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Feed them facts: Value perceptions and consumer use of sustainability-related product information



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ABSTRACT

More than ever, consumers are demanding sustainable options on retail shelves. Retailers, however, are not finding clear evidence of the financial benefits for doing so. This study attempts to provide concrete suggestions to retailers on what kinds of sustainability-related information to provide to consumers. Our online study of approximately 3600 participants provides evidence that, when provided with full information on all sustainability-related attributes, consumers make price/benefit trade-offs resulting in the selection of higher priced, more value-differentiated products. Further, when sustainability-related information is provided for some products and not for others, consumers will “punish” the non-sustainable option. Managerial implications are discussed.

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“If a man knows not what harbor he seeks, any wind is the right wind.” – Seneca.

1. Introduction

Marketing strategy is becoming increasingly difficult in the current economic climate of fierce competition, demanding consumers, and increased accountability. Developing a relevant strategy to guide an organization in the right direction can mean the difference between success and failure for an organization. One issue that is on the minds of many consumers is the issue of sustainability; where their products come from, how they are produced, how they are transported, and how consumption of the product might impact other people (Auger et al., 2008; Shaw and Clarke, 1998). For some consumers, consumption has moved beyond its primary function of serving basic human needs and is increasingly linked to symbolic meanings, values, and lifestyles

(Auger et al., 2008; Reisch et al., 2013; Shaw and Clarke, 1998). Because sustainability is on the minds of consumers, it must necessarily also be on the minds of astute marketing managers.

In order to help them fulfil their own consumption-related goals, consumers need information to help them make the best decisions possible. Currently, sustainability information provided by organizations does not meet the needs of consumers. Indeed, recent evidence suggests that consumers disapprove of the prevailing opaqueness concerning product provenance and production and are increasingly demanding more information in the form of transparency about a product's supply chain and production history (Maruchek et al., 2011; Roth et al., 2008). Marketing managers must decide how to respond to this demand for information by first identifying the most relevant information and then determining how it should be provided to consumers. The implications of such decisions could impact several areas of a firm's operations such as the configuration of the retail assortment, point of purchase displays, the choice of suppliers, the location of production facilities, and the certifications or assurances needed from suppliers regarding their practices.

In the past few years, organizations have introduced new products in an attempt to attract consumers who are searching for more sustainable options. Because they are often more expensive to produce than their more traditionally-produced

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counterparts, sustainably-produced products are often promoted using a value-differentiation strategy (Houghton et al., 2008; Loureiro and Hine, 2002). For example, the intention with organically produced meat as a value-differentiated product is to introduce new quality parameters to consumers by drawing attention to issues like animal welfare and the limited use of antibiotics and chemical additives (Napolitano et al., 2010; O'Donovan and McCarthy, 2002).

Unfortunately, consumer reaction to a value-differentiating strategy is mixed. In some instances, information about a product's supply chain and production history can communicate important data to consumers (Napolitano et al., 2010; Auger et al., 2008). In other instances, "attempts to communicate the need for premiums as a result of higher production costs have not reached consumers" (Padel and Foster, 2005, p. 623). Because consumers have difficulty differentiating conventional goods from other value-differentiated options (Perrini et al., 2010), they sometimes resort to purchasing the cheapest product (Grunert, 2002; Tellis and Gaeth, 1990) or defer their purchases all together (Huffman and Kahn, 1998).

The purpose of this study is to help clear up the discrepancy in the literature about the extent to which consumers utilize sustainability-related information in their everyday purchase decisions. Broadly speaking, this study examines the extent to which supply chain information may offer consumers a value-differentiating rationale for paying a higher price for a sustainable product. Further, this study seeks to identify which sustainability-related pieces of information resonate most effectively with consumers. Finally, this study investigates how consumers make trade-offs between price and sustainability-related attributes.

2. Conceptualization and hypotheses development

2.1. Ethical consumerism and product attributes

The concept of ethical consumerism incorporates various matters of conscience (Carrigan and Attalla, 2001) and can be defined as "the conscious and deliberate choice to make certain consumption choices due to personal and moral beliefs" (Crane and Matten, 2004, p. 341). Sustainability is one type of ethical choice that consumers can make. Broadly defined, sustainability is "meeting the needs of the present without compromising the ability of future generations to meet their needs" (The Brundtland Report, 1987).

