

The Impact of Attitude Towards Green Products on Willingness to Pay Premium: With Special Reference to Millennials in Sri Lanka

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INTRODUCTION

With its holistic redefinition of the conventional business pathways, the concerns on the green products has emerged in today's contemporary business world in which, each and every firm is finding their ways and means to maximize their strategic objectives while minimizing the impact that they made towards the environment. Beyond the cut throat competition of gaining the mind share and the market share for their brands, it can be seen that today's marketer plays a vital role in creating a distinctive identity through the green concerns. Even though this is an emerging area in the real business world, it has become an overlooked area in the domain of research.

Green products are often associated with inconvenience, high costs, and lower performance (Chen and Chai 2010; Mainieri et al. 1997; Newman, Gorlin, and Dhar 2014; Ottman, Stafford, and Hartman 2006). Also it can be observed in the Sri Lankan consumer market that, the level of price towards the green products is comparatively high compared to the artificial products. Even though the price level is high, how far the attitude towards green products made them to pay premium on purchasing such products has become a question for the researchers. Thus, the purpose of the study is to study the impact made by the attitude towards the green products on the willingness to pay premium among the Millennials in Sri Lanka.

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OBJECTIVES

The objectives which are expected to achieve from the study are as follows.

1. To identify the salient dimension among the collectivism, environmental concern and interpersonal influence of the attitude towards green products that influence on willingness to pay premium.
2. To study the level of attitude toward green products among millennials.
3. To investigate the impact of attitude towards green products on willingness to pay premium with special reference to millennials.
4. To provide recommendations and suggestions for the industry practitioners.

THEORY

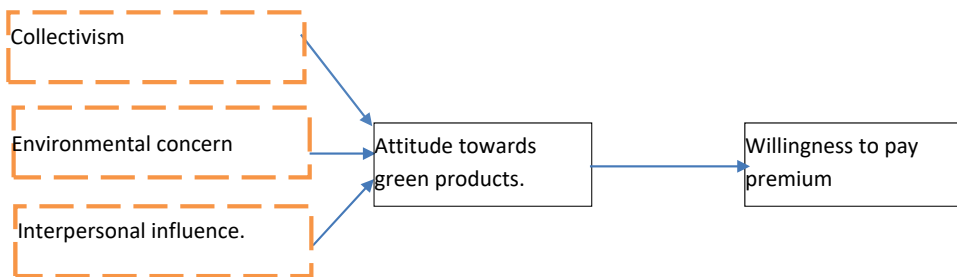
Shamdasami *et al.*, (1993) defined green product as the product that will not pollute the earth or deplete natural resources, and can be recycled or conserved. According to (Ajzen and Fishbein, 1980, p. 5), theory of reasoned action, “people consider the implications of their actions before they decide to engage or not engage in a given behaviour”. Roberts and Bacon, (1997) stated that a consumer’s environmental attitudes and behaviour have been documented as a complex, yet vital concept required to address the profile of the ecologically conscious consumer.

When it comes to WTPP (Willingness to Pay Premium), attitudes are the most consistent explanatory factor in predicting consumers’ willingness to pay for green products. (Chyong *et al.*, 2006). Cheah and Phau (2011) found that consumers with favourable attitude towards environment were more inclined to pay a premium for green products. Additionally, collectivism and environmental concern emerged as predictors of ATGP (Attitude towards Green Products).

On the other hand, Millennials also known as Generation Y, identified as a generational group with strong opinions about green issues among all generational groups (Jang *et al.*, 2011). Benckendorff *et al.*, (2010) and Parment, (2013) defined millennials/ Gen ‘Y’s are individuals who were born between the 1980s and late 1990s. Tang and Lam, (2017) found that positive attitude towards green products can result in willingness to pay premium with special reference to Generation Y consumers in China.

METHODS

The purpose of this research is descriptive and is conclusive in nature. Both primary and secondary sources of data have sourced for the study and it was conducted in the natural environment with minimal interference by the researchers. As the researchers want to find out the impact of attitude towards green products on willingness to pay premium, the data was collected in a natural or non-contrived setting. The data for this study was collected at a single point of time. Thus, the study is single cross-sectional. Millennial or Young Adults who were born in between 1980's late 1990's was the population for this study. A sample of 200 young adults has been selected on convenience sampling technique under non probability sampling method. One Sample T-Test and Regression Analysis have been used as data analysing techniques. Conceptual framework which has constructed based on the literature review is as follows.



Source: Constructed based on the literature review

Collectivism

Collectivism is the conviction that focuses on interdependence, in-group harmony, family security, group-oriented goals, social hierarchies, cooperation and a low level of competition (Hofstede, 1980).

Environmental Concern

Environmental concern can be defined as the degree of consumer worry focusing on threats to environment and highlights their sensitivity to issues related to environment (Hassan, 2014).

Interpersonal Influence

Interpersonal influence primarily consists of the impact of acting to persuade, convince or influence others for the purpose of having a specific effect. An important determinant of an individual's behaviour is the influence of others (Bearden *et al.*, 1989).

In line with the above conceptual model, the following hypotheses were developed.

H1: Environmental concern is the salient dimension of determining attitude towards green products that influence on willingness to pay premium.

