In Times of Need are there More Reasons to be Green?

Louise Young, University of Western Sydney, louise.young@uws.edu.au
Suzanne Benn, Macquarie University, sbenn@gse.mq.edu.au
Melissa Donald, University of Western Sydney, m.donald@uws.edu.au
Lynne Freeman, University of Technology Sydney, lynne.freeman@uts.edu.au
Sana Marroun, University of Western Sydney, s.marroun@uws.edu.au

Abstract

There is concern that consumers may have turned their backs on Ethical and Socially Responsible (E&SR) products in response to the Global Financial Crisis (GFC). This paper reviews secondary data on consumers' changes in E&SR purchasing as a result of the GFC, comparing it to the discourse of ten focus groups conducted immediately before and during the downturn. Our findings show that there has been little behaviour change in response to the downturn; E&SR products are perceived as more costly, consumer purchase decisions are primarily driven by cost rather than E&SR concerns, and consumers continue to purchase E&SR products that provide financial value.

Keywords: economic downturn, ethical purchasing, socially responsible purchasing, consumption

In Times of Need are there More Reasons to be Green?

Background

Media commentary has continued to note the decline of aggregate consumer demand in the face of economic uncertainties associated with the global financial crisis (GFC) (e.g. Timmermans et al 2009) and that socio-environmental concerns around climate change and other impacts of industrial development appear to take a back seat in such conditions (e.g. Salt, 2009). However, empirical evidence on whether the GFC has impacted negatively on the development of attitudes and behaviour towards Environmental and Socially Responsible (E&SR) is contradictory (e.g. Carvel, 2009; Smithers 2009). Drawing on media reports, secondary research and academic literature this paper considers the underlying drivers of E&SR purchasing. These are compared to the findings of 10 focus groups exploring the nature and drivers of E&SR purchasing.

While there is much rhetoric, relevant credible empirical evidence with respect to the recent GFC is scanty. Carrigan and De Pelsmacker's (2009) conceptual review suggests that a number of factors such as firm credibility and sustainability as well as product choice and quality assist in maintaining consumer loyalty in difficult times. Szmigin, Carrigan and McEachern's (2009) small scale qualitative study of what they term 'conscious consumers' indicates the complex set of both social and economic influences acting upon their purchasing behaviour and highlights the need for a more in-depth study. And, there is little research that considers how environmentally and socially responsible consumer attitudes and behaviour have evolved in response to past economic shocks. In a review of research on the impacts of economic recession in US and Asia, Zurawicki and Braidot (2005) found that consumer response to crises included an absolute drop in consumption, but that some categories of goods were impacted on much more than others. However, these noted changes may no longer be relevant; it is possible that wide publicity on the broad socio-economic risks and negative impacts on future generations associated with climate change may counter impacts on consumer choice that occurred in response to past crises (Langford, 2005).

The relevant contemporary research is ambiguous. While some studies report some ethical downsizing in response to the GFC, other studies provide more optimistic accounts. For example, a large study of E&SR purchasing was conducted by the UK government in late 2007 (Anon, The Ethical Consumerism Report 2008). At that point ethical markets had been growing steadily for 5-6 years and the ethical spend appeared to be continuing to grow steadily at a rate of 15% despite the already-emerging GFC. However, it is possible that a portion of the continuing E&SR purchasing growth could be attributed to UK legislation that required such purchasing. Furthermore, the substantial growth in E&SR purchases over the 2007-2008 period appeared to be primarily for low cost items such as food, drink and small home expenditure - items where the cost is relatively low and/or where ethical choices provide an economic payback, e.g. energy saving. Large items like automobiles showed no increase in ethical purchase (Anon, The Ethical Consumerism Report 2008).

While other studies conducted during the GFC paint more optimistic pictures, their findings should be interpreted cautiously. For example, surveys in Europe and the USA conducted in 2008 by the Boston Consulting Group (BCG), revealed that 34% and 32% of respondents said they systematically look for and purchase green products (BCG 2008). In the US-based 2009 National Green Buying Survey, 80% of people indicated they were still buying green products and services in the recession even though these items sometimes carry higher costs. However, in these studies there was no differentiation between types of green products bought, the growth of those intending to purchase green had slowed and respondents indicated that their green behavior is most likely when also budget friendly. Perhaps most importantly these studies consist entirely of self-reported intention, which reflects actual purchase imperfectly and is likely to contain substantial social desirability bias (Palmer 2004). An "optimism bias" (or denial) may also be reflected in these results. It is argued that acting green and thinking about buying E&SR products provides hope and a sense of security in the hard times and thus may be reflected in responses (The Hartman Group 2008, Ethical Consumerism Report 2008, Anon, SMH, 2009).

An industry study of the organic grocery industry in the USA indicated that buying behaviour with respect to E&SR products had changed since the onset of the GFC. With respect to the purchase of organic produce, 45% consumers reported having recently begun purchasing organic items on sale, using coupons and sticking to store brands or private labels. Of most interest was that 52% indicated that they planned to continue these cost-saving behaviours in the long term (Straczynski 2009). In other words there were indications that E&SR had both become more cautious and that an end to the GFC might not lead to a return to previous ethical purchasing behaviour with new behaviours possibly less E&SR.

This is of major concern for both marketing and public policy. In Australia, the downturn was not as severe as in many parts of Europe or in North America (Straczynski 2009). Retail sales grew in 2009, possibly in response to the Australian government's stimulus package "cash hand-outs" (Zappone, 2009) and because stimulus packages were accompanied by messages to spend to help the economy. This makes the Australian context a valuable one to study, as the presumably more mild E&SR consumer responses that emerged in Australia could be regarded as the minimum and/or could well be at the core of the (possibly more substantial) responses that will continue to occur worldwide.

Methodology

This research is part of a larger project that considers the formation and evolution of social responsibility and the way that social forces influence this process. Ten focus groups (with 84 participants) were conducted in Australia over a 15 month period from February 2008 to April 2009, i.e. commencing at the very initial stages of the GFC and concluding when it was at its zenith. Informants were recruited based on having some awareness of socially and environmentally responsible purchasing. All groups had a fairly equal gender mix and were differentiated based on age where possible. There was also context differentiation. Six groups were held in Sydney, two with informants 18-35, two with over-35s and two with all ages. Four groups were held in regional areas with two groups (18-35 and 35+), each held in different regions of the state of New South Wales. Groups ran for two hours and included description of socially/environmentally/ ethically responsible purchasing, individual perspectives on social/environmental/ ethical responsibility and how views changed. As much as possible, discussion was emergent and unprompted. Social desirability bias was partially addressed, in the sense that over the extended time period of the focus groups informants became more relaxed and became increasingly frank about their not-at-all-politically-correct purchasing behaviours with the group discussion further facilitating this. Recordings of the groups were transcribed and analysed by three analysts using basic content and thematic analysis techniques (as described by Braun and Clark 2006) in part to enable comparison of earlier groups to later ones.

Findings

In all 10 groups there was awareness of the GFC and the impact it was having on peoples' lives. In the first focus group in February, 2008 an informant said: *"More people you hear about getting houses repossessed because of market slowdown that they can't afford the mortgage from a few years ago. So I don't think that's going to get any better in the near future"*. However even when discussing long term purchases (e.g. superannuation) the discussions showed a general lack of awareness of the long-term risks posed to economic security by climate change or other negative social or environmental factors. For example in April, 2009 an informant said: *"…none of this stuff* (E&SR) *– this is all secondary to, you know, 'Am I going to have my money in 25 years?'. You know, in a better climate where, you know, everyone hasn't just lost 20% of their super funds, then this is probably more relevant then, but (not) at the moment"*.

The groups conducted after mid 2008 showed increased awareness of the impact of the GFC but were very similar in their views with respect to E&SR purchasing. Content analysis of the transcripts showed more discussion of issues related to the recession in the final groups (early in 2009) but this was in part due more prompting about this as well as there being a greater response to those prompts. Unprompted, the informants did not raise the GFC as a reason for foregoing purchase of E&SR products; it was entirely based on their seeking value. They wanted to participate in E&SR opportunities but needed more impetus, as an under-35 said: *"…if you're getting some rebate or some reduction in fees for going in with a greener alternative, then definitely"*. Informants even lamented that they could not avail themselves of E&SR opportunities: *"I'd love to put tanks and solar heating around the house but it's – It's just too expensive"*.

