ASPECTS OF CONSUMERS' BEHAVIOUR MAKING ENVIRONMENTALLY-CONSCIOUS PURCHASES

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Abstract. Rising consumption levels are contributing to the key environmental problems such as climate change, air and water pollution, land use and waste. Therefore, consumers should be encouraged to make sustainable and responsible choices. As perhaps one would expect, consumers are less apathetic on environmental issues than they have been in the past. **T**he paper presents actual aspects of consumers' behaviour in the EU and Latvia making environmentally conscious purchases. Therefore**,** the aim of the paper is to analyse the aspects of consumers' behaviour and the factors that influence consumers' behaviour making environmentally conscious purchases. The study is based on the review of the European Commission's documents on statistical data available from the European Commission's Analytical reports, Eurostat and the EU Consumer Conditions Scoreboard conducted in 2008-2012. Descriptive method and secondary data analysis was applied in the study. Environmentally conscious consumers, in general, are socially conscious and educated consumers in the 25–54 age groups with better knowledge of consumer rights. Women are more likely to consider environmental impact than men are. Although most consumers are willing to pay a small premium for green products if they believe the products are healthier, safer, or better for the environment, the research results show that 33% of the respondents in the EU think that environmentally friendly goods and services are too expensive. The price level of environmentally friendly goods and services for Latvian consumers is even more important, comparing with almost all the EU countries. Product's labelling, information as a whole and the information's credibility play dominant role in consumers' decision-making process making environmentally conscious purchases.

Key words: environmentally responsible consumer, sustainable consumption, consumers' behaviour, green marketing, purchasing decisions.

JEL code: M310, M390, Q560

Introduction

One term that has been used extensively by the markets and development and conservation professionals is sustainability. Going green is now the common phrase used to characterise the environmental side of the sustainability movement (Stein J., Koontz A., 2009).

Natural Marketing Institute (NMI) is a market research and business development company specialising in the health, wellness, and sustainable marketplace which began conducting research on the

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US LOHAS (Lifestyles of Health and Sustainability) marketplace in 2002, when sustainability was novel enough that it was only relevant to the approximately 20% of the population that was a LOHAS consumer. Now, according to the NMI data (Rogers G., 2012), sustainability has mainstreamed and now approximately 80% of adults are somehow engaged in sustainability in some way. This incremental portion of the population is referred to as the Sustainable Mainstream, and while certainly this larger swatch of the population does not have the passion or knowledge of LOHAS consumers, they are engaged in sustainability in their own way.

However, according to the European Commission research data (European Commission, 2013[A]), the situation in Europe remains problematic. Consumption levels are rising and have negative influence on the key environmental problems such as climate change, air and water pollution, land use and waste. The EU's food waste alone — currently estimated to be about 90 million tons per year — could be reduced by 60% through more efficient management of resources. Therefore, consumers should be encouraged to make sustainable and responsible choices.

In this connection, the aim of the paper is to analyse the aspects of consumers' behaviour and the factors that influence consumers' behaviour making environmentally conscious purchases. In the framework of the research, the following tasks were undertaken: 1) to analyse tendencies in consumers' behaviour and their readiness to make environmentally-conscious purchases; 2) to find out the reasons for not making environmentally-conscious purchases; 3) to characterise an environmentally-conscious consumer; 4) to analyse factors that influence consumers' decision to make environmentally-conscious purchases.

