

CHAPTER I

INTRODUCTION

1.1 Background of Research

Nowadays, global issues related to polluting and degradation of environment becoming public topic which already known by society. Public awareness of the importance of environmental conservation is increased. It is triggered by concerns most likely disasters that threaten the environment, not only health, but even to the human's life and their descendants. Evidence showed by the observer environmentalists and scientists, environmental damage that happen such as depletion of the ozone layer which directly increase the prevalence of skin cancer and has the potential to disrupt the global climate and global warming, strengthens reason such concerns. Also the problem of acid rain, greenhouse effect, pollution of air and water are already on dangerous level, soil pollutions, fires and deforestation threaten amount our atmosphere and flooding in several cities. The damage also causes by the waste of product packaged that usually in form of plastic waste. Even now, the waste of plastic is a big problem because the amounts of waste have increased day by day and the numbers of recycled garbage are still low.

Carbon emission is one of greenhouse gases contributing to global warming. The greatest producers of carbon emission are industry and transportation sectors.” Victor Lebow’s quotation (an American retail analyst from 1948) cited

in The Green Marketing Manifesto (Grant, 2007: 10). This sentence is no longer at issue...

We need things consumed, burned up, worn out, replaced, and discarded at an ever increasing rate. Since about thirty years, environmental concerns such as the global warming and the resource exhaustion have been important issues.

Global greenhouse gas (GHG) emissions continue to increase. Indeed, according to the OECD (November 2012), the world energy demand will be 80% higher than actually in 2050, leading to a 50% rise of greenhouse gases emissions. In the coming decades, increasing emissions will also be caused by high economic growth in some of the major emerging economies. Due to this realization consumers and companies have started to change their habits. Daily need products began to pay attention to the environment in production process such as FMCG sector.

Fast Moving Consumer Goods (FMCG) refers to items that are purchased and consumed frequently by consumers. These are non-durable products, which have relatively low prices. The main product categories that fall under FMCG include food and beverage, personal care (cosmetic, healthcare, so on) and household care. Food and beverage: Easily perishable items such as fruits and vegetables, and relatively longer shelf life such as sugar, confectionery, snacking items, coffee, tea, fruit juices, health drinks and bottled water are included. Personal care: includes toiletry items of everyday use such as soap, shampoo, toothpaste, deodorant, perfume, body lotion or skin care. Household care: household care items include items required for maintenance of household

cleanliness such as floor cleaner, air freshner, toilet cleaner, detergent, and washing powder are also included in FMCG category.

FMCG industry or Consumers Packaged Goods (CPG) is one of the industries producing carbon emission during its life cycle. The production of carbon emission from FMCG industry starts from raw material extraction to product packaging waste, after consumption. Perceived from its characteristics, FMCG industry is heavily influenced by the dynamics of consumer needs, including the growth of population, which results in the increase of FMCG product demand. The higher the demand, the more the industry must produce the product, which means the more carbon emission produced. The increase of carbon emission is not only a result of an increase of production process activities, but also an increase of activities at supply chains of FMCG industry, for example activities at retailer (Quinn, 2009). FMCG industry produces people's daily need products. The consumption of FMCG industrial products reaches the entire society strata regardless income level or economic degree. FMCG industry in Indonesia reaches low income society strata by producing needed goods at affordable price. FMCG market is very competitive and dynamic, both in price competition and product innovation. In general, the consumers of FMCG products are so many; they are potential target market of this industry.

Prakosa (2014) shows the findings of market research company, Kartal Worldpanel Indonesia launched the result of brand rank in the FMCG industry exist in Indonesia through Brand Footprint 2014. Research conducted this year related to the Indonesian FMCG market continues to experience positive trends

year by year. Indonesia Kantar Worldpanel data shows that from 2012 to 2013, FMCG products have been increased in sales by 14% in Indonesia, both in urban and rural areas. In a more micro perspective, consumer trend in Indonesia also shows a trend that is very lucrative for the FMCG industry. Indonesian consumers are “busiest” when compared to consumers in other countries. During the year, Indonesian consumers shop more than 400 times, or about 31 times a month or almost every day which means that the FMCG is a potential sector in Indonesia.

