

CHAPTER 1

INTRODUCTION

The importance of the introduction is to open up the whole research. The introduction covers the research background, statements of the problem, questions and objectives of the research, study significance, and the study's relationship to all organizations.

1.1 Background

The rapid growth of the economy has resulted in the excessive utilization and exhaustion of natural resources, bringing worldwide concern and leading nations to focus on environmental issues (Panda et.al. 2019). Since the turn of the 21st century, the global economy has experienced incredible advancement, improving the lives and development of humanity. Rapid economic growth has also brought the negative consequences of climate change and environmental degradation. Balancing the continuation of economic expansion and protecting the environment has become a significant challenge for humanity to enhance the quality of life (Chen, et.al. 2016).

Economic expansion in terms of resolving environmental issues has yet to determine its significance. Research conducted by Almedia et.al. (2017) concluded that economic growth is inadequate for bettering environmental standards. The research aims at how accurately environmental damage is recorded and asks whether the Environmental Kuznets Curve, a widely accepted theory, is reliable in demonstrating

the connection between environmental harm and economic growth. The authors analyze data from 152 nations over 6 years using a combination of measures, including the modified composite index of environmental performance. They analyze the results based on the level of economic development. The findings indicate that the EKC hypothesis is currently unconfirmed. The article suggests that to improve environmental quality, support well-being, and maintain long-term economic growth, it is essential to build a strong, consistent, and successful environmental policy framework.

Governments are facing a crucial challenge in the 21st century as a result of environmental crises, which play a vital role in human life. Governments are enacting various laws and programs to address the problem (Norouzi & Ataei, 2021). The OECD's Environmental Policy Stringency (EPS) index compares the strictness of environmental policies between nations and across time. It encompasses policies in energy, transportation, and other environmental sectors such as taxation, renewable energy support, performance requirements, and deposit/refund schemes, with a primary focus on air and climate policy. The EPS is graded on a scale of 0 to 6, with 6 being the most stringent policy, and stringency is determined by the cost placed on environmental damage produced by enterprises or consumers. The EPS is regarded as a proxy for overall environmental policy rigor, but its features, benefits, drawbacks, and challenges must be considered while employing it. OECD Report (2017)

| | | → Year | | | | | | | | | | |
|--------------------|------------------------------|--------|------|------|------|------|------|------|------|------|------|------|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| → Country | | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ | ▲ ▼ |
| Australia | | 2.83 | 3.00 | 3.42 | 3.53 | 2.69 | 2.69 | 2.69 | 2.75 | 2.86 | 2.86 | 2.92 |
| Canada | | 3.61 | 3.61 | 3.44 | 3.44 | 3.19 | 2.53 | 2.36 | 2.58 | 2.69 | 2.64 | 3.03 |
| France | | 3.61 | 3.94 | 3.92 | 3.92 | 4.22 | 4.03 | 3.92 | 4.17 | 4.56 | 4.72 | 4.89 |
| Germany | | 3.08 | 3.17 | 3.06 | 3.22 | 3.11 | 3.03 | 3.08 | 3.03 | 3.25 | 3.31 | 3.47 |
| Ireland | | 2.67 | 2.58 | 2.58 | 2.81 | 2.86 | 2.86 | 2.50 | 2.44 | 2.50 | 2.56 | 3.00 |
| Japan | | 3.22 | 3.42 | 4.06 | 3.83 | 3.83 | 3.72 | 3.94 | 3.89 | 3.61 | 3.78 | 3.78 |
| Switzerland | | 3.33 | 3.56 | 3.64 | 3.64 | 4.06 | 4.03 | 4.14 | 4.14 | 4.42 | 4.22 | 4.50 |
| United Kingdom | | 3.36 | 3.33 | 2.89 | 3.22 | 3.75 | 3.86 | 3.36 | 3.47 | 3.53 | 3.53 | 3.61 |
| United States | | 2.03 | 2.03 | 2.36 | 2.44 | 2.42 | 2.47 | 2.97 | 2.97 | 2.92 | 2.92 | 3.03 |
| Non-OECD Economies | | | | | | | | | | | | |
| | China (People's Republic of) | 1.31 | 1.47 | 2.47 | 2.53 | 2.75 | 2.89 | 2.78 | 2.83 | 2.86 | 2.94 | 3.14 |
| | India | 1.69 | 1.78 | 1.86 | 1.78 | 1.86 | 1.97 | 2.53 | 2.53 | 2.69 | 2.69 | 2.83 |
| | Indonesia | 0.67 | 0.83 | 0.83 | 0.75 | 0.75 | 0.75 | 1.08 | 1.25 | 1.31 | 1.56 | 1.64 |
| | Russia | 0.67 | 0.67 | 0.67 | 1.08 | 1.08 | 1.08 | 1.17 | 1.17 | 1.17 | 1.17 | 1.17 |