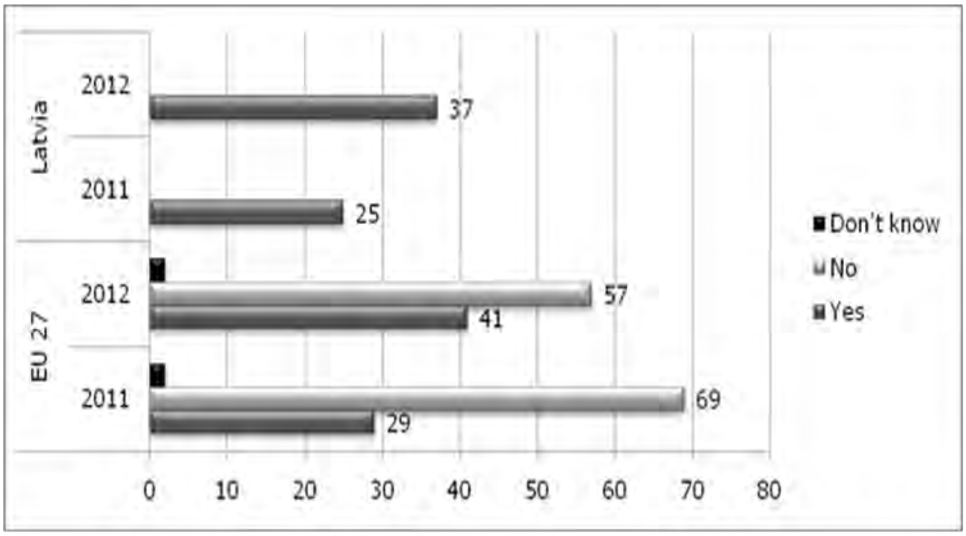
The study is based on the review of the European Commission's documents and Internet sources as well as on the statistical data available from European Commission's Analytical reports, Eurostat and the EU Consumer Conditions Scoreboard conducted in 2008-2012. Descriptive method and secondary data analysis was applied in the study.

Research results and discussion

The power of the educated and wired global consumer, and the non-governmental organizations that organise and mobilise these consumers, continues to expand and evolve so that products take into account both environmental and social issues. Even with a weak global economy, the evidence shows that green and socially responsible products have an upward trend in sales. Strong green sales have continued in the US, Europe and elsewhere with more consumers purchasing green products. These same consumers are often willing to pay a premium for green products deemed to be of higher value than conventional products (Manget, J., Roche C., Munnich F., 2009). This makes sustainability much more attractive to brands, and in fac,t increases the business imperative since consumers are already engaged.

Market research companies refer to these green leaning consumers by various labels (Lifestyles of Health and Sustainability or *LOHAS* consumers, Cultural Creatives, Influentials) but there is unanimity regarding their influence. A snapshot of the LOHAS consumer reveals a passionate, environmentally and socially responsible consumer segment, and shows them to be early adopters who can be used as predictors of upcoming trends. They tend to be influential over friends and family, are more brand loyal than other consumers especially to companies whose values match their own, and most importantly, are willing to put their money behind their beliefs and values (Stein J., Koontz A., 2009). LOHAS consumers have strong attitudes regarding personal and planetary health which are widely reflected in their behaviour. They are heavy users of sustainable products and exude a strong influence over others. Hence, LOHAS consumers can be a prime target for companies marketing green, socially responsible, or healthy products.

Across both purchase behaviour and lifestyle behaviours, consumers are increasingly more engaged than in the past. Fewer consumers report "they just do not do much to protect the environment" and fewer also think that their actions do not make a difference (Consumers & Individual..., 2013). Four out of ten (40.7%) consumers in Europe claim that the environmental impact of goods or services influenced their purchasing decisions (Figure 1).



Source: authors' construction based on European Commission, 2013 [B]

Fig. 1. **Consumers being or not being influenced by the environmental impact of goods and services when purchasing, % of consumers**

Environmental considerations play a relatively lower role in Latvia (37% of consumers, respectively). It should be noted that these data are based on a self-reported behaviour which may be biased due to an attitude-behaviour gap (as consumers tend to depict themselves in a socially acceptable light). However, there was a substantial increase (29%) of those people choosing this answer compared with 2011. The same increase of 12% in 2012 was detected in Latvia comparing with 2011 (TNS Opinion & Social, 2013 [A]).

Women are more likely than men to say the environmental impact of goods and services influenced their purchasing decisions, by a margin of 44% to 38% (TNS Opinion & Social, 2013 [A]). The likelihood of considering environmental issues in purchasing decisions seems to be positively influenced by the level of education. Only 30% of persons who left education aged 15 or under are influenced by the environmental impact of what they buy, compared to 37% among persons with medium education and 48% among persons with higher education. Respondents with better knowledge of consumer rights are also more likely to consider environmental impact: 45% among those who gave four correct answers to the questions on consumer rights, compared with 34% of those who gave no

