

CHAPTER I

INTRODUCTION

There are several factor that can influence green purchase intention of household. This study aims to know influence on subjective norms, environmental knowledge, environmental concern and price fairness on green purchase intention of household in Jakarta Garden City.

1.1 Background

In this Era, countries are trying to make their country develop and grow by creating new products or technologies that could help us in our daily needs. But nowadays environmental awareness is important in creating green products which means companies from different countries are producing products by using organic resources or recyclable recourses. Green Product have a longer life, better quality, and made by recyclable materials that make the environment better (Dangelico & Pujari 2010). Many customers understand and focus to the idea of healthy and sustainable lifestyle and implement them in their life, around 20% of people is willing to pay and prepared to pay extra to buy green products and services such as: energy-saving solution, green energy source, ecological foods, eco-friendly homes, ecological clothes and furniture according to Lorek & Agnieszka (2015). There are 3 key types of environmental focus on making Green product which are material, energy, and pollution from the manufacturing process of the product that have an impact on the environment (Dangelico & Pujari 2010)

Lack of public concern for the environment is one of the factors that causing the environmental problems today. Since there are various threats to the environment, companies need to apply new business concepts by applying environmental issues which is called green marketing and developing new products that have a green impact on the environment. Green marketing is based on the company activities that creates products and fulfill the customer needs by minimizing damage on the environment according to Verma and Tanwar (2014). Green marketing manipulates the four components of the marketing mix which are product, price, promotion, and distribution, to promote the goods and services provided from the advantages of environmental preservation (Bryne, 2016)

Eco-friendly products are usually products that can help protect the environment and reduce the impact of existing damage. According to Teng & Wang (2018) in Ryantari & Giantari (2020) green products are products that are not harmful to humans and the environment, are not wasteful of energy, do not create unnecessary excessive waste, and do not cause damage to animal habits. Green products or Eco-friendly products are made to reduce bad impacts that can cause harm to the environment (Penty, 2019)

The use of environmentally friendly products can reduce the use of raw materials that can't renewed and can avoid the use of materials that contain harm-full waste, with the emergence of environmental problems, people care about the state of the environment and start to find out about the environment, so that later it will influence someone's purchasing decisions (Sarkar, Datta, Mukherjee, & Hannigan, 2015).

With the green marketing concept, customers are expected to have environmental knowledge. Environmental knowledge is information that is stored in a person's memory regarding the environment around him. Environmental knowledge is a person's basic knowledge of something that can be done to help protect the environment (Thornton & Bhagwat, 2020). Having an environmental knowledge, customer will concern or the urge to keep the environment in good condition influences consumers to have purchase intentions. Therefore environmental knowledge is needed by the community regarding products or activities that can have an impact on the environment by educating the public about current issues and phenomena, how the impact of using environmentally friendly products is, and the benefits felt when using products with a green brand table (Hanjani & Widodo, 2019). If the customers have environmental knowledge then it can changes their behavior in purchasing products to environmentally friendly products purchasing behavior

Several studies indicate that, as seen in the study, the influence of environmental awareness has a positive impact on purchasing intentions according to Nugraha, *et al.* (2017), with 400 respondents, researchers proved that green knowledge is one of the factors that greatly influences purchase intention of IKEA customers. This is similar to the research of Basha *et al.* (2015) stated that respondents have positive knowledge of the green environment, indicated by knowledge of the use of electrical energy wisely, with this knowledge that can help be responsible for environmental conditions. According to Suki (2016) knowledge of green brands is the most critical factor that can influence consumer purchase intentions. Environmental

knowledge that is owned by the community can lead to a caring attitude towards the environment.

