

SMALL BUSINESS BRIEF

**PRO-ENVIRONMENTAL STRATEGIES FOR SMALL BUSINESSES:
FACTORS AFFECTING CONSUMER TRUST AND RESPONSIBILITY**

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ABSTRACT

Consumer reactions to environmental protection policies adopted by small and large retailers were compared and analyzed for differences. Trust in the retailer and expectations of the policy successfully affecting change in the environment were significant predictors of customer loyalty, regardless of retailer size. However, consumers had higher levels of trust and expected to be more loyal to small retailers adopting these policies, even though consumers predicted the larger firms would be in a position to achieve greater results for the environment.

INTRODUCTION

How can a small business differentiate itself from large business in a manner that matters to the customer? One method may be to adopt organizational strategies which support environmental protection. Surveys reveal an increasing number of consumers who either reward or intend to reward firms that are proactive regarding environmental issues in their business and marketing practices (Carlson, Grove and Kangun, 1993). According to a recent Gallup survey, 75% of Americans consider themselves to be environmentalists (Mackoy, Calantone and Droge, 1995). Well conceived and implemented pro-environmental strategies can positively affect a business's image and customer loyalty (Menon and Menon, 1997).

Adopting environmental business and marketing strategies do not guarantee customer loyalty, however. Sales can be negatively impacted if customers perceive that environmental claims are exaggerated or less than credible (Ottman, 1992; Polonsky, 1995; Stisser, 1994). In addition, social norms do not translate directly into behavioral shifts in customer choice. Price, quality, and convenience are still important decision factors (Ottman, 1992; Roberts, 1996a). Therefore, the market share gains from implementing a pro-environmental marketing strategy may not justify the small business's additional costs (Osterhus, 1997). It is imperative that managers identify key factors motivating customer behavior in successful pro-environmental strategies.

The value of a firm's overall positive image is seen in its relationship to revenues. Reputation is one facet of a business's overall image. According to Shapiro (1982), as a firm's reputation improves, so do its sales. A business with a good overall reputation owns valuable assets such as goodwill, customer loyalty (Herbig, Milewicz and Golden, 1994), and increased advertising credibility (Goldberg and Hartwick, 1990).

In establishing a positive image, a business needs to go beyond providing quality products and services (Mason, 1993). One of the major goals of pro-environmental marketing is to enhance the firm's reputation as a corporate good citizen. Including pro-environmental decisions in the marketing mix can lead to trust and commitment on the part of all its stakeholders (Hosmer, 1994). Therefore, if the recent reports of increased consumer awareness about environmental issues and their stated intentions of rewarding firms that are socially responsible are accurate, then pro-environmental behavior on the part of the firm may be a method for developing customer loyalty (Menon and Menon, 1997). According to Reichheld (1993), customer loyalty may be a more effective method for predicting long-term company performance than current sales. The objective of this study was to determine whether the size of the retailer adopting pro-environmental behavior has an impact on the consumer's trust and feelings of responsibility to patronize that firm. Adopting pro-environmental behavior often involves a serious commitment of resources for the small firm. Is it worth it? Previous literature suggests large retailers are more likely to be accused of cause-exploitative marketing when they adopt pro-environmental policies (Garrett, 1987). Does this mean small firms have higher levels of consumer trust? On the other hand, are environmentally conscious consumers more apt to feel a responsibility to patronize chain stores with environmental policies because they believe the larger retailer will have a greater impact on the environmental cause?

CONSUMER TRUST AND PERSONAL RESPONSIBILITY

Osterhus (1997) has demonstrated that normative influences do not automatically translate into pro-environmental consumption behavior. He discovered two important moderating variables, consumer (personal) responsibility attributions and trust in the firm. When consumers maintain high levels of both trust and responsibility, they are more apt to allow their personal norms to influence their behavior. Combined with economic factors, responsibility and trust play an important part in the consumers' decision process.

Movies, television, and the press have perpetuated the popular image of large corporations as unfeeling behemoths, interested only in the "bottom line". Because of their national or global recognition, large corporations are more likely to be targeted by special interest groups because public boycotts can provide greater exposure for the issue (Garrett, 1987). In fact, some corporations have chosen to keep a low profile regarding their environmental programs because they do not want to be perceived as abusers of cause-exploitative marketing.

Most small firms do not have the resources large firms have, but many are trying to do their part for environmental causes. Small businesses have a history of becoming intimately involved with community service as an inexpensive means of building a positive image with the local market. Consumers may trust the small retailer's pro-environmental intentions more than they do the larger chains.

Consumers targeted with pro-environmental marketing strategies may feel that the costs of changing their consumption behaviors exceed the benefits either to themselves or to society as a whole (Rangan, Karim, and Sandberg, 1996). Consumers are sophisticated enough to realize that benefits accrue for a social cause when a large segment of the population supports it through their behaviors. A study conducted by Roberts (1996b), indicated that perceived consumