GREEN CONSUMERISM IN ECONOMIC CRISIS

Bachelor Thesis Marketing

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Management Summary

A literary review is done to find an answer to the following research question: “What is the effect of an economic crisis on consumer behavior towards environmentally friendly products?” The purpose of this study is to examine whether there is a relationship between “economic crisis” and “preferences for environmentally friendly products”, mediated by “price-sensitivity”. Will “green consumers’ change their purchasing behavior towards environmentally friendly products during economic downturns because of more price consciousness (given that in general, environmentally friendly products tend to be more expensive)? A second goal is to examine whether the relationship between “price-sensitivity” and “preferences for environmentally friendly products” is moderated by “environmental concern”. Can environmental concerns override price-sensitivity?

The relationship between economic crisis and green product consumption has not yet been studied. Existing research about “green consumerism” is focused on consumer behavior towards green products, characteristics of green product buyers and the influence of price and income. This study will provide managers information about how price-sensitivity influences preferences towards green products, and whether consumers’ environmental attitudes change during an economic crises. This will help marketers of green products to develop efficient marketing strategies to face the challenges arises due to financial meltdowns.

The following conclusion can be drawn from the literature review: First changes in the economic environment such as an economic crisis affect consumers by reduced employment, lower incomes or income uncertainty. Because of these effects consumers reduce their consumption expenditures. Several specific changes in consumer behavior are found, out of these specific changes the conclusion can be drawn that consumers become more conscious about prices of products and services. This changing consumer behavior can be defined as increased price-sensitivity among consumers. Secondly “Preferences for environmentally friendly products” will decrease when consumers become more price-sensitive caused by income decrease or income uncertainty during an economic crisis. This conclusion is drawn from research about “preferences for environmentally friendly products” and consumers’ availability to pay higher prices for these products. Third the relationship between “price-sensitivity” and “preferences for environmentally friendly products” is moderated by “environmental concerns”. Consumers try to keep up their lifestyle during economic
downturn, thus the “hard green consumer” (who consume entirely environmentally friendly) will still highly prefer environmentally friendly products unless they are becoming more price-sensitive caused by an economic crisis.
Contents

Management Summary ........................................................................................................................................ 2

Chapter 1 Introduction .................................................................................................................................. 5
  1.1 Problem statement .............................................................................................................................. 6
  1.2 Conceptual framework ..................................................................................................................... 7
  1.3 Relevance ....................................................................................................................................... 7

Chapter 2 Economic crisis, consumer behavior and price-sensitivity ......................................................... 9
  2.1 Effects of an economic crisis on consumers .................................................................................. 9
  2.2 Price-sensitivity in an economic crisis .......................................................................................... 10

Chapter 3 Price-sensitivity and green consumerism .................................................................................. 12
  3.1 Green consumerism ......................................................................................................................... 12
  3.2 Attitude-behavior gap ..................................................................................................................... 13
  3.3 The green consumer ....................................................................................................................... 13
  3.3 The relationship between income, prices and green consumerism ............................................... 15

Chapter 4 Environmental concerns vs. income or personal concerns ....................................................... 18
  4.1 Environmental concern in different economic environments ....................................................... 18
  4.2 The moderating effect of environmental concern ......................................................................... 19

Chapter 5 Conclusion, discussion and recommendations ........................................................................... 21
  5.1 Discussion and conclusion ............................................................................................................. 21
  5.2 Future research ............................................................................................................................... 23

References .................................................................................................................................................. 24
Chapter 1 Introduction

This paper examines consumer behavior towards green products during economic crises. This chapter starts with a short introduction about the subject, followed by a problem statement. The problem statement contains the central question answered in this thesis and the accompanying sub questions. The problem statement is followed by the conceptual framework, the relevance of this study (academic and managerial) and a short overview of the following chapters.

Over the years, more consumers are concerned about the environment, and more consumers are taking these concerns into action. Environmentally friendly consumer behavior is becoming more popular in the last decades, some examples that shows the popularity of “green behavior” are:

- Fifty-three percent of Americans avoided a product because of environmental concern (found in a survey of Wall Street Journal and NBC News in 1998) (Bahn & Wright, 2001).
- In 1998, nine and a half percent of all new product innovations in the U.S. were green products (found in a study of market researchers in the U.S.) (Ottman, 1998).
- In 2009, Dutch consumers bought eleven percent more organic products than the year before (found in a survey of Bio-Monitor, Friesch Dagblad 2009).

