



# The role of benefits and transparency in shaping consumers' green perceived value, self-brand connection and brand loyalty



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## ABSTRACT

Building on the literature on green consumption, this study investigates consumers' perceptions of a brand's green benefits (utilitarian environmental and warm glow) and green transparency on their green perceived value (GPV). In particular, this study tests the mediating role of GPV and self-brand connection on the relationships between green benefits and green transparency and brand loyalty. We used structural equation modeling to test the research model with a sample of 826 Chinese respondents. Our findings suggest that most of the hypotheses were supported. However, comparison between brands of physical goods and services indicate that the approach to develop consumers' green value perceptions is different and that the influences of GPV and self-brand connection on brand loyalty are significantly different between these two groups of brands. Hence, it would be more effective for organizations to have diverse green branding strategies between these two groups of brands.

## 1. Introduction

The environmental awareness of the general public nowadays has increased dramatically in the light of issues relating to social and environmental concerns such as global warming and sustainability. Consumers are willing to pay a price premium for products which are perceived to contribute to sustainability, social responsibility and greening of the environment (Meise et al., 2014; Parsa et al., 2015). The value of the global green market has witnessed a fourfold increase in just four years from \$209 billion in 2011 to \$845 billion in 2015 (Kotler, 2011, p. 134; Leonidou and Skarmas, 2015). From a lifecycle perspective, a green brand is characterized by the minimum usage of resources throughout the whole product lifecycle (Scheffer, 1991). However, from a comparative standpoint, a green brand refers to “a brand which offers a significant eco-advantage over its incumbents and which is able to attract consumers who set their priority to be green in their purchases” (Grant, 2008, p. 25). Such features of green brands have been extended to cover broader aspects, including ethical and social concerns (e.g., Newholm and Shaw, 2007; Shaw and Clarke, 1999; Carrigan and Kirkup, 2001). In other words, benefits relating to environmental responsibility, ethical and social issues signal to consumers that the brand which they purchase is a green one.

Companies increasingly position their brands as being green through environmental innovations (Berrone et al., 2013), the use of green labels and trademarks as well as by adopting effective environ-

mental management systems (Delmas and Toffel, 2008; King et al., 2005). However, not all organizations are honest about their green marketing practices and some make unsubstantiated and misleading claims about the green functionality of their products. Such malpractices are commonly referred to as *greenwash* (Chen and Chang, 2012; Huang and Chen, 2015). This situation has exacerbated consumers' sceptical attitudes towards green products, which in turn has increased the gap between their environmental attitudes and actual purchase behaviour (Chen and Chang, 2012). If such greenwash continues, it will undermine genuine companies' green investment (Aschemann-Witzel and Niebuhr Aagaard, 2014; Caruana et al., 2015) and dampen consumers' confidence in green brands.

Despite the growing importance of green marketing literature (e.g., Grant, 2008; Hartmann and Apaolaza-Ibañez, 2006; Paul et al., 2016), scant attention has been paid to addressing green brand-related issues, for example the development of green brands from consumers' perspective (Wang and Horng, 2016). In order to fulfil consumption-related goals, consumers need transparent information about green brands and they must be convinced that green brands offer benefits and value which exceed those provided by alternatives. Previous research suggests that customer value is an effective means of differentiation (Treacy and Wiersema, 1993). Chen and Chang (2012) have developed the concept of green perceived value (GPV), which intends to capture consumers' overall appraisal of the net benefits associated with a product or service based on their environmental desires, sustainable

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expectations and green needs. Some scholars have suggested that both utilitarian environmental (e.g., utilitarian benefits) and emotional benefits (e.g., warm glow of giving) need to be considered as antecedents of GPV (Hartmann et al., 2005; Hartmann and Apaolaza-Ibáñez, 2006). Additionally, consumers require more detailed and transparent information about the manner in which their money or personal efforts are leveraged through the provision of social responsibility initiatives. The concept of green transparency signifies the attempt of green brands to provide clear information disclosure in their green practices. Hence, this study proposes that consumers' perception of utilitarian and warm glow benefits as well as green transparency would potentially influence GPV.

While green consumption can help address environmental sustainability, it is important that green brands result in brand loyalty (Paul et al., 2016; Huang et al., 2014). Promoting GPV and a shared sense of responsibility for the environment can persuade consumers to purchase green brands (Chen and Peng, 2014). A well communicated relationship between consumers and green brands through enhanced GPV can increase consumers' intentions to repurchase (Chen, 2013). Also, the more the consumers identify with a brand, the stronger would be their commitment and positive word of mouth communication (Griskevicius et al., 2010; Tuškej et al., 2013). Such identification is synonymous with self-brand connection which possibly mediates the relationship between GPV and brand loyalty (Park et al., 2010).