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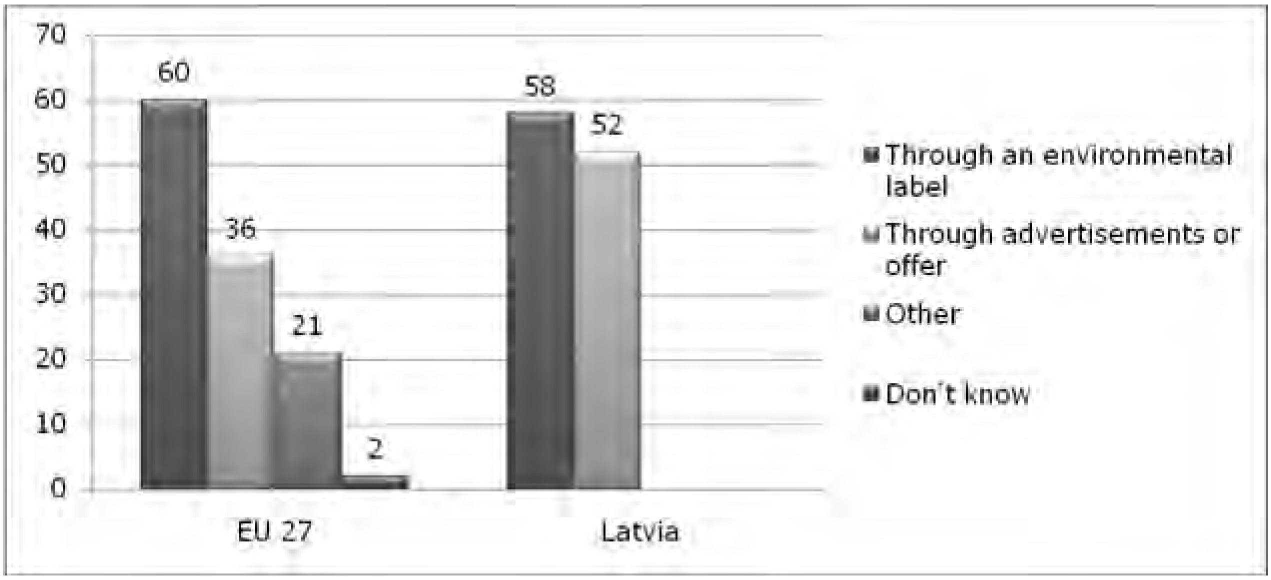
correct answer. Respondents in the 25–39 and 40–54 age groups (45% and 44% respectively) are more likely to consider environmental impact than younger or older people (34% and 38%), perhaps reflecting lower spending power (European Commission, 2013 [B]).

Six out of ten consumers (59.8%) whose choices are influenced by the environmental impact of goods and services, use environmental labels as a source of information on this impact, while advertisements and offers play a relatively less important role (35.7% of consumers) where multiple answers were possible (European Commission, 2013 [B]). Around one out of five consumers (20.7%) use other sources of information. In Latvia, 52% of respondents say that they obtained their information through advertisements or offers (TNS Opinion & Social, 2013 [A]) (Figure 2).



Source: authors' construction based on TNS Opinion & Social, 2013 [A]

Fig. 2. **Sources of information on the environmental impact of the goods or services, % by country**

Although, the majority (57%) say that the environmental impact had no influence on their decision, the number of people holding such opinion has decreased from 69% in 2011 (Figure 1) (TNS Opinion & Social, 2013 [A]). Next, respondents who said that the environmental impact of the goods or services they bought did not influence their choices were asked to say more about why they did not take environmental considerations into account.

The most common explanation, given by 38% of respondents in the EU-27, is that they had not come across any information about the environmental impact of the goods or services. Meanwhile, one person in four (25%) says that they do not trust environmental claims, while 14% say that they are not interested in the environmental impact of goods and services. Whereas, 6% spontaneously give 'other' reasons, and a further 6 % say spontaneously that there was no reason for their decision (Figure 3).