Interest in the environment and interest in ways of improving the environment grew in the late 1960’s and early 1970’s (Montoro Rios, Luque Martinez, Fuentes Moreno, & Cañadas Soriano, 2006). Berkowitz and Lutterman (1968) and Anderson and Cunningham (1972) conducted the first studies concerning socially responsible consumers. They studied the profile of the environmentally friendly consumer and how they could identify them. Smith (1990) has shown that these consumers actively purchase green products because of their environmental concerns, and are willing to pay a higher price for these products (Hume, 1991; Miller, 1993).

The current global financial crisis (developing in the middle of 2007 and into 2008) radically changed consumer behavior. Consumers purchase less during a crisis, purchase selected products and their purchases of luxury products are postponed (Ang, Leong, & Kotler, 2000). Consumers are spending more time to find the products they prefer for the lowest price (The
Interesting is how this change in consumer behavior during an economic crisis affects green consumerism (consuming products that are beneficial toward the environment (Henion, 1976; Mainieri, Barnett, Valdero, Unipan, & Oskamp, 1997)) given that in general, environmentally friendly products tend to be more expensive (Mahene, 2007). On the one hand many consumers are more price conscious in times of reduced economic growth (Mitchell & Kenneth, 1994), which could lead to a decrease in their purchasing behavior towards green products. On the other hand besides price consciousness consumers’ commitment to the environment could decrease in times of reduced economic growth, that is their primary concerns about employment and income could overcome their concerns about the environment (Schlossberg, 1992).

It is important to note that in general the existing literature defines green products as products that are beneficial toward the environment, and previous studies compile multiple specific applications of green products, such as environmentally friendly produced products, products with environmentally friendly packaging, or organic products (Mainieri, Barnett, Valdero, Unipan, & Oskamp, 1997). In this thesis the research scope is limited to products labeled as environmentally friendly (“green products” in this paper).

1.1 Problem statement

The central question dealt with in this thesis is: “What is the effect of an economic crisis on consumer behavior towards environmentally friendly products?”

The purpose of this study is to find an answer to the problem of the effect of an economic crisis on consumer behavior towards environmentally friendly products. The following sub questions will help to provide an answer on the central question:

1. “Will “green consumers’ change their purchasing behavior towards environmentally friendly products during economic downturns?”
2. “Is price sensitivity the underlying mechanism of the effect of an economic crisis on consumer purchasing behavior towards green products?”
3. “Does an economic crisis affect attitudes towards environmental concerns, and thus influence consumer preference towards green products not only because price-sensitivity but also due to the attitude towards environmental concerns?”
1.2 Conceptual framework

This paper seeks to examine the relationship between an “economic crisis” and “consumer preferences for environmentally friendly products”. A graphical representation of the relations between the constructs is shown in figure 1. This conceptual framework provides a better understanding of the problem statement.

The dependent variable in this framework is “preferences for environmentally friendly products”. “Economic crisis” is the independent variable. The impact of an economic crisis can change consumers’ preference for environmentally friendly products. On the one hand this could be caused by the mediating effect of increased price-sensitivity. That is, a higher price-sensitivity could lead to lower preferences for green products. On the other hand another cause of a decrease in preferences for environmentally friendly products could be reduced environmental concerns, consumers’ personal concerns overcome their concerns about the environment. In the later case, the variable “environmental concerns” would moderate then the effect of “price sensitivity” on “preferences for environmentally friendly products”. That is, high environmental concerns generated by the crisis could override consumer price-sensitivity and lead to higher preferences for green products, while if the crisis leads to lower environmental concerns this would decrease even further (adding to the price-sensitivity effect) preferences for green products.

1.3 Relevance

Academic relevance

Earlier research provides information about the relationship of an “economic crisis” and “price sensitivity” (Zurawicki & Braidot, 2005; Shama, 1981; Chou & Chen, 2004; Ang, Leong, & Kotler, 2000) but the relationship between economic crisis and green product...
Green Consumerism in Economic Crisis

consumption has not yet been studied. Existing research about “green consumerism” is focused on consumer behavior towards green products, characteristics of green product buyers and the influence of price and income (Tsen, Phang, Hasan, & Buncha, 2006; Laroche, Bergeron, & Barbaro-Forleo, 2001; Bhat & Lawler, 1997; Mainieri, Barnett, Valdero, Unipan, & Oskamp, 1997; Bahn & Wright, 2001). This paper will fill in the gap and provide new insights in the relationship between economic crisis and the consumption of green products.