Green marketing arises as the reaction of marketer to be more care and keep the environment. For then, green marketing becoming the alternative strategy that is not only to establish brand or company image, but also create more values for environment. The problem is majority of the target market do not environmentally – oriented that affects the growth of eco-friendly product tends to be slow. Green marketing has rose attention due to the environmental deterioration and it becomes a global problem (Kumar, 2011: 59). Nowadays, the American Marketing Association (AMA, 2015) divides the definition of green marketing in three aspects: as “the marketing of products that are presumed to be environmentally safe” (retailing definition) as “the development and marketing of products designed to minimize negative effects on the physical environment or to improve its quality” (social marketing definition) and finally as “the efforts by organizations to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concerns” (environments definition). Those three aspects of green marketing definition should be balanced.

Green marketing is not only about promoting the safe products, but also those products intensively keep the environment in the origin condition. The company should commit to fulfil the consumers' needs and wants without harm the environment. Green product can be seen from the product itself, for examples from how they get the raw materials, or how they packaged their products by using recycled materials. Green marketing requires the companies to balance between their own benefits without neglecting social and environment.

Environmentally product is supposed to reduce the impact of its consumption. All elements should support kind of actions that can cut down environmental damage such as reduce, reuse, and recycle (R3). R3 are the assential components of environmentally-responsible consumer behavior. Although no consumer product has a zero impact on the environment, in business, the terms —green product and —environmental product are used commonly to describe those products that strive to protect or enhance the natural environment by conserving energy and/or resources and reducing or eliminating use of toxic agents, pollution, and waste. According to a survey made by the Gallup organization in 2009, around one of fifth of European interviewees think that the action which has the greatest impact on solving environmental problems was “to buy products produced by eco-friendly production” just after “minimizing waste and recycling” action (Flash Eurobarometer 256 – The Gallup Organisation, 2009: 7).

Some of companies in Indonesia start to produce and promote eco-friendly product. Some of these companies began to care about the environment

sustainability. In term of plastic waste, the majority of FMCG products are already using packaging that can be recycled. Even some manufacturers went one step forward by educating consumers through campaigns, using non-plastic packaging and establishing its own recycling plant as their corporate social responsibility programs. For example, Coca Cola Company through Ades vigorously campaigned for green packaged product to their consumers. Different with Teh Kotak, Ultra Milk and kind of product produced by PT Ultra Jaya, they are using eco-friendly cardboard packaging manufactured from environmentally friendly wood material. Its product packaged has a certified label from Forest Stewardship Council (FSC) which is a non profit organization who responsible to promote forest management. Meanwhile, Aqua Group operates Recycling Business Unit (RBU) in Tangerang Selatan since 2014 as their social responsibility program. Every month, RBU chops 80 tonnes of beverage plastic bottles into piece called flates PET (Firmanto, 2016). As well as PT Unilever, they also focused on organizing waste of their product by launching a garbage bank program in 2015.

In term of reducing carbon emissions, Efitra (2015) states that French beauty company, L'Oreal planned to produce 100% sustainable products which have benefits for social environment in 2020. In the field of sustainable production, L'Oreal Group also commit to reduce its carbon footprint by 60% from 2005. L'Oreal Indonesia has reduced waste water treatment plant from 600 tonnes in 2013 to 500 tonnes in 2014 and 100 tonnes in 2015. Sustainable Production Commitment of L'Oreal focused on three major topics, namely the reduction of

water consumption, waste and CO₂ emissions were produced in factories and distribution, as well as CO₂ emissions from transportation in distribution process.

Meanwhile, P&G adapted green living concept in their plant. This plant gets LEED certification which is the leading green building standards in the world and the highest environmental certification system developed by the US Green Building Council (Nenglita, 2014). It means that the construction of this plant is taking attention to green aspects and eco-friendly management.