Figure 1.1 OECD Environmental Policy Stringency Index

Source: OECD.stat (2023)

OECD Environmental Policy Stringency Index (2022) indicates that Indonesia as a non-OECD country has a low average rating of 1.04 ranging from 2010-2020. Indonesia's EPS average is far behind compared to countries with the highest average EPS rates such as France (4.17), Switzerland (3.77), and Japan (3.73).

Not only governments but the demand of consumers and investors are also the most influential driving factor in implementing sustainability in the economy. According to World Economic Forum (2022), 85% of investors took into account ESG factors in their investments, while 91% of banks monitored the ESG performance of their investments. Sustainable products also capture the attention of millennials and the Gen-Z consumer segment. 75% of Gen-Z consumers are willing to pay more for environmentally friendly products.

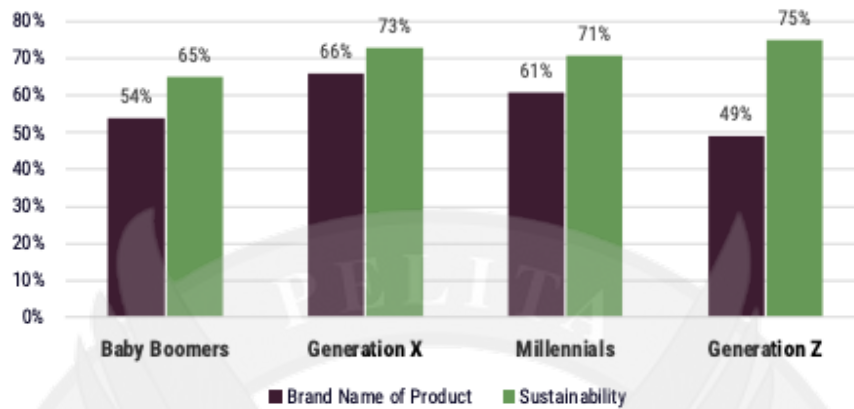


Figure 1.2 Sustainability and Brand Name Importance Rate in Purchasing Products in the U.S
 Source: First Insight Report (2021)

According to a US consumer survey conducted by First Insight & The Baker Retailing Center at the University of Pennsylvania's Wharton School (2021), three out of every four individuals belonging to the Generation Z demographic prioritize sustainability over the brand name when making purchases. This indicates that Generation Z has shown a strong concern for the environment and prioritizes sustainable purchases.

At a CAGR of 6.1% from 2021 to 2028, the market for sustainable footwear is projected to increase from USD 7.40 billion in 2020 to USD 11.98 billion by 2028. (Zion Market Research, 2019). Specifically, Indonesia positioned itself in fourth place as the largest footwear producer in the world, after China, India, and Vietnam, with a

share of 6.3 percent of total world production. Indonesia also ranks fourth as the largest consumer of footwear with a share of 4.5 percent (Kemenperin.go.id, 2019).

