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Do the Customers pay more for Green Products? an Analysis among the Consumers with Special Reference to Bangalore City, India

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Abstract:

Pricing is considered as an important aspect of every business. A product like green products, need to be priced carefully in order to attract the customers. The present study aimed to find out the willingness of the customers based on their different socio-economic background and the percentage up to which customers are ready to pay more for green products. The study also analyzed the level of agreement of customers towards the statement 'price of green product is higher than conventional products and attempted to find out the association between customer satisfaction and their readiness to pay more for green products. 1061 samples were selected for the study through stratified random sampling. Statistical tools like percentage analysis and chi-square were employed to analyze the data. Findings revealed that almost all customers are ready to pay more for green products and the willingness to pay more towards green products increase with their satisfaction towards such products. The major limitation of the study is that it failed to analyze other P's of green marketing.

1. Introduction

Introducing a new marketing strategy and getting its acceptance among the customers have always been a challenging process. Green marketing is one among those strategies which still find to make its way in the market. According to AMA, green marketing is the marketing of a product which result in the minimal usage of resources and cause minimal harm to the society. Thus it can be defined as the marketing of a product which does not create an imbalance to the ecological system. Marketers claim that manufacturing and marketing of green products incur much cost to them. The fact is that; this claim becomes meaningless in long run. Companies get profit in the long run out of the green products. But the problem is even after getting the profit; companies do charge the same price to the customers.

Pricing of a product is considered to be an important aspect of every product. People are ready to pay more only when the product satisfies their needs, either it could be a conventional products or a green product. The current study aims to find out the willingness of customers to pay more towards green product based on the demographic factors.

2. Review of Literature

Price is considered as one of the predominant factor that makes a person to buy or not to buy a product. Studies conducted by Ahamed and Ravi (2012), Siringi (2012) observed the fact that Indian consumers are ready to pay more for green products. It was supported by the study conducted by Nielsen Corporation in 2013 among major countries, revealed that people around the world are ready to pay more green products. Among the countries, three-quarter of Indian consumers are ready to pay more for green products. It also revealed that people who are below 30 years of age are prone to spend more towards green products.

A survey conducted by PR newswire in 2015 observed the fact that every 3 customers out of 5 are ready to pay more for green products only if the price of the products is same or less than the conventional products. Most of the customers believe that price of green product is high when compare to their non-green counterparts.

People tend to buy green products only if it provides the expected value/ satisfaction (Vernekar & Wadhwa, 2011). Female and married people are willing to pay more towards the green products (Laroche et.al, 2001). When taken the income aspect, middle class with an average income are willing to pay more for green products (Sabitha, 2015).

Most of the customers are ready to pay more for a percentage which is less than 5% towards green products (Hsu, 2016). When compared to high priced eco-friendly products, people are tending to pay more for low-priced eco-friendly products.

3. Research Method

3.1. Respondents and Procedure

The data was collected from the customers of Bangalore city, who frequently visits hypermarket and malls. The study was conducted during the spring of 2015. The data was collected through mall intercept method and the technique used was simple stratified random sampling. After refining the collected data, 1061 responses were found valid. Statistical tools like percentage analysis and chi-square were used to analyze the data.

3.2. Data Analysis and Discussion

The data was analyzed by aiming to find out the level to which customers are ready to pay more for green products. Percentage analysis was done to identify the willingness of respondents to pay more for green products who are from different socio-economic background. This analysis was also used to determine, up to what percentage customers are ready to pay more and the level of agreement towards the statement 'price of green products is greater than conventional products'. A chi-square test was conducted in order to find out the relationship between the satisfaction of customers towards green products and its impact on readiness to pay more towards green products.

Variables	Criteria	Ready to PAY MORE for Green products			
		Yes		No	
		Count	Table N %	Count	Table N %
Age	Below 25	211	19.9%	11	1.0%
	25-30	291	27.4%	0	.0%
	31-35	111	10.5%	2	.2%
	36-40	174	16.4%	0	.0%
	Above 40	176	16.6%	85	8.0%
Gender	Male	517	48.7%	9	.8%
	Female	446	42.0%	89	8.4%
Marital Status	Single	421	39.7%	11	1.0%
	Married	542	51.1%	87	8.2%
Qualification	Graduate	385	36.3%	15	1.4%
	Post Graduate	306	28.8%	0	.0%
	Professional	111	10.5%	0	.0%
	Others	161	15.2%	83	7.8%
Occupation	Employed	678	63.9%	6	.6%
	Business	172	16.2%	3	.3%
	Homemaker	77	7.3%	78	7.4%
	Student	36	3.4%	11	1.0%
Monthly Income	Below Rs. 25,000	260	24.5%	6	0.6%
	Rs. 25,000 - 50,000	462	43.5%	11	1.0%
	Rs. 50,001-75,000	234	22.1%	79	7.4%
	Above Rs. 75,000	7	0.7%	2	0.2%