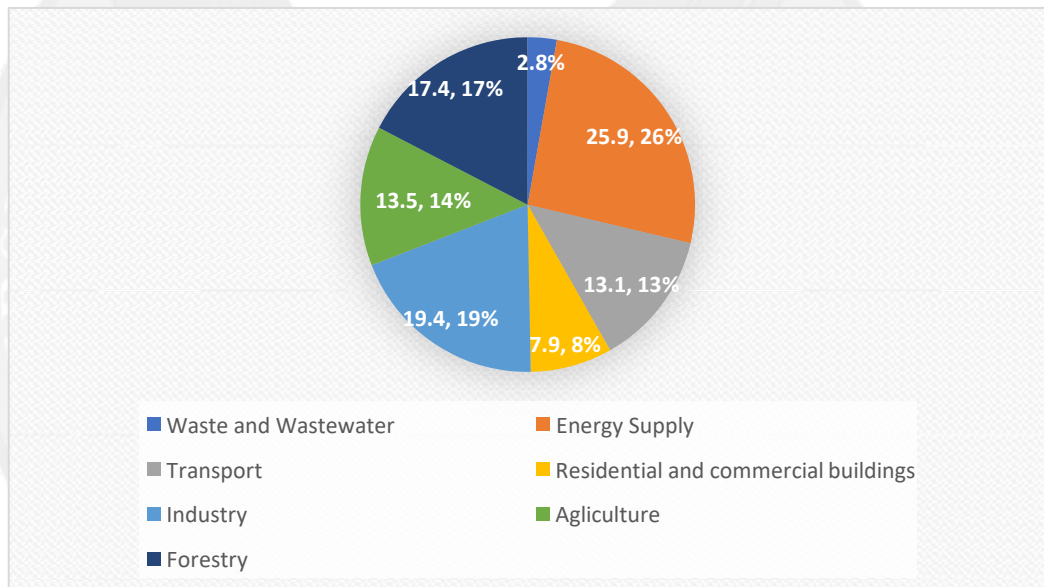
The attitude shown by them can help realize their desire to preserve the environment. Attitude is an expression that reflects a person's feeling of dislike or liking for an object (Paramita & Yasa, 2015). Paying attention to attitudes, it can be seen that consumer satisfaction with the products they buy, so it is not uncommon for large companies to create goods before they are sold, consumer observations are made from their characteristics and preferences so that they can predict the attitude that will be given if the product is sold on the market (Ryantari & Giantari, 2020).

Environmental knowledge is an attitudes that can be taken to prevent environmental damage, and environmental concerns in oneself that can be a driving factor in community action to reduce environmental damage. Environmental concern provides awareness in solving problems related to the environment. Kim and Hall (2020) in their research environmental concern is a form of responsibility in dealing with environmental problems not only to improve the quality of the organization but also to increase consumer loyalty.

Research on environmental issues and green products are interesting to discuss nowadays. Researchers found several references to the topics discussed and found a study written by Shella F. Eles (2017), discussing green purchase intention issued, which is used as a reference journal in this study discuss about the green purchase intention of Generation Y in Indonesia. Many studies have been conducted to analyze the effect of several factors such as environmental knowledge; environmental concern; attitudes; subjective standards; and price on the intention to buy green, but only a few

studies have shown that price also affected decision-making explicitly in the Indonesian context on the purchase of green product (Effendi, Murad, Rafiki, & Lubis, 2020). While price is one of the most significant factors considered by consumers. Some recent studies have only used prices as complementary variables below other variables and the role of market justice has been overlooked because there is no empirical proof. In addition, mainly prior study, which often involves subjective standards, where the intention to buy was influenced by subjective standards (Eles, 2017).

Figure 1.1 Global Warming Emission by Economic Sector



Source : www.climatehotmap.org (2011)

As we can see from figure 1.1 In above explain about the factors of global warming emissions. The energy supply sector has the largest percentage at 25.9%. This was followed by the industrial sector at 19.4%, the forestry sector at 17.4%, the transportation sector at 13.1%, the agricultural sector at 13.5%, and the commercial and residential building sector at 7.9%. The last

factor that has the smallest percentage is the waste and wastewater sector, which is 2.8%.

Based on figure 1.1, global warming emissions tend to increase every year in line with the increase of awareness of the customer. Therefore, business needs to address the environmental issues in their business by using green marketing and making green products to make sure that customer want to buy their products. Green marketing incorporates several practices, including product alteration, improvements to manufacturing procedures, changes in packaging and promotional modification (Azmi, Sharma, Mamat, Najafi, & Mohamad, 2016).

One of the company that use green marketing concept is Philips. Philips reflects its products focus on healthcare, lifestyle, and lighting. Philips has developed one of their product is lighting. Philips creates new lighting product innovations using Light Emitting Diode (LED) technology. Limited Emitting Diode (LED) technology is the newest technology in lighting which has advantages, their product is more energy saving and will have a good impact for the environment. Philips green product sales continue to increase from year to year. Where sales of green products in the Philips lighting sector have increased the most significantly compared to the other two Philips product sectors. This shows that most people are interested in green products and are starting to switch from a traditional light bulbs into using lamps with Light Emitting Diode (LED) technology as their lighting source.

According to a survey conducted by the Top Brand Award, there are several companies that produce eco-friendly lamps which uses Light Emitting Diode (LED) technology. Some of them are Philips, Hanochs, Osram, Shiyoku, Panasonic and Chiyoda. Philips have the highest percentage or positions based on the selling percentage from Top Brand Award compared with the other brands from 2017 to 2020. The following is data on Philips' achievements from the 2017-2020 Top Brands Awards.