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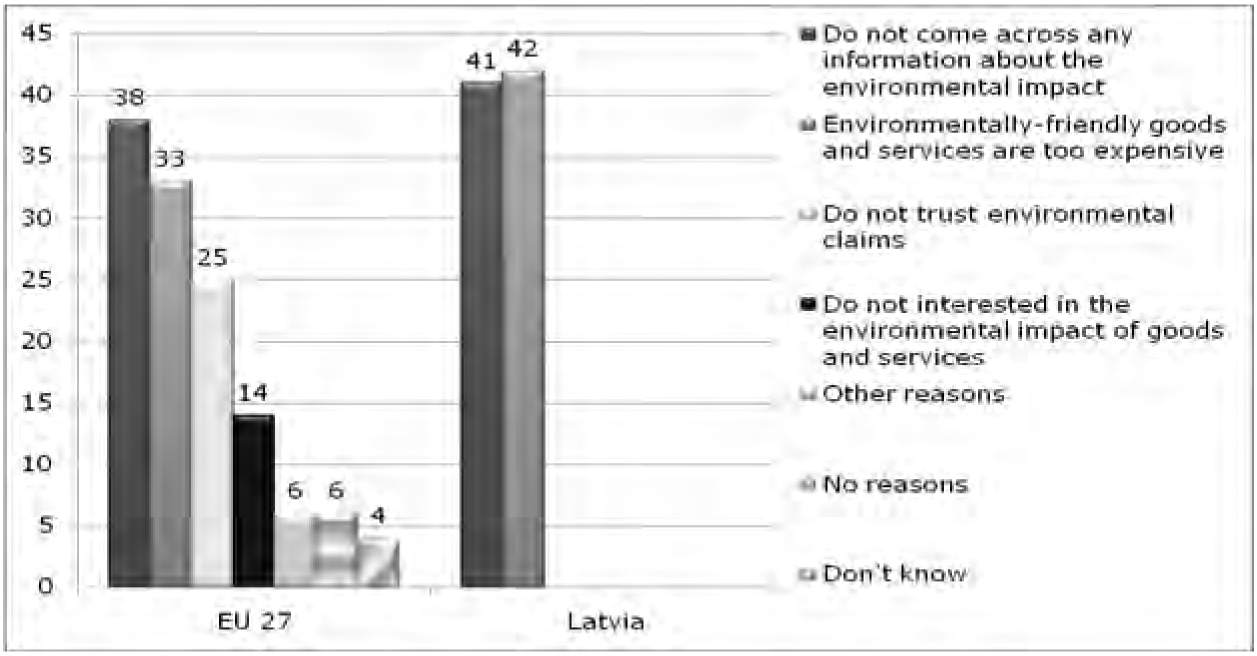
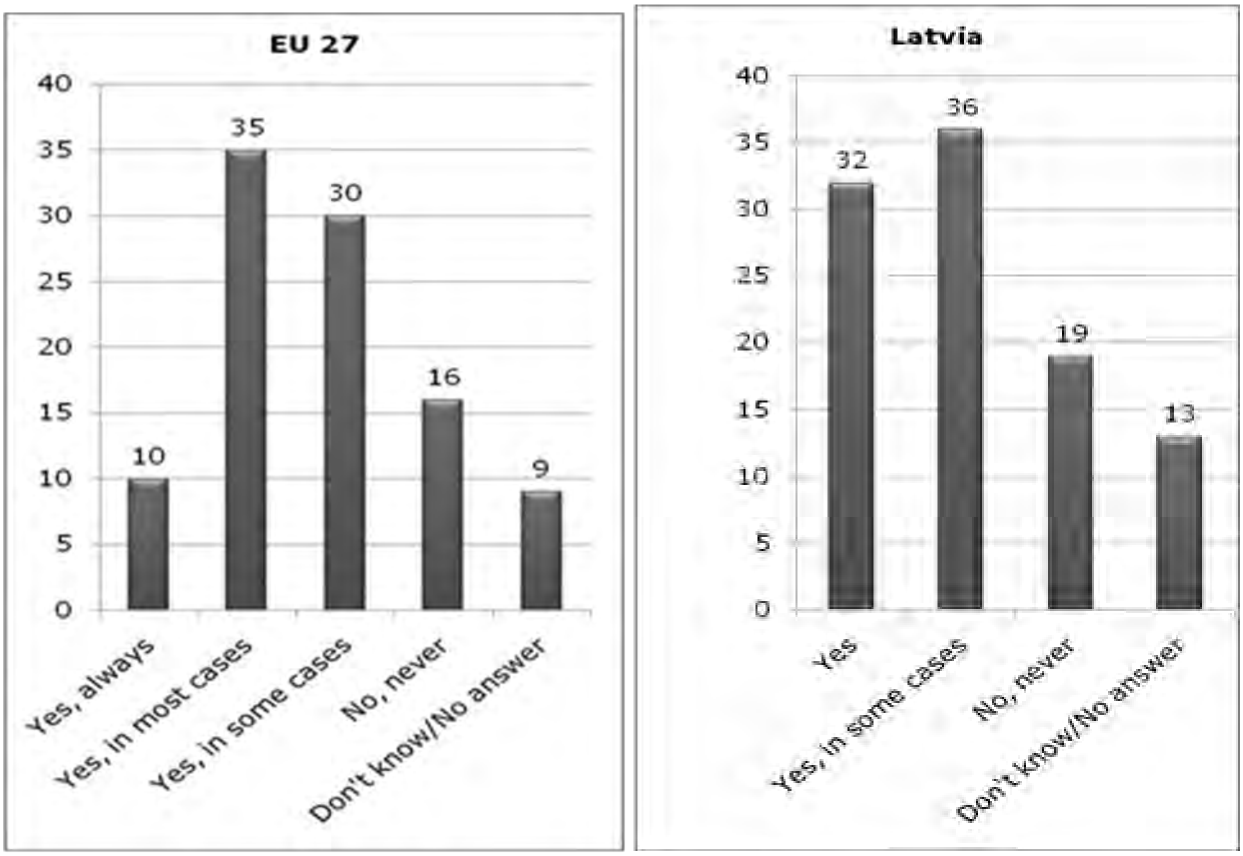


