



**Environmental Behaviour of Consumers vis-à-vis  
Customer Relationship, Trust and Loyalty:  
Some Research Reflections and Organisational Practices**

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**Abstract**

*In today's business scenario, organisations as well as consumers show greater concern for environmental behaviour. In fact, many companies focus their efforts on the environmental benefits so as to even strategically plan for their competitive edge in the market. Some research studies related to environmental behaviour of consumers have been conducted from the view point of a few industries. This paper is an outcome of the detailed review, analysis and consolidation of such research findings and industry practices that are related to consumers' environmental behavior, particularly in terms of customer relationship, trust and loyalty. Certain research gaps have been identified so as to provide some research directions for future.*

**Keywords:** *Customer Relationship, Customer Trust, Customer Loyalty, Environmental Behavior, Consumer Behaviour*

**Introduction**

Environmental concern has gained greater momentum in the recent years. Actually, over many years, certain irreversible impacts have been created on the environment by the human beings. To avoid further damage to the environment, the concept of 'green' was born and found its place to stay and also evolve further. This concept has been taking paradigm shift and is now moving ahead at a very dynamic pace in all spheres of human life. Individuals, business houses, institutions and governments have been constantly taking various steps to make their initiatives look 'green'. These activities are also called as 'sustainable/environmental friendly/eco-friendly efforts' and so on. Green Technology is defined by Oxford Dictionary (2013) as 'technology whose use is intended to mitigate or reverse the effects of human activity on the environment'.

With the concept of 'green' picking momentum, there has been an upward trend in consumer behavior towards 'green products and services' as well. Green mobile phones, green travel, green tourism, green hotels, green buildings, green food, green utensils, green electronics, etc. are some of the green-related products and services that consumers come across in daily life. In the context of increasing 'green awareness', there have been enormous debates and discussions on who should bear the green-related cost that is associated with green products or

services – business houses? governments? consumers? In this state of affairs, the understanding of green consumer behavior gains prime importance.

Consumers' environmental consciousness has been growing in the recent past (Johri and Sahasakmontri, 1998). Therefore, as a consequence, the importance given for environment friendly and green products by consumers has also been improving. But, Pickett-Baker and Ozaki (2008), in their research, found that most of the consumers cannot easily identify greener products (apart from cleaning products like soaps, detergents, shampoos, etc.), although they would favour products manufactured by greener companies. This indicates that level of consumers' acquaintance with green concept was at its nascent stage until recently. Hence, first of all, consumers need to be provided with inputs about the positive aspects of green/environment-friendly products and services. A number of builders, food item marketers, package suppliers, cosmetic manufacturers, telecom service providers, beverage producers, etc., have been depicting conspicuously the green benefits associated with their products/services in their advertisements.

Even the governments and educational institutions in a number of countries adopt several initiatives to educate consumers on the benefits of green/environment-friendly products. For example, there have been certain green initiatives by the Government of China e.g., introducing 'Awareness and Preparedness for Emergencies at a Local Level' (APELL), forming Ministry of Environmental Protection of China, etc. Japan, Korea and Taiwan also have taken green-related efforts viz, Green Purchasing Network (GPN), Green Start and Green Mark promotion (Ganesh and Thomas, 2012).

Such ways of educating consumers will greatly improve consumers' demand for environment-friendly products. In Hungary, Lakatos et al. (2003) captured the efforts of 'environment and society', in their study, by conducting a distance learning program for postgraduate teachers on sustainable developments. It was carried out with the objective of finding out whether population is more sensitive towards environmental problems. These sort of environment-oriented programmes are conducted to educate the people about environmental issues and sustainable developments for the purpose of creating concern among the consumers about the environmental problems.

From the perspective of companies, Gonzalez et al. (2008) found that there is a positive relationship between the companies possessing certificate on 'Environmental Management System' (EMS) and the environmental demands that these organisations impose on their suppliers. The research finding also indicates that environmental concern spreads upstream in the supply chain. In Business-to-Business situations, the companies put across environmental demands on the suppliers in order to ultimately increase the size of the consumers. This shows that green initiatives and environmental concerns are high in those organisations that aim to continuously expand their customer base. On the other hand, in the same study, the authors have also found that the degree of internalisation does not have any effect on environmental demands and customers' organisational size.

