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Consumer Purchasing Decisions Based on a Company's Sustainability Efforts and Marketing Initiatives

A Thesis Presented to the Graduate Faculty of Minnesota State University Moorhead

In Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

By

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ABSTRACT

The purpose of this research is to look at what factors lead to consumers purchasing green or environmentally friendly products and services. Based on these factors, we are further researching how a business can improve their sustainability efforts, and then learn what marketing techniques will be effective in relaying these efforts to consumers. We will first examine the history of the green movement to understand what has led to today’s demand for businesses to increase their sustainability efforts. We will analyze current consumer demographics to find out who is responding to green marketing and showing interest in current environmental issues. Further questions to answer in our research include how individualism plays into green consumer purchases, consumer distrust in green marketing, the types of businesses implementing these efforts, and how transparency in the supply chain can be effective. We will wrap up our research by looking at the current climate of marketing techniques. There is a need to examine green marketing, consumers are incorporating green efforts into their daily lives and thus are looking to support businesses who align with these values. Our research concluded there is an untapped market opportunity for businesses to increase their sustainability efforts in the right way, and then market these efforts using modern marketing techniques that do not promote distrust from consumers.
INTRODUCTION

“Going Green”, is it just the trendy phase of the decade? Or are consumers starting to incorporate “green” practices into their everyday lives? The phrase “Going Green” can also be referred to as an adoption of sustainability initiatives into a person or businesses life. This could be in the form of consumers choosing to buy a product from a store that uses recycled material to eliminate plastic use, or a business that donates to environmental protection efforts. The overarching theme being environmental concerns and efforts to help this cause. Our research will review consumer demographics, the role individualism plays in consumer purchasing, what might be causing consumers to not trust green products, and how supply chain activities affect the overall image of the business. We need to look at whether consumers are taking businesses’ sustainability efforts into account when they are making their purchasing decision. If consumers are making any of their purchasing decisions based on this criteria, the type of marketing technique a business chooses to implement will also need to be studied to see what is working.

LITERATURE REVIEW: CURRENT ISSUES IN GREEN MARKETING

History on the Green Movement

If we look at where the phrase “going green” came from, we can see it has come in various waves in US history. The 1970s brought in large environmental awareness to the public with the passing of the some of the most famous climate laws including the Clean Air Act of 1970, which the Environmental Protection Agency (EPA) initiated to set air quality standards, and the Clean Water Act that was passed in 1977. This was also regulated by the EPA with the purpose of keeping waterways clean (FindLaw, 2016). There is actually cleaner water now than
there was in the 1970s, meaning, when these laws started being enforced it was due to changes to the environment becoming noticeable enough for action (Cohen, 2019). In the early 2000s in the United States, we had Presidential Candidate Al Gore run his campaign on the platform of climate change and the need to address the damage that was being done to the environment. Gore did not win the presidency but there was an increased concern that was now out for the public to ponder. What is climate change? Is it real? What will happen to the earth in the future? What can we do to help? A documentary filled with data, called “An Inconvenient Truth” was released in 2006 that explained the climate change crisis, and why there was a need for these sustainability efforts (The Climate Reality Project, 2017).

Fifteen years later we are in the year 2021, with the same concerns, but attitudes have changed in these years. There is a need to examine what is driving these sustainability decisions, on the individual level and societal level. The United States is a first world, developed country, that has a large economic impact on the persons who live here, as well as the rest of the world. Businesses have seemingly increased efforts in their sustainability decisions, even more so with each year that passes, and the demand increases from consumers or businesses to do their part in these sustainability efforts. While there is increased consumer demand for change, are businesses listening? Are they doing all they can in their efforts, or is profit still taking priority? Since green efforts have been in play for a while, it appears we are now at a time where consumers are able to spot “greenwashing”, and then develop a mistrust of a company’s products, and their intentions. Companies who have been caught red-handed trying to greenwash consumers have lost credibility and profits. Greenwashing can be described as “…providing environmental advertising without environmental substance” (Dangelico & Vocalelli,
Consumer Demographics Analysis

