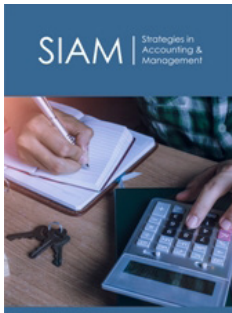


Financial Costs of Green Options: Financial Perceptions Surrounding Green Products and Purchase

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Abstract

Despite strong progress toward range of green products and competition, perceptions toward the financial responsibilities associated to green options have not been as progressive. This paper provides insight for the financial concerns and issues commonly associated to the purchase of green products and recommends the use of social media and popular culture as a method to initiate change of these beliefs.

Keywords: Willingness-to-pay; Competitive pricing; Greenwashing; Green products; Sustainability; Social media; Popular culture; Influencers

Introduction

The range of environmentally friendly options, commonly referred to as 'green' products or practices, have become increasingly available at a wider range of places and prices over the years. This paper provides insight for prevalent financial stances toward green options, particularly those which are higher priced, and recommends that social media and popular culture be examined further to help increase the purchase of green products.

Discussion

Industrialization throughout the years has both caused and amplified damage to the earth's environment. Pollution and greenhouse gases emitted through the use of fossil fuels have inflicted deterioration of the earth's protective ozone layer, resulting in harmful consequences such as climate change and global warming, hence inspiring the creation of international research communities and organizations which aim to restore the natural equilibria of our planet [1,2]. Although the damage cannot be undone, and both technology and industrialization continue to grow, more sustainable and environmentally friendly products, such as renewable energy sources through solar and wind turbines, as well as the first all-electric sports car by Porche, are available at a much broader range and stronger level of competition to consumers [3]. Green products and practices are like any other product and service, in the sense that adoption involves unavoidable costs which may include but are not restricted to, financial monetary costs. However, green products have also been related to increased issues regarding legitimacy and fairness of the product's production and product itself, as well as deceptive claims in its marketing, a practice commonly referred to as greenwashing [4,5]. Despite different countries' attempts to minimize financial pressures of green adoption through strategies such as surcharge and subsidies, the financial responsibility which comes with sustainable and environmentally friendly practices still exists as a strong influential factor affecting both the country and its individuals' levels of enthusiasm and satisfaction in using green, as well as the strategies acquired to encourage their transition [6-9].

Green consumers show commonalities in demographics which include female gender, higher education levels, and a higher income [10,11]. Therefore, these more likely consumers could also be considered as more "critical and well educated" Markard [6] individuals who contain the skills to do their own research on the specific green product or service, and from their analysis, draw their own conclusions as to what the product is worth, and how much they are willing to pay. Willingness-to-pay has been another financial element which has been studied, for which it has been emphasized that income itself only influences the amount which is contributed, not the participation, and that a common objective of environmentally conscious behavior was still to save money [12,13]. However, it has been implied that further

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research is only executed by the individual if the perception of affordability exists, hence, personal opinions and decisions may change over time, or be influenced by future government policies such as providing a start-up incentive to support the development of green electricity, and government subsidies or tax deductions, which would assist in the overall set up costs and consumer prices, but probably only if there was an initial belief that it was achievable [14-17].

Competitive pricing is “influenced primarily by competitors’ prices” Pride [18], which is why competitive prices generally become more apparent as the number of suppliers increases. However, it may also be argued that more competition cannot be incurred without first having the consumers who have the desire to consume the product, an argument which can be approached by many angles, including that “the green energy marketer needs to create the market as well as sell the product.” Markard [6] Considering that low participation rates for green electricity, for example, has shown to generate low total revenue and therefore higher prices, it can be assumed that greater involvement may result in lower prices and higher levels of willingness-to-pay from the customers [6,18, 19-23]. Hence, as suppliers try to increase their own customer count by increasing customers’ satisfaction levels in order to ideally prevent unsatisfied customers from leaving, the increased competitors would increase consumer options, and hence, consumers’ comparative analysis of the available product options would also increase, comparing environmental as well as non-environmental options [18,24]. It is, therefore, only reasonable that the main concern toward environmentally friendly options is the assumed accompaniment of higher prices with the main factor of transition, hence, transition to environmentally friendly options were induced simply by the availability of a lower-cost supplier, which caused a realization that “some of the ‘green’ suppliers offer(ed) prices that were actually competitive with the non-green products. Wiser [9] Especially for products requiring higher financial costs, customers would contribute more time and greater levels of consideration concerning the amount of long-term value they receive, in an attempt to attain the greatest value for their money, that is, more effort researching for the best quality results at the cheapest price, prior to purchasing the product, as well as the tangible and intangible benefits, for the self or others [21,25-28]. However, it is also these higher priced environmentally friendly products, which potential customers are least likely to personally test, experience and observe any relative advantages prior to the purchase, all of which are core elements that contribute toward the successful adoption of a product or behaviour [15].

Conclusion

In conclusion, despite the spread of environmentally friendly options and competition, the competitive prices of these suppliers for less triable products, are difficult to bring into general attention, especially if initial impressions exist. Hence, despite the loathe environmentalist critics are known to bare toward media and popular culture, it is recommended that social media and popular culture be considered as an effective method for spreading new

beliefs about the affordability and benefits of environmentally friendly products which are less triable and currently less popular [29]. Social networking sites have already been effective in using medical social influencers to contribute toward healthier living, and already have millennials trending green products and practices, with research showing that effectiveness of social media use is mainly due to factors of trust and positive word of mouth, reaching a wide audience for a small cost [30-33]. Specifically how this could be executed for this type of green product, as well as its effectiveness, could be examined for future studies.

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