But, Lee et al. (2012) dealt with green supply chain management and their relationship with organizational performance. Actually, their study proved that there is some indirect relationship among green supply chain management practices and business performance. Therefore, it can be construed that green supply chain management improves the business performance. The above mentioned result can also indicate that there are consumers who expect their products to have greener aspects.

In order to gain competitive advantage, companies first concentrate on 'internal' green-related activities and factors. This would eventually influence the organisations' whole output in

environment-friendly way, thereby making the consumers perceive companies' green related activities in a distinct manner. Chen (2011) suggested, based on a study carried on Taiwanese small and medium enterprises, that companies should enhance their environmental organisational culture as well as environmental leadership, raise their green organisational identity and further increase their green competitive advantage.

Internal aspects of culture and leadership can also lead to environmental initiatives. Companies have been strengthening these areas so as to gain competitive advantage. In a recent research, Angelo et al. (2012) mentioned that environmental innovations have a bilateral relationship with the level of proactive environmental management practices adopted by companies. Such proactive environmental innovations can be made through environmental-leadership, culture and capability (Chen et al., 2012). The process can be done only by building companies' internal resources in the context of green. These sorts of actions can be focussed as internal measures that will support growth of companies in terms of green innovations and environment friendliness.

In a related study, Brown et al. (2010) explored the relationship between green building design and workplace design practice for user experience. Even for employees' performance, user experience in the context of green is expected to be important. It actually shows the importance of green environment in any context. Organisations' environment-friendly efforts and initiatives discussed so far have varied influence on consumers.

Research and conceptual studies focusing on consumers' environmental behaviour have been sporadically conducted, by giving attention to some factors that the respective researchers found pertinent at the time when the respective studies were undertaken. But, specific attempts to analyse those factors together and bring out some common inferences have been rare. Such a need to funnel the outcomes of such researches carried out in different countries with varying objectives at different points in time was noticeably felt by the authors of this paper. On this basis, in this paper, an attempt has been made to review the various research trends and industry practices concerning consumers' environmental behaviour and consolidate the outcomes. Studies on three aspects of environmental behaviour of consumers viz., consumer relationship, customer trust and customer loyalty have been particularly chosen for review in this paper, since these aspects were found to be more frequently researched.

### **Customer Relationship**

Green marketing has become a popular term and consumers are able to automatically associate it with environmental-friendly products. Use of traditional cosmetics and toiletries manufactured from herbs and plant extracts became popular in many Asian countries (Johri and Sahasakmontri, 1998). Companies use 'green marketing strategies' to arouse interest among prospective consumers. The result of a case research by Johri and Sahasakmontri (1998) indicates that companies use green marketing as tactic to build their customer base. Such green initiatives are taken by many companies to enhance their relationship with customers.

Through a research on the occupiers of office buildings in United Kingdom, Wetering and Wyatt (2011) examined their views on the importance of various sustainability issues, their perceived impact of different sustainability drivers and willingness to pay. The results surprisingly showed that consumers gave lower rank to green features of a building in the overall building selection process. But, the consumers were found to be willing to pay premium money for green features in their building. Today, keeping consumers in mind, companies engage in more of 'green' relationship activities with customers.

The results of the above-referred research show that, for green relationship (with customers) to yield competitive advantage and higher level of organisational performance, it is necessary to understand how customer-stakeholders perceive firms' environmental initiatives. The outcome of the research also stresses the need to investigate the degree to which a company's demand and supply functions are integrated and whether that influences perceptions of consumers. For improved customer relationships, companies have to perceive consumers' attitude towards its earlier environmental/green efforts and then plan strategically for their future green-relationship initiatives with the consumers (Kirchoff et al., 2011). Such a strategy can improve the consumers' relationships with company and the perceptions about the company.

In a different perspective, it is important to realise that, in order to build good relationship with consumers, organisations need to concentrate more on capital investments too. For example, in a research conducted with Taiwan manufacturers, Chang and Chen (2012) found that there is a strong influence of corporate social responsibilities and environmental consciousness on green intellectual capital. The study also shows what the consumers actually expect from the companies. Satisfying the consumers by meeting their expectations is a sure way for companies to improve their relationship drastically. Chen et al. (2012) identified, based on their investigation, that companies should invest their resources in cultivating the internal origins (environmental leadership, environmental culture, and environmental capability) rather than the external origins (environmental regulations and the environmentalism of investors and clients). Thus the companies take some internal initiatives for improving their company products through green initiatives and those activities, in turn, can enhance consumer relationship.