An increasing number of consumers are taking ethical, environmental, and social issues into account when purchasing products (Gupta and Pirsch, 2008; McGoldrick and Freestone, 2008; Reisch et al., 2013; Rokka and Uusitalo, 2008; Stratton and Werner, 2013). Some consumers "reward" companies by purchasing and even paying a premium for value-differentiated products (Napolitano et al., 2010; Trudel and Cotte, 2009). Other consumers fail to convert their ethical attitudes into ethical purchasing behaviour (Devinney et al., 2006; Carrigan and Attalla, 2001; McGregor, 2006). To distinguish the different types of stimuli that can impact a consumer's purchase decision, this study focuses on the information that is available at the point of purchase and primarily includes labels and signage. In this case, the information is referred to as value-differentiating information because it describes differences in the supply chain that result in more value to the consumer. Potential ethical or sustainable attributes include, for example, a living wage for workers, recycled packaging, shipping by hybrid vehicles, or organic ingredients. Thus, value-differentiating information at the point of purchase provides details on these sustainable attributes.

When provided with value-differentiating information about relevant product attributes, some consumers are indeed willing to

pay an "ethical price premium" (Auger et al., 2003, 2008). Researchers have found, for example, that consumers would pay approximately 10% more for value-differentiated products like Fair Trade coffee (De Pelsmacker et al., 2005; McGoldrick and Freestone, 2008). Consumers are also willing to pay a small price premium for products with certain socially-conscious attributes such as soap bars not tested on animals or athletic shoes not manufactured with child labour (Auger et al., 2003, 2008). Various studies on food choice find similar premiums for certified organic produce with guaranteed absence of genetically modified ingredients (Napolitano et al., 2010; Radas et al., 2008; Lusk et al., 2001), no pesticide residues (Bernard and Gifford, 2006; Hu et al., 2005; Roosen et al., 1998), and environmentally friendly production and transportation methods (Reisch et al., 2013; Rokka and Uusitalo, 2008; Bjorner et al., 2004).

2.2. Value-differentiating information and price

Without point-of-purchase information, sustainable attributes are not clearly obvious to consumers. It is difficult to look at a tomato and determine, for example, whether it has been sprayed with pesticides or how it was transported. Unfortunately, unless such information or labelling is required by law, this information may not be available to consumers in the retail environment. Instead, producers and retailers must supply this information to consumers. Although some product or retail managers may be reluctant to provide such information because of a belief that it may reflect negatively on the conventional products (Binnekamp and Ingenbleek, 2008), the good news is that as additional product information becomes available to consumers, there are increases in retail conversion rates and decision satisfaction, especially for those consumers who view the product category as undifferentiated (Chang and Burke, 2007).

Consumers generally try to improve decision quality while limiting their search efforts (Lynch and Ariely, 2000). Research suggests that anything that makes an attribute easier to process will increase its weight in decision making (cf., Kivetz and Simonson, 2000; Russo, 1977; Slovic and MacPhillamy, 1974). Thus, supplying consumers with easily-understandable details about the product's sustainability record may increase the salience of these attributes (Napolitano et al., 2010).

Thus, supply chain information, like differentiating advertising, can lower the cost of search. Differentiating advertising allows consumers with heterogeneous tastes to find products that match their tastes; consumers might pay more, but will be better off because they are able to find better products with less effort (Diehl et al., 2003). Similarly, value-differentiated information about the supply chain makes the product more differentiated. When a product is more differentiated in the minds of consumers, substitutability and price sensitivity decreases (Kaul and Wittink, 1995; Mitra and Lynch, 1995). Indeed, lowering search costs for relevant information allows for greater differentiation among brands, which then reduces price sensitivity (Diehl et al., 2003; Lynch and Ariely, 2000).

Product labels constitute one way to deliver value-differentiating information about product attributes (De Boer, 2003; Janiszewski et al., 2003; Nilsson et al., 2004; Reisch et al., 2013; Stratton and Werner, 2013). Indeed, "labelling takes away the opaqueness and creates more transparency for consumers" (Brom, 2000, p. 129). Empirical evidence on the use of point-of-purchase information and labels suggests that they significantly influence product choice. For instance, labelling in the form of a colour scheme highlighting the positive or negative environmental impact of a product strongly affects consumer preference (Grankvist et al., 2004) as do more stylized environmental labels, such as the Nordic Swan (Bjorner et al., 2004). The advent of

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