Source: authors' construction based on TNS Opinion & Social, 2013 [A], European Commission, 2013 [B]

Fig. 3. **Reasons for not being influenced by the environmental impact of goods or services, % the EU-27 and Latvia**

Not having come across any information about the environmental impact of goods or services is the most common answer given in the 16 EU countries. In 10 countries respondents are more likely to say that environmentally friendly goods and services are too expensive than that they simply did not come across any information. An absolute majority of people in Latvia (42%) think so (Figure 3). From socio-demographic point of view, women are more likely than men, by a margin of 38% to 28%, to say that they find environmentally friendly goods or services too expensive. Men tend more to say that they do not trust environmental claims than women (27% vs. 22%). The younger the respondents are the more likely say that they did not come across any information about the environmental impact of goods or services.

While 25% say that they do not trust environmental claims (Figure 3), 59.8%, whose choices are influenced by the environmental impact of goods and services, use environmental labels as a source of information on this impact (Figure 2). It proves the fact that product's labelling and information as a whole play dominant role in consumers' decision-making process making environmentally-conscious purchases. Also information's credibility is a pressing factor since only one in ten retailers in the EU-27 say that always trust the statements from competitors about the environmental impact of their products (10%). Moreover, 16% of retailers say they never trust statements and offers made by competitors about the environmental impact of their products (Figure 4). Latvian retailers are the most likely to trust them only in some cases (36%) and 19% of retailers say they never trust these statements made by competitors. Further research is necessary for finding out the reasons for such retailers' opinion (TNS Opinion & Social, 2013 [B]).