Who is concerned with greenwashing, and who is concerned about environmental sustainability efforts? It is certainly not all demographics of consumers, or the world would look a lot different. We can examine different generations, genders, race, socioeconomic backgrounds, political preferences, and even psychological factors. Psychology plays into our everyday decisions, what consumers are exposed to in their formative youth years can shape their outlook of the world and impact opinions on public issues. Millennials and now Gen Zers have grown up listening to concerns about climate change and the impact humans have on the planet. Previous generations did not have these same concerns in their daily lives. This could be why there is difference of opinion on the issue. The Better World Campaign and United Nations Foundation conducted a poll on environmental issues in 2018, voters between the ages of 17 and 35 stated that their most important international concern to address was environmental issues, with 39% of the vote, followed by human rights issues (Cohen, 2019). These groupings can also be cross examined with each other. A study was done on college students who were either Republican or Democrat, regarding climate change, 57% of those who stated they were either Republican or Republican leaning believe there was solid evidence of the climate changing, compared to 94%, who were Democrat and believed there was solid evidence (Cohen, 2019).

Studies have also been conducted on how race relates to environmental concerns. Pearson, Schuldt, Romero Canyas, Ballew, and Larson-Konar, (2018) conducted a study to see how concerned different races were with environmental issues, how they perceived individuals
of different races to be concerned, as well as how they perceived the level of concern of others in their own races. These questions stemmed from looking at the underrepresentation of minorities working in government and non-governmental environmental organizations. With minorities making up close to 40% of the US population, only 12% hold positions in these environmental organizations (Pearson et al., 2018). It was hypothesized, that based on stereotypes, the national survey would show that all races would vote, that they perceive White people as being more concerned than other races about environmental issues, as well as voting they perceive wealthier Americans to be more concerned than poor Americans. Results of the study showed that the hypothesis on perceptions was confirmed, that all races perceived and voted that they thought White people were the most concerned, as well as women more than men, and younger more than older Americans (Pearson et al., 2018).

When results were analyzed on self-reported concern levels, it was found to be contradicting previous hypotheses and the results on the perceived concerns of others. They found White Americans to be the lowest self-reported group, and men as the next lowest self-reported group. The races who had the highest self-reported concern were Latinos, Asians, and Black Americans. Poor Americans also reported themselves as being more concerned than wealthy Americans. Interestingly in this study, the self-reported data on older and younger Americans concern levels were about the same, meaning all age groups appear to self-report that they are personally concerned with environmental issues equally (Pearson et al., 2018). Even though all age groups are reporting to be concerned at the same level, there is a difference, in which age groups are concerned about it having a direct effect on them, with younger generations having a higher concern they will be affected in their lifetimes (Cohen,
2019). This makes sense because younger generations have more years left to experience the possible unknown effects of environmental changes.

The last question answered was how these different groups perceived other members of their own groups. The study of Pearson et al. (2018) results showed that almost every group underreported the perceived concerns of other members of their own groups. They had ranked themselves as being more concerned than those of their ingroups, except for White people, reporting that they were actually less concerned than other White people. Meaning they assume most other White Americans are concerned for the environment, but they are self-reporting as not being as concerned as what is assumed. This was also true for poor Americans, they assumed wealthy Americans would have a higher level of environmental concern, but self-reporting statistics show that they are actually more concerned than those who are wealthy (Pearson et al., 2018).

The implications of these false assumptions of other groups and ingroups could be harmful for long-term strategies to addressing environmental issues. If there is an underrepresentation of the population that is the most concerned with environmental issues, then that would be an additional barrier that would need to be overcome before the actual issue itself can be addressed. The wrong group, or group that cares less, may still have their perspectives and ideas prioritized by the population that in fact may be impacted by environmental issues the most. Interpreting these stereotyped results is important for someone operating a business and trying to market to the groups that will buy their product or use their service. If businesses owners or marketing managers are making the false assumption of who their main consumer group is, they will be missing out on potential profits. You cannot be a
successful business owner if you are not generating revenues. The importance of this
demographic data is critical in the success of businesses and will allow marketing teams to
target those who actually care, and may help take a business to the next level.