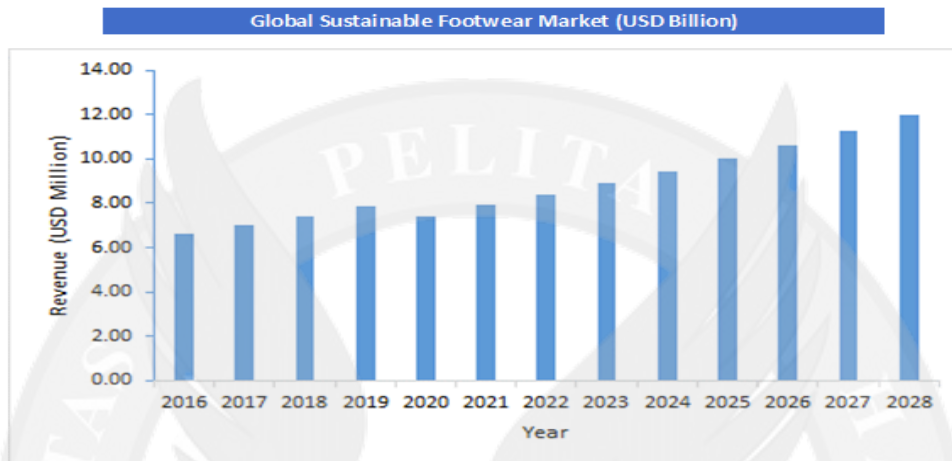


Figure 1.3 Global Sustainable Footwear Market Size, Share & Trends Analysis Report
Source: Zion Market Research (2019)

Ngwabebhoh et al. (2021) explained that the growing environmental hazards caused by footwear materials in recent years have gradually raised significant concerns about sustainability. alternatives, such as synthetic laminated materials, have been extensively investigated and developed for use in footwear and other leather products due to the increased focus on animal cruelty and the strict rules governing the manufacture of animal skin leather. The trend toward eco-friendly products has had an impact on the two top shoe manufacturers, which are Nike with a total revenue of \$36.3 billion, and Adidas with a total of \$24 billion in revenue.

Triplepundit.com (2021), in its review of Adidas' sustainable performance, mentioned that Adidas has partnered with several companies to create new materials

from recycled or renewable sources, including ocean plastic, recycled polyester, and natural rubber. In 2020, Adidas managed to ensure that over 60% of the sustainable material such as polyester used in its branded clothing and footwear. The company has set a goal to use only recycled polyester for its products by 2024. In contrast to Nike's sustainable footwear products, [Thesportsedit.com](https://thesportsedit.com) (2021), has reviewed the sustainability performance of Nike footwear products. In summary, Nike has established goals to lower its carbon footprint and has taken a step toward using more environmentally friendly materials in its products, such as recycled polyester and organic cotton. In addition, the company has created measures to recycle and reuse materials, as well as to reduce waste.

Marketers can divide the market into different segments of green to respond to consumers differing levels of environmental concern. The Roper Organization (1990) categorizes customers as follows:

“True Blue Greens” have strong environmental ideals and strive to affect positive changes. They are more than four times more likely to avoid items made by ecologically unconcerned businesses. “Greenback Greens”, Unlike True Blues, are not devoting time to political activism. They are, nonetheless, more likely than ordinary customers to buy ecologically friendly products. Sprouts believe in environmental causes in theory but not in practice. “Sprouts” will rarely buy a green product if it means spending more, but they are capable of going either way and can be persuaded to buy green if appealed to appropriately. “Grouzers” are uneducated about environmental concerns and skeptical of their abilities to affect change. They feel that

green products are excessively expensive and do not perform as well as alternatives. “Basic Browns” Basic Browns are preoccupied with ordinary matters and are unconcerned with environmental and social issues.

Studies regarding consumer behavior towards green products have been an interesting topic to be explored. According to research by Ali et al. (2020) discussing “green” behavior such as its thinking and altruistic attitude lead to purchase intention conducted extensive research on the factors that influence the purchase of environmentally friendly products from both internal and external perspectives. The research studies the internal characteristics of consumers and how consumer behavior such as “green” altruism and thinking may affect their intention to purchase eco-friendly electronic products. Furthermore, to comprehend the psychological process consumers go through before purchasing, the research includes the concept of green intrinsic and extrinsic motivation. Intrinsically, may desire to participate in environmentally friendly behaviors due to their love for the environment. It is also indicated that consumers may be extrinsically motivated due to bonuses that are being offered for purchasing eco-friendly electronic products.