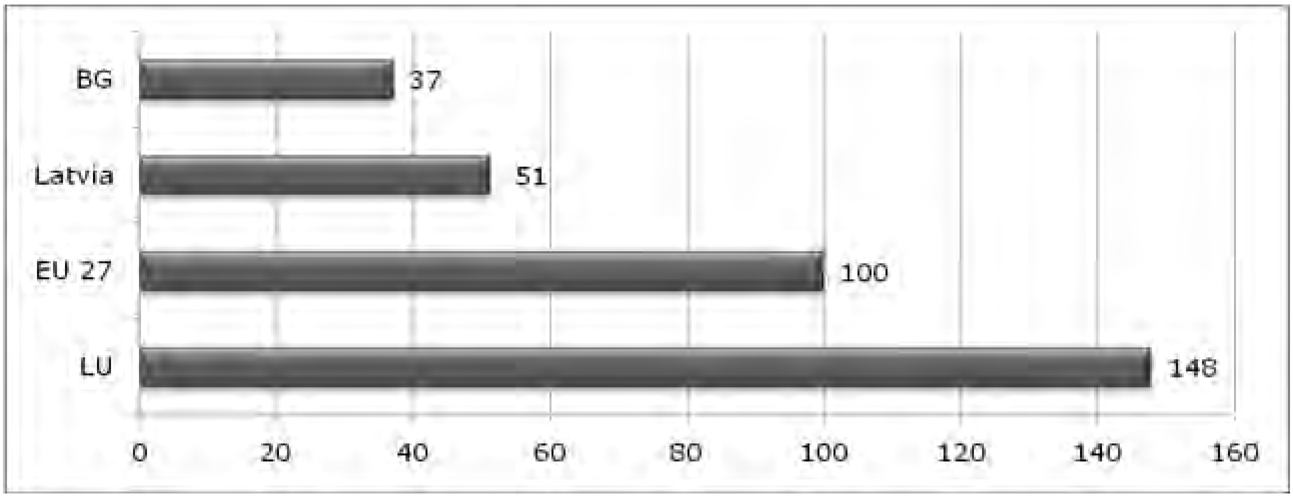


Source: authors' construction based on TNS Opinion & Social, 2013 [B]***, European Commission, 2013*** [B]

Fig. 4. **Trust in environmental statements and offers made by competitors in the EU-27 and Latvia, % of respondents**

One response to the growing consumers' scepticism is the Eco-Label or Trust Label to build credibility for product claims. There are challenges and opportunities related with these labels. Currently, there are over 400 labels available in the marketplace; although, only a handful of these are global in nature, and many of these labels are related or overlap. Critics of Eco-labels claim this proliferation creates consumer confusion and they predict a shakeout warning that weaker, less transparent, and less meaningful labels will not survive. There are some efforts underway to harmonise across labels to reduce consumer confusion. The International Social and Environmental Accreditation and Labelling, or ISEAL, Alliance is working towards standardisation and Codes of Good Practice with many of the largest and most established certification schemes as founding members. Another critique of eco-labels is that funding, monitoring and running these organisations is costly and labour intensives and there are barriers to entry for small companies that cannot afford expensive application or certification fees (Stein J., Koontz A., 2009).

According to Stein and Koontz (Stein J., Koontz A., 2009), most of the green consumers are willing to pay a small premium (between 5–10%) for green products if they believe the products are healthier, safer, or better for the environment so combining functionality with the right price is imperative. This opinion is proved by the fact that one-third (33%) of the respondents in the EU-27 say that environmentally friendly goods and services are too expensive. The price of green products was important factor making environmentally-conscious purchases in 10 countries, since respondents are more likely to say that environmentally-friendly goods and services are too expensive than that they simply did not come across any information. An absolute majority of people in Latvia (42%) agree that environmentally friendly goods and services are too expensive (Figure 3). However, the difference between the respondents' opinions in the EU-27 and Latvia, and also readiness for paying higher price for green products could depend on people's capacity to afford the goods and services they need and want to purchase. Affordability can be measured by the gross adjusted disposable income that is available to consumers for spending or saving (European Commission, 2013[B]). The ability of consumers to afford the same goods and services continues to vary very significantly across the EU (Figure 5).



Source: authors' construction based on European Commission, 2013 [B]

Fig. 5. **Gross adjusted disposable income of households per capita by Member State – the EU27=100 in 2011**

There are sizeable differences in the level of the gross adjusted disposable income of households per capita, measured in Purchasing Power Standards (PPS), which takes account of differences due to different price levels between the countries (Figure 5). The index (EU-27=100) ranges from 37 in Bulgaria to 148 in Luxembourg. In Latvia, it is only 51.2, which is the third lowest level among the EU-27 countries.

Additional insight into the social conditions in Latvia and the EU-27 can also clarify consumers' behaviour making environmentally conscious purchases. The material deprivation rate monitors the proportion of the most economically vulnerable consumers in individual Member States and in the EU as a whole. It reflects the percentage of the population who cannot afford at least three of the nine following items: unexpected expenses; a one-week annual holiday away from home; rent, mortgage or utility bills; a meal with meat, chicken or fish every second day; keeping their home warm enough; a washing machine; a colour TV; a telephone; or a personal car. The material deprivation rate went up from 17.3% to 18.3% between 2008 and 2011 (Eurostat, 2013; European Commission, 2013[B]) (Figure 6).

