The Effect of Green Marketing, Brand Awareness and Price Perception on Purchase Decision

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ABSTRACT

Customers in choosing products will choose based on what is most needed and what is most suitable for them. Purchasing decisions can be influenced by various factors including green marketing, brand awareness and price perception.

The purposes of this study are analyzing the effect green marketing, brand awareness, price perceptions on purchase decisions. The sample used in this study as many as 90 respondents were determined by purposive sampling. The data analyzed using multiple linear regression

The results of this study are green marketing, brand awareness, price perceptions have a positive effect on purchase decisions

Keywords: green marketing, brand awareness, price perception, purchase decision

I. Introduction

Since the last few decades the world community's awareness of the importance of environmental conservation has increased. This increase was triggered because there were fears of the possibility of a threat to a life-threatening environment, not just health, but to the lives of humans and their offspring. All of these environmental problems are realized as a result of the problems of public consumption behavior, which are met by industrial activities. Along with the passage of time, consumers develop a greater awareness of the environmental impact and consequences of their consumption decisions and understand more concerns about environmental issues (Daugbjerg and Sønderskov, 2012). Consumer behavior eventually becomes an important problem in various discussions about environmental protection (Bator and Cialdini, 2000). To capture new opportunities that arise and to ensure a better standard of living with sustainable development, the concept of green marketing appears as a concern for environmental damage issues which are then used by companies as one of the strategies in marketing (Choudhary and Gokarn, 2013). According to Hawkins and Mothersbaugh (2010: 94) quoted from the American Marketing Association (AMA) defining green marketing as: (1) Developing products whose production processes, their use or disposal do not cause harmful effects on the environment than traditional version of product marketing; (2) A process of marketing products that are assumed to be safe for the environment; (3) Binding product purchases to environmental organizations or events. As global concerns continue to grow about the quality of the environment, green marketing has taken momentum (Ottman et al., 2006). Green marketing is now a necessity in the business world (Situmorang, 2011).

Marketing that uses the green marketing concept is expected to create a positive impression to influence consumer attitudes towards the brand (brand attitude) then encourage the purchase decision on the brand. Research conducted by Andini (2015), Risyamuka (2013) and Rahayu, et al., (2017) shows that green marketing has a significant effect on consumer purchasing decisions. Consumers are now smarter in consuming products. They not only buy products but also pay attention to the benefits of the product. One of the benefits desired is the impact on environmental
sustainability. Even consumers will not be reluctant to pay more to receive premium prices for these products (Vlosky et al., 1999; Veisten, 2007). Besides that, it attributes the impact on environmental sustainability, brand awareness (brand awareness) also influences consumer purchasing decisions. Brand awareness influences customers’ confidence in purchasing decisions by reducing the perceived level of risk for a brand that is decided to be purchased (Aaker, 1991). Brand awareness, able to provide consumer confidence in choosing a brand. Products are easy to imitate, but brands that are recorded in the minds of consumers cannot be copied by competitors (Yuan, et al., 2008). According to Astuti and Cahyadi (2007), when purchasing decisions are made, brand awareness plays an important role. Brands become part of a consideration set, allowing customers to be interested in the brand.

Development of environmentally friendly products usually costs a lot. So that there is a perception of environmentally friendly products perceived by consumers to have their own prices because there is a strong relationship between perceived relative prices and perceived product values (Beneke et al., 2013). Consumer perceptions of prices have a significance for buying decisions because they represent extrinsic cues and offer one of the most important forms of information available to customers (Wangenheim and Bayon, 2007; Ralston, 2003). Environmentally friendly products even though they have more expensive prices still get the attention of customers. The findings show that consumers respond positively to environmentally conscious products such as The Body Shop in the US (Mirvis, 1994), and Green Energy in Germany (Wustenhagen and Bilharz, 2006).

In Indonesia, environmentally friendly products have their own place in the hearts of consumers (bisnisuku.com). The Body Shop is a product brand that adopts the green marketing concept. In 2015-2017 there were three brands of body and beauty products that occupied the top position (topbrand-award.com). There are three companies that are categorized as top brands, including The Body Shop, Wardah and Mustika Putri. In 2015 and 2016, only The Body Shop occupied the top brand position, whereas in 2017 there were three companies categorized as the top brands, The Body Shop in the first position, Wardah in the second position and Mustika Putri in the third position. However, when viewed from the top brand performance index, the body shop index decreased, from 32.0% in 2015, down to 22.8% in 2016 and declined again to 14.0% in 2017. The decline in the top brand index was feared to have an impact in evaluating customers in choosing The Body Shop so that it affects the achievement of sales targets in various stores throughout Indonesia in general and Bali in particular. The Body Shop Bali has 5 shops spread across Bali, especially in Denpasar and Badung Regency, namely The Body Shop Ambassador Plaza, Mall Bali Galeria, Beachwalk Bali, Sentro Kuta and Ngurah Rai Airport. The realization of The Body Shop sales in 2017 only reached 98.35 percent of the target set, so it was a problem for The Body Shop Bali considering that The Body Shop was ranked first in the top brands throughout Indonesia.

The Body Shop in marketing its products have paid attention to environmental preservation. One example is The Body Shop Bali in serving customers not using plastic bags but using bags made from paper (paper bag), considering paper is more fragile / rotten or recycled than plastic. Besides that, The Body Shop’s products are easily destroyed so that they reduce the disposal space. The whole series of descriptions that have been presented about The Body Shop explain the gap between business phenomena and empirical findings and the concept of green marketing, namely when the Body Shop has consistently implemented the green marketing concept, there has been a decrease in the top brand index and not achieving 2017 sales targets in Bali region. Based on the background described, the problem that can be formulated is that there is a gap between the business phenomena that occur in the Body Shop with empirical findings as described. So, it is reasonable to review the influence of green marketing strategies, brand awareness and price perceptions of purchasing decisions at The Body Shop in Bali. Based on the results of previous research that is contradictory and the description of existing problems, therefore the problems raised in this study are as follows.
1) Is there an effect of green marketing on the purchase decisions of The Body Shop Brand products in Bali?
2) Is there an influence of brand awareness on the purchase decisions of The Body Shop Brand products in Bali?
3) Is there an effect of price perception on the purchase decisions of The Body Shop Brand products in Bali?

II. Literature Review and Hypothesis Development

2.1 Green Marketing
According to Hawkins and Mothersbaugh (2010: 94) quoted from the American Marketing Association (AMA) defining green marketing as: (1) Developing products whose production processes, their use or disposal do not cause harmful effects on the environment than traditional version of product marketing; (2) A process of marketing products that are assumed to be safe for the environment; (3) Binding product purchases to environmental organizations or events. Green marketing is a much broader concept because it combines various activities such as creating and producing products that go beyond traditional ways and instill core values for humans that benefit the environment so that consumers can associate these values with themselves, and establish new target markets with how to consider aspects such as processing, packaging, distribution methods with minimal loss impacts on the natural environment (Agarwal and Rana, 2012). The advantage of green marketing is that it makes people more aware of the dangers of environmental pollution and helps campaign for efforts to save the environment (Septifani, et al., 2014)

2.2 Brand Awareness
Peter and Olson (2000: 190) state that brand awareness is a general-purpose communication for all promotional strategies. By creating brand awareness, marketers hope that whenever the category needs arise, the brand will be brought back from memory which is then taken into consideration by various alternatives in decision making.

2.3 Price Perception
Kotler and Armstrong (2009: 439) state that prices are a sum of money charged on a product or a number of values that consumers exchange for benefits because they own or use a product. Pricing is a critical point in the service marketing mix because prices determine the income of a business.

2.4 Purchase Decision
Purchasing decisions are several stages carried out by consumers before making a product purchase decision (Kotler, 2007: 223).

2.5 Green Marketing and Purchase Decisions
Environmentally friendly marketing activities are a strategic attraction to reach consumers. Environmentally friendly products are an important part of the green marketing concept. The results of empirical studies show there are positive effects of environmentally friendly products (green products) on buying decisions (Eidi and Shahbazi, 2017). Large interests in green products largely influence consumer purchasing decisions and help consumers choose correctly in their purchasing decisions and increase their interest in paying more for green products (Zhao et al., 2014; Barber et al, 2009).

