CHAPTER I

INTRODUCTION

A. Research Background

The rapid development of business, accompanied by the increasing complexity of environmental problems, has become a strategic issue that needs to be studied and resolved by various parties. It is well-known that ever-increasing business activities and production pollute the natural environment globally. (Walford, 2016). The current rise in the average temperature of the atmosphere, the sea, and the land reinforces this problem. Data global temperature from *ECMWF*, known as Copernicus data analysis, shows that the global average temperature for the last 12 months (May 2023–April 2024) is the highest record, 0.73 degrees Celsius above the 1991-2020 average and 1.61 degrees above the pre-industrial Revolution average of 1850-1900. The problem of consistently rising atmospheric temperatures can interfere with the existence of life on the entire surface of the earth. There are various problems caused by global warming, such as the expansion of the dry land or the Sahara, the melting of the polar ice caps, the rise of seawater to the land, the extinction of all kinds of animals and plants, and all sorts of diseases that may arise. Even now, it's a new problem, and waste is also becoming one of the big problems because the amount of various waste is increasing, and it is challenging to recycle.

Nowadays, Indonesians still need to be more concerned about reducing waste and disposing of rubbish carelessly. Many people still use packaging that

could be more environmentally friendly, such as plastic straws, plastic spoons, plastic forks, plastic bags, non-reusable packaging, and many more. The impact of plastic packaging will result in the accumulation of vast amounts of plastic, and plastic waste also has characteristics that are difficult to decompose. Dissolving plastic perfectly takes about 100-500 years (Buleleng.go.id).
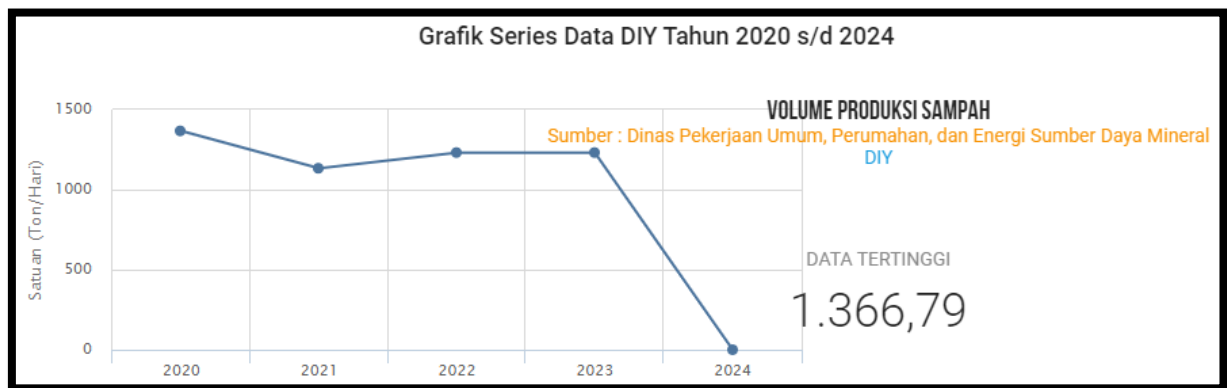

Figure 1. 1 Graph of the volume of waste production in Yogyakarta

(Source: bappeda.jogjaprov/dataku)

Based on the data above, waste production is one of the significant problems in the city of Yogyakarta. In the last four years, Yogyakarta has experienced a considerable decline from 1.366,79 in 2020 to 1.133,94 tons of waste per day in 2021. Still, it has seen a rather significant increase in waste production. In 2022, Yogyakarta produced 1.231,55 tons of waste per day, an increase of 8.61%, and remained the same in 2023. It shows that the inconsistency of this waste problem and the production of waste in Yogyakarta is a serious environmental problem.

One way to raise public awareness about environmental sustainability and reduce waste production problems is by using environmentally friendly or eco-

friendly products. With this phenomenon, many companies are implementing strategies to create environmentally friendly products, usually called Green Marketing. From product packaging materials and raw products, companies can make their brand image good, make consumers believe in them, and buy their products. However, with this phenomenon, many companies use this strategy to make their products look good to customers without practicing it.

Green marketing is one of the company's strategies for increasing revenue. Green *Marketing* is a type of marketing that strongly emphasizes the environment by highlighting *eco-friendly* goods, production methods, and corporate practices with long-term relationships with partners such as the environment, culture, and customers (Grimmer & Woolley, 2014). Environmentally friendly products are designed to use organic materials, eliminating toxic substances so that natural resources can be used efficiently and reduce pollution and waste. Green marketing, also known as environmental marketing or sustainable marketing, is a strategic approach that emphasizes the environmental benefits of products, services, or corporate practices to appeal to environmentally conscious consumers. Growing public knowledge of environmentally friendly products for a better sustainable existence also ushers in a new era of marketing development (Osiyo & Samuel, 2018).