The study of consumer behaviors towards green products may have significant importance for businesses that are involved in the industry. To enhance promotion efforts, it is crucial to have a thorough understanding of consumer behavior (Stankevich, 2017). Companies that are in the green product industry must grasp the consumer's preferences and how they make decisions regarding such products (Cherrier et.al. 2011). With a focus on gaining a competitive advantage, many

companies across various industries are increasing their attention to green marketing (Ciobanu et.al, 2022). Environment and sustainable information are needed to affect consumers' purchase intention (Blanco-Portela et al. 2018).

1.2 Research Problem

Based on the results of the research investigations, it can be said that environmental concerns have raised societal awareness and influenced behavioral traits toward the desire to buy eco-friendly goods. However, there is a lack of conducted studies on sustainable footwear products in Indonesia, specifically examining the population of Gen Z. Therefore, the researcher aims to conduct a study on the phenomenon in Indonesia. This research will examine how variables of “Green”: (1) altruism; (2) Thinking; (3) Intrinsic motivation; and (4) Extrinsic motivation have a relationship to Green Purchasing Intention. The study will use the population of Gen Z in Universitas Pelita Harapan.

1.3 Research Questions

The issues of this research are as follows given the preceding discussion above:

1.3.1 Does Green Altruism have a positive impact on Green Purchase Intention?

1.3.2 Does Green Thinking have a positive impact on Green Purchase Intention?

1.3.3 Does Green Intrinsic Motivation have a positive impact on Green Purchase Intention?

1.3.4 Does Green Extrinsic Motivation have a positive impact on Green Purchase Intention?

1.4 Research Objectives

To clarify this research further, this research aims to:

1.4.1 To assess whether Green Altruism has a positive impact on Green Purchase Intention

1.4.2 To assess whether Green Thinking has a positive impact on Green Purchase

1.4.3 To assess whether Green Intrinsic Motivation has a positive impact on Green Purchase Intension

1.4.4 To assess whether Green Extrinsic Motivation has a positive impact on Green Purchase Intention

1.5 Significance of The Study

The significance of the study is as follows:

1.5.1 For the Researchers

For Researchers, this research is expected to help researchers in understanding the relationship between “Green” altruism, Thinking, and Intrinsic & Extrinsic Motivation toward Green Purchase Intention of sustainable footwear products by Generation Z at Pelita Harapan University.

1.5.2 Business School

For the importance of the faculty at all Business Schools to cover additional themes about consumer behavioral traits toward sustainable footwear items in the relevant course, it is hoped that this research will provide some useful information.

1.5.3 Generation Z

Although Generation Z may be a generation that takes action to address environmental problems, researchers expect that everyone in Generation Z will take into account the value of the environment and participate in the consumption of sustainable products.

1.5.4 Business Owners or Corporations

For business owners or corporations, researchers hope that this study may support information to analyze consumer behavior towards green products. Which may help Business Owners or Corporations to build strategies for penetrating the green product markets. Additionally, the researcher hopes that the study may trigger Business Owners or Corporations to apply the green sustainable approach to their products/services.

1.5.5 The Next Researcher

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

1.6 Organization of The Study

1.6.1 Chapter 1 Introduction

The background of the study, the current condition of the problem, the research question and objectives, the importance of the investigation, and any organizations connected to the study will all be included in this chapter. This chapter will also provide examples of this subject's debate.

1.6.2 Chapter 2 Literature Review

Experts in this report employed, along with all of the variables, connections between the variables, and the research model.

1.6.3 Chapter 3 Research Methodology

The research paradigm, the goal of the study, research tactics, researcher interference, study setup, unit analysis, time horizon, data collecting, sampling, measurement, and finally, data analysis are all covered in this chapter. This chapter will also go over any research methods that were employed.

1.6.4 Chapter 4 Results and Discussions

In order to be able to conclude the hypothesis that was put out in the previous chapter, this chapter will attempt to examine the validity and reliability of this study. It will also review the findings from the data sample that was utilized by other researchers.

1.6.5 Chapter 5 Conclusions and Suggestions

This chapter will wrap up the study and provide insightful advice for any future researchers who want to go further deeper into this particular topic.