Table 1: Readiness of customers to pay more for green products based on demographic factors

Source: primary data

The result from the table 1 shows that people who fall in the age group of 25-30 years are more willing to pay towards green products. When compared to female respondents, male respondents are ready to pay more. Taking marital status in to account, married respondents are more prone to spend towards green products. Respondents who are graduates are willing to pay more for green products and as far as occupation is concerned, employed people are more willing to pay towards green products when compare to other counterparts. When taking monthly income as the aspect of readiness to pay more towards green products, the respondents with a monthly income of 25,000-50,000 are more interested.

Percentage of ready to PAY MORE	Ready to PAY MORE for Green products	
	Yes	
	Count	Table N %
Less than 5%	547	56.81
Between 5% and 10%	243	25.23
More than 10%	173	17.96
Total	963	100

Table 2: Percentage of readiness to pay more

Source: Primary data

The analyses shown in table 2 revealed that in total, most of the respondents are ready to pay more for green products. But most of the respondents are ready to pay less than 5% towards such products.

Price of the green products is greater than conventional products	Ready to PAY MORE for Green products		Total
	Yes	No	
Strongly Disagree	247	3	250
Disagree	220	3	223
Neutral	25	5	30
Agree	351	85	436
Strongly Agree	120	2	122
Total	963	98	1061

Table 3: Level of agreement that price of green product is greater than conventional products

Source: Primary data

The result from the table 3 depicts that 351 respondents agree that the price of the green products is higher when compared to conventional products, but still they are ready to pay more for green products.

	Satisfaction towards Green/Eco-friendly products	Ready to PAY MORE for Green products
Chi-Square	1102.501	705.207
Df	4	1
Asymp. Sig.	.000*	.000*

Table 4: Association between Customer satisfaction and ready to pay more for green products: Test Statistics

*Significant at 5% level of significance

Source: Primary data

→ H0: There exist no association between customer satisfaction towards green products and the willingness to pay more green products.

A chi-square analysis was done to find out the association between Customer satisfactions towards green products and ready to pay more for green products. From the analysis it is inferred that there is a significant association between Customer satisfaction towards green products and readiness to pay more for green products with lowest p value ($p < .05$) at 5 % level of significance. This means that, the more customers are satisfied the more they pay for green products.

4. Conclusion

The study aimed to find out the percentage of willingness to pay more for green products. It has also observed the relationship between customers' satisfaction towards green product and the impact it has on the readiness to pay more towards such products. It was found that most of the customers are ready to pay more for green products, but still it's noteworthy that they are ready to pay more when they get satisfaction out of those products.

5. Discussion and Research Implication

The current study goes in line with the findings of Gan et.al (2008), where it was found that married people are willing to pay more for green products. At the same time the present study does not support the findings of Michaud and Llerena (2011), where it was observed that people are not ready to pay more for green products. The present study revealed that almost all the respondents are ready to pay more for green products. Even though almost all the respondents are ready to pay more for green product, the percentage varies from one respondent to another. In order to increase the percentage of extra money to be spent on green products, marketers need to convince the customers by providing the quality and requirements similar to the conventional product or better than that.

This study identified that male respondents are willing to pay more for green products which is against of result of study conducted by Laroche et.al (2001), where it was found that female respondents are tend to pay more towards green products.

Marketers can opt for a cost saving strategy which will result in the low price of green products. This will help them to grab the attention of both the existing and the potential customers towards green products (Boztepe, 2016). Especially with the Indian consumers opting most of the time for a low price product, green product can find a place in their mind only if it is either low price or capable enough to perform equally to the conventional products. Creating awareness towards the environmental issues and benefits of using the green products may create a shift in the minds of customers and which finally result in the consumption of green products.

It has to further notice that marketers need to be more careful while marketing the green products to the consumers because every customer will not pay more for green products just because it is green. A green product should not compromise with the core benefit of the product.

6. Research Limitation and Future Research

The current study was done by just focusing the aspect of price. Future research can be done by taking other P's of marketing into account and make the study broader. Application of other statistical tools can make the research to look the pricing aspect in a wider view point. Another limitation of the study is that it has taken only the Bangalore city as the study area, so the study cannot be generalized to a greater extent.

7. References

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