In addition, a product which is very famous for its environmental friendliness is The Body Shop. The Body shop is not only concerned to the sustainable environment, reducing carbon emissions or using recycled packaging, but also produced high quality product. Its products are free of parabens, sulfates, sillicon, and dyes. They replaced those dangerous materials with more natural ingredients such as coconut oil to change the use of sulfates (BeritaSatu, 2011).

In order to improve consumers' knowledge about environment, companies should not explain only about quality of the "green" products, but also many big problems such as pollution, climate change, rubbish and others problem related to the environment. This is really important to do, remember the total energy used by manufacture sector as 33%, 29% energy consumed by households, 26% transportation, 12% used by service and other sector (Dahstorm, 2011: 29).

In Indonesia, most of consumers are aware toward environment. It can be seen from the research findings of AC Nielsen that concerned to the internet users found that more than 90% of consumers in Indonesia concern about environment issues (Kurnia and Noven, 2009: 42). Latest survey concerned to internet users in

Indonesia by Nielsen in 2014 found that more than 6 in 10 consumers (64%) are more willing to pay extra for goods and services when it comes from companies who are committed to making positive social and environmental impact (Nielsen, 2014). Because of those facts, this study conducted to measure several issues related to consumer behavior, such as what kind of attitudes will be showed by consumers toward green marketing strategies of eco-friendly FMCG product applied by manufactures or firms. How word of mouth amongst consumers relate to their attitudes. And whether those attitudes lead to intention to repurchase green FMCG products. Therefore, the writer interested in conducting research entitled **“The Influences of Green Marketing and Word of Mouth on Consumers Attitudes and Intention to Repurchase Green Fast Moving Consumer Goods (FMCG) Products in Padang, Indonesia”**.

1.2 Problem Identification

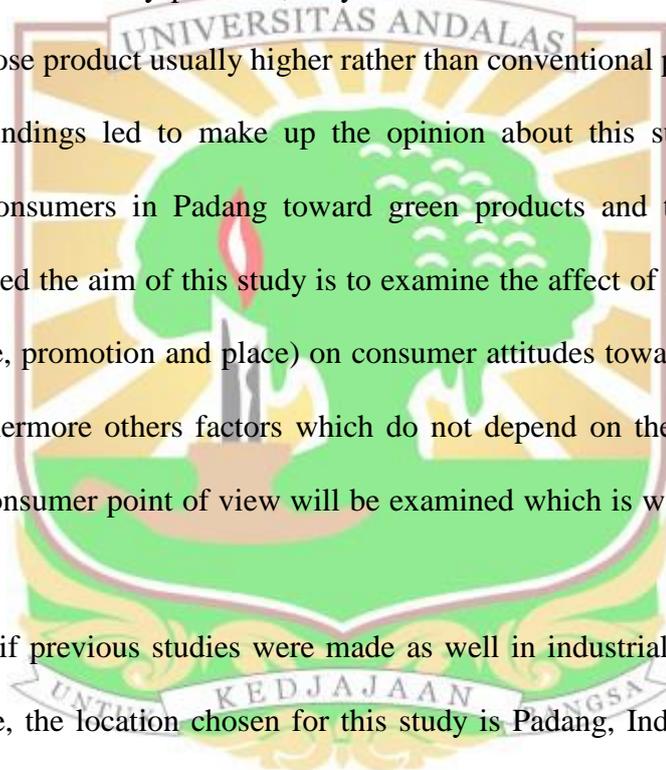
There are many studies about the consumer behavior concerning the environment but most of them are concentrated on one or two marketing mix elements and they do not make a link with the factors that companies use to make consumers buy green products and their attitudes towards these products. Furthermore, previous findings concerning consumers' attitudes towards eco-friendly products are conflicting e.g. some studies found that consumers think conventional products have high quality compared to eco-friendly ones but in other studies results show the opposite (Vernekar and Wadhwa, 2011: 67). In some studies they found that consumers are willing to pay more for green

products and in other studies it is not the case or the extra price has to be low (De Pelsmacker et al., 2010; Pirani and Secondi, 2011; Purohit, 2011; Vernekar et al., 2011).

