

CHAPTER 1

INTRODUCTION

1.1 Background of The Study

No one would deny that our environment is constantly changing. This happens due to several problems like global warming, air and water pollution, waste disposal, ozone layer depletion, climate change and many more which currently affecting our world (Rinkesh, 2018). Due to this emerging problem, there is a continuous increase on consumers' interest toward environmental protections and sustainable development activities. A report from Unilever's study of 20.000 adult respondents from five countries reveals that a third of consumers (33%) are now choosing to buy from brands they believe are doing social or environmental good (Unilever, 2017). Consumers are likely to be more thoughtful on the ecological impact of products or services that they would consume.

This group of consumers who are concern about the environment issues is clustered to green consumer. We can also identify green consumers as those who buy products that only harm the environment as little as possible or even benefit our environment. According to Business Dictionary (2018), green consumer will even switch their frequent brands to another brand that is more supportive to the environmental issues even if it costs them more money. The existence of this new market is one of the reasons on why companies start to shift their commitment to be one of the companies who provide eco-friendly products or services.

Companies start to apply green marketing practices into their business as their support act toward environmental issues and to attract more consumers (Nagaraju and Thejaswini, 2014). If you've heard companies who manage to reduce their plastics use or recycle their paper waste into new paper bags and napkins that's some examples of green marketing. Each company might have different decision on what kind of green strategy and which department that will adopt the green activities. According to The American Marketing Association (AMA), green marketing activities could be product modification, changes to production

processes, packaging, advertising strategies and increasing awareness of everything presumed as environment-friendly (Yazdanifard & Mercy, 2011).

Green marketing strategies are planned and executed to increase consumers' green purchase intention toward green products. According to Kong *et al.*, (2014) intention is the base for consumers to perform certain behavior. That's why intention is categorized as one of important concept for marketers because it helps firms to forecast the sales of new and/or existing products (Ali *et al.*, 2011). Marketers should be able to predict factors that have the ability to encourage consumers' intention to purchase the green products. By knowing the factors, marketers will be able to plan an effective strategy to increase consumers' purchase intention on their products.

There are several aspects that will influence consumers to purchase green products which are environmental concern, environmental knowledge and attitude toward green products. Environmental concern can be identified when consumers showing their anxiety toward environment's threats, the future impact of this issue, and the lack of other to also participate in saving the environment for future generations (Abdul-Muhmin, 2007). Fryxell & Lo (2003) stated that environmental knowledge involves facts, concepts and relationship concerning the sustainable environment. A positive attitude toward a behavior is more inclined to have a stronger intention to involve in the behavior (Wang *et al.*, 2018).

In this study we will also research aspects that can be examined directly by the consumers which are advertisement and packaging. Green advertising is a way where firms are able to deliver their messages to fulfill needs and desires of environmentally concerned consumers (Zinkhan & Carlson, 1995). To meet consumers' expectations, packaging also plays an important role to protect the products and provide much information for the consumers. Green packaging is known for its recycled materials and utilizing clean manufacturing technology also renewable energy to produce the package (Rao & Bhargav, 2016).

This green concept is started to be adopted by several business categories, including cosmetics and skin care industry. The Body Shop is a British cosmetics, skin care and perfume company which holds a strong value of eco-friendly

products. Actually, this industry is challenged on how to build trust from their consumers to purchase their products since skin is very sensitive and any chemicals materials might harm our skin. However, The Body Shop only uses natural ingredients which ensure their consumers that it will only give benefit to their skin. This brand is also identical with green, from their logo and also the store ambience. All the packaging of The Body Shop products always show the picture of the natural ingredients used in it.

In the study of Rahmaputri (2012; in Gunawan, 2013), the core values of The Body Shop consist of:

1. Natural ingredients, which is the greatest strength of The Body Shop who always offer natural ingredients in each of their products.
2. Minimal packaging, which is the effort to reduce waste by minimizing the packaging of each The Body Shop's product.
3. Refill, reuse and reduce, which allows The Body Shop consumers to refill their empty bottles by returning the empty bottle to be recycled by The Body Shop to reduce waste.
4. No animal testing, which means The Body Shop doesn't testify its product toward animals.

