



Willingness to pay more for green products: The interplay of consumer characteristics and customer participation

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ABSTRACT

The extant evidence evaluating consumers' willingness to pay more for green products has been mixed. Existing investigations stem from an overemphasis on profiling consumers who are willing vs. unwilling to pay price premiums for green products using dispositional (socio-demographic and psychological) characteristics. However, little is known about what firm-initiated actions can be taken when consumers do not possess characteristics that favorably influence green purchase behaviors. This research demonstrates that customer participation improves consumers' willingness to pay more even when consumers exhibit low sustainability-oriented motivation (environmental concern) and ability (eco-literacy). The findings are important for practitioners seeking practical ways to alleviate green purchase barriers.

1. Introduction

The 21st-century business landscape is challenged by greater demands for environmental corporate accountability. Today, businesses receive increased pressure from stakeholders (community members, supply chain partners, etc.) to incorporate an environmental sustainability agenda into their corporate strategies (Johnstone and Tan, 2015). "The goals of social good and business success are no longer an either/or proposition but are being increasingly interwoven into an 'ecopreneuring' paradigm" (Pujari et al., 2003, p. 658). In fact, more and more firms have spent significant financial resources to develop and produce green products. For example, General Motors is estimated to spend upwards of \$2.5 billion a year on R&D for alternative energy vehicles (Gleim et al., 2013). Similarly, Mark & Spencer, a UK-based department store chain, has spent more than \$50 million in re-creating a sustainable supply chain operation (e.g., using only sustainable raw materials) (Wheeland, 2016).

However, despite costly sustainable initiatives implemented by firms, the extant evidence evaluating consumers' willingness to more (WTPM) for green products has been mixed. For example, one study found that the most concerned Spanish consumers were willing to pay a price premium of 22–37% for green food products (Sanjuán et al., 2003). Japanese consumers were reported to be willing to pay a premium of 8–22% for green food products (Sakagami et al., 2006). Vladicka and Cunningham (2002) found that most Canadian respondents were willing to pay 10% more for green products, but the

WTPM of Argentinean consumers was in a highly broad range of 6–300% (Rodríguez et al., 2009). To complicate things even further, Van Ravenswaay and Jennifer (1995) asserted that highly educated consumers did not show WTPM for green food products because these consumers are savvy in obtaining information on food risks and benefits. Canavari et al. (2002) also argued that some consumers were not willing to pay price premiums for free-of-pesticide products because these consumers believed that people should not have to pay more for product safety.

The nonconclusive nature of these findings and the wide range of reported WTPM are concerning, because the success of the firms' sustainability-directed marketing strategies depends on consumers' uptake of green products. Given that WTPM is a key barrier that impedes green purchase, it is imperative to identify marketing actions that can alleviate this barrier. Yet, scant research exists on effective corporate strategies in regards to improving consumers' WTPM for green products. Previous research on WTPM is dominated by profiling green vs. non-green consumers using dispositional (socio-demographic and psychological) characteristics. Consumer characteristics predicting a propensity to pay premiums for green products include: motivational factors (e.g., environmental concern), abilities (e.g., eco-literacy), cultures (e.g., individualism and collectivism), and socio-demographic variables (e.g., education and income) (e.g., Kang et al., 2012; Laroche et al., 2001; Sanjuán et al., 2003). Although these findings have provided valuable insights, little is known about what firm-initiated actions can be taken when consumers do not possess characteristics that favorably

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influence green purchase behaviors. For example, what practical strategies are available if consumers have low sustainability-oriented motivation and ability? Such an inquiry is critical because it is difficult to directly alter consumer characteristics.

To address these research gaps, this study investigates customer participation or CP (i.e., customer's involvement during product design and delivery) as an effective firm-initiated strategy to increase green purchase. Specifically, we examine how CP interacts with consumer characteristics in the form of sustainability-oriented motivation (environmental concern) and ability (eco-literacy) to jointly influence perceived consumer effectiveness or PCE (cognitive response), and ultimately WTPM for green products (behavioral response). The effects of CP in products and services—positive, negative, and nonsignificant—have been documented in the marketing literature (Dong and Sivakumar, 2017), but little is known about its role in the context of green purchase. This study attempts to explore the potential positive impact CP has on green purchase even when consumers do not possess sustainability-oriented characteristics. Unique to this study is the indication that firm-initiated inventions (e.g., involving consumers to co-create a product) to promote pro-environmental behaviors do not have to be explicit requests as documented in the previous environmental research (e.g., the spillover literature). The findings of this study have important implications for green marketers seeking practical ways to increase consumers' WTPM.

2. Theoretical background and hypotheses

This research defines green products as “products that consumers perceive to be environmentally friendly, whether it is due to the production process, the types of materials or ingredients used to manufacture the product, packaging, marketing communication and so on” (Johnstone and Tan, 2015, p. 312). WTPM is operationalized as consumers' willingness to pay premium prices for the green version of a product. This study draws from a consumer characteristics model (Moorman and Matulich, 1993), which postulates that, the right consumer characteristics in the form of motivation (e.g., environmental concern) and ability (e.g., eco-literacy), drive favorable cognitive (e.g., PCE) and behavioral (e.g., WTPM for green products) responses. Particularly, this study investigates how CP, a firm-initiated strategy, interacts with consumer characteristics to influence cognitive and behavioral responses (see the conceptual model in Fig. 1).