Managerial relevance
The managerial relevance of this research is to provide new insights in the current growing popularity of green consumerism and changes in the economy (economic crisis). It will provide managers information about how price-sensitivity influences preferences towards green products, and whether consumers’ environmental attitudes change due to economic crises. Depending on which effects are stronger or affect consumers’ behavior stronger, marketers of green products will gain insight on how to develop efficient marketing strategies to face the challenges arises due to financial meltdowns.

Overview of this thesis
This paper is organized as follows: Chapter 2 outlines an economic crisis or recession and consumers’ reaction (behavior) in that state of the economy. Finally this chapter outlines how an economic crisis affects consumers’ price sensitivity. Chapter 3 outlines green consumerism and the characteristics of consumers who purchase environmentally friendly products. Secondly this chapter presents the relationship between price-sensitivity, income and green consumerism. Chapter 4 outlines how income or personal concerns could overcome environmental concerns and how it affects the relationship between consumers’ preferences for green products. Finally chapter 5 will present the overall conclusion, discussion and recommendations for further research.
Chapter 2 Economic crisis, consumer behavior and price-sensitivity

The purpose of this chapter is to outline the phenomenon of an economic crisis and how it affects consumer behavior. Secondly this chapter outlines how an economic crisis affects consumers’ price-sensitivity.

2.1 Effects of an economic crisis on consumers

Economic crisis
Economic crisis or a recession is a state of the economy in which the demand for a product decreases (Kotler, 1973). Shama (1978) defined economic recession as a process of decreasing demand for raw materials, products, services, and labor. A lower demand for labor causes an income decrease which will lead to a further decrease (Shama, 1978). To identify a crisis different governments and economists over the world all use different measures. The Gross National Product (GNP) is a common indicator to analyze the economic growth in a country. Negative economic growth is defined when GNP decreases. When GNP decreases for two consecutive quarters, a recession is identified (Shama, 1993). Leading Economic Indicators (LEIs), which include GNP, is a more broad measurement that governments or economists use to identify an economic crisis or recession. A fall in the LEIs could be a increase in the unemployment rate, a fall of the GNP, a fall of the index of stock prices, negative changes in the consumer price index and money supply etc. (Auerbach, 1982; Lahiri & Moore, 1992).

The change in this state of the economy will affect businesses, governments and consumers. In this thesis the focus will be on the effects on consumer behavior.

Consumer behavior during economic crisis
The current global financial crisis (2008-2010) is the worst since the Great Depression in the 1930’s (1929-1941), and is characterized by: liquidity shortage in the banking system, collapse of large financial service providers (such as Lehman Brothers U.S.), “bail out” of banks by national governments (such as Fortis Bank EU) and downturns in stock markets around the world (Shiller, 2008). All these changes in the economic environment affect consumers mostly negatively. On the one hand consumers are affected economically by reduced employment and lower incomes (Fiszbein, Giovagnoli, & Thurston, 2003). On the
other hand consumers are psychologically affected by uncertainty and frustration (Shama, 1981; Shama, 1978).

In earlier research Friedman, Modigliani and Brumberg (1963; 1954) have shown the relationship between income and consumption in many studies about the consumption function. These theories imply that consumer spending depends on wealth and on current and future income. A decreasing financial wealth and a decreasing demand for labor are main characteristics of an economic crisis and leads to reduced employment and lower incomes. This will lead secondly to income uncertainty by consumers (Flacco & Parker, 1992), and finally to a change in consumer behavior regarding consumer spending and saving (Kelley & Scheewe, 1975). When consumers are uncertain about their future income they will reduce their consumption expenditures regarding risk preferences (Dreze & Modigliani, 1972; Leland, 1968; Sandmo, 1970).

2.2 Price-sensitivity in an economic crisis

Goldsmith and Newel (1997) defined prices-sensitivity as how consumers feel about paying a specific price for a specific product or service. When consumers are more price-sensitive they are more price orientated (Morganosky, 1986). The price of a product or service becomes more important in decision-making (Ang, Leong, & Kotler, 2000). Examples of increased price-sensitive behavior during an economic crisis are:

- Consumers switch to cheaper brands (Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2007; Zurawicki & Braidot, 2005)
- Consumers search more for price promotions (Ang, Leong, & Kotler, 2000; Zurawicki & Braidot, 2005)
- Consumers shop more comparative among different supermarkets (Shama, 1978; 1981; Ang, Leong, & Kotler, 2000)
- Consumers shop more at wholesale outlets (Zurawicki & Braidot, 2005)

Several studies have examined how consumers change their consumption expenditures during an economic crisis or recession. Some of these studies contain research for specific crisis situations in specific countries. This section will give a short overview of the similarities in these studies.
Shama (1978) suggested that consumers’ motives, values, attitudes and expectations change during economic crisis. In particular, consumers consider more thoroughly their motives for purchasing a product; they examine their needs carefully and make decisions more careful (Brown, Demirdjian, & McKay, 1977; Cravens, 1974). Shama (1981) and Ang, Leong & Kotler (2000) revealed the following changes in consumer behavior during economic crisis: consumers reduce their wasteful behavior and their consumption, consumers become more energy conscious and make their purchase decisions more careful, consumers start to consume cheaper products and brands and shop more for discounts and bargains and at wholesales outlets, consumers search for the best value for money and buy necessities rather than luxuries.