### **Customer Trust**

In the context of green marketing, another dimension that has caught the attention of researchers is 'consumer trust'. Simpson et al. (2007) found that suppliers are now more responsible and companies now concentrate more on their green and environmental investments. This indirectly builds better consumer relationships. Since many decades back, in cosmetics and toiletries manufacturing, usage of herbs and plant extracts had become increasingly popular. Such green aspects are most sought now-a-days and organisations use them for devising green marketing strategies. This enormously improves the consumer-supplier relationships and trust between them. In a research study undertaken in Australian automotive industry, Simpson et al. (2007) found out that companies are more responsive to their customers' environmental performance requirements that actually increase the levels of relationship-specific investment. Increasing initiatives of organizations towards green-related products also show their concern towards the consumers. This positive feeling towards consumers builds a strong trust upon the company and its products and such a trust will eventually lead to enhanced customer loyalty.

Now-a-days, consumers show voluntary interest to get increased awareness about green related products. This awareness actually plays a vital role in building consumer trust among products. In the recent study undertaken by Mourad and Ahmed (2012) in the Telecom Industry in Egypt with 302 respondents, it was found that there is a strong positive correlation between the factors like green - brand image, awareness & trust and green brand preference. It is also clear that consumers who have strong trust and awareness would have a high preference towards the environment-friendly products. For building consumer trust among products, the companies take initiatives to provide quality goods to their consumers. Chen and Chang (2013) found, through a study among Taiwanese consumers, that green perceived quality would positively affect green satisfaction and trust. Consumer perceived quality plays a very vital role in building

consumer satisfaction and trust. Increase in green perceived quality and decrease in green perceived risk will enhance green-satisfaction and trust among consumers.

From another dimension, the outcomes of consumer researches prove that consumers have been found to have interest and trust in environment-friendly products. Recently, Berghoef and Dodds (2011) conducted a study in Ontario's wine industry and found that consumers are at least attracted towards and interested in purchase of eco-friendly wine. They are also found to be willing to pay higher price for it, though such purchases do not happen regularly. This reveals their trust in eco-friendly products. Green perceived value of consumers would increase green trust among consumers; green perceived risk would decrease green trust (Chen and Chang, 2012). Companies therefore should design marketing and communication strategies and invest in required resources to increase green perceived value and decrease green perceived risk. This would enhance the trust level of consumers towards eco-friendly products. Consumers will not trust the companies' green activities until they are convinced about the benefits. Consumers do not simply rely on green products without prior information about the environmental impact (Martin and Simintiras, 1995). In the context of environmental adaptation, Canning and Hanmer-Lloyd (2007) mentioned that though supplier-customer dyadic relationship has potential to contribute to trust, adaptation to each other can also undermine the trust that already exists.

### **Customer Loyalty**

Consumers are said to be loyal if they have a persistent positive attitude towards a company or brand, with a view to make repeat purchases. Therefore consumer loyalty largely depends on continued purchase of products from its suppliers. Such a loyalty could be a result of green aspects embedded in the product/service offerings. Some researchers focussed on consumer loyalty towards such green aspects. Ferguson and Goldman (2010) cited the finding of a global consumer survey by Boston Consulting Group which revealed that, even in the economic downturn, consumers prefer to buy green products and that a large number of respondents in all countries expressed a willingness to pay a premium for it.

Another interesting outcome was brought out by Chang and Fong (2010) by proving that that green product quality brings about green customer satisfaction and green customer loyalty. Additionally, green corporate image contributes to green customer satisfaction and green customer loyalty. On the other hand, a study conducted about two decades back pointed out a very different outcome. In that study, Louchran and Kangis (1994) dealt with the directives issued by European Union for reducing environmental waste in the process of packaging. Investigations were made regarding marketing of branded spirits in European duty-free situations with the purpose of determining whether consumers face conflicts between purchasing on the basis of environmental issues or giftability of products. The results revealed that customers were more motivated by price and brand loyalty than on packaging or green issues. This indicates that the consumers are more particular about how much they pay for buying goods and about their loyalty relationship with the company. In other words, consumers were found to be not willing to compromise with price and loyalty for green/environment-oriented features of products.