Based on the description of previous empirical findings, the hypothesis can be arranged as follows:

H1: Green marketing has a positive effect on purchase decisions.
2.6 Brand Awareness and Purchase Decisions
Brand awareness is very important in determining buying decisions. Various empirical studies show that brand awareness significantly influences consumer decision making where consumers generally use it as a heuristic decision that benefits customer-based brand equity management (Chung et al., 2013; Huang and Sarigollu, 2011). Macdonald and Sharp (2000) suggest that brand awareness is the dominant indicator for consumers who choose satisfactory products in low, general, and repeat purchasing decisions. Consumer intention and purchasing decisions can also be influenced more if a product is able to cause higher brand awareness (Dodds et al., 1991; Grewal et al., 1998, Chi et al., 2009, Malik et al., 2013). The easier consumers remember brands in situations without help, the higher the purchase intention and the greater the likelihood of purchasing the brand, in other words, the top-of-mind brand has the highest purchasing possibilities (Radder and Huang, 2008).

Based on the description of the influence of brand awareness on buying decisions obtained from previous studies, the hypothesis can be formulated as follows:

\[ \text{H2: Brand awareness has a positive effect on purchase decisions.} \]

2.7 Price Perception and Purchase Decisions
Prices can be a guide to brand quality. Dodds and Monroe., (1985) show that prices are the main indicators of product quality, and that brand names reinforce the effect of price quality trust. The impact of this causes prices to be an important consideration in buying decisions for consumers who want quality. Prices that are considered unfair can have a large influence on purchasing decisions (Kahneman et al. 1986). The more unfair perception of prices perceived by consumers will cause consumers to delay buying decisions. This means that the better the price perception in the minds of consumers, the greater the chance for the decision to buy the product. Perceived price perception is a psychological factor that plays an important role in consumers’ decisions to buy certain products. The price of green products that consumers perceive or perceive seems to have a specific context so consumers consider the price of green products based on the environmental values obtained if they decide to buy (Wei et al., 2014). The better the perception of relative prices perceived by consumers will positively influence consumers’ willingness to buy (Beneke et al., 2013). In summary, it can be said, when consumers feel that the price of a service or product is reasonable, it is possible for them to show a purchase (Bei and Chiao, 2001)

Based on the description of the effect of price perceptions on buying decisions obtained from previous studies, the hypothesis can be arranged as follows:

\[ \text{H3: Price perception has a positive effect on purchasing decisions} \]

III. Research Methodology
The participants for this study are consumer The Body Shop Product in Bali. Size sample is 90 consumers. The technique for determining the sample used is proportionality sampling, namely the number of sample members is determined proportionally, which is 20% each in each of The Body Shop's stores, amounting to 5 stores. To determine the sample members or respondents of the study carried out with a purposive sampling approach that is selecting prospective respondents based on criteria. The criteria are at least 18 years old and final education in junior high school. Data collection is carried out for 2 months from May – July 2018. The questionnaire consists of two parts. Part 1 contains questionnaire focussed on respondents’ demographics information and part 2 contains questions on the constructs of interest to this study namely green marketing, brand awareness, price perceptions and purchasing decisions. All the statements were measured using multiple items, on five-point Likert scale items anchored with, 1 = Strongly Disagree" and 5 = Strongly Agree. The items of green marketing were adapted from Polonsky.
(1994), Czinkota dan Ronkainen (1992) dan Richards (1994). The items of brand awareness were adapted from Yoo dan Donthu (2001). The items of price perceptions were adapted from Petrick (2002) and the item of purchase decisions were adapted from Radder dan Huang (2008). Pilot test was conducted with 35 responses, in order to ensure the validity and reliability of the questions. Multiple Regression technique was used to test the hypotheses of the study. The research model is presented in figure 1.

IV. Results

4.1 Demographic Characteristics
The characteristics of respondents in this study were reviewed based on several demographic variables such as gender, age level, education level, occupation and income. Based on gender from 90 respondent's 80.0 percent (72 people) female and 20.0 percent (18 people) male sex. Based on the age characteristics of respondents, respondents aged 35-40 years were the largest respondents from other age groups, which amounted to 34.4 percent (31 people), then respectively 29-34 years old at 25.6 percent (23 0 people), aged 23-28 years by 23 , 3 percent (21 people), aged greater than 40 years 7.8 percent (7 people) and those aged 18 - 22 as many as 8.9 percent (8 people). Based on education level most of the respondents were final high school / equivalent, which amounted to 55.6 percent (50 people), while diploma education was 24.4 percent (22 people). While consumers who have S1 education are 10.0 percent (9 people) and have junior and master / doctoral degrees respectively 6.7 percent (6 people) and 3.3 percent (3 people). Based on occupation it is seen that the majority of respondents work as private employees, namely 44.4 percent (40 people), while entrepreneurs account for 28.9 percent (26 people). While consumers who worked as civil servants were 12.2 percent (11 people) and 12.2 percent of students / students (11 people) and 2.2 percent (2 people) worked others. Based on income it can be seen that the majority of respondents earn between 5-10 million, which is equal to 47.8 percent (43 people), while earning 10-15 million as many as 30.0 percent (27 people). While consumers who earn between 15-20 million as many as 12.2 percent (11 people) and earn more than 20 million 5.6 percent (5 people) and income of 1 - 5 million 4.4 percent (4 people).

4.2 Test Results for Multiple Linear Regression Analysis
The results of multiple linear regression analysis are presented in Table 1. Y= Y = 1.109 +0.157X1 + 0.357X2 + 0.247X3.

Multiple linear regression test at this stage carried out with a level of significance ≤ 0.05, if there is a variable worth > 0.05 then the independents variable has no influence on the dependent variable is purchase decisions.
Table 1
Recapitulation of Analysis Results

| Coefficients | Standardized
<table>
<thead>
<tr>
<th>Unstandardized</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.109</td>
</tr>
<tr>
<td>X1</td>
<td>.157</td>
</tr>
<tr>
<td>X2</td>
<td>.357</td>
</tr>
<tr>
<td>X3</td>
<td>.247</td>
</tr>
</tbody>
</table>

R²: 0.521
R: 0.722
Sig. F: 0.000
F value: 31.185

a. Dependent Variable: Y

Table 1 shows all the factors that have significant effect together with purchasing decisions are indicated by the calculated F value = 31,185 with the level of sig. F 0.000 (p<0.05). The coefficient of determination (R Square) of 0.521 indicating that 52.1% purchasing decisions (Y) consumers in this research was influenced by green marketing, brand awareness, and price perception, while the remaining 47.9% was influenced by other factors outside this research.

4.3 Hypothesis Test Results

a. Green Marketing on Purchasing Decisions
Based on the test results from Table 1, it turns out that the sign. t for Green Marketing (X1) is 0.004 <0.05. This means variable Green Marketing (X1) has a significant effect on variable Purchase Decisions (Y), it means H1 is accepted. The results of this study are in accordance with the results of research by Andini (2015), Risymuka (2013) and Rahayu, et al., (2017).

b. Brand Awareness on Purchasing Decisions
Based on the tests carried out obtained a sign. t for Brand Awareness (X2) is 0.000 <0.05. This means variable Brand Awareness (X2) has a significant effect on variable Purchasing Decisions (Y), it means H2 is accepted. The results of this study are in line with the results of research conducted by Andini (2015)

c. Price Perception on Purchasing Decisions
Based on the tests carried out obtained a sign. t for Price Perception is 0.003 <0.05. This means variable Prices Perception has a significant effect on Purchasing Decisions (Y). This means that H3 is accepted. The results of this study are in line with the results of research conducted by Putripeni, et al., (2014)

V. Conclusions and Recommendations

5.1 Conclusions

a. Green marketing has a positive effect on purchasing decisions. Products, production processes, packaging and eco-friendly advertising are special considerations for consumers to buy a green product
b. Brand awareness has a positive effect on purchasing decisions
Awareness of brands is very important for making purchasing decisions. The results of this study indicate that consumers are familiar with the brand of this product before the purchase decision is made.

c. Price perception has a positive effect on purchasing decisions

Price becomes an illustration of the quality of a product. Although green products tend to be more expensive than conventional products, the results of this study indicate that consumers are willing to spend more money on benefits derived from green products.

5.2 Recommendations

a. Public awareness of environmentally friendly products has changed consumer spending patterns, consumers who care about the environment will tend to buy products that are environmentally friendly. In the field of cosmetics, consumers prefer products that are environmentally friendly and are safer to use, will not cause negative reactions to the body if it is not suitable for use. This has become one of the opportunities for companies that use green marketing strategies to expand their market reach. So, from that The Body Shop should consistently convey to the public about the advantages and benefits of using products that are environmentally friendly.

b. The Body Shop has been known to the public as one of the products that is environmentally friendly, and is the dominant factor that influences consumers in using this product, therefore the company should continuously create promotional programs to build broader brand awareness for the community.

c. The results of this study can be used as a reference for further research by developing other variables outside of this study in order to obtain a better picture of the factors that influence purchasing decisions.

References