That is, economic crises appear to lead to two main and different consumer reactions. On the one hand consumers try to keep up their lifestyle during economic downturn. Consumers shop more comparative to find the products they prefer for the lowest price or switch to private labels (almost similar to the national brands they prefer). On the other hand consumers change their lifestyle by consuming less, consuming other cheaper products and brands and shopping more at discount supermarkets.

Out of these changes in behavior a clear conclusion is that consumers become more conscious about specific prices for products and services. This behavior can be defined as an increase in price-sensitivity (Ramirez & Goldsmith, 2009). That is, as seen in this chapter, economic crisis leads to more price-sensitivity by consumers. In the next chapter the influence of this price-sensitive behavior of consumers on “green consumerism” is discussed.
Chapter 3 Price-sensitivity and green consumerism

The purpose of this chapter is to outline previous research on green consumerism and the reasons why consumers buy more green products. Secondly, based on earlier work, the profile of the green consumer will be addressed. How income and price-sensitivity affects green consumerism will be examined at the end of this chapter.

3.1 Green consumerism

The current (over)consumption activities of consumers leads to environmental problems. Research has shown that the lifestyle of many consumers all over the world requires more nature than this earth can provide in the long term, the biological capacity of the earth needs to increase to 1,5 “earths” to sustain the current level of consumption in the world (Ecological Footprint Calculator of Best Foot Forward). Over the last few decades more consumers have become aware of these environmental problems; consumers who translate these concerns into action and consume more environmentally friendly are in this thesis identified as “green consumers” (Henion, 1976; Mainieri, Barnett, Valdero, Unipan, & Oskamp, 1997).

In this thesis the research scope is limited to products labeled as environmentally friendly. Products are environmentally friendly when they have a low impact on the environment (Pickett-Baker & Ozaki, 2008). Green products in the category food can be defined as (Tanner & Wölfing Kast, 2003):

- Domestically cultivated food (rather than imported from foreign countries)
- Organically food (rather than conventionally grown)
- Seasonal and fresh food (rather than frozen)
- Unwrapped food (rather than wrapped in environmentally unfriendly packages)
- Fair trade supported food

Examples of green products in other product categories could be: cosmetics that contains environmentally safe ingredients and packaging, and products that are not tested on animals (for example Lush Fresh Handmade Cosmetics). Another example could be cleaning products, green cleaning products are products that are biodegradable (Mainieri, Barnett, Valdero, Unipan, & Oskamp, 1997).
Green Consumerism in Economic Crisis

Scheffer (1991) described “green consumerism” as “a specific type of socially responsible consumer behavior that may be viewed as involving an environmentalist perspective”. Another description of “green consumerism” is “environmentally concerned consumption” (Henion, 1976). The environmentally friendly consumer became a more well-known phenomenon into the late 1990’s. The increasing awareness of the environmental problems in these years has led to more environmental conscious consumption, e.g. buying products that do not harm the environment (Bhate & Lawler, 1997; Robert, 1996). However, consumers who are concerned about the environment do not necessarily consume environmentally friendly products (Pickett-Baker & Ozaki, 2008).

3.2 Attitude-behavior gap

According to Ajzen’s Theory of Planned Behavior (1991) consumers’ values and beliefs leads to attitudes towards behavior. Due to environmental concerns, consumers’ values do not always lead to green consumer behavior, there is a gap between value and action (Kollmuss & Agyeman, 2002), also called the attitude-behavior gap (Ajzen, 2001). For instance consumers are affected by other consumers around them, and hence environmental concerns do not always lead to environmentally friendly behavior (Ohtomo & Hirose, 2007). Research by Robinson and Smith (2002) shows that perceived barriers of lack of availability, inconvenience, price, habit and trust leads to a gap between attitude and behavior. In conclusion, environmental concerns are not the only criteria to predict purchase decisions towards green products, but green consumerism starts with positive attitudes towards the environment. The next paragraph outlines the barriers and predictors of green purchasing behavior more in detail.