2.1. Consumer characteristics

Consumers differ in their responses to green products according to dispositional consumer characteristics (Sreen et al., 2018). According to the consumer characteristics model (Moorman and Matulich, 1993),

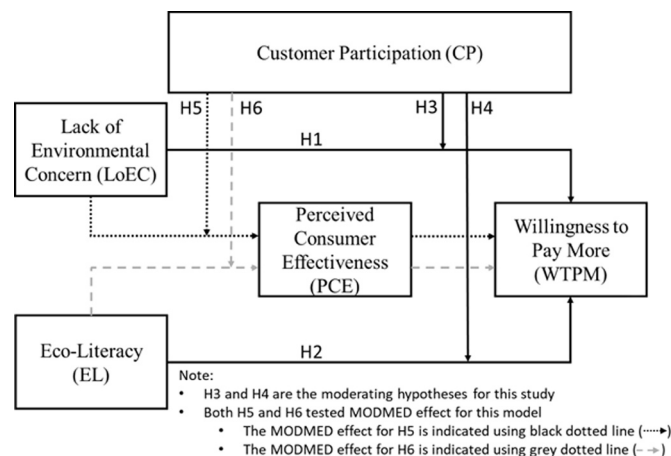


Fig. 1. Conceptual Model.

two general categories of consumer characteristics stressed as important preconditions for cognitive and behavioral changes are motivation and ability. Each characteristic is viewed as a resource that consumers exhibit to varying degrees. In the green purchase context, two consumer characteristics spotlighted as important predictors of varying cognitive and behavioral responses are environmental concern (motivation) and eco-literacy (ability) (Schmuck et al., 2018).

Environmental concern and eco-literacy are indicators of environmental involvement, a critical influencer of consumers' responses to green products (Schmuck et al., 2018). Environmental concern refers to a consumer's general attitude toward preserving the environment (Ellen et al., 1991). Stern (2000) classified pro-environmental behaviors as intent or non-intent oriented. According to the intent-oriented perspective, the consumer's behavior is driven by his/her motivation to benefit or change the environment, which depends on attitudinal variables (e.g., environmental concern). Our study adopts the intent-oriented perspective, because the non-intent-oriented perspective does not focus on people's beliefs and motives to understand and change the target behaviors. Environmental concern has been shown as a strong predictor of pro-environmental behaviors, such as purchasing ecologically packaged products, recycling, and engaging with environmental groups (Ellen et al., 1991; Schwepker and Cornwell, 1991).

Eco-literacy refers to the extent to which consumers understand environmental issues and eco-friendly products (Cheah and Phau, 2011). Knowledge as it relates to consumer seeking, searching, and using information plays a pivotal role in the consumer purchase decision process. The credence nature of green or sustainable products particularly calls for consumers to be aware of current environmental issues, yet, few consumers truly have deep comprehension of sustainability-related issues. Eco-literacy can be conceptualized as either objective or subjective knowledge about the environment. According to Amyx et al. (1994), eco-literacy as objective knowledge is the consumer's ability to identify/define a number of ecologically-related symbols and concepts, assessed by performance on factual tests. In contrast, eco-literacy as subjective knowledge is the consumer's perception of the amount he/she knows in the ecological domain, measured by self-evaluation and self-report of knowledge. Subjective knowledge involves the consumer's self-confidence in the adequacy of his/her knowledge level.

Objective and subjective knowledge are distinct and weakly correlated (Amyx et al., 1994). What consumers actually know typically does not represent what they perceive they know. Previous research exploring eco-literacy and pro-environmental behaviors has mixed findings, partly depending on the conceptualization of eco-literacy. For example, Laroche et al. (2001) concluded that eco-literacy, measured as objective knowledge, was not a good predictor of WTPM for green products. They called for a replication study with eco-literacy measured as subjective knowledge. Amyx et al. (1994) found that eco-literacy, measured as subjective knowledge, was the strongest predictor of WTPM for green products in their model. In light of this evidence, this study will adopt the subjective approach.

2.2. The impact of consumer characteristics on WTPM

A fundamental impediment to environmentally responsible behaviors stems from a lack of environmental concern (i.e., negative attitudes toward the behaviors) (Cheah and Phau, 2011). Individuals with negative attitudes toward preserving the environment (low environmental concern) are less likely to engage in pro-environmental behaviors than individuals with positive attitudes toward preserving the environment (high environmental concern) (Paul et al., 2016). This research re-evaluates a similar line of reasoning by proposing H1. Aside from environmental concern, eco-literacy is another major predictor of pro-environmental behaviors (Amyx et al., 1994). Consumers high (vs. low) in eco-literacy are more likely to show WTPM for green products (Amyx et al., 1994). Thus, a similar line of logic is re-examined here

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