There were indicators that the downturn was having psychological effects. Informants did not seem comfortable with considering how the GFC might impact upon them. There were a number of indicators of this. First, all mention of GFC was due to prompting by the moderator. Second, prompting did not usually stimulate continued discussion of GFC-related issues, informants often sought to turn the discussion to other areas quite quickly. Third, the word "economy" was never used by any informant in conjunction with the downturn. Rather, phrases such as "downturn", "in the current climate", "in this day and age" and "times are tough" were common. These euphemisms seemed to be psychologically less risky and made future events feel less threatening.

A strong theme emerged of a desire to purchase in an E&SR way but of being constrained because of limited resources, based on perceptions that E&SR products are inevitably more costly. As one under-35 Sydney resident put it: *"… while I am environmentally conscious, I'm not, like, I don't have that extra cash to spend on a car that's going to look after the environment."* This was particularly the case when large purchases were being planned, *"I think on big ticket items it comes down to dollar and then I think "environment"."* said an over-35 from Sydney. Financial constraints were considered in particular by those under 35 who have young families; they indicated that their primary duty of care was to their family and expressed sentiments like *"…to your own interests first. Looking after your bottom dollar"*.

Many participants believed E&SR products involved additional cost that they were not prepared to pay, as one over-35 Coffs Harbour resident indicated, *"It if is going to cost me a lot more for exactly the same product it goes back to the dollar again."*. There was an assumption that value increments to products inevitably came at a cost - with E&SR value no exception, *"…it's all great having all the bells and whistles but it does come with a price tag"* said a Western Sydney resident, or as another informant put it when discussing choosing E&SR products *"…we can't afford to, in this day and age... You either sacrifice the dollars or you sacrifice – you know – ethics, equality.* This trade-off did not appear to be changing; the first groups expressed virtually identical sentiments to those held nine to twelve months later.

Similarly, the product under consideration did not profoundly change the sentiments expressed; throughout, ethical alternatives were perceived to carry additional, often unacceptable cost. Typical is a description of what drives choice of a superannuation fund with an under-35, Sydney suburbanite saying: *"So if I had to choose…fees and probably how stable the company is and hopefully that I won't lose my money and that's it".* In other words, E&SR issues would not feature. Similarly in describing eco-holidays, a (Sydney) informant indicated *"…they're usually more expensive because they're sustainable, more expensive to be sustainable, maybe".* Often this was also the case with lower priced items, as another informant indicated, *"…your organic foods and this and that, it's always more expensive".*

When evaluating the relative merits of E&SR products, consumers often considered cost in terms of life time value. This was particularly case for white goods. There, a combination of cost, energy-saving and water use (for washing machines) were considered. As an over-35 Sydney resident indicated: *"I had to buy a washing machine a few years ago was when the drought was on so I was getting charged quite a lot money for my water so I picked the water efficient washing machine for that reason".* And a 35+ resident from a regional area said: *"I looked at the star thing. But it was again not so much for the environment, sorry, but it was for the dollar thing, because I use the drier a lot".* However informants were quite pleased when they were able to do both – save money and help the environment.

Unprompted, several groups' informants indicated that buying Australian was one way to be both more socially responsible and to help the environment. Buying Australian was perceived as more ethical because the companies were likely to meet ethical standards, the quality was thought good and so the product would not need to be replaced as soon and the smaller transport distance would be associated with a smaller carbon footprint. There was also a sense that some informants co-mingled being patriotic and being ethical and there was a strong sense that protecting Australian interests was motivated in part by the GFC (somewhat in line with the findings of Boulstridge and Carrigan (2000)).