3.3 The green consumer

As mentioned in the previous paragraph there is a gap between attitude (environmental concerns) and behavior (consuming green products). Several researches tried to explore the major factors that predict green consumerism, but no definitive model explains the gap between behavioral concerns and pro-environmental behavior (Pickett-Baker & Ozaki, 2008). Tanner and Wölfing Kast (2003) tried to explain the gap and came with the following conclusion: Positive attitude to environmental protection is a facilitator for green
consumption. Secondly environmental knowledge is a predictor for green consumption, in this case action-related knowledge is imported (consumers need to know what actions they could take to protect the environment). Barriers to buy green products are: perceived time barriers, consumers who wants to save time shop in traditional supermarkets (where green purchases are harder to make) instead of in organic food stores. Pickett-Baker and Ozaki (2008) found out however that general attitudes are not specific enough to lead to environmentally friendly behavior, subjective interests interfere with the relationship between attitude and behavior. They indicated concerns over product performance by consumers who are concerned about the environment and difficulties by consumers to find products that are beneficial to the environment.

In a different research stream, many researchers have tried to identify the green consumer in terms of socio-demographic characteristics, for example: age, gender, education, social class etc. Berkowitz and Lutterman (1968) and Anderson and Cunningham (1972) identified an environmentally conscious person as female, pre-middle aged, with a high level of education and socioeconomic status. Henion (1976) found that green consuming behavior was consistent across income groups. According to a study of Sandahl and Robertson (1989) the green consumer is less educated and has a lower income than average. Also other findings about age or the demographic characteristics of the green consumer are contradictory. Diamantopoulos, Schlegelmilch, Sinkovics and Bohlen (2003) discussed all previous research about profiling the green consumer. They discussed six key socio-demographics (gender, marital status, education, number of children and social class) and five measures of environmental consciousness (environmental knowledge, environmental attitude, recycling behavior, political action, purchasing behavior). They found that males have more knowledge about environmental issues than females, but females hold stronger attitudes towards environmental quality. No evidence was found to suggest that married people are more environmentally conscious (in terms of knowledge, attitudes or behavior) than single people. They did not found a relationship between environmental knowledge and age, they only found little evidence to suggest that young and old people show different environmentally responsible behavior. Also the number of children has no strong influence on environmental knowledge, attitude and behavior. They did not find any strong evidence to support that educational level and social class influence environmental knowledge, attitude and behavior. Diamantopoulos et al. (2003) concluded that they could not find any strong evidence to profile the green consumer on socio-demographics with attention to the five measures of
environmental consciousness. The cause they mentioned for this problem is the widespread acceptance of environmental responsibility within the Western culture.

Summarizing it can be concluded that it is hard to profile the green consumer. Several studies about profiling the green consumer contradict with each other. It is not clear whether income level affects green consumerism. For this reason income, prices of green products and how it affects green consumerism is studied more clearly and discussed in the next section.

### 3.3 The relationship between income, prices and green consumerism

As seen in the previous section it is hard to profile and target the green consumer. In this paragraph the focus is on the purchasing behavior of the green consumer. That is, we focus on how the price of green products and the price-sensitivity of the green consumer influence consumers’ purchasing behavior, given that in general green products tend to be more expensive (Mahene, 2007).

**Consumers’ willingness to pay**

Several earlier research indicates that consumers are willing to pay more for products that are beneficial toward the environment (Shrum, McCarty, & Lowrey, 1995; Cason & Gangadharan, 2001; Kirchhoff, 2000). Laroche (2001) found that consumers’ household income does not influence their willingness to pay for environmentally friendly products. It is important to note that the target population of all of these surveys contains consumers of Western countries, and none of these surveys were conducted in a period of economic recession.

**Income level and green consumerism**

Limited research is found on how income affects green consumerism. As seen in the previous section research findings about this relationship in the seventies and eighties contradict. For instance Henion (1976) found that green consuming behavior was consistent across income groups, whereas Sandahl and Robertson (1989) found that the green consumer has a lower income than average.

