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Sustainable consumption and third-party certification labels: Consumers' perceptions and reactions

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ABSTRACT

Compared with conventional products, sustainable products continue to attract relatively lower market shares. To increase customer acceptance, many sustainable products feature third-party certification labels (TPCL), yet it is unclear whether TPCL are effective and what processes and boundary conditions define their role in consumer decision making. Across three experimental studies, this research determines that sustainable products are characterized by credence qualities, associated with increased perceptions of risk, which negatively influence consumers' purchase intentions. Drawing on signaling theory, this study also shows that TPCL on sustainable products provide brand-like information cues that reduce the perceived risk of sustainable products. Finally, a third experimental study demonstrates that consumers must perceive TPCL as credible for them to reduce consumers' risk perceptions.

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1. Introduction

Sustainability is a critical issue in management and marketing, and consumer responses to sustainable products—defined as products that have a positive environmental and/or social impact because they are produced with concern for human and natural resources, such as air, water, and land (Shrum, McCarty, & Lowrey, 1995; Szekely & Knirsch, 2005)—generally are positive. Yet these attitudes have not translated into corresponding behaviors (Boulstridge & Carrigan, 2000; Carrington, Neville, & Whitwell, 2010; Luchs, Naylor, Irwin, & Raghunathan, 2010; Newholm & Shaw, 2007), potentially due to barriers such as price, performance/quality, availability, convenience, or time needed to source sustainable alternatives (e.g., Auger, Burke, Devinney, & Louviere, 2003; Gleim, Smith, Andrews, & Cronin, 2013; Gupta & Ogden, 2009; Johnstone & Tan, 2014; Papaoikonomou, Ryan, & Ginieis, 2011; Pickett-Baker & Ozaki, 2008; Shaw & Clarke, 1999). These barriers, reflective of financial, performance, or time risks (Liao, Lin, & Liu, 2010; Mitchell, 1992), prevent consumers from purchasing sustainable product alternatives and remain unresolved across many product categories.

To alleviate these risks, many companies attach additional attributes to their products. Specifically, they adopt third-party certification labels (TPCL), submitting their products for certification by independent organizations. As a result, certified production across sustainable commodity sectors has increased by 41% (cf. 2% growth in conventional commodity markets; Potts et al., 2014). Pancer, McShane, and Noseworthy (2015) argue that such cues enable consumers to categorize a product as sustainable and can increase the credibility of the products (Dando & Swift, 2003; Janssen & Hamm, 2012; Noblet & Teisl, 2015; Thøgersen, 2002), such that they can have important impacts on consumer decision making (De Chiara, 2015, pp. 1–12; Husted, Russo, Meza, & Tilleman, 2014). However, the lack of a single, well-defined, sustainable label (Castka & Corbett, 2014), and instead the presence of many differing labeling approaches, with multiple and assorted criteria (Richards, 1994), creates challenges for consumers, in that the hundreds of TPCL may overwhelm their abilities to assess various sustainable product certifications. In other words, while TPCL are intended to reduce consumer risk, they may themselves function as a credence attribute which consumers struggle to evaluate. Indeed, it has been reported that most consumers are overwhelmed by product information and are critical of certain sustainability claims (e.g., Horne, 2009). Nonetheless, extant research evidences that certified labels promote the purchase of

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sustainable products and discourage the purchase of conventional products (Aprile, Caputo, & Nayga, 2012). Past research, however, largely neglects moderators of the links between product type and purchase intention or actual buying behavior (Povey, Conner, Sparks, James, & Shepherd, 2000). Moreover, previous studies often use fictitious sustainability labels (Bernard, Bertrandias, & Elgaaiied-Gambier, 2015), thus, lacking insights into actual marketplace conditions. Accordingly, more research is needed to detail the effects of TPCLs in facilitating, or hindering, sustainable choice.

To define the role of TPCL, this research draws on signaling theory and argues that TPCL's represent relevant product attributes that function like signals, such that they reduce levels of perceived risk by decreasing consumers' screening efforts and information costs, making decision making easier (Erdem & Swait, 1998; Smith & Park, 1992). It is pertinent to highlight, however, that consumers may experience difficulty assessing the validity of TPCL claims (Richards, 1994). Therefore, this study empirically investigates the potential moderating effect of the perceived credibility of TPCL on both perceived risk and purchase intentions. This study in turn offers theoretical insights and practical recommendations, especially for companies that allocate resources to sustainable products and for legislators creating policy in this area. After detailing TPCL, risk, and credibility in sustainable consumption in the following section, hypotheses are derived and the data and methods outlined. The hypotheses are tested using data from three experimental studies. Study 1 aims to establish a basic effect of product type (i.e., conventional vs. sustainable product without TPCL, sustainable product without TPCL vs. sustainable product with TPCL) on purchase intention and perceived risk in relation to food products. Study 2 differs from Study 1 in that an experimental condition was added and a non-food product considered to explore purchase intentions across different product categories. The purpose of Study 3 is to ascertain whether the effects found in Study 1 are contingent on the credibility of TPCL. Results are then presented and the implications of the findings considered, as well as some directions for future research.