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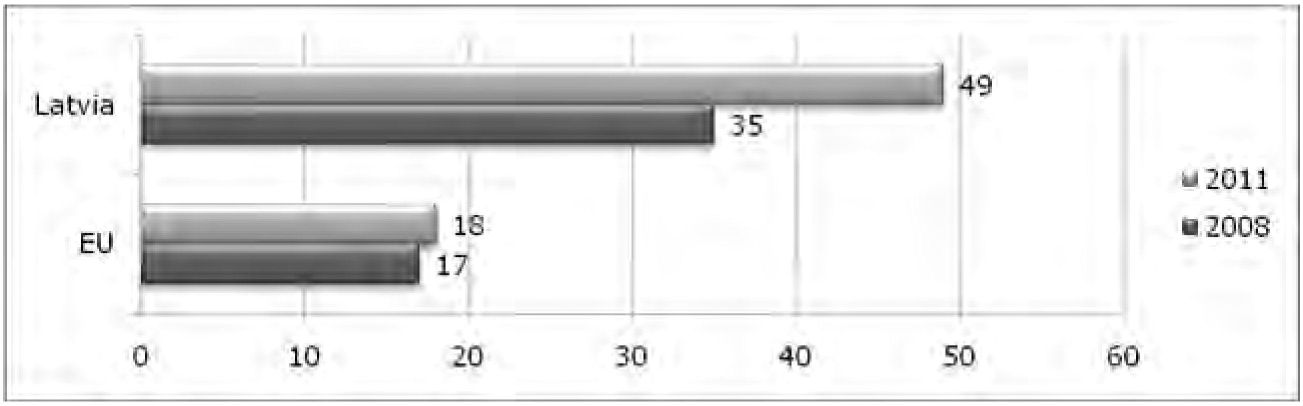

Source: authors' construction based on Eurostat, 2013, European Commission, 2013 [B]

Fig. 6. **Material deprivation rate, 2008 and 2011, %**

This means that almost one out of five consumers in the EU cannot afford some basic consumption items. In Latvia, this indicator went up from 35.2% to 49.2% between 2008 and 2011. It means that the price level of environmentally-friendly goods and services for Latvian consumers is even more important comparing with almost all the EU countries except Bulgaria due to the proportion of people that were materially deprived in Latvia was the second highest among the EU countries.

Conclusions, proposals, recommendations

1. Environmentally conscious purchases have increased in the US, Europe, and elsewhere with more consumers purchasing green products. In Europe, 41% consumers claim that the environmental impact of goods or services influenced their purchasing decisions. Environmental considerations play a relatively lower role in Latvia; although, there was also increase in sales in 2012 comparing with 2011.
2. Recent surveys show that there are many shades of environmentally conscious consumers and, in general, they are socially conscious and educated consumers in the 25–54 age groups with better knowledge of consumer rights. Women are more likely to consider environmental impact than men are.
3. LOHAS consumer reveals a passionate, environmentally, and socially responsible consumer segment and shows them to be early adopters who can be used as predictors of upcoming trends. They tend to be influential over friends and family, are more brand loyal than other consumers especially to companies whose values match their own, and most importantly, are willing to put their money behind their beliefs and values.
4. Sixty per cent of consumers whose choices are influenced by the environmental impact of goods and services use environmental labels as a source of information on this impact, while advertisements and offers play a relatively less important role.
5. The reasons why majority still say that the environmental impact had no influence on their decision were that they had not come across any information about the environmental impact of the goods or services.

6. Product's labelling, information as a whole, and information's credibility play a dominant role in consumers' decision-making process making environmentally-conscious purchases, since 25% consumers do not trust environmental claims.
7. Although, most consumers are willing to pay a small premium for green products if they believe the products are healthier, safer or better for the environment, the research results show that 33% of respondents in the EU think that environmentally-friendly goods and services are too expensive. For respondents in 10 EU countries, including Latvian consumers, price is the most important factor making environmentally conscious purchases. Moreover, taking into account proportion of people that were materially deprived in Latvia with the second highest among the EU countries, the price level of environmentally-friendly goods and services for Latvian consumers is even more important comparing with almost all the EU countries. It means that the "right" price level for environment-friendly products or services is essential for companies.
8. The readiness for paying higher price making environmentally conscious purchases depends on people's capacity to afford the goods and services they need and want to purchase. Affordability can be measured by the gross adjusted disposable income that is available to consumers for spending or saving. In Latvia, this index is only 51.2 and is the third lowest level in all the EU-27 countries.

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