Other more recent research implies that there is a relationship between income and the degree of green consumerism. In a study of Lockie, Lyons, Lawrence and Mummery (2002) a group
of environmental conscious consumers is identified, who limit their consumption of organic food (an example of green products) because of higher costs. In this same study evidence is found that green products with a higher price (premiums) makes them less affordable for lower income groups whereas these lower income groups are not necessarily less interested in green products. Arora and Gangopadhyay (1995) discussed the affordability of a cleaner environment, they stated that consumers with different incomes have different abilities to pay for environmentally friendly products. With their model (where affordability was built in) they explain why there is a greater demand for environmental quality in developed countries. Firms in developed countries were forced to become more environmentally friendly because these firms (and consumers in these countries) can afford a cleaner environment because of a higher income level. And in a third study, about green consumers in Hong Kong (which have a similar demographic profile as the green consumers in the Western countries), Chan (1999) found that unemployed and retired consumers purchased less green products than other green consumers. Chan concluded in this study that heavy green consumers were indicated with a higher income level than the light green consumers. Dunlap and Mertig (1995) also found that consumers of wealthier countries are more willing to take their environmental concerns into action. They found that consumers in western countries (countries with a relatively high GNP, thus countries were the income level is relatively high) are more willing to pay higher prices for environmentally friendly products than consumers in less wealthy countries.

No earlier research is found which examines the relationship between an increase in price-sensitivity (caused by an economic crisis) and preferences for environmentally friendly products among green consumers. Price-sensitivity in the conceptual model of this thesis is caused by an economic crisis because of lower incomes and income uncertainty (Flacco & Parker, 1992). Lower incomes and income uncertainty are main characteristics of an economic crisis which leads to more price-sensitive consumers. To examine the relationship between “price-sensitivity” and “preferences for environmentally friendly products” research is done by examining consumers’ preferences for environmentally friendly products among different income levels of consumers (different income levels in wealthy countries and different income levels among different countries: wealthy and less wealthy). In this thesis evidence is found to assume that consumers with lower incomes or income uncertainty (consumers in less wealthy countries) shows a higher price-sensitive behavior (Dreze & Modigliani, 1972; Leland, 1968; Sandmo, 1970; Ramirez & Goldsmith, 2009). A clear conclusion is that consumers with a lower income, thus more price-sensitive consumers, have
lower preferences for environmentally friendly products. These consumers have lower preferences for environmentally friendly products because of higher costs and their higher price-sensitive behavior. As a result, it can be concluded that consumers’ preferences for environmentally friendly products during an economic crisis is thus mediated by price-sensitivity, caused by an economic crisis. The higher the price-sensitivity during an economic crisis, the lower the consumer preferences for environmentally friendly products. On the contrary, the lower the price-sensitivity during an economic crisis, the higher the consumer preferences for environmentally friendly products.

The next chapter will examine how “environmental concern” could have a moderating effect on the relationship between “price-sensitivity” and “preference for environmentally friendly products”.
Chapter 4 Environmental concerns vs. income or personal concerns

As addressed in previous sections an increasing number of consumers all over the world are concerned about the environment. Also more consumers are taking their concerns into action by consuming in an environmentally friendly way. In this chapter environmental concern is discussed and how environmental concern moderates the relationship between “price-sensitivity” and “preferences for environmentally friendly products”.

4.1 Environmental concern in different economic environments

Some examples of environmental problems that affect consumers are: global warming, air and water pollution, ozone depletion and farmland erosion (Tanner & Wölfing Kast, 2003). The main cause for these environmental problems is overconsumption of the natural resources of this earth. Consumers have become more aware of these problems and of their own contribution to these environmental problems. These environmental concerns started in the late 1960’s and early 1970’s. As consumers took these environmental concerns into action, they started to change their consumption behavior into environmentally friendly consuming behavior. This behavior is becoming more popular in the last decades, some examples that shows the popularity of “green behavior” are:

- Fifty-three percent of Americans avoided a product because of environmental concern (found in a survey of Wall Street Journal and NBC News in 1998) (Bahn & Wright, 2001).
- In 1998, nine and a half percent of all new product innovations in the U.S. were green products (found in a study of market researchers in the U.S.) (Ottman, 1998).
- In 2009, Dutch consumers bought eleven percent more organic products than the year before (found in a survey of Bio-Monitor, Friesch Dagblad 2009).

To find out whether an economic crisis affect consumers’ environmental concern, differences in consumers’ environmental concern in different countries (wealthy and less wealthy countries) is studied in the following lines.

Beckerman (1974) and the George H. Gallup International Institute (1993) discussed the level of environmental concern in different countries (wealthy and less wealthy countries). They found that consumers of wealthier countries are more concerned about the environment than
consumers in less wealthy countries. Beckerman (1974) stated that consumers of less wealthy and industrialized countries are more conscious about economic and physical survival instead of being conscious about the environment. Leff (1978) also found that environmental concern is more developed in the wealthier Western countries. Buttel (1992) discussed these environmental concerns as a “social movement” to provide a better quality of life, Baumol and Oates (1979) stated this quality of life as a “luxury good” in wealthier countries. Baumal and Oates found that consumers are not or less environmental conscious when they have to worry about food, housing and economic survival.