The concept of green marketing has gained traction in response to increasing global environmental concerns and regulatory pressures, as well as growing

consumer demand and satisfaction for sustainable consumption options. Green marketing explores how businesses are responding to these environmental market conditions. It underscores the importance of understanding consumer attitudes, perceptions, and behaviors towards environmentally friendly products and brands. High customer value can significantly influence customer choices and purchasing decisions. (Homburg, Jozic, & Kuehnl, 2017).

Building an image and reputation of a brand in the context of sustainability and environmental responsibility, called green brand image, is also included in green marketing. The consumer's positive perception of an organization's environmental responsibilities and sustainable business operations is known as the green brand image. (Sharma, 2021). When a company succeeds in building its reputation by implementing environmentally friendly strategies, the company will gain customers' loyalty and trust towards every product. Green brand image is a perception consumers hold when they think about sustainability that is remembered and embedded in the minds of consumers. (Kotler & Keller, Marketing Management (16e édition), 2016).

Once companies start providing their image and reputation, customers will begin to put their trust in environmentally responsible companies. Green trust can be explained as consumers' faith in environmental actions made by businesses. (Pagani, Racat, & Hofacker, 2019). This customer trust is also becoming one of the crucial things in maintaining environmental sustainability, as customers start to

choose and buy products that are environmentally friendly compared to products that are not environmentally friendly. Green brands they trust can lessen customers' anxiety, uncertainty, and hesitations, which can impact their purchasing decisions. (Chen & Chang, 2012). As more customers continue to use eco-friendly products, companies will compete for innovations or strategies to create environmentally friendly products. This has not only an impact on the environment but also on the sales profits that the company will get. Green trust in a brand or product might lower a consumer's risk perception while raising the probability of purchasing when the transaction occurs (Flavian, Guinaliu, & Torres, 2015).

A company that has gained customers' trust doesn't guarantee to make them dominate the market. The company needs to maintain its strategic value in the context of sustainability and environmental responsibility, known as Green Brand Equity. Green brand equity can also explain the intangible assets of a brand that are connected to its environmental actions and have the potential to add value to its goods and services (Ha M.-T. , 2020). It will improve customer relationships when companies can precisely deliver their strategies and products to customer requirements. Refers to (Butt, Mushtaq, & Khong, 2016), green brands serve as a vehicle for customers to fulfill their intended goals. With those explanations, a brand or company should create consumer desire and build a good connection with customers. It matches what (Kotler & Keller, 2016) said: "There are no brands without customers, and there are no customers without brands."

All aspects of green marketing described previously can instantly be destroyed by environmentally friendly claims made by a brand or company but without any real commitment or concrete action to support these claims. This action is called greenwash perception. Greenwash Wash can be explained as an activity that misleads a company's customers about environmental benefits or as an environmental practice used to take advantage (Moreau & Parguel, 2011). With this greenwash action, brands or companies can destroy the green image they've built, corrupt the trust they have gained, and destroy their strong green equity. Not only that, customer satisfaction and loyalty can disappear in an instant. Therefore, brands should make sure they don't do greenwashing and practice the green claims they've been advertised. Due to greenwash action, negative perception, or consumer skepticism towards environmental claims or actions announced by a brand or company, which are considered inconsistent or non-substantive, consumers invariably become skeptical of the company's green claims. (Yang, 2020).

The food industry is one industry that uses the concept of green marketing in terms of customer satisfaction, green brand image, trust, and green brand equity. As we know, the food industry is one of the largest industries in Indonesia, and it is developing rapidly. According to *Kementrian Perindustrian* (2022), the growth of the food and beverage industry (mamin) in Triwulan III-2022 reached 3.57%, higher than in the same period last year in 2021, which recorded 3.49% despite the impact of the Covid-19 pandemic.

One industry that has become widespread is fast food. The significant growth of the fast food industry has dramatically affected people's consumption patterns in Indonesia. Fast food consumption is prevalent among teenagers in Indonesia. Affordable prices, easy access, drive-thru service, and the presence of an online transportation application make fast food an attractive choice for urban communities in Indonesia. According to data from *Menteri Pertanian Indonesia*, the consumption of fast food and beverages in Indonesia is constantly increasing every year and contributes to 28% of the calories consumed by urban residents (Hartono, 2019). Then it can be concluded that many people choose to consume food that is fast served and easy to get, along with environmentally friendly products.

With high consumer demand for fast food that is easy to obtain and concern for environmental safety, some food producers and restaurant manufacturers are increasingly aware of the importance of developing green marketing and customer value concepts. The presence of McDonald's as a restaurant serving fast food and implementing green marketing aspects to keep the environment healthy makes McDonald's a first choice for consumers.

McDonald's is a restaurant that serves fast food that is easy to find, and it is available in various major cities in Indonesia. McDonald's also emphasizes its products as environmentally friendly, for example, by using environmentally friendly packaging, minimizing plastic use, and recycling waste.