Some conflicting results about consumer loyalty towards green aspects have also been brought out by researches conducted at different points in time. For example, the outcome of investigation by Ferguson and Goldman (2010) brought to light the fact that attempts of the companies to build brand affinity due to green aspects of products slowly led to consumer expectation about green aspects in products. Consumer education regarding the benefits to be accrued by consumers by purchasing green products would go a long way in improving

consumer loyalty towards 'green' aspects / contents of products. Another finding put forth by Johri and Sahasakmontri (1998) indicates that, by adopting green marketing, companies have been able to create favorable attitudes and enjoy a high degree of brand loyalty. This actually multiplies the consumers' loyalty towards the product and the company.

In the recent years, companies and customers have started to emphasise more on the value of environment-friendly products. In this context, Denton (1996) examined as to how the environment can be used as a competitive weapon for business for building consumers' loyalty. So, it can be said that organisations concentrating more on the importance of environment can build good reputation among the consumers. If companies concentrate more on the environment and pollution management, there will be an enormous potential for not only profit for the companies but also for ecological quality for the society (Denton, 1996). In turn, environment and pollution control activities of companies would significantly contribute to enhanced loyalty among consumers.

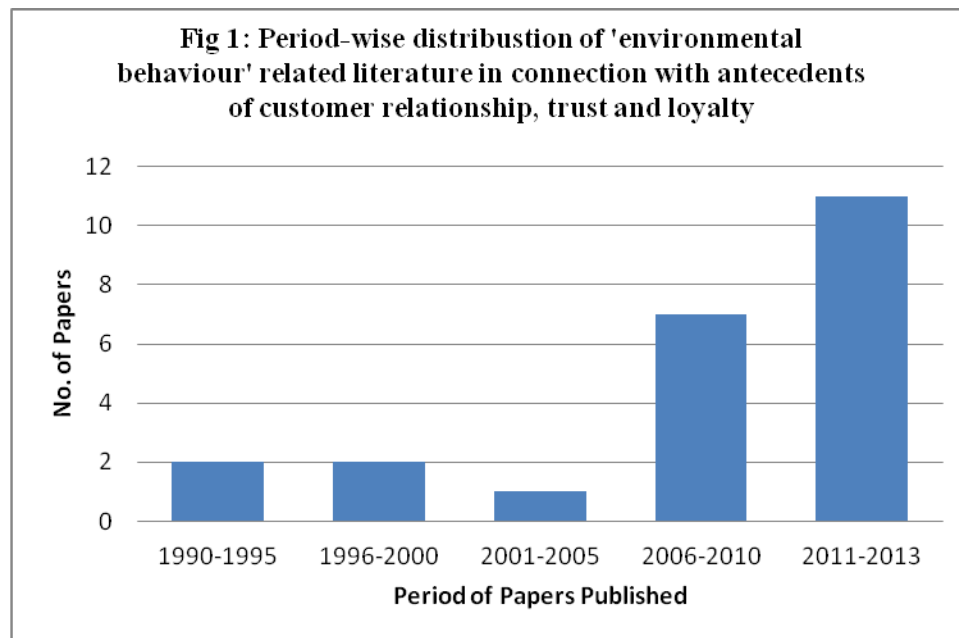
### **Consolidation of analyses and development of model**

The consolidated list of dependent variables and independent variables that were taken up for investigation in the various research studies that have been reviewed and analysed in this paper is shown in the table 1. The figure 1 indicates that research studies related to environmental behaviour of consumers, particularly in terms of customer relationship, trust and loyalty have only been very limited in number. Such studies picked up momentum in only 1990s and then onwards have been somewhat steadily progressing. Interestingly, the data shows that the last ten-year period has seen improved directions in such researches.

**Table 1: Dependent and independent variables considered in various research studies related to consumers' environmental behaviour**

<b>S. No</b>	<b>Author</b>	<b>Year</b>	<b>Independent variables</b>	<b>Dependent variables</b>
1.	Louchran and Kangis	1994	Price, brand loyalty and packaging of products	Green marketing of products
2.	Martin and Simintiras	1995	Environmental knowledge on products	Customer attitude
3.	Denton	1996	Environment	Customer loyalty
4.	Johri and Sahasakmontri	1998	Green marketing strategies of companies	Consumer attitude and brand loyalty
5.	Lakatos et al.	2003	Sustainable development training	Education of environmental problems
6.	Canning and Hanmer-Lloyd	2007	Environmental green issues	Trust and adaptation in supplier-customer relationships
7.	Simpson et al.	2007	Customers environmental performance requirements	Suppliers responsiveness on customers performance requirements
8.	Pickett-Baker and Ozaki	2008	Marketing techniques	Customer preference for green brands
9.	Gonzalez et al.	2008	Possession of certified Environmental Management System by companies	Implementation of environmental practices in companies
10.	Brown et al.	2010	Organisational culture in shaping design and operation decisions on user experience	Green building workplace design practices of organisations
11.	Ferguson and Goldman	2010	Price of products and companies environmental records	Customer loyalty on green products
12.	Chang and Fong	2010	Green product quality and green corporate image	Customer satisfaction and loyalty
13.	Chen	2011	Environmental oraganizational culture and leadership, green competitive advantage	Green organizational identity
14.	Kirchoff et al.	2011	Environmental initiatives by customers and stakeholders	Perception of demand and supply of environmental products and services
15.	Wetering and wyatt	2011	Green features of building and willingness to pay premium for building	Product selection preference criteria

16.	Berghoef and Dodds	2011	Degree of consumer interest and willingness to pay premium	Purchase of eco-labeling in wine products
17.	Lee et al.	2012	Green SCM and organizational practices	Business performance
18.	Angelo et al.	2012	Organizational implementation of green practices	Green environmental innovations in organizations
19.	Chang and Chen	2012	CSR activities on green intellectual capital and environmental consciousness	Green intellectual capital
20.	Chen et al.	2012	Environmental internal origins: Leadership, culture & capability Environmental external origins: Regulations, investors & clients	Proactive and reactive green innovations in companies
21.	Mourad and Ahmed	2012	Environmental promotions and green awareness	Green brand preference
22.	Chen and Chang	2012	Green-perceived value and risk, purchase intention	Green trust
23.	Chen and Chang	2013	Green perceived: trust and quality	Green trust and satisfaction

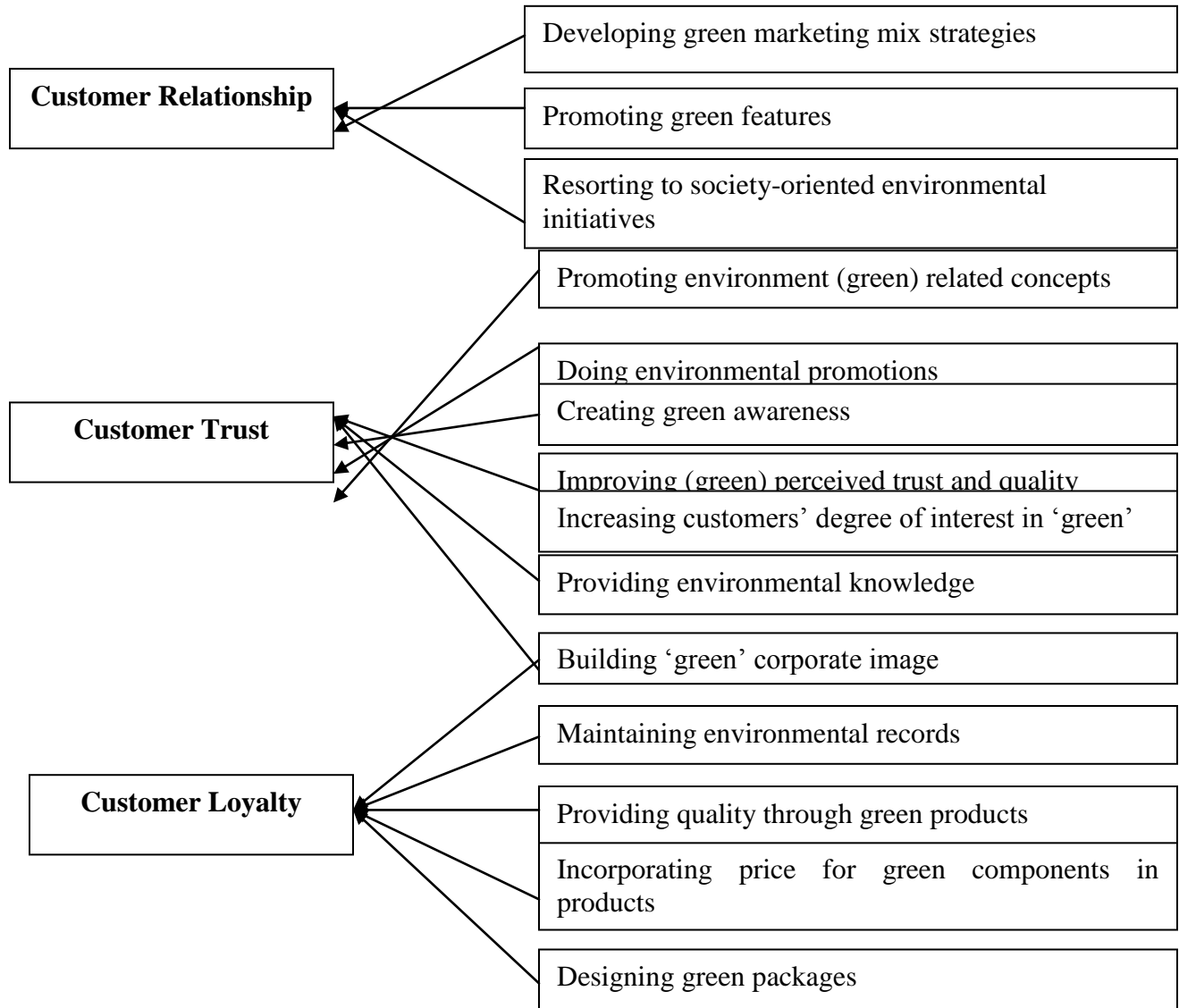


Based on the consolidated analysis of the studies done thus far, a model of factors and strategies influencing environmental behaviour of consumers is developed (Figure 2).



Consumers' environmental behaviour is depicted in terms of customer relationship, trust and loyalty. Such strategies as developing green marketing mix strategies, promoting green features and resorting to society-oriented environmental initiatives help the companies to strategically develop the customer relationship through their products and services. Environmental related efforts such as, promoting environment (green) related concepts, doing environmental promotions, creating green awareness, improving (green) perceived trust and quality, increasing customers' degree of interest in 'green' and providing environmental knowledge help the companies to improve the customer trust. Companies working with the environment-related strategies such as building 'green' corporate image, maintaining environmental records, providing quality through green products, incorporating price for green components in products and designing green packages can look forward to improving customer loyalty. Therefore for enhancing consumers' environmental behaviour, marketing organisations need to focus on designing / improving the strategies highlighted above.

**Fig. 2: A model of strategies influencing environmental behaviour of consumers**



## **Conclusion**

The detailed review of research trends concerning environmental behaviour of consumers show that, in the past decade, a lot of thrust has been given on creating and enhancing consumers' environment-friendly behaviour. Environment-related efforts, taken by the governments in different countries, for creating awareness among consumers through green education, green programmes, etc. have been identified and consolidated in this paper. In business-to-business situations, various companies' green