Dunlap and Mertig (1995) discussed the above findings in a survey toward environmental concern at a global level. They studied environmentally consciousness in 24 countries, ordered by GNP from rich to poor. Their findings contradict with the above findings in earlier research. They did not find any evidence to support the earlier findings, that consumers in poorer countries are less environmentally concerned than consumers in richer and wealthier countries. They found high levels of environmental concern in these less wealthy countries. Dunlap and Mertig discussed that the “quality of life” (in environmental terms), indentified as a “luxury good” by Baumol and Oates (1979), becomes a more basic need.

It can be concluded that improving the environment is becoming a basic need for consumers all over the world. For this reason there are no differences any more in consumers’ environmental concerns due to their own income level. The conclusion drawn from these findings is that an economic crisis is not predicted to lead to less environmental concern among consumers.

4.2 The moderating effect of environmental concern

In this section the moderating effect of “environmental concern” on the relationship between “price-sensitivity” and “preferences for environmentally friendly products” is examined.

As seen in the previous section an economic crisis does not lead to less environmental concern among consumers. Unless environmental concern is not a strong predictor of environmentally friendly behavior (there is a gap between value and action, see section 3.2) (Kollmuss & Agyeman, 2002; Ajzen, 2001), environmentally friendly behavior starts with consumers’ environmental concerns. According to green consumers’ motives and their
environmental concern, differences are found between the environmentally friendly behavior of green consumers. Moisander (2007) segmented two groups of green consumers. First he found a small group of environmentally friendly consumers who are doing everything right, they completely consume environmentally responsible. This group of consumers have strong motives for consuming in a green way and will be identified in this thesis as “heavy green consumers”. Second a large group of environmentally friendly consumers was found that only behave in a green way of what they think of as environmentally friendly, they do not completely consume environmentally responsible. These consumers do not have the same strong motivations as the hard green consumers and will be identified in this thesis as “light green consumers”. It can be concluded that the “heavy green consumers” have stronger environmental concerns than the “light green consumers”.

As concluded in paragraph 2.2 in this thesis, consumers try to keep up their lifestyle during economic downturn. They shop more comparative to find the products they prefer for the lowest price or they switch to almost similar and cheaper brands. Out of this conclusion it can be assumed that the “heavy green consumer” will not change their consuming behavior by shopping less environmentally friendly and consume more “none green products”. An increase in price-sensitivity caused be an economic crisis will not decrease their preferences for green products. It can be concluded that high environmental concerns, which characterized the “heavy green consumer” override price-sensitivity. These consumers will still highly prefer environmentally friendly product unless they are becoming more price-sensitive caused by an economic crisis.

On the other hand it can be concluded that the environmental concerns of the “light green consumer” will not override price-sensitivity and therefore their preferences for environmentally friendly products. The “light green consumers” does not consume in a complete environmentally friendly way, they consume environmentally friendly products occasionally or as a small percentage of their total consumption. It can be assumed that because of an increase in price-sensitivity these consumers will limit their consumption of green products and prefer cheaper “none green products”.

It can be concluded that strong environmental concerns which are taken into action (for example by the “heavy green consumers”) can override price-sensitivity.

The following chapter contains the conclusion, discussion and recommendations for future research.
Chapter 5 Conclusion, discussion and recommendations

This chapter provides the conclusion, discussion and recommendations for future research. First an overall conclusion will be given, followed by the answer to the problem statement. Second this chapter will provide discussion and recommendations for further research.

5.1 Discussion and conclusion

Conclusion
The following relationship is examined in this thesis: “economic crisis” and “consumer preferences for environmentally friendly products”, mediated by “price sensitivity” and moderated by “environmental concerns”.

The following conclusion can be drawn from the literature review: First changes in the economic environment such as an economic crisis affect consumers by reduced employment, lower incomes or income uncertainty. Because of these effects consumers reduce their consumption expenditures. Several specific changes in consumer behavior are found, out of these specific changes the conclusion can be drawn that consumers become more conscious about prices of products and services. This changing consumer behavior can be defined as increased price-sensitivity among consumers.