This study makes a major contribution to the body of research on the development of green brands from the consumers' perspective by presenting, and then testing, a unique model comprising GPV, self-brand connection and brand loyalty. The purpose of this study is firstly to examine the influence of the three antecedents (utilitarian environment and warm glow benefits and perceived green transparency) on GPV. Secondly, it aims to investigate the direct influence of GPV on brand loyalty and the indirect relationship on brand loyalty via self-brand connection. Finally, this study investigates whether the relationships among the various constructs vary between physical goods and services brands.

## 2. Literature review and development of conceptual framework

### 2.1. Green branding

Green branding is an effective strategy for gaining significant eco-advantages over one's competitors (Delgado-Ballester and Munuera-Alemán, 2005). However empirical studies in the green branding literature are limited (Wang and Horng, 2016). Past research has focused on customer-based brand equity in the green branding context (Chen, 2008; Ng et al., 2014). For example, Chen (2010) demonstrated that perceived green brand image, green satisfaction and green trust positively contribute to green brand equity. Ng et al. (2014) argue that traditional features of a brand such as quality influence consumers' green decision and they suggest that consumers' perceived brand quality and overall credibility have significant influences on green brand equity. Furthermore, recent studies argue that green brand positioning is a key factor in determining the success of green branding strategies and many studies agree that active communication and brand uniqueness can ensure the commercial success of green products (e.g., Hartmann et al., 2005; Hartmann and Apaolaza-Ibáñez, 2006, 2012). However, majority of the studies examine the influence of product-related attributes and consumers' perceived benefits on their environmental attitudes and purchase intention. There is scant research which investigates the understanding of communication between consumers and green brands and their perceived differentiation of competing green brands.

### 2.2. Green perceived value (GPV)

Green value is an important component of green brand positioning (Hartmann and Apaolaza-Ibáñez, 2006). Many scholars have developed consumer perceived value from a green perspective (e.g., Chen and Chang, 2012; Koller et al., 2011). In particular, Chen and Chang (2012) developed a construct called *green perceived value* (GPV). They define GPV as “a consumer's overall appraisal of the net benefits of a product or service between what is received and what is given based on the consumer's environmental desires, sustainable expectations, and green needs” (p. 505). In other words, GPV is a subjective evaluation influenced by consumers' green desires, expectations and needs. GPV has been shown to have positive effects on green purchase intentions and contribute to the relationship development between consumers and brands through enhancing their green satisfaction and green trust (Chen and Chang, 2012; Chen, 2013; Koller et al., 2011). Hence, the GPV approach is suitable for examining consumers' green brand purchase behaviour and for capturing their green brand relationship building.

In order to facilitate the communication between consumers and green brands, Hartmann et al. (2005) adopted a functional and emotional positioning to predict consumers' attitudes toward green products and found that a combination of functional attributes and emotional benefits ensures the highest perceptual effects. Hartmann and Apaolaza-Ibáñez (2006) argue that emotional benefits can increase consumers' attention when they are actively communicated to consumers. Green functional and emotional benefits such as utilitarian environmental, warm glow benefits and nature experience were found to positively impact green brand purchase intentions (Hartmann and Apaolaza-Ibáñez, 2012). The fact that consumers look for both functional and emotional benefits helps green brands to understand the development of consumers' overall green value perceptions. Besides utilitarian and emotional benefits, consumers' expectations relating to a firm's ethical commitment to society also influence their evaluation of a firm and its brands (Creyer, 1997; Leonidou and Skarmeeas, 2015). Hence, a broader research framework can be adopted to explore the influential factors of GPV based on consumers' expectations of a firm's ethical commitment to society, especially in dealing with the current challenge caused by greenwash. Consumers increasingly expect detailed information to evaluate corporate initiatives for being green (Chen and Chang, 2012; Reynolds and Yuthas, 2008; Tapscott and Ticoll, 2003). As a result, information disclosure has shown to have a positive impact on consumer-firm relationships and a high level of perceived environmental transparency (green transparency) can increase customers' understanding of the value of a firm's socially responsible activities (Vaccaro and Echeverri, 2010). This study proposes that utilitarian environmental, warm glow benefits and green transparency are key drivers of GPV. Additionally, customer value has been regarded as an effective means for gaining differentiation (Treacy and Wiersema, 1993) and building strong consumer relationships (Smith and Colgate, 2007; Wang et al., 2004).

### 2.3. Green Benefits and GPV

Based on egotism and utilitarianism theories, the benefits and avoidance of costs are important criteria when consumers evaluate a firm's ethical practice (Brunk, 2010). Consumers of green brands seek benefits from their purchase (Vitell et al., 2001). Papista and Krystallis (2013) focus on two types of benefits (utilitarian and psychological) when evaluating their influence on customer perceived value. Utilitarian environmental benefits are regarded as an essential attribute of green brands, which outweighs the attributes of conventional alternatives. Consumers look for functional benefits when they consume products with environmentally sound attributes (Bech-Larsen, 1996; Sriram and Forman, 1993). These functional benefits reflect their perceived utility acquired from a brand's capacity to fulfil a

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