There was significantly decreasing in concentration of CO in Yogyakarta in 2012. This decreasing indicates that there is improvement in environmental awareness.

The water quality in Indonesia decreased in 2012 compare to 2011. This decreasing caused by the higher number of flood and the number of forest in Indonesian also decrease. In 2009 there is 747,754 hectare and it getting less to 40,253 hectare in 2011.

Figure 1.2 : Percentage of Water River Quality in Indonesia



Source: Ministry of Environment 2012

In Indonesia, many companies already started to have environmental friendly productions that minimize bad impact to environment. On December 2013, Indonesian Government published the survey of PROPER (Program Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan) which one of the programs that observes companies and business. This objective of this program is to encourage companies and business to obey the environment regulation in order to achieve environmental excellency. The Government stated that they analyzed 1,812 companies which involved in environmental friendly production. This number has increased 38% compare to last period (2011- 2012) there were only 1,317 companies.

The companies were judged by production service activities, environmental management system, 3R, efficiency of energy, and business ethics. During 2012-2013 the number of companies which obey the environment has decreased from 69% to 65% compare to previous period (2011-2012). The decreasing of this number caused of 38% increasing of new companies which involve in this program.

Based on the observation during 2012-2013, there were the best 12 companies which obey the environmental regulation. They were:

1. PT. Indocement Tungal Prakarsa, Tbk, Paliman Factory
2. Chevron Geothermal Salak, Ltd.
3. PT. Pertamina Geothermal Energy Area Kamojang
4. Chevron Geothermal Indonesia, Ltd. Unit Panas Bumi Drajat
5. PT. Jawa Power
6. PT. Holchim Indonesia, Tbk – Cilacap Plant;
7. PT. Unilever Indonesia, Tbk – Pabrik Rungkut;
8. PT. Semen Indonesia (Persero), Tbk – Pabrik Tuban;
9. PT. Pertamina (Persero) S&D Regional II terminal BBM Rewulu;
10. PT. Bukit Asam (Persero) Tbk. Unit Pertambangan Tanjung Eni
11. PT. Badak NGL;
12. PT. Medco E&P Indonesia – Rimau Asset.

This program proved that 48 companies which involved in the program reduced the number of water contamination by 11,8 million ton. 65 companies reduced the number of air pollution by 2,930 and 646,982 ton eq CO<sub>2</sub> reduction of greenhouse from their environmental innovations. Based on the survey of this program, it showed that the awareness of companies in Indonesia about environmental friendly business has increased. More and more companies apply green marketing in their business activities.

Based on a national survey of consumer attitudes of green products this was done by Catalyze Sustainability Communications in 2011, Indonesian consumers pay more attention to green issues and products. This fact gives

opportunities for many green companies to market their product that can reduce environmental issues in Indonesia. The survey found 3 main findings, they are:

1. Food and Beverages, and personal care products top the categories which respondents are the most likely to shop for 'environment-friendly products'
2. 'Energy-saving' and 'recyclable' are the green product features with the most appeal to respondents
3. One in two respondents does not believe companies 'green claims' and would stop purchasing a product that is 'green washed'.

Indonesia was chosen as one of ten UN SCP (Sustainable Consumption and Production) Board members in international. The implementation of SCP will give multi benefits such as the changing of consumption behavior become more efficient, and environment friendly, prevention of pollution and environmental damage, the growth of product industry capacity and environmental friendly services. By the supports from Government, the awareness of green behavior will increase and it will give benefit for green marketing.

Previous study in Western culture and Hong Kong had showed gender differences in environmental perceptions, values, and actions in Hong Kong. Female adolescent consumers have higher score in environmental attitude, environmental concern, perceived seriousness of environmental problems, perceived environmental responsibility, peer influence and green purchasing behavior (Lee, 2009). Another study in Jakarta showed Environmental concern, perceived seriousness of environmental problems, and perceived environmental responsibility were significantly affecting green purchasing behavior of university

students in Jakarta. There were no gender differences on those 3 significant variables (Ronnie and Dahlia, 2011). In this research, the author will focus to investigate the factors that influence green purchasing behavior of adult consumers in Yogyakarta.

## **1.2 Research Questions**

Based on the explanation in the background section, the problem formulations that arranged in this research are:

1. What are the important factors which affect green purchasing behaviors of adult consumers in Yogyakarta?
2. Is there any gender difference in green purchasing behavior of adult consumers in Yogyakarta?

## **1.3 Scope of Research**

This study was compressed into some scopes regarding to the limitation of the author facing the wideness of the research context. Therefore the scopes of the study are:

1. This study is a replication of the original article of Lee (2008).
2. The analysis method which used in this study is regression analysis to analyze the hypotheses.
3. This study examined consumer behavior of adult consumers in Yogyakarta
4. This study held in Yogyakarta. The samplings used in this study are males and females of adult consumers.

5. This study didn't investigate green purchasing behavior on specific product.

#### **1.4 Research Objectives**

Based on the problem formulations which have been explained above, the research objectives that will achieve are:

1. To analyze the important factors which affect green purchasing behaviors of adult consumers in Yogyakarta.
2. To analyze gender differences in green purchasing behavior of adult consumers in Yogyakarta.

#### **1.5 Research Benefits**

This study will give benefits for potential academic and business managerial in order to gain more informations and knowledge about opportunities for green marketing, especially the market targeted to green consumers. Specifically, it is hoped that this study will give contribution to the following area:

1. To assist business to have better understanding about opportunities of green marketing in Yogyakarta.
2. To assist business to have better understanding about the trend of green purchasing behavior in Yogyakarta.
3. To assist business to have better understanding about the factors that influence green purchasing behavior of adult consumers in Yogyakarta.



## **1.6 Research Report Outline**

This thesis is set out into five chapters. The first chapter provides an overview about the environmental global issues globally, in Indonesia and in Yogyakarta. It provides an overview of the current trend of green consumerism, historical of green marketing, problem statements, purposes of study and hypothesis. The second chapter displays a review of literature of related concepts and the previous study. The third chapter explains the methodology and tools of analysis for the study while analysis and findings of this study can be found in the fourth chapter. Lastly, in the fifth chapter, a discussion of the findings is included. Recommendations, limitations, and conclusion for this study are also included.