An increase in price-sensitivity during economic crisis is caused by lower incomes and income uncertainty. For this reason the relationship between “price-sensitivity” and “preferences for environmentally friendly products” is found by examining earlier research about differences in “preferences for environmentally friendly product” in countries with different income levels. In these studies is found that consumers in less wealthy countries (characterized by low income levels and income uncertainty, which are characteristics of an economic crisis) are less willing to pay for products that support the environmental quality. Thus secondly the following conclusion can be drawn: “Preferences for environmentally friendly products” will decrease when consumers become more price-sensitive caused by income decrease or income uncertainty during an economic crisis.

Third, based on the literature review the answer to the third research question (“Does an economic crisis affect attitudes towards environmental concerns, and thus influence consumer preference towards green products not only because price-sensitivity but also due to the
attitude towards environmental concerns”) would be positive. Firstly it can be concluded that an economic crisis does not affect the environmental concern of the consumers. This negative relationship between “economic crisis” and “environmental concerns” is found in studies about environmental concerns in less wealthy countries. Surveys out of the seventies and eighties first imply a positive relationship between GNP and environmental concerns: in these studies is found that consumers are less environmental conscious when they have to worry about food, housing and economic survival. In a more recent study out of the nineties evidence is found that contradict with these earlier studies. No difference is found in environmental concern among consumers in richer or poorer countries. Secondly it can be concluded that strong environmental concerns which are taken into action (for example by the “heavy green consumers”) can override price-sensitivity. Thus environmental concern moderates the relationship between “price-sensitivity” and “preferences for environmentally friendly products”. Consumers try to keep up their lifestyle during economic downturn, thus the “heavy green consumer” (who consume entirely environmentally friendly) will still highly prefer environmentally friendly product unless they are becoming more price-sensitive caused be the economic crisis. The “light green consumer” will limit their consumption of green products and prefer cheaper “none green products” because of an increase in price-sensitivity caused by an economic crisis.

The central question dealt with in this thesis was: “What is the effect of an economic crisis on consumer behavior towards environmentally friendly products?”. A short answer to this central question is: an economic crisis affects consumers’ behavior towards environmentally friendly products negative by more price-sensitivity. Consumers’ environmental concern moderates the relationship between “price-sensitivity” and “preferences for environmentally friendly products”. The stronger consumers’ environmental concerns are, the weaker the effect of “price-sensitivity” on “preferences for environmentally friendly products”.

Discussion

Some findings out of this literary review contradict, for example about profiling the green consumer. If Dunlap and Mertig (1995) are right, and the “quality of life” (in environmental terms) becomes a more basic need, instead of a “luxury good” as Baumal and Oated (1979) identified it, it would be interesting to reexamine some relationships (for example: about the green consumer and their behavior). Outcomes of these surveys could be different because environmentally friendly products are nowadays more available in traditional supermarkets.
Green Consumerism in Economic Crisis

(for example the new organic product line at Albert Heijn) and easier to recognize because of more labels on products in traditional supermarkets that identify products as environmentally friendly (for example FSC: Forest Stewardship Council or the Ecolabel: Europe).

Another example of studies which could give different outcomes are the studies about the value-action gap, conducted by Kollmuss and Agyeman (2002) and Ohtomo and Hirose (2007). They found a gap between value (environmental concern) and action (environmentally friendly behavior). In these days 1) consumers know more about how to behave environmentally friendly; 2) consumers can easily recognize environmentally friendly products because of a broad use of labels; and 3) consumers can purchase environmentally friendly products in traditional supermarkets. The value-action gap could be smaller or could not exist anymore because of all these changes in the last few years which makes environmentally friendly behavior easier.

5.2 Future research

In this thesis the relationships between the variables are examined by analyzing studies about “green consumerism” in countries with different income levels. The countries with low income levels were in this thesis representative for a country in economic crisis, because economic crisis is characterized by lower incomes and income uncertainty (Fiszbein, Giovagnoli, & Thurston, 2003; Flacco & Parker, 1992). The conclusions in this thesis are only based on earlier research and the relationships in the conceptual model are not found be using a data sample. Therefore it would be interesting to test the relationships in the conceptual framework by using a data sample of green consumers who are affected by an economic crisis in their country.

Economic crisis is in this thesis taken as one independent variable, in future research “economic crisis” could be split up by different stages (independent variables) during an economic crisis. These different stages could be: 1) first signs of a crisis, 2) fall down of the economy and 3) recovery of the economy. It would be interesting to examine whether consumers’ reaction (in terms of “price-sensitivity” and “preferences for green products”) is different during those different stages of an economic crisis.
Green Consumerism in Economic Crisis

References


Green Consumerism in Economic Crisis


Green Consumerism in Economic Crisis


Green Consumerism in Economic Crisis


