

CHAPTER I

INTRODUCTION

1.1 Background of The Research

The current global economic landscape is experiencing a significant change where prices cease to be the dominant mode of transactions and value-based consumption whereby the concept of environmental and social elements are introduced in the buying behavior. The growing global awareness regarding climate change, scarcity of resources, and ethical labor standards has transformed green consumption from a niche lifestyle choice into a contemporary market force (do Prado & de Moraes, 2020). Modern consumers have ceased to be passive receivers of products, but rather active agents seeking to find the brands that match their own ethics and environmental responsibility (Nguyen Quoc, 2025). The degree of this growth is further explained in the quantitative analysis provided below:

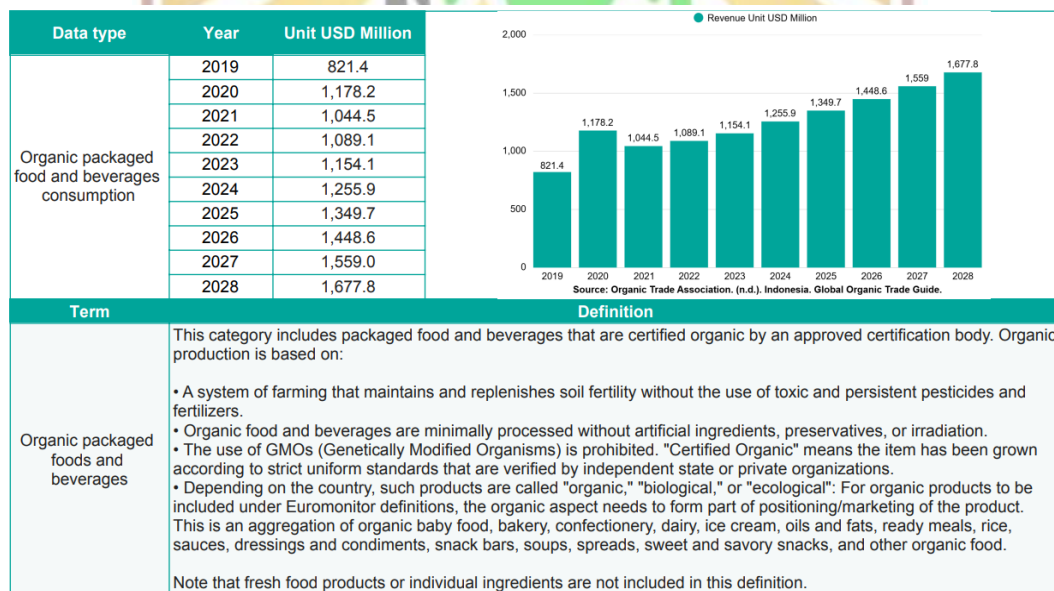


Figure 1.1 Organic Packaged F&B Consumption in Indonesia

Source: Global Organic Trade (2025)

The Organic Packaged Food and Beverages category in Indonesia experienced a significant growth of 6.0% in 2023, reaching a market size of US\$1,154.1 million. Throughout the historical period of 2019-2023, this sector achieved a Compound Annual Growth Rate (CAGR) of 8.9%, and it is projected to maintain a CAGR of 7.7% leading up to 2028. This trajectory emphasizes that environmental responsibility has evolved from a niche preference into a foundational market driver within high-value industries.

Customers in this segment possess the economic ability to place more value on non-price attributes over basic cost attributes (Sun and Wang, 2020). Rutelione and Bhutto (2024) note that the process of making a purchase decision in a high-value market is strongly determined by a multidimensional relationship between the consumption values, especially the perceived quality of the product as an essential need and a social value as a symbol. Within this approach, a premium product is not just a high-quality object but also a symbol of status that signifies to the community the luxurious lifestyle of the buyer as well as his or her social status (Kaur et al., 2022). The intersection of high quality and societal recognition points to the fact that the factor of the product being green is a crucial aspect of its perceived premium and exclusivity in the eyes of buyers with higher incomes (Woo and Kim, 2019).

The road to a final purchase choice is usually blocked by the so-called green gap, which is an established phenomenon of a significant gap between the pro-environmental intentions and the real purchasing attitudes of the consumer (Yuriev et al., 2020). The Value-Belief-Norm (VBN) Theory has been a common way to obtain a better understanding of this friction as used by researchers. According to this psychological model, the ethical responsibility of a consumer to consume environmentally friendly products is completely activated only in cases when he/she has a high level of awareness of the ecological effects of their consumption, and the belief that personal involvement can mitigate the effects (Sadiq et al., 2022).

To activate this theory, the customers need to believe the information provided by the brand (Ali et al., 2021). Signaling Theory states that any form of consumer knowledge of eco-labels would be the main channel of communication that can be used to reduce information asymmetry. Nevertheless, this has led to information overload and greenwashing due to a large number of global certifications, which has created a lack of trust and made the process of making decisions tougher (Kovac et al., 2025). Therefore, the market signaling provided by an eco-label does not always ensure its effectiveness anymore, but rather its ability to render the consumer more capable of critically interpreting and authenticating the veracity of the sustainability claims that it makes (Donato & D'Aniello, 2022).