One proof of this is the campaign conducted by McDonald's. According to the official website of McDonald's (2018) campaign *#Mulaitanpasedotan*, this action aims to reduce the accumulation of plastic waste by no longer providing plastic straws in 189 McDonald's stores across Indonesia simultaneously. In this action, McDonald's no longer offers plastic straws in several outlets.

Another action to maintain the environmental health of McDonald's is to support the Net Zero Emission of 2060 in Indonesia; McDonald's helped by opening the "McDonald's West Boulevard" on October 1, 2022. It is the first McDonald's restaurant in Indonesia to use a design called Geometry and utilize environmentally friendly elements to fulfill its commitment to creating a better living environment. This "McDonald's West Boulevard" was built using 35 PV solar modules (7 Bi-Facial and 28 Monofacial panels) in an effort to reduce carbon emissions in 20 years. In addition, the "McDonald's West Boulevard" stalls use eco-brick, a brick material, and environmentally friendly pavement that contains a mixture of plastic garbage for the pavement on the motorcycle parking area and partly the border fence. Also, plates made of 80% recycled material are used on the restaurant's balcony floor.

All the environmentally friendly actions that have been carried out by McDonald's are, of course, good for the environment, but some are not fully resolved. Like the campaign *#Mulaitanpasedotan* in its campaign, McDonald's has not implemented it in all of their outlets. There's also news from CNN Business

World that explains that the McDonald's campaign in 2019, which distributed McDonald's paper straws to replace plastic straws, turns out that the paper straw is non-processable and non-recyclable.

So far, there's still no specific explanation regarding the processing of their food waste, as we know that the main ingredients of McDonald's food products come from beef and milk. According to (Xu, et al., 2021) as many as 35% of all global greenhouse gas emissions are attributable to food production, of which 25% is beef production. This uncertainty can create a consumer perspective that McDonald's is doing greenwashing. If the consumer's perspective continues to increase, it will affect the customer trust and harm McDonald's.

From the background described above, this research aims to analyze and understand the role of green trust and brand equity in mediating the influence of customer value, greenwashing perception, and green brand image on purchase decisions. By analyzing to understand the role of green trust and brand equity as mediating variables in mediating the influence of customer value and greenwashing these variables, the study is expected to provide a better understanding of the factors that influence consumer green purchasing behavior, as well as the essential role of Trust and Brand Equity in the process. This research is a modified replication of the (Amin & Tarun, 2020) and (Ha & Vo, 2022). The difference between research and previous research is that modifications can be made by adding variables such as greenwash perception, green brand image, and green brand equity.

B. Research Question

Based on the research problem above, the research problem in this study is:

1.   Does *Customer Value* affect *Green Trust*?

2.   Does *customer value* affect *Green Brand Equity*?

3.   Does *Greenwash Perception* affect *Green Trust*?

4.   Does *Green brand image* affect *Green Trust*?

5.   Does *Green brand image* affect *Green Brand Equity*?

6.   Does *Green Trust* affect Purchase Decision?

7.   Does *Green Brand Equity* affect Purchase Decision?

8.   Does *customer value* affect Purchase Decisions with *Green Trust* as a mediating variable?

9.   Does *Greenwash Perception* affect Purchase Decision with *Green Trust* as a mediating variable?

10.   Does *Green Brand Image* affect Purchase Decisions with *Green Trust* as a mediating variable?

11.   Does *Customer Value* affect Purchase Decision with *Green Brand Equity* as a mediating variable?

12.   Does *Green Brand Image* affect Purchase Decisions with *Green Brand Equity* as a mediating variable?

C. Research Objectives

The research objectives of this research is:

1. To examine the effect of *Customer Value* on *Green Trust*

2. To identify the effect of *Customer Value* on *Green Brand Equity*

3. To analyze the effect of *Greenwash Perception* on *Green Trust*

4. To determine the effect of *Green Brand Image* on *Green Trust*

5. To analyze the effect of *Green Brand Image* on *Green Brand Equity*

6. To investigate the effect of *Green Trust* on *Purchase Decision*

7. To analyze the effect of *Green Brand Equity* on *Purchase Decision*

8. To investigate the effect of *Customer Value* on *Purchase Decisions* with *Green Trust* as Mediating Variable

9. To determine the effect of *Greenwash Perception* on *Purchase Decisions* with *Green Trust* as a Mediating Variable

10. To examine the effect of *Green Brand Image* on *Purchase Decisions* with *Green Trust* as a Mediating Variable

11. To identify the effect of *Customer Value* on *Purchase Decisions* with *Green Brand Equity* as Mediating Variable

12. To investigate the effect of *Green Brand Equity* on *Purchase Decisions* with *Green Brand Equity* as a Mediating Variable

D. Research Benefit

The benefits expected from this research include:

1. Theoretically

The results of this study are expected to be a reference for future research and the development of marketing, especially green marketing and environmental care for all the companies in Indonesia.

2.   Practically

The results of this study are expected to add insight and can help researchers or academics to develop further research related to marketing topics and obtain new information about customer value in customer decisions regarding products.