In another study that examined the relationship between generations, their political
party, and opinions on various global warming questions, similar numbers appeared across the
Millennial generation. It is important to note about these results that even though
Millennials in the two political parties had sizeable differences in their confidence and belief in
global warming, their generation had the lowest spread of opinions. Interestingly, all four
generations (Millennial, Gen X, Baby Boomer, Silent) that identified as Democrat, did not have a
statistical difference in opinion across their age groups. Republican identifying participants did
have differences in opinion across their age groups. When asked if participants thought global
warming was caused by humans, 42% of Millennial Republicans agreed with this statement,
whereas only 19% of Silent generation Republicans agreed with this statement (Ballew, M.,
generations between Millennials and Silent generation were reported as Gen X with 29% and
Baby Boomers with 30%. This trend shows us that with every new generation, there is an
increase in the number of Republican identifying individuals who believe global warming is
caused by humans (Ballew, et al., 2019). This is important to consider as new generations are
entering the work force and become a larger part of the economy, and a larger portion of the
purchasing power of the United States.

Marketing to Consumer Individualism
Gliem, Smith, and Cronin (2019) set out to examine the specific factors that go into an individual’s decision to purchase from and support a firm that claims to engage in green efforts. They further examined the environmental forces to the individual level rather than the organization level. The underlying thought is that individuals want to exist in a certain space and feel they are making a difference individually. The 230 individuals who participated in the survey were assessed on three internal factors that research was testing to see if they would influence their green purchasing decisions: interests, altruism, and willingness to conduct research. Researchers were wondering if these attributes would lead to an increase in the level of perceived consumer effectiveness (PCE). PCE in the terms of this study is described as the level to which a consumer believes they personally made a difference by purchasing a green and environmentally friendly product. Other individual factors examined at the external level that would influence green purchases included: organizational trust, attitudes toward the firm, willingness to boycott, purchase intentions, willingness to invest, and willingness to pay a premium price (Gliem, et al., 2019).

The institutional environment factors have been studied repeatedly. Institutions often make business decisions based on their own external factors such as new competitors to the market or government regulations, and internal factors such as satisfying employees, or keeping up with required trainings. (Gliem, et al., 2019). The antecedents to the socio-demographic level of examination were found to be important in predicting an individual’s perception of these firms’ environmental efforts. It was found that individuals who reported higher levels of altruism, higher interest in environmental issues, and those more willing to conduct their own research, had higher levels of PCE (Gliem, et al., 2019).
This becomes important research when we look at how a business approaches marketing their brand or product. This societal marketing allows consumers to feel they are truly making a specific environmental impact, which leads to an increase in their attitude towards the business, increased intent to purchase, willingness to pay a premium cost, and increased trust. The example given was Brita Water Filters. Brita notes that with each water filter used, consumers have saved 300 plastic water bottles (Gliem, et al., 2019). This is specific and would lead consumers to feel a higher level of perceived effectiveness. The article points out that “Consumers are constantly evolving in an attempt to meet the demands put forth by internal and external influences seeking specific behaviors” (Gliem, et al., 2019, p. 506). The results of how the external factors impacted consumers purchasing decisions had a negative effect on consumers trust of the business. The study stated that “…the pressure and influence exerted by organizations encouraging consumers to purchase actually negatively impacts trust. Consumers likely see the promotional efforts of firms and do not know what to believe.” (Gliem, et al., 2019, p. 515). Individuals need to trust a firm to spend money there, and to trust the firm they must have a feeling that their spending will have a specific and effective environmental impact.

The Issue of Distrust in Environmental Marketing

Businesses can lose interested consumers, and repeat customers can choose to no longer purchase from where they regularly shop because of a difference in values and the lack of trust factor, leading consumers to assume greenwashing is occurring if information is too vague. They have purchasing power that can sway the market. Consumers have immediate access to information on a company, things such as who is charge, what their values are, how
they choose to operate, and what they do for their community. This immediate access at the individual consumer level has proven to be important to pay attention to for companies wanting to have future success.