Other problem, based on writer's initial observation, majority of people in Padang do not know differences between conventional product and eco-friendly product. Most of them thought that all products are same. Even if they know which are the eco-friendly products, they will think twice before buy it, because the price of those product usually higher rather than conventional product.

These findings led to make up the opinion about this subject: how the attitudes of consumers in Padang toward green products and their repurchase behavior. Indeed the aim of this study is to examine the affect of green marketing (product, price, promotion and place) on consumer attitudes toward green FMCG product. Furthermore others factors which do not depend on the companies but more of the consumer point of view will be examined which is word of mouth on attitudes.

Finally, if previous studies were made as well in industrialized developing countries, here, the location chosen for this study is Padang, Indonesia, whereas typically cannot conclude as industrialized city. Thus, only few studies concerned about this topic especially in FMCG sector.



1.3 Questions of Research

Based on the background above, the research questions as follow:

- a) How does eco-friendly FMCG product affect attitudes of consumers in Padang?
- b) How does price of eco-friendly FMCG product affect attitudes of consumers in Padang?
- c) How does promotion of eco-friendly FMCG product affect attitudes of consumers in Padang?
- d) How does place of eco-friendly FMCG product affect attitudes of consumers in Padang?
- e) How does word of mouth of eco-friendly FMCG product affect attitudes of consumers in Padang?
- f) How does consumer attitudes towards eco-friendly FMCG product affect consumer repurchase intention in Padang?

1.4 Objectives of Research

The main purpose is to look into the green marketing in the view of the consumers' attitudes towards repurchase intention of green products. The specific objectives are as follows:

- a) To analyse the influence of eco-friendly FMCG product towards attitudes of consumer in Padang.
- b) To analyse whether price of eco-friendly FMCG product affect consumer attitudes in Padang.

- c) To analyse whether promotion of eco-friendly FMCG affect consumer attitudes in Padang.
- d) To analyse the effect of place of eco-friendly FMCG product on consumer attitudes in Padang.
- e) To analyse whether word of mouth of eco-friendly FMCG product affect the consumer attitudes in Padang.
- f) To analyse whether consumer attitudes towards eco-friendly product affect repurchase intention of consumers in Padang.

1.5 Benefits of Research

a) Theoretical

This research can contribute to add students' knowledge and insights related to the implementation of theory about marketing strategy that they already learned in learning process, especially theory about green marketing, attitudes and costumer repurchases intention. Besides, this research can add the collection of university library which discuss about the influences of green marketing and can be used as reference for subsequent study to other students in Andalas University.

b) Practical

The findings of this research expected can be used by the firms who produced FMCG eco-friendly product as suggestion or consideration in implementing marketing strategy, especially strategy related to green marketing, attitudes and consumer repurchases intention. Further, it could

reveal which marketing strategies that companies should adopt to create better understanding regarding consumers' needs in term of green products.

1.6 Scope of Research

In order to make this study can be discussed more thoroughly and can reach expected targets, so the research gap should be required. Based on the existing of problem identification, this study focuses on the affect of green marketing and word of mouth on consumer attitudes and repurchases intention towards eco-friendly products in FMCG sector, study in Padang, Indonesia.

1.7 Outline of Research

This research process is composed five parts systematically as follows:

Chapter I: Introduction

The introduction provides background of the research, research problem identification, research gap, objectives and the contributions or benefits of research.

Chapter II: Literature Review

This chapter explains theoretical basis theories or concepts that support the research objectives, review of previous studies and research framework.

Chapter III: Research Methods

The third chapter cover the methods used in this research contains design, population and sample, data collection method, variables and measurement and data analysis techniques.



Chapter IV: Result and Discussion

In this chapter will explain description of respondents, respondents' response per each indicators, process of data analyzes and discussion regarding the result of data analysis.

Chapter V: Conclusion, Limitation and Recommendation

Last chapter consists of conclusion of research, practical implications, limitations and recommendation for future research.

