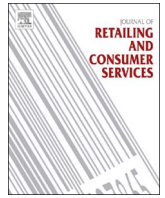




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You can't buy what you can't see: Retailer practices to increase the green premium

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ABSTRACT

Retailers are the gatekeepers between consumers and eco-friendly products. As such, they can influence green shopping behavior. The results of an eye-tracking experiment show that retailers can attract consumers' visual attention and increase the green premium through various practices such as providing relevant information, orienting consumers inside the store, and offering an eco-friendly product assortment. Managerial implications are to use green-colored price tags to signal eco-friendly products, while avoiding greenwashing practices that can distract consumers from finding the eco-friendly products they look for.

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1. Introduction

Today, a growing share of consumers wish to reward businesses that are sustainable (Goldstein et al., 2008; Griskevicius et al., 2010; Tsarenko et al., 2013). These consumers are conscious of the consequences of their consumption, and if they can, they will buy eco-friendly or fair-trade groceries. That is, consumers signal and demonstrate green attitudes through their shopping behavior: They are willing to pay more for eco-friendly products (Kotler, 2011; Laroche et al., 2001; Nielsen, 2011). These eco-friendly products may be organic or manufactured from fewer natural resources and with social and ethical respect towards the labor force, requiring less energy during usage, and may be recycled. As a result, eco-friendly products are often more expensive for consumers. But from a value-based pricing perspective, such products also can be premium-priced "[...] because they have added value by being green, that is, it is not simply the added costs" (Simms, 1992, p. 39).

The "green premium," the price difference between classic and eco-friendly products, represents potential revenue for retailers (Luehr, 1992), and 77 percent of consumers state they are willing to pay such a premium (European Commission, 2013). However, eco-friendly products account for less than 4 percent of market share worldwide, especially in food retailing (Chkanikova et al., 2013). Indeed, consumers perceive eco-friendly products as

ineffective (Luchs et al., 2010), judge the environmental attributes as not central to the product function (Gershoff and Frels, 2015), or simply place a stronger emphasis on the product price than on sustainability (Meise et al., 2014). Some consumers also do not trust these environmental attributes to be true (Gleim et al., 2013).

Retailers play a key role in sustainability initiatives because of their proximity to the consumers, who make 82 percent of their purchase decisions inside the store (POPPI, 2014). Retailers act as gatekeepers who have power to introduce sustainability into the value chain (Chkanikova et al., 2013). Since Walmart introduced its sustainability index throughout its supply chain in 2008, other retailers have adopted some of its best practices. For instance, retailers can add brands that are eco-friendly to the product assortment. By increasing the market share of eco-friendly products, retailers can achieve significant economies of scale and leverage incremental profits (RILA, 2012). Consumers generally trust the performance of well-known brands, which is why such brands can be used to successfully introduce eco-friendly products (Pickett-Baker and Ozaki, 2008). Research also has shown that retailers can influence consumers' green shopping behavior by informing consumers inside the store through point-of-purchase (PoP) information displays and other components in the physical store environment (Gleim et al., 2013; Laroche et al., 2001; Lin and Huang, 2012; Litvine and Wüstenhagen, 2011; Mejri et al., 2012; Meise et al., 2014; Tsarenko et al., 2013). In this paper, we argue that retailers play a key role in influencing consumers to buy eco-friendly products, and inducing them to pay a higher green premium.

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Our aim in this study was to analyze how retailers can attract consumers' visual attention and increase sales of eco-friendly products through in-store practices. The paper is based on an eye-tracking experiment in a supermarket mock-up in which 66 participants were invited to shop for coffee and fabric softener. The study's conclusions indicate that retailers can affect consumers' green shopping behavior by influencing their purchase intentions, through displaying relevant information, orienting them inside the store (such as signaling eco-friendly products with green price tags), and offering an eco-friendly product assortment. By increasing consumers' visual attention towards eco-friendly products, retailers could increase the green premium consumers paid. However, greenwashing practices (such as display of products with misleading packaging) distracted consumers who did not pay attention to eco-friendly products.

2. Green consumer behavior

"Green is mainstream" suggests that a majority of consumers have changed their shopping behavior towards eco-friendly products and reward companies that have environmental programs (Nielsen, 2011; Ottman, 2011). Green consumers consider the environmental consequences of their shopping behavior, balancing environmental benefits with other product attributes such as price, performance, brand image, and quality (Carrigan and Attalla, 2001; Follows and Jobber, 2000; Ottman, 2011; Young et al., 2010). Previous research has focused mainly on socio-demographic segmentation (for example, educated, middle-class, married female consumers with children at home) and psychographics (such as environmental consciousness, perceived consumer effectiveness, altruism and collectivism) to identify the characteristics of a green consumer (Diamantopoulos et al., 2003; Laroche et al., 2001; Roberts, 1995). However, we know that consumers' green shopping behavior is not as static as such segmentation models may suggest, because many consumers are green when it suits their own agendas. Moreover, each individual consumer has a different "shade of green" and perceives a product's environmental benefits differently. This suggests that green shopping behavior should be studied in situ (Hines et al., 1987; Follows and Jobber, 2000). In this paper, we discuss what may influence consumers' green shopping behavior in a retail store.

3. Hypotheses development

The basic assumption of this research is that visual attention towards eco-friendly products influences the consumer choice process; for example, the longer consumers look at eco-friendly products, the more likely they are to pay a green premium. As a consequence, retailers can influence consumers' visual attention towards eco-friendly products and encourage their green shopping behavior in several ways, such as orienting them towards eco-friendly products, informing them, and avoiding greenwashing practices.

3.1. Visual attention

Eye-tracking research shows that consumers have a higher probability of choosing a product or brand that they look at for a longer period of time (Lohse, 1994; Janiszewski, 1998). The cognitive effort required in the evaluation and verification stages of the choice process involve the consumer's visual attention. When searching for a particular product or brand, consumers perform a visual search: "[...] the process of visually scanning a scene and forming a conceptual 'image' or notion of the scene as assembled

by the brain" (Duchowski, 2007, p. 222). Therefore, we proposed that visual attention would influence green shopping behavior, and as a consequence, consumers would pay a higher green premium.

H₁. The longer consumers look at eco-friendly products, the higher the green premium paid.

3.2. Priming purchase intentions

Consumers do not necessarily behave according to their environmental attitudes when shopping for products. This attitude-behavior gap is well documented; that is, consumers may have a high concern for the environment, but display a de facto low level of green shopping behavior (Carrigan and Attalla, 2001; Follows and Jobber, 2000; Pickett-Baker and Ozaki, 2008; Vermeir and Verbeke, 2006; Young et al., 2010). Green consumers will act upon their environmental attitudes only when there is a "salience" context: social norms or sufficient situational factors (Goldstein et al., 2008; Griskevicius et al., 2010). Therefore, environmental attitudes can be dismissed in certain circumstances in favor of other personal priorities. However, framing a purchase decision influences people's behavior (e.g. Kahneman and Tversky, 1984). We argue, therefore, that retailers can prime consumers to look longer at eco-friendly products by emphasizing social norms (for example, "your friends are green consumers").

H₂. Priming consumers to buy eco-friendly products will increase their visual search for these products.

3.3. Eco-Servicescape

Research has shown that the servicescape influences consumer behavior (Bitner, 1992; Brengman, 2002; Kauppinen-Räsänen et al., 2014). Baker et al. (2002) offered an integrative synthesis of servicescape studies in retailing and proposed that store environment cues can influence the perceived quality and value of merchandise and store patronage. As such, store design can be used to convey an environmental image to shoppers. Using photo elicitation interviews, Kauppinen-Räsänen et al. (2014) demonstrated the benefits of a conscious servicescape. However, they did not really show whether consumers did look at environmental cues or how these cues might influence their behavior. Moreover, it has been shown that the presentation style of product characteristics (Lin and Huang, 2012) and the store's signage (Osterbring et al., 2014) can influence consumers' visual attention. Therefore, the retailer's "eco-servicescape" can influence consumers to search for eco-friendly products.

H₃. Visual attention towards the "eco-servicescape" impacts visual attention towards eco-friendly products.

3.4. Point-of-purchase (PoP) information

Previous studies have shown that a lack of knowledge or understanding hinders consumers from making green purchase decisions (Gleim et al., 2013; Grunert et al., 2014; Hines et al., 1987; Lin and Huang, 2012; Vermeir and Verbeke, 2006; Young et al., 2010). In the absence of green information, consumers evaluate products based on price (Meise et al., 2014; Zeithaml, 1988). In fact, the perceived higher price for an eco-friendly product is commonly mentioned as a barrier to green consumption (Carrigan and Attalla, 2001; Gleim et al., 2013; Litvine and Wüstenhagen, 2011; Meise et al., 2014; Young et al., 2010). Consequently, consumers need to understand why prices are high and seek relevant information to make an informed purchase decision (Carrigan and Attalla, 2001; Gleim et al., 2013; Young et al., 2010). In this way,

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