Table 1.1 Philips' Achievements from the 2017 - 2019 Top Brands Awards

TOP BRAND INDEX FASE 2			
BRAND	TBI 2017	TBI 2018	TBI 2019
Phillips	79.8%	74.8%	59.8%
Hannochs	4.5%	7.7%	8.3%
Chiyoda	3.4%	5.7%	8.0%
Panasonic	2.9%	3.4%	2.2%
Shinyoku	2.0%	1.6%	1.1%

Source : www.topbrandsawards.com (2020)

As we can see from Table 1.1 Explains about the top brands and their sales from 2017-2020, the percentage of Philips as a top brand in four years, since 2017 their percentage is 79.8%, in 2018 has a percentage of 74.8%, then slowly decreasing in 2019 which has a total 59.8%. Even though in 2018 clearly shows that there's a decline, but Philips still remain in the top position, this proves that Philips has a good brand image because it occupies the highest position with energy-saving lighting products among other companies with similar field of product.

Phillips is one of the top leading brands for Light Emitting Diode (LED) that produce eco-friendly lamps according to Top Brand Award, but in

fact there is a decrease in selling percentage based on the data of Top Brand Awards from 2017 to 2020. This fact is quite surprising because in these times where people are increasingly concerned about the environmental problems, the data showed that buying green products, such as Philip turned out to be diminishing. That is why it is interesting to examine the influence of consumer's environmental knowledge, environmental knowledge, environmental concern, subjective norms, price fairness, and attitudes in purchasing green product. This study is replicated based on previous study entitled "Predicting Green Purchase Intention of Generation Y: An Empirical Study in Indonesia" research by conducted by Eles & Sihombing (2017). Besides that there also another supporting journal based on previous study entitled "Environment Friendly Products: Factors that Influence the Green Purchase Intentions of Pakistani Consumers" by Ali & Ahmad (2012).

a. Research Problem

As described in background, the community nowadays are more care about the environment and tends to buy more eco-friendly products. Along with the development of green perception, many companies also have begun to build eco-friendly products and green marketing, such as Phillips. However, the data from Top Brand Award showed that this top leading brand for eco-friendly product has a decrease in selling percentage from 2017 to 2019. Therefore, it is interesting to research the attitudes of community or consumers in purchasing green product.

On the basis of the above research issue, the research questions are:

1. Does Environment Knowledge have a positive effect on Attitudes of Phillips Consumers?
2. Does Environmental Concern have a positive effect on Attitudes of Phillips Consumers?
3. Does Subjective Norms have a positive effect on Attitudes of Phillips Consumers?
4. Does Price Fairness have a positive effect on Attitudes of Phillips Consumers?
5. Does Attitudes have a positive effect on Green Purchase Intention of Phillips consumers?

1.3 Research Objective

1. To know whether Environmental Knowledge positively affect the Attitudes of Phillips consumers
2. To know whether Environmental Concern positively affects the Attitudes of Phillips consumers
3. To know whether Subjective Norms positively affects the Attitudes of Phillips consumers
4. To know whether Price Fairness positively affects the Attitudes of Phillips consumers
5. To know whether Relationship of Attitudes of Phillips consumers negatively affects the Green Purchase

1.4 Significance of The Study

The Significance of the study is a follow:

- For the Researchers

For Researchers, this research is expected to help researchers in understanding the relationship of environmental knowledge, environmental concerns, subjective norms, price fairness, and attitude with the level of purchase intention of green products.

- Business School

For All Business School, it is hoped that this research may be an insight for the faculty, so it discusses more topics about green purchases in the course concerned.

- Business Owners or Corporations

For Business Owners or Corporations, researchers hope through this report, all company's manager that still use any non-eco-friendly product can start to consider and build up the will to help the world through environmental conservation and start to change any non-eco-friendly product into an eco-friendly product to decrease the amount of industrial waste.

- The Next Researcher

For the next researcher that will discuss about the topic “Green Purchase”, it is hoped that carrying this research will help and added to be one of the reliable references for the topic.

1.5 Research Outline

The writing systematics used in this study, as follow:

CHAPTER I INTRODUCTION

This chapter will explain the background, problem statement, research question and objectives, the significance of the study, and all organizations related to the study. Additionally, this chapter will illustrate this topic discussion.

CHAPTER II LITERATURE REVIEW

This chapter will present all theories that researchers used by all experts in this report, all variables in this report, the connection between variables as well as the model of this research.

CHAPTER III RESEARCH METHODOLOGY

This chapter will present this research paradigm, the purpose of this research, research strategies, researcher interference, study setting, unit analysis, time horizon, data collection, sampling, measurement and lastly, data analysis.

Additionally, this chapter will also discuss any methodology that was used in this research.

CHAPTER IV RESULTS AND DISCUSSION

This chapter will try to test the validity and reliability of this research and will discuss the results from the data sample that was used by other researchers and 13 process it to be able to conclude the hypothesis that was formulated in the previous chapter.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

This chapter will conclude this report as well as giving useful recommendations for any researchers who wish to analyze this case even further.