The path to a final purchase is often obstructed by the 'green gap' a significant disparity between pro-environmental intentions and actual purchasing behavior. This challenge is exacerbated by 'greenwashing' and information overload from a vast array of global certifications, leading to a lack of consumer trust. In Indonesia, the government has established a rigorous legal framework, specifically governs the oversight of processed organic food to protect consumers from misleading claims. Such regulatory density requires consumers to possess high critical ability to authenticate sustainability claims.

The ever-present challenge of customers distinguishing between the plausible, evidence-based third-party certifications and the purposely vague marketing wording used by companies is a serious impediment towards making informed choices. Such a general informational gap compels people to find their way in the world of greenwashing and false arguments, which negatively affects their ability to make a purchasing choice that can reflect their environmental values. The degree of this divergence is further explained in the comparative analysis that is provided below:



Figure 1.2 Diversity of Misleading and Globally Recognized Ecolabels
Source: Business with Impact (2025)

This phenomenon is increasingly evident in the urban setting of Jakarta, Indonesia, where the rapid expansion of the urban middle and upper classes has directly spurred a significant rise in the premium food retailing business. As the economic epicenter of the country, Jakarta serves as a critical strategic locus through which researchers can analyze how affluent people reconcile their high purchasing power with their growing internal environmental values. Consequently, this study specifically targets major upscale merchants and premium retail chains such as Ranch Market, Kem Chicks, and GrandLucky, where eco-labeling and organic certifications are not merely aesthetic additions, but are integrated as part of the core value proposition of the product. By investigating this specific retail environment, the research captures the precise behavioral expressions of high-income consumers when confronted with dense sustainability signals. To contextualize this empirical landscape, Figure 1.3 below

displays the spatial setting of the market by visualizing the geographical distribution of the premium stores sampled in this study:



Figure 1.3 Premium Grocery Stores in Indonesia

Source: detikFood - detikcom (2021)

The study problem is the following: the inconsistency between the green purchasing decisions of the people who seem to have identical environmental beliefs. According to this study, the amount of consumer education is the most crucial variable in such change. Education is not a demographic fact but a cognitive trigger that will affect the power of the consumer to make sense of the complex market cues. High education is expected to increase the impact of eco-label knowledge and environmental awareness as it allows customers to properly examine the technical information and comprehend the consequences of their choice in the long term (Siyal et al., 2021). It is hoped that the analysis of these elements through a combined VBN-Signaling perspective can help explain how education serves as the ultimate mediator of converting moral beliefs, perceived quality, and social status into conclusive decision-making towards premium products. In practice, the diversity of organic commodities in premium grocery stores necessitates a clear classification to understand the scope of consumer choice.

Consumer education level acts as a critical 'cognitive trigger' that influences a consumer's ability to decode complex market cues. Recent data indicates that while 73% of Indonesian consumers seek healthy products, only 57% claim to read nutritional labels closely. High education levels are expected to amplify the impact of eco-label knowledge and environmental awareness, as they enable customers to properly examine technical information and comprehend the

long-term consequences of their choices. Table 1.1 below outlines the types of organic products assortment in this research:

Table 1.1 Product Assortment

Major Category	Specific Product Types included
Organic Food (General)	Meat, Fish, & Poultry; Fruits & Vegetables; Cooking Ingredients.
Dairy Products & Alternatives	Cheese, Milk, Yogurt, and Non-dairy alternatives (Soy, Almond).
Organic Beverages	Coffee, Tea, and Soft Drinks.
Processed & Frozen Food	Ready meals, Snack bars, and Confectionery.
Specialized Nutrition	Organic Baby Food, Milk Formula, and Weaning Food.

Source: USDA Foreign Agricultural Service (2024)

The assortment in Table 1.1 reflects the complexity of the premium organic market, spanning from daily staples like meat and cheese to specialized nutrition. According to the USDA Foreign Agricultural Service (2024), the expansion of these categories requires higher consumer vigilance due to information density.

As indicated by the above background, this research aims to investigate the following title: The Influence of Eco-Label Knowledge, Environmental Awareness, Perceived Product Quality, and Social Prestige on Purchase Decisions at Premium Supermarkets: The Moderating Effect of Consumer Education Level (A Case of Consumers at a Premium Grocer in Jakarta).

1.2 Research Questions

From the background explained above, the formulation for the problem in this study is:

1. Does Eco-Label Knowledge influence premium product purchase decisions?
2. Does Environmental Awareness influence premium product purchase decisions?
3. Does Perceived Product Quality influence premium product purchase decisions?
4. Does Social Prestige influence premium product purchase decisions?
5. Does Consumer Education Level moderate the relationship between Eco-Label Knowledge and premium product purchase decisions?
6. Does Consumer Education Level moderate the relationship between Environmental Awareness and premium product purchase decisions?
7. Does Consumer Education Level moderate the relationship between Perceived Product Quality and premium product purchase decisions?
8. Does Consumer Education Level moderate the relationship between Social Prestige and premium product purchase decisions?

