



Contents lists available at ScienceDirect

Journal of Business Research



Are third-party green–brown ratings believed?: The role of prior brand loyalty and environmental concern

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ARTICLE INFO

Article history:

Received 20 August 2014

Received in revised form 15 July 2015

Accepted 16 July 2015

Available online xxxxx

Keywords:

Third-party ratings

Validity

Greenness

Brand loyalty

Environmental concern

ABSTRACT

This study shows the role of consumers' prior brand loyalty and environmental concern in their responses to third-party green–brown ratings of a brand. The online quasi-experiment with a national sample of U.S. consumers revealed that the validity of third-party green–brown ratings is believed equally between consumers with high and low environmental concern, but the impact of the ratings on brand greenness perception was greater among consumers with high (vs. low) environmental concern. This study also shows that consumers who are loyal to a brand are more likely to accept the validity of the brand's green rating than that of its brown rating. Further, loyal consumers deny the relevance of the brown rating to the brand's greenness. These findings suggest biased assimilation of third-party green–brown rating information as a function of the consumer's prior brand loyalty and environmental concern. We discuss the theoretical and managerial implications of the findings.

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1. Introduction

Environmental concern and sustainability have gained increasing attention recently. Government and non-profit organizations (NPOs) work to educate consumers to elevate their concern for the environment and exert pressure on companies to accept greater responsibility for the environmental impact of their products (First & Khetriwal, 2010). This trend has led to companies' *environmental marketing* or *green marketing* and raised the profile of so-called green or eco-friendly products in the market (Ko, Hwang, & Kim, 2013). Green products minimize the use of natural resources and toxic materials as well as the emissions of waste and pollutants in their use and disposal, whereas brown products may have a negative impact on the environment. Launches and sales of products with a green claim have been steadily increasing during the last decade (Unruh & Ettenson, 2010; USDA, 2013).

Companies often use third-party green ratings and eco-seals from independent organizations (e.g., product testing laboratories, environmental standards organizations, government agencies, and non-profit advocacy organizations) as a means of verifying and communicating the greenness of their products or brands (Ottman, Stafford, & Hartman, 2006). Third-party endorsements tend to be considered more objective and lacking conflicts of interest, which should enhance source credibility and therefore believability of the company's green

claims. However, with the increase of green marketing, organizations that offer eco-seals or green rating information have proliferated. Such organizations range from ones that award eco-seals or determine green ratings after conducting an assessment of the environmental impacts of a candidate brand or product based on an established set of criteria to ones that provide so-called "green certification services" to companies without requiring any verification of the product or brand's green claim (Bounds, 2009). According to ecolabelindex.com, there are more than 450 eco-labels globally in 197 countries and 25 industry sectors (Ecolabel Index, 2014). The proliferation of the number and kinds of eco-seals or green ratings has led to confusion and skepticism among consumers about their meanings. Further, some companies are accused of greenwashing, or the practice of green marketing using "vague, unsubstantiated and potentially misleading environmental claims" (Fernando, Suganthi, & Sivakumaran, 2014, p. 167), thereby undermining the credibility of green marketing claims. One survey revealed that more than half of consumers thought that green claims were fake and used only to make consumers pay higher prices (Yates, 2009). Hence, the effectiveness of third-party green–brown rating information may depend on consumers' belief of the validity of such information.

Consumers' personal characteristics also may affect their responses to third-party green–brown rating information. For example, consumers highly motivated to consume green products may exert more effort to determine which green ratings are credible and which are not. Further, consumers' commitment to the brand may interfere with their accurate interpretation of the meaning of the brand's green or

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brown rating. These individual factors need to be taken into account as firms determine the amount of effort to exert in utilizing (or not) third-party green ratings in their promotions or how to respond to a brown rating to minimize its negative impact on their brands. Therefore, the purpose of this study is to examine two key consumer characteristics, environmental concern and prior brand loyalty, and their relationship to consumer perceptions of the validity of third-party green–brown rating information and the brand's greenness, when the information is communicated by a seemingly objective news source.

2. Theoretical framework and hypotheses

2.1. Biased assimilation

The well-established theories of cognitive dissonance (Festinger, 1957) and cognitive consistency (Abelson et al., 1968) suggest that when people are exposed to new information inconsistent with their existing beliefs, a state of *cognitive dissonance* is created. Cognitive dissonance causes psychological discomfort, and thus individuals may engage in a variety of cognitive mechanisms to resist changing existing attitudes and to maintain cognitive consistency (Festinger, 1957; Fishbein & Ajzen, 1981). One mechanism used to regain cognitive consistency is *biased assimilation*, which refers to denying the validity of new information that is inconsistent with existing beliefs (e.g., Ahluwalia, 2000; Ditto, Scepansky, Munro, Apanovitch, & Lockhart, 1998; Lord, Ross, & Lepper, 1979). The validity of cognitively dissonant information can be discredited in many ways such as by questioning the trustworthiness of the information, by critically scrutinizing and reevaluating the information, or by looking for more consonant information from memory or the environment that can help adjust the meaning of the dissonant information (Ahluwalia, 2000; Ditto et al., 1998; Kunda, 1990). Through biased assimilation, people erroneously interpret dissonant information in a biased direction toward their existing cognitions so that the information is never established in their cognitions in a dissonant manner in the first place (Ahluwalia, 2000; Kunda, 1990).

Companies use green marketing claims to establish a green position of their product or brand in consumers' minds. However, not all consumers have the expertise to verify green claims. For example, one survey revealed that more than 60% of consumers admitted that they were not able to distinguish which products were better for the environment (Yates, 2009). This lack of consumer expertise, coupled with the varied and complex nature of green claims, often generates skepticism towards green claims (Unruh & Ettenson, 2010). In an attempt to overcome consumers' skepticism toward green marketing claims, companies frequently use third-party green ratings or eco-seals from independent organizations (Ottman et al., 2006). However, the overabundance of green ratings and their lack of clearly identifiable differences make it difficult for consumers to assess their credibility. From the perspective of biased assimilation, consumers' differential reactions to a brand's third-party green–brown rating information may be accounted for by their (1) biased perceptions of the validity of the green–brown rating (i.e., how believable consumers perceive the green or brown rating to be) and (2) biased encoding of the green–brown rating (i.e., how green or brown the rating is interpreted as being).

The literature shows that individuals' motivation to diminish dissonance and maintain consistency in their cognitions about an object or issue at hand is affected by their involvement with or commitment to the object or issue (Ahluwalia, 2000; Festinger, 1957; O'Keefe, 2002). The more involved with or committed to the object or issue, the greater the psychological discomfort caused by dissonance between prior beliefs and new pieces of information and therefore the more likely the person is to engage in consistency maintenance. We propose that two personal involvement factors affect consumers' responses to a brand's third-party green–brown rating information. One is the consumer's level of involvement with environmental issues, which is referred to as *environmental concern*, and the other is the level of commitment to

the brand, operationalized in this study as *prior brand loyalty*. Subsequent sections discuss the literature and hypotheses (see Fig. 1), explaining how environmental concern and prior brand loyalty may affect consumers' responses to a brand's third-party green–brown rating information in light of the biased assimilation mechanism of cognitive consistency maintenance.

2.2. Environmental concern

Environmental concern increasingly plays an important role in consumers' product and brand choice. Greater environmental concern leads consumers to develop greater knowledge of environmental topics (Arbuthnot & Lingg, 1975; Ellen, 1994) and greater interest in information about environmentally friendly products (Minton & Rose, 1997). Due to superior knowledge and interest, consumers who are more concerned about the environment are more likely to be familiar with various green ratings and make finer distinctions between them. Thus, consumers with high environmental concern may be more likely to recognize and value third-party green ratings based on rigorous standards, as compared with consumers with low environmental concern who are likely to have less knowledge of different standards among green ratings and thus may be more confused and suspicious about green ratings as a whole. Corroborating this idea, Kangun, Carlson, and Grove (1991) reported that consumers with less environmental knowledge were more likely to consider green advertising claims to be misleading and deceptive. Chang (2011) also argues that when consumers have conflicting attitudes toward environmental issues, high-effort green ad claims can be perceived as exaggerated so that the believability of the claims may be discounted. Thus, we propose that consumers' existing level of environmental concern biases their tendency to believe the validity of third-party green–brown ratings established on rigorous standards, thereby altering the effect of the rating information on their perceptions of greenness of the brand. When a third-party green–brown rating system is built on objective and valid criteria, consumers with high environmental concern are more likely to recognize the reputation of such a rating system, whereas consumers with low environmental concern are likely to have less motivation or ability to recognize the reputation of the rating system and thus view the rating information with greater suspicion. Therefore, the following hypotheses are proposed:

Hypothesis 1. *Consumers with high (vs. low) environmental concern perceive a brand's green–brown rating information from a credible third-party source (hereafter, "third-party green–brown rating information") to be more valid.*

Hypothesis 2. *Third-party green–brown rating information has a greater effect on a brand greenness perception among consumers with high (vs. low) environmental concern.*

2.3. Prior brand loyalty

Brand loyalty has typically been defined in behavioral and attitudinal dimensions (Kandampully & Suhartanto, 2003; Reinartz & Kumar, 2002). The behavioral dimension of brand loyalty addresses consumers' actual behavior of purchasing or repurchasing products from a brand over other alternatives and distributing positive word-of-mouth about the brand (Dawes, 2014; Romaniuk & Nenycz-Thiel, 2013). The attitudinal dimension of brand loyalty addresses the positive attributes consumers associate with the brand and the psychological commitment that develops through cumulative satisfying experiences with the brand (Chang, Lv, Chou, He, & Song, 2014; Dick & Basu, 1994). In sum, consumers who are loyal to a brand have a favorable attitude toward the brand and behave toward the brand in a manner consistent with their favorable attitude. Therefore, we propose that consumers will show biased assimilation of third-party green–brown rating information for brands to

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