Conclusions, Managerial Implications and Future Research

In Europe and the US there are indications that impact of conditions of economic uncertainty such as the GFC upon purchasing E&SR products is not as substantial as might have been expected. However in line with the findings of other researchers the evidence is mixed and highlights the complex interconnections between economic, social and environmental product features and the nuanced way that consumers view how these features may add value. Although our respondents did feel the specific impact of the GFC on their economic security, an inherent emphasis on cost-benefit over responsible or ethical attributes meant for little impact on purchasing on the count of such attributes. Where response to the GFC might decrease conscience-based purchase as times get tougher and tough choices have to made (Smizgen and Carrigan 2005), it is less likely to impact on value-based purchase until purchases are actually foregone as a result. While it has been noted that such decreased purchasing is occurring worldwide (Smizgen et al. 2009), there were few indications of this in the focus groups reported here – a finding perhaps related to the relatively less dramatic impacts of the GFC in Australia. As well, this finding needs to be interpreted alongside our other findings, also in line with those from overseas, indicating that there are subtle psychological effects from the GFC (Szmigin et al 2009). The need for security and denial of severity of impact observed in our research are both indicative of this.

For managers, there are a number of implications. The price sensitivities of consumers need to be noted. While some price premiums may be tolerated there are clear signs that environmental friendliness with higher cost and/or insufficiently increased value "could be disastrous", a point long made in the literature (Sriram and Forman 1993, p.66). And recession-induced attitude shift away from socially or environmentally responsible products may not return when times improve – or may return in different forms.

Some opportunities for the social and environmentally responsible market are identified. In this research the importance placed upon the total life time value of whitegoods was of particular interest. The "stars" rating associated with this category is an important part of value assessment. Clear value indicators such as company reputation, country-of-origin markings, independent certification labels, and recycling / disposal / buy-back schemes, could enhance the viability of additional categories of E&SR goods as could economic incentives, such as rebates and tax breaks.

This research makes several important contributions. It is timely and additionally it considers a wide range of consumer reports of intention and behaviour in both prompted and unprompted ways – in contrast to other recently conducted research. As well, social desirability bias is at least partially addressed. Future research will continue to address these important issues. Analysis of the focus groups which considers the dynamics of and social influences upon E&SR purchasing is underway and the insights emerging from this will be linked to those that emerge from a recently-completed online survey. It is also necessary to continue to do research as to how economic recession impacts upon consumers as this will be useful for continuing problems associated with this crisis. Impacts of the most recent GFC continue to evolve, for example as unemployment continues and results in rising insecurity. Other, perhaps substantial changes in E&SR purchases may emerge. Also this work may assist in interpreting consumer response in the future crises that are inevitable. Research by our team and others is imperative to promote consumer welfare as well as environmental and socially responsible corporate and individual behaviour in the challenging times we will continue to face.

References

Anonymous, 2008. The Ethical Consumerism Report. UK National Ethics, viewed 19 June 2009, <www.statistics.gov.uk>.

Anonymous, 2009. A stress test for good intentions. The Economist, viewed 14 May 2009, <http://www.economist.com/businessfinance/displayStory.cfm?story_id=13648978>.

(The) Boston Consulting Group, 2008. Economic downturn still sees shoppers going green. Green Pages, viewed 16 May 2009, <http://www.thegreenpages.com.au/index.asp?page_id=1064>.

Boulstridge, E., Carrigan, M., 2000. Do consumers really care about corporate responsibility? Highlighting the attitude-behaviour gap. Journal of Communication Management 4 (4), 355:367.

Braun, V., Clarke., V 2006. Using thematic analysis in psychology. Qualitative Research in Psychology 3 (2), 77-101.

Carrigan, M., Attalla, A., 2001. The myth of the ethical consumer- do ethics matter in purchase behaviour? Journal of Consumer Marketing 18 (7), 560-578.

Carrigan, M., De Pelsmacker, P., 2009. Will ethical consumers sustain their values in the global credit crunch? International Marketing Review 26(6), pp. 674–687.

Carvel, J., 2009. Take off time for guilt over air travel. The Guardian, 28 January 2009, viewed 8 July 2009, <http://www.guardian.co.uk/society/2009/jan/28/social-attitudes-survey>.

GreenBiz Staff, 2009. Green Companies Do Better During Downturn: Study, Greener World Media Inc, 10 February 2009 <http://www.greenbiz.com>.

The Hartman Group, 2008. The Consumer Side of Sustainability, HartBeat 22 April 2008 <http://www.hartman-group.com/hartbeat/2008-04-22>.