We know that consumers have mistrust in advertising. A study was conducted by GreenPrint, an environmental technology company, to see how many consumers would be willing to spend more on eco-friendly products. The study found that on average among all generations, 64% of consumers surveyed stated they were willing to spend more on these ecofriendly products. However, 74% of that same group stated that they do not know how to tell whether a product was eco-friendly (GreenPrint, 2021). To further complicate this data, the survey found 78% of consumers would buy an eco-friendly product if it was clearly labeled as so, but 53% of consumers also do not trust companies that advertise themselves to be environmentally friendly. (GreenPrint, 2021). This is conflicting and contradictory data that tells us consumers are looking to do their part, but they do not trust the options they have. Pete Davis, the CEO of GreenPrint stated that: “Businesses are in a bind. Broadcasting sustainability would capture an untapped customer base but also sow distrust” (GreenPrint, 2021). What would make consumers trust environmental reports of a company? 45% of the American consumers surveyed said they would need a third-party report to validate and believe these claims (GreenPrint, 2021).

**The Effects of the Type of Business on Need/Want Basis**

Aside from looking at the consumers, we must look at the type of business that is implementing the sustainability efforts. A consumer of the popular coffee store Starbucks®, for example, may care greatly about their sustainability efforts, but the consumers spending money
at Starbucks are there because they have the option of purchasing a higher quality and more costly beverage anyway. Not everyone has this option, and those who cannot afford Starbucks®, will not be impacted by their sustainability efforts. Deciphering whether the company gives consumers a need, or a want, may impact whether consumers respond to their green efforts. Some businesses do not have an environmentally concerned market, it would come down to them choosing to be more green because it is the right thing to do.

The middle class has been shown to be the greatest consumer to target for green products. While they have desire to fit in as well as stand out, and they can afford the extra costs that sometimes comes with purchasing green products (Hicks-Webster, 2021). Poor Americans care about the environment, but they cannot always afford to select the environmentally friendly option. They have a desire to fit in, standing out may be costly. Wealthy Americans statistically have the desire to stand out and not fit in, causing them to purchase more luxury items than mainstream, and the push is for environmentally conscious products to be the mainstream (Hicks-Webster, 2021). This is not always the case as we have seen from personal reporting, some individuals may make their purchasing decisions based on a desire to do the right thing. Since each social class has different desires and motivations, social class had a curvilinear effect on green consumption, and green consumption can be influenced by both psychological and social factors. Understanding purchasing decisions for green products based on social class is important for understanding who and how to market green products (Yan, Tat Keh, & Chen, 2021).

**Impact of Transparency in Supply Chain**

One of the most impactful changes a company can make to improve the transparency in
their green efforts is to start at their supply chain level. Not only does this help the
environment, but quantifiable data can be recorded from these changes. Carbon emissions are
a prevailing issue that many parts of the world are trying to combat by setting regulations and
laws into play, to try to lower emissions. Brands are becoming more open about their carbon
emissions in their own facilities, but only 16% of brands are being transparent about their
supply chain emissions (Biondi, 2020). As we have read, consumers want the data. They want to
know how the environment is being affected, with specific information.

The US moves goods across the country in all forms. The US trucking industry for
example, is a large sector of the movement of these goods. Davis-Sramek, Robinson, Darby, and
Thomas (2020) conducted a study to see how companies that utilized these carriers to
transport their products made their carrier selection decisions. There are many trucking
companies with which a firm could partner, choosing a carrier line whose sustainability values
align with the firms can bode well for the firms’ image. This study by Davis-Sramek, et al. (2020)
examined how “shippers” chose their short-term and long-term carriers based on the carriers
environmental and social sustainability performance. The article states that “…transportation
carriers are a major contributor to greenhouse gas emissions and energy consumption, and the
trucking industry is responsible for the most substantial environmental footprint” (Davis-
Sramek, et al., 2020, p. 2). Looking at not only the environmental aspect of these business
deals, but the social responsibility as well, may seem like a difficult area to study due to lack of
measurable outcomes. Social Exchange Theory states that sometimes the value of the
exchange, in this case between shippers and carriers, may be in the form of tangibles and
intangibles. The tangible measures alone may not show the entire picture as to how impactful it would be for businesses to select a carrier that exhibits high integrity in both areas.