The Body Shop Indonesia won the awards of Indonesia's Best Corporate Social Initiatives (IBCSI) consecutively for three years with descriptions below:

Table 1.1
List of The Body Shop's Awards

Awards	Programs
IBCSI 2016	1. Beauty of Giving (Top 5 Social Campaign) 2. Hand Cream selling to Support Omah Munir (Top 3 Caused Related Marketing) 3. Bring Back Our Bottle (Top 5 Corporate Social Marketing) 4. Enrich Not Exploit, It is in our Hands (Best of the Best Volunteering)
IBCSI 2017	Tree Donation (Best Corporate Social Marketing)
IBCSI 2018	1. Bio-Bridge Batang Toru (Best Corporate Social Marketing) 2. Forever Against Animal Testing (Best Socially Responsible Business Practice)

Source: The Body Shop Indonesia (2016, 2017, 2018)

To enhance our insight about green concept, researcher is going to conduct a research study to analyze factors that will support green product purchase intention. In this study it will analyze the significant effect of environmental concern, environmental knowledge, green advertisement, green packaging, and attitude toward green product to increase the green purchase intention of products from The Body Shop in Surabaya.

1.2 Problem Statement

According to the background of the study, problems can be formulated as follows:

1. Does environmental concern have a significant and positive effect on attitude toward green product?
2. Does environmental knowledge have a significant and positive effect on attitude toward green product?
3. Does green advertisement have a significant and positive effect on green purchase intention?
4. Does green packaging have a significant and positive effect on green purchase intention?
5. Does attitude toward green product have a significant and positive effect on green purchase intention?
6. Does attitude toward green product mediate the effect of environmental concern on green purchase intention?
7. Does attitude toward green product mediate the effect of environmental knowledge on green purchase intention?

1.3 Objective of The Study

The purposes of this study are to analyze:

1. The influence of environmental concern on attitude toward green product.
2. The influence of environmental knowledge on attitude toward green product.
3. The influence of green advertisement on green purchase intention.
4. The influence of green packaging on green purchase intention.
5. The influence of attitude toward green product on green purchase intention.

6. The mediating effect of attitude toward green product on the effect of environmental concern toward green purchase intention.
7. The mediating effect on attitude toward green product on the effect of environmental knowledge toward green purchase intention

1.4 Significance of The Study

From the elaborated objectives, this study is expected to contribute significant advantages within theoretical advantage and practical advantage.

1.4.1 Theoretical Advantage

This study is expected to provide researchers for further study of the role of environmental concern, environmental knowledge green advertisement, green packaging, and attitude toward green product and green purchase intention. Issues discussed in this study hopefully will add more information regarding green concept.

1.4.2 Practical Advantage

This study is expected to be used as the basis for improvement of The Body Shop in Surabaya and/or other similar business category. Hopefully, the result of this study can give new insights and better understanding about green consumers' perspectives and their environmental needs. All the result also expected to guide The Body Shop to plan a strategy in creating better green marketing tools.

1.5 Systematic of Writing

The systematic of this research are arranged as the following:

Chapter 1. Introduction

This chapter describes the background, research questions, research objectives, significance and the systematic of this study. The aim of this chapter is introduce a shifting phenomenon on consumer's preferences and factors affecting green purchase intention.

Chapter 2. Literature Review

This chapter presented the theoretical background, previous study and hypothesis of this study. The theoretical background will explain about environmental concern, environmental knowledge, green advertisement, green packaging, attitude toward green product, green purchase intention, and also relationship between variables.

Chapter 3. Research Methodology

This chapter is describing the process of analyzing the data including the research design, identification of variable, operational definition, variables measurement, type and source of data, data collection method, population, sample and sampling technique, data analysis technique, validity and reliability also hypothesis testing.

Chapter 4. Data Analysis and Discussion

This is the chapter that will discuss about respondents' characteristics, research data description, data analyzing and discussion.

Chapter 5. Conclusion and Suggestion

This chapter is the closing of this study that will conclude the research results, explain all the limitations and to state suggestions for the research object, for the consumer and/or researchers for the next research.