Jackson, T., Michaelis, L., 2003. Policies for Sustainable Consumption. Sustainable Development Commission, viewed 8 July 2009 <http://www.sdcommission.org.uk/publications/downloads/030917%20Policies%20for%20sustainable%20consumption%20_SDC%20report_.pdf>.

Langford, M., 2005. Smelling of roses or drowning in crude oil? A point of view on managing environmental crises. Journal of Communication Management 9 (4), 365 – 374.

Palmer, J., 2004. Does being Ethical Cost Companies? Your Future Magazine (7), viewed 9 January 2004 <http://www.peopleandplanet.org/ethicalcareers/articles.php?id=123>.

Peattie, K., Peattie, S., 2009. Social marketing: A pathway to consumption reduction? Journal of Business Research 62 (2), 260-268.

Roberts, J.A., 1995. Profiling levels of socially responsible consumer behaviour: a cluster analytic approach and its implications for marketing. Journal of Marketing Theory and Practice 3 (4), 97-117.

Salt, B., 2009. GFC Tops Clear and Present Dangers, The Australian 28 May 2009, viewed 8 July 2009 <http://www.theaustralian.news.com.au/business/story/0,28124,25547578-14741,00.html>.

Saranow, J., 2008. Currents: Luxury Consumers Scrimp for Sake Of Planet, and Because It's Cheaper**.** Wall Street Journal, (Eastern Ed) 4 November 2008, p.A.14.

Smithers, R., 2009. Recession sees shoppers switch from green to budget products. The Guardian 6 July 2009, viewed 8 July 2008 <http://www.guardian.co.uk/business/2009/jul/06/shoppers-survey-fairtrade-green-budget>.

Szmigin, I., Carrigan, M., 2005. Exploring the dimensions of ethical consumption, European Association for Consumer Research Conference. Advances in Consumer Research. Goteborg Sweden, 608:613.

Szmigin, I., Carrigan, M., McEachern, M.G., 2009. The conscious consumer: taking a flexible approach to ethical behaviour. International Journal of Consumer Studies 33 (2), 224-23.

Straczynski, S., 2009. Shoppers Seek Savings on Organic Food Purchases, Supermarket Industry News 21 June 2009 <http://www.progressivegrocer.com/progressivegrocer/content_display/supermarket-industry-news/e3i707a10734b4b7a62efe2c1199992c574>.

Timmermans, K., Robinson, J., Price, J., Stephenson, J., 2009. Procurement in Turbulent Times: Creating Opportunity from Economic Adversity. Accenture 17 April 2009, viewed 18 June 2009 <http://news.thomasnet.com/mt41/mt-tb.cgi/1944>.

Wilson, T., 2009. Green plan won't help spluttering car makers. Herald Sun 9 January 2009, viewed 18 June 2009 <http://www.ipa.org.au/sectors/trade-ip-unit/news/1773/green-plan-won't-help-spluttering-car-makers>.

Zurawicki, L., Braidot, N., 2005. Consumers during crisis: responses from the middle class in Argentina. Journal of Business Research 58 (8), 1100-1109.

ANZMAC Annual Conference 2010

Welcome to the Australian and New Zealand Marketing Academy (ANZMAC) Conference 2010 - 'Doing More with Less'

Hosted by:	College of Business and Economics University of Canterbury
Date:	29 November - 1 December 2010
Venue:	University of Canterbury, Christchurch, New Zealand
Conference Chairs:	Dr David Fortin and Dr Lucie K. Ozanne
Conference Programme Chair:	Dr David Fortin
Conference Editors:	Dr Paul Ballantine and Dr Jörg Finsterwalder
Publisher:	Department of Management College of Business and Economics University of Canterbury
ISBN for Programme and Abstracts	978-0-473-17819-2
ISBN for Proceedings	978-0-473-17820-8

First Published 2010
By Department of Management,
College of Business and Economics
University of Canterbury
For the ANZMAC 2010 Conference

Edited by: Dr Paul Ballantine and Dr Jörg Finsterwalder
Department of Management
University of Canterbury

ISBN: 978-0-473-17820-8

CONFERENCE SECRETARIAT
The Conference Company
PO Box 3727, CMSC
Christchurch 8140
New Zealand
Tel: +64 3 365 2217
Fax: +64 3 365 2247
info@tcc.co.nz