The results of the study show that when the shipping companies were trying to select carriers, when carriers had higher environmental sustainability performance it led to an increase in purchase intent from the shippers as well as an increase in trust they felt with the carrier. This further led to shippers choosing carrier companies that were more environmentally conscious for their long-term partnerships. Assumptions that came with this were that these carriers would also be more fuel conscious and require less maintenance costs, thus leading to costs savings. When Davis-Sramek, et al. (2020) examined social responsibility, the authors found that shipping companies were more likely to choose carriers to partner with for their short-term jobs, that had high levels of social responsibility. This was due in fact to the assumption that socially responsible carriers would be better trained, have higher safety standards, and less employee turnover (Davis-Sramek, et al., 2020).

Where this becomes important is when consumers are looking for the sustainability data of a company. One cannot honestly market a company as being environmentally conscious if parts of the supply chain are disregarding these values. Consumers do not want to be force-fed the good word, they want to be able to find it when they look for it. As mentioned previously, with the instantaneous access consumers have to information, there is no hiding a company can do for a long period, with consumers demanding truth. There is quantitative proof that companies are searching for ways to prove they are increasing their sustainability efforts. The Carbon Disclosure Project (CDP) is a non-profit group that collects data and creates environmental reports that a company can view upon request. The CDP has a goal of holding
everyone accountable for their impact and hope to aid in creating a more sustainable future (CDP, 2021). The Supply Chain Disclosure Program was created by the CDP over 10 years ago. At its fruition, there were 14 companies who requested to see their reports. Jump only eight years ahead to 2018 and “…115 of the world’s largest organizations, with a combined purchasing power in excess of US $3.3 trillion, requested environmental information on more than 5,000 suppliers” (Scott, 2019, para. 3).

**Modern Marketing Techniques**

Marketing techniques continue to evolve. The last 20 years alone has shown rapid advancement of technology and multiple types of marketing techniques that have come and gone in that short period. New generations are even learning to use different styles, forcing educators to adapt the way they teach. Apps and social media is where a large portion of the Millennial population gets their information, and an even larger portion of Gen Z are using apps and their smartphones to access information (Montiel, Delgado-Ceballos, Ortiz-de-Mandojana, & Antolin-Lopez, 2019). Ads run on social media sites based on things the user has searched online or even talked about with friends while their smartphone is listening. The era of ads was then transitioned and added alongside the use of social media influencers to make products seem more relatable. Consumers are at a point where they are told to question everything and do their own research. Thus cementing the importance of companies putting their data out for consumers to access if they wish.

We discussed previously how important it is for consumers to have trust in a company. Regarding green marketing techniques, a company should not be as concerned with who their green consumers are, but they should try and ask what consumers need (Dangelico & Vocalelli,
The reason companies are now choosing to partner with influencers to market their product is driven by the consumer demand to buy products with which they align morally. Typically, consumers will not follow an influencer who does not have the same position as them on various values. This is the same for green marketing. Consumers respond better to green brand position than green product positioning (Dangelico & Vocalelli, 2017). If there are four types of laundry detergent on the shelves all made from the same company, but only one is labeled as environmentally friendly, then the company has a green product and a not a green brand.

Research shows that if a business is looking for a way to market their green efforts to consumers, transparency in itself is proving to be a highly effective marketing technique. This differs greatly than traditional marketing tactics. Companies have gotten away with not having to disclose how their products are made, who they partner with, and what their supply chain looks like. New businesses, and businesses looking to revamp their mission in a post-pandemic time that brought many changes to the world, should be running a thorough PESTEL analysis on their idea. These factors are just as important as the product itself, and should be marketed based on aspects that are important today. Politics change and sway opinions every few years. The economy is predictable in some ways and unpredictable in others. Societal values change. That is why ongoing data needs to be collected on consumer demographics and their values.