2. Barriers to purchasing sustainably

The market for sustainable products has experienced growth for more than a decade, across the world (e.g., German Federal Environmental Agency, 2014; National Geographic Society/GlobeScan, 2014; The Cooperative Group, 2012), aided by efforts to move sustainability to the mainstream, by seeking to increase access and visibility (e.g., Dauvergne & Lister, 2012; Low & Davenport, 2005). Although sales of sustainable products have increased, as a proportion of overall consumer spending, they remain marginal relative to mainstream alternatives (The Cooperative Group, 2012). Surveys reveal that most consumers are concerned about sustainability, but this concern has not translated into sales of sustainable products (Auger et al., 2003); despite increased availability, sales of some sustainable products have even decreased (Clifford & Martin, 2011, 21 April). Considering these trends, as well as increasing pressures on firms to move toward more sustainable approaches to business, companies need a better understanding of this gap and potential facilitators to sustainable product purchase to reduce the gap between positively expressed views regarding sustainable products and limited intention to purchase and purchase of such products (e.g., Cronin, Smith, Gleim, Ramirez, & Martinez, 2010; Ganesan, George, Jap, Palmatier, & Weitz, 2009; Gleim et al., 2013). Doing so also may have benefits, including improved employee commitment, performance, and profit margins (Menguc & Ozanne, 2005; Mon & Holland, 2006). Therefore, multiple prior studies have called for

more insights into understanding sustainable product choice.

2.1. Information asymmetry and sustainable product choice

By their very nature, sustainable products increase decision making complexity. Consumers often lack the expertise and knowledge to evaluate the socio-ecological attributes of sustainable products (Gleim et al., 2013; Karstens & Belz, 2006; Rubik & Frankl, 2005). Complex scientific knowledge, language, and communication generally underlies sustainability issues, including climate change, deforestation, the extent of the global environmental crisis, and its causes. Such conditions make it nearly impossible for consumers to assess the sustainability of product attributes without assistance.

This is highlighted in the credence dimension of information economics theory (Darby & Karni, 1973; Nelson, 1970, 1974). Information economics theory established three qualities, namely, search, experience, or credence. Search qualities are those that consumers can readily inspect prior to purchase (e.g., price); experience qualities can only be evaluated through purchase and consumption (e.g., taste, functionality) (Nelson, 1970, 1974). However, for credence attributes, consumers cannot readily evaluate the level of quality either before or after purchase, because they lack expertise or would incur high costs to obtain sufficient, accurate information (Darby & Karni, 1973). In markets characterized by asymmetric, imperfect information, producers know more about their products than consumers, and consumers perceive high levels of credence qualities. For example, when considering the purchase of an organic apple, the consumer can readily ascertain the price and taste, but such search and experience qualities cannot verify that the farmer actually used organic farming methods. Similar challenges pertain to foods that claim to be free of genetically modified organisms or products that claim to be made of organic cotton or high percentages of recycled waste. Consumers are unlikely to possess the knowledge needed to discriminate such contents and processes. The challenges related to credence qualities, thus, are particularly notable in sustainable markets, in which products might claim superior environmental performance, fair trade, no child labor, or cruelty-free manufacturing (Bonroy & Constantatos, 2008; Loureiro & Lotade, 2005), claims that are all challenging for the consumer to evaluate.

Gleim et al. (2013) report that consumers acknowledge their lack of knowledge about sustainable products. This lack of expertise represents a major barrier to the purchase of sustainable products—even among consumers who indicate that they actually purchase sustainably. Consumers appear cautious toward companies' sustainability claims, possibly due to the risk of "greenwashing" strategies, when firms only pretend to act sustainably to justify premium prices (Ellison, 2008; Kangun, Carlson, & Grove, 1991; Wagner, Lutz, & Weitz, 2009). If consumers want to reduce knowledge gaps and skepticism about producers' sustainability claims (regarding, for example, farming, production, distribution methods, and lifecycle impacts), they would need to expend enormous efforts (e.g., visit a farm or factory) that likely exceed their involvement levels. Instead, consumers depend on other information sources, including mass media, to obtain information, which in itself is problematic due to, for example, bias in reporting and conflicting evidence. Indeed, after decades of mostly positive reports (Thøgersen, 2006), the sustainability sector has received increasing criticism, which can create substantial ambiguity for consumers (Källander, 2008). Journalists actively seek sustainability-related transgressions or greenwashing scandals, and the related reports undermine trust in companies' sustainability claims and products (Nyilasy, Gangadharbatla, & Paladino, 2014; Thøgersen, 2006). In combination with consumers'

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