This medium contains papers which have been accepted as fully refereed for the ANZMAC 2010 Conference.
All papers have been subject to a double-blind peer reviewing process in accordance with DIISR requirements.
ANZMAC Website: www.anzmac.org

Pharmaceutical Market: The Role of Physician's Prescription Decision
Yamada, Kenichiro; Ohkita, Kenichi; Minamikawa, Kazumitsu
14. Retailing, Pricing and Personal Selling

Using Brand Knowledge to Predict Beer Brand Preference and Loyalty for Samples of New Frequent Users in Perth and Beijing
Yang, Jinchao (Alex); Mizerski, Richard; Lee, Alvin; Fang, Liu; Olaru, Doina; Chua, Hui Min
09. International Cross-Cultural Marketing

Effects of Unit Pricing on Consumer Grocery Shopping Behaviour
Yao, Jun; Oppewal, Harmen; He, Yongfu
14. Retailing, Pricing and Personal Selling

Marketing to Healthy Lifestyle Segment in Today's Competitive Environment
Yap, Sheau Fen; Othman, Md Nor; Lim, Lynn L K
03. Consumer Behaviour (A) Empirical Studies and/or Experiments

Privacy from a Consumer's Perspective: Shared Meanings and Goals
Yap, Jo En; Beverland, Michael B.; Bove, Liliana L.
04. Consumer Behaviour (B) Exploration Studies and/or Conceptual Models

The Impact of Marketing Planning, Market Orientation and Service Quality on Institutional Performance; an Evidence from Indonesian Higher Education
Yeni, Yulia; Herington, Carmel
17. Strategic Marketing

In Times of Need Are There More Reasons to Be Green?
Young, Louise; Benn, Suzanne; Donald, Melissa; Freeman, Lynne; Marroun, Sana
05. Corporate Social Responsibility and Ethics

Fit as Matching in Distribution Flexibility Strategies: An Exploratory Multiple Case Study
Yu, Kangkang; Cadeaux, Jack; Song, Hua
06. Distribution Channels and Supply Chain Management

Acting Ambidextrously in Retail Banking to Achieve Service and Sales Goals Simultaneously: A Multilevel Perspective
Yu, Ting; Patterson, Paul; de Ruyter, Ko
15. Services Marketing

Z | BACK TO THE TOP>

Country of Origin Effect and Employer Attractiveness: A Missing Link
Zaveri, Moulik; Mulye, Rajendra
09. International Cross-Cultural Marketing

The Effect of Third-Party Product Reviews on Product Choice
Ziniel, Wolfgang
03. Consumer Behaviour (A) Empirical Studies and/or Experiments

First Published 2010
By Department of Management,
College of Business and Economics
University of Canterbury
For the ANZMAC 2010 Conference

Edited by: Dr Paul Ballantine and Dr Jörg Finsterwalder
Department of Management
University of Canterbury

ISBN: 978-0-473-17820-8

CONFERENCE SECRETARIAT
The Conference Company
PO Box 3727, CMSC
Christchurch 8140
New Zealand
Tel: +64 3 365 2217
Fax: +64 3 365 2247
info@tcc.co.nz

This medium contains papers which have been accepted as fully refereed for the ANZMAC 2010 Conference.
All papers have been subject to a double-blind peer reviewing process in accordance with DIISR requirements.
ANZMAC Website: www.anzmac.org

Z | BACK TO THE TOP >

First Published 2010
By Department of Management, College of Business and Economics
University of Canterbury
For the ANZMAC 2010 Conference

Edited by: Dr Paul Ballantine and Dr Jörg Finsterwalder
Department of Management
University of Canterbury

ISBN: 978-0-473-17820-8

CONFERENCE SECRETARIAT
The Conference Company
PO Box 3727, CMSC
Christchurch 8140
New Zealand
Tel: +64 3 365 2217
Fax: +64 3 365 2247
info@tcc.co.nz

This medium contains papers which have been accepted as fully refereed for the ANZMAC 2010 Conference.
All papers have been subject to a double-blind peer reviewing process in accordance with DIISR requirements.
ANZMAC Website: www.anzmac.org