1.3 Research Objectives

From the background and problem that have been stated previously, the objectives of the research are:

1. To examine the influence of Eco-Label Knowledge on premium product purchase decisions.
2. To examine the influence of Environmental Awareness on premium product purchase decisions.
3. To examine the influence of Perceived Product Quality on premium product purchase decisions.
4. To examine the influence of Social Prestige on premium product purchase decisions.
5. To examine the moderating role of Consumer Education Level on the relationship between Eco-Label Knowledge and purchase decisions.
6. To examine the moderating role of Consumer Education Level on the relationship between Environmental Awareness and purchase decisions.

7. To examine the moderating role of Consumer Education Level on the relationship between Perceived Product Quality and purchase decisions.
8. To examine the moderating role of Consumer Education Level on relationship between Social Prestige and purchase decisions.

1.4 Contribution of the Research

1.4.1 Theoretical Contributions

The study makes a thorough contribution to the literature of studies on consumer behavior by bringing four independent variables into a combined framework. This paper provides a sophisticated model of exploring the complicated issue and role of psychological and external factors in making purchasing decisions, beyond a mere conglomeration of factors. This study is a breakthrough in the theoretical direction as Consumer Education Level has also been noted as a critical mediator rather than a mere demographic control factor. This paper analyses education in the context of the Signaling Theory that provides insights as to the impact of cognitive ability on the perception of the eco-labels and quality indicators. Accordingly, results supplement existing models such as Value Belief Norm (VBN) and Signaling Theory by offering an experimentally proven model of the process that drives green purchasing behavior. The work can be used as a primary source of future studies since researchers can reproduce or develop these complex relations in different geographical areas and product segments.

1.4.2 Practical Benefits

Other than its academic value, this study has a lot of practical value to manufacturers, advertisers and retailers of high quality products. The findings offer empirical evidence on the determinants that are important in purchasing behavior of the rich customer groups. Such knowledge can be deployed to design specific communication strategies, e.g., the producers of premium coffee and cocoa can make the ethical certification like Fairtrade or the Rainforest Alliance

(previously known as UTZ) more effective by focusing on the sustainable features that resonate the most with the wealthy consumers.

Besides, the results of this study can be used to develop sustainable products. Firms may use such information to ensure that emerging products meet the specific sustainability demands that affluent customers value. This study evaluates one of these segments that has a large purchasing power that often determines the trends in the market giving business an advantage in terms of competition. Such intricate motivations will allow companies to be more efficient in their innovation, which will result in a more robust market presence in the competitive premium retail sector.

1.5 Scope of the Research

1.5.1 Thematic Scope

The variables under study clearly define the thematic scope of this study. The study only focuses on the relationship between four different independent variables, a moderating variable and one dependent variable. The independent variables are Eco-Label Knowledge (X1), Environmental Awareness (X2), Perceived Product Quality (X3), and Social Prestige (X4). The Consumer Education Level (Z) is the moderating variable and the decision to buy premium products (Y) is the dependent variable. The study will conceptualize the purchase decision using a set of questions that are meant to elaborate on how the consumer arrives at his/her purchase decision taking into account such areas as resource conservation and material composition when making a purchase. The research will investigate the personal effects that each independent variable has on the dependent variable, and the overall effect. The moderating variable that is explicitly studied in the study is Consumer Education Level in order to increase the consumer behavior knowledge.

1.5.2 Geographical and Population Scope

This study is limited to the premium groceries company in Jakarta, Indonesia. The population of the study consists of consumers that shop regularly in these particular stores. The convenience sample that will be used is non-probability but is useful due to convenience in collecting information within the constraints that are set, which restricts the ability to extrapolate the findings to the larger customer base that falls outside the market niche in the given market. This research contributes significantly to the understanding of a specific consumer group, the results of this study provide an invaluable point of reference in future investigation under varying circumstances.

1.6 Research Outline

This study has five elaborated chapters which are well structured to have a smooth flow of the study. In Chapter I (Introduction), the research background is detailed with the background of the problem, objectives, significance of the study, as well as the scope of the research. The theoretical framework is developed in Chapter II (Literature Review) through a thorough combination of the existing literature and previous research which ends with the research hypotheses formulation. In Chapter III (Research Methods), the methodological approach, such as the source of data, collection methods, sampling methods, and the analytical model that will be used to test the hypothesis is defined. Chapter IV (Results and Discussion) summarizes the empirical results of the data analysis followed by the detailed discussion that will be used to correlate the results with the constructed theoretical framework. Chapter V (Conclusion) summarizes the overall findings and generalizes the research results and outlines strategic suggestions on future research.