Aside from brand transparency and partnership with influencers as modern marketing techniques, another way to influence consumer purchasing decisions is by social influence. Rather than viewing the product on social media, the idea is that consumers are influenced by viewing those around them. This is a more local-sociocultural approach, using the sociocultural
factor of reference groups and even social class affecting self-identity. The idea is that consumers want to fit into their environments and may make changes based on what those around them are doing. This was tested on a variety of environmentally friendly products and actions. The first experiment was done in a neighborhood with the concept of “grasscycling”. This is when someone mows their lawn, and instead of collecting and dumping the grass clippings that were just cut, they leave them on the lawn. Benefits of this include a healthier lawn by retaining more moisture and returning some of the nutrients back to the soil. (White, Hardisty, & Habib, 2019). Flyers were dropped off around the city on each door that stated things like “Your Neighbors are grasscycling. You can too.” Within two weeks there were twice as many homes grasscycling than in the control neighborhood.

This was tested in other areas as well. A sign put up at a buffet table stating it was normal to take less food and to come back for another plate if more was needed, resulted in a 20.5% decrease in food waste. Whether homeowners decided to put up solar panels for energy savings was dependent on whether one of their neighbors had recently installed solar panels (White, et al., 2019). In a college student setting, the university sent a message to students that stated college students were commuting to school using more sustainable ways to get to class, such as riding a bike rather than taking their own vehicles. Results were that students were five times more likely to take a more sustainable route to class afterwards. This was tested against the other method where they simply told students what their alternative transportation options were, rather than telling them that students around them were doing it already (White, et al., 2019). One study looked at parents who pick their children up from school, and the amount of time they are parked with their vehicles idling. A few parents were given stickers to place on
their vehicles that said “For Our Air: I Turn My Engine Off When Parked”. This led to a 73% decrease in the idle time in the parents waiting to pick up their kids (White, et al., 2019).

Consumers are heavily influenced by social settings and norms. If businesses are marketing a product or service, marketing products in a way that will cause others to see them and change their habits may be more beneficial than marketing it to the initial buyer who was already interested.

CONCLUSION

This research answered the questions about who is interested in sustainability efforts, how consumers are basing their green purchasing decisions, and what types of current marketing styles should be used to target intended consumers groups. We have examined demographic information of the current consumer climate, including age, race, political identification, gender, and wealth, and looked at how each may play into consumer purchasing decisions. There is also a greater understanding regarding the internal and external driving forces at the individual level that impact the odds of consumer trust in an organization. In this research we also unearthed the false assumptions of which groups are the most concerned with environmental issues, and how this differs from the groups currently working in these organizations. This may hinder future growth of businesses who are looking for guidance from these organizations.

For a business to stay relevant today, with rapid technological advancements, there is a critical need to understand the current marketing trends that are impacting consumers. Advertising on social media, partnering with social media influencers, social influence on the local level, and brand transparency are the current marketing techniques that still have
consumer appeal. Through research though we have seen that educating consumers on environmental issues and reiterating their personal effectiveness is also very impactful. Consumers make purchasing decisions based on a variety of factors. Emotional and value-based decisions are more prevalent than they used to be. This shows there is psychology behind the current marketing trends (e.g., inbound marketing and sensory marketing by stimulating cognitive and affective factors of consumers). Using a billboard and newspaper ad does not impress a customer who has instantaneous access to all facets of a company. This leads consumers to prioritize environmentally concerned brands over environmentally friendly individual products. The reviewed research shows that consumer skepticism is high, and greenwashing can ruin a business’ reputation and consumer trust. There is growing research on the importance of businesses implementing more sustainability in their brands, and proven success with businesses who have already started making this a priority. This research demonstrates the importance for the future of business and marketing departments due to the demand from consumers to make the environment part of their daily lives.
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