H2: The level of attitude toward green products among millenials is high.

H3: There is an impact of attitude towards green products on willingness to pay premium with special reference tomillennials.

RESULTS

For this study, result of reliability analysis can be shows as follows.

Dimension	Cronbach's Alpha value
Collectivism	.889
Environmental concern	.786
Interpersonal influence	.765
Willingness to pay premium	.812

Sample profile

The majority of the sample is represented by females and is 56.8% in percentage. When concern about the income level of the sample, 75.5% of respondents' income level belongs to 0-50,000 category. The majority of the respondents' educational level belongs to category of Bachelor's degree which is 79.4%.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
AVGIV	200	3.9885	.42282	.02990

One-Sample T- Test

	Test Value = 3.6					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
AVGIV	12.994	199	.000	.38849	.3295	.4474

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					Lower	Upper
AVGIV	12.994	199	.000	.38849	.3295	.4474

Decision criteria

Mean	Decision criteria
1-2.299	Low
2.3-3.59	Moderate
3.6-5	High

One Sample T- Test showed a mean value of 3.9885 which is in the High Decision Criteria level and showed a significant value of 0.000. Therefore null hypothesis is rejected and it indicates that there is high level of Destination personality among domestic tourist to Kandy district, Sri Lanka.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.262 ^a	.069	.055	.71094

a. Predictors: (Constant), AVGC, AVGII,AVGEC

b. Dependent Variable: AVGWP

The result showed a regression coefficient of “r”= 0.262^a or 26% that suggests a positive relationship between willingness to pay premium and other explanatory variables. In this model, the coefficient of determination “R square” = 0.069 which shows that 6.9% of observed variability in willingness to pay premium can be explained by the differences in the independent variables taken.

ANOVA^a

Odel	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7.330	3	2.443	4.834	.003 ^b
Residual	99.065	196	.505		
Total	106.395	199			

a. Dependent Variable:AVGWP

b. Predictors: (Constant), AVGC, AVGII,AVGEC

When examine of the model summary in relation with ANOVA (F-value), it indicated that the model explains the most possible combination of predictor variables that could contribute to the relationship with the dependent variable. ANOVA table shows F significance value that F statistic was significant (F=4.834, P<0.005) at more than 95 present confidence interval suggesting the model was useful to determine the variation in the criteria. This implied that the model was significantly valid.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
	(Constant)	2.284	.481				4.749
AVGII	.126	.080	.111	1.577	.116	-.032	.284
AVGEC	.279	.103	.205	2.712	.007	.076	.482
AVGC	.026	.087	.023	.302	.763	-.145	.197

a. Dependent Variable: AVGWP

According to the statistical analysis shown in the above table, collectivism, environmental concern and interpersonal influence are positively influence on the willingness to pay premium since those variables are showing positive values and showed coefficient values 0.026, 0.279and 0.126 respectively. Following chart shows the tests results of the hypotheses which have been formulated at the beginning of the study.

Hypothesis	Measurement	Value	Supported/Not Supported
H1: Environmental concern is the salient dimension of determining attitude towards green products that influence on willingness to paypremium.	Mean analysis and Multiple regression analysis	Beta value .205, Sig .007 whereas highest mean value 3.989	Supported
H2: The level of attitude toward green products amongmillenials is high.	One sample t-test analysis	Test Value = 3.6 whereas observed mean value 3.9885	Supported
H3: There is an impact of attitude towards green products on willingness to pay premium with special reference tomillennials.	Regression analysis	R=.262 ^a whereas Sig.003 ^b (P value < 0.05)	Supported

DISCUSSION

As per the study findings, it is evidenced that, the attitude towards the green products do not make a significant influence on the millennials in determining their willingness to pay premium though they have a high level of attitude towards green products (observed mean value 3.9885) . Further, it has found that, the environmental concern of the attitude plays a major role in determining the willingness to pay premium towards green products among millennials which supports the findings of previous studies (Tang et al., 2014; Kirmani and Khan, 2018). Based on the study findings it can be concluded that the attitude of the millennials doesn't play a significant role in willingness to pay premium, instead of that, there will be some other factors that are significantly influence on determining the willingness to pay premium towards the green products.

IMPLICATIONS

This study significantly contributes in the understanding of the complex relationships among the study variables such as collectivism, environmental concern, and willingness to pay premium, which are less explored in Sri Lankan context. Based on the study findings, green marketers are able to target millennials since they have high level of attitude towards green products. Even though attitude towards green products may not significantly influence on willingness to pay premium, marketers should find another ways in which may influence on their willingness to pay premium like product quality. Further, study revealed that environmental concern of the attitude plays a major role in determining the attitude towards green products. Hence, marketers are able to use this as a tactic when they design their marketing mix decisions by incorporating environmental concern aspects.

As the recommendations for further researchers, it is suggested that they can be concentrated on studying the other factors such as product quality, Brand image and etc. which may influence on millennials' willingness to pay premium. Moreover, further studies are encouraged to replicate the same model by considering another consumer groups like Generation X, professionals etc.

KEYWORDS

Attitude towards green products, Collectivism, Interpersonal influence, Environmental concern, Willingness to pay premium

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