initiatives in the various components of supply chain have been analysed. Further, different organisations' inward-directed green activities like the efforts in terms of internal departments, work place, culture, leadership, etc. and the related research outcomes have also been analysed. A focussed effort has been made in this paper to delve into the research / practice-oriented literature related to environmental studies that have dealt with customer relationship, trust and loyalty. The broad findings that were brought out in such studies have been consolidated and new directions for proceeding with further research are provided.

The analysis of research trends indicate that environmental consumer behaviour studies have been conducted in such industries as education, consumer goods, construction, telecommunication, etc. Research studies have dealt with products such as cosmetics, toiletries, wine, and the like. But, other industry sectors like hospitality, logistics, health, transport, tourism, banking, and so on have received scant or no attention by consumer researchers focusing on environmental behaviour. Future research can focus on these industry sectors and many other diverse products that have not been covered by earlier researchers. Services industry, particularly, has received only scattered attention in the context of environmental behaviour of consumers.

Green marketing mix, green features in products and society-oriented green initiatives have been found to facilitate organizations in building customer relationships. Research studies have revealed that customer trust can be developed through environmental promotions, generating green awareness & interest and providing environmental knowledge to consumers. Analysis of research results concerning customer loyalty for green products show that organisations that build green corporate image, design quality through green products, price products on the basis of green aspects and use green packages.

Frequently studied aspects of consumers' environmental behavior viz., customer relationship, customer trust and customer loyalty have alone been considered in this review. Other factors such as consumer personality, consumer learning, consumer attitude, etc. have been found to have got rare research attention in the context of environmental behaviour of consumer. Hence, there is a large scope for future researchers to test the effects of these variables as well. Future researchers can also explore certain other consumer behavior related variables in addition to customer relationship, trust and loyalty in environment-related studies. For example, factors like customer delight, consumer values, customer complaints, customer switching and customer recovery also have enormous scope for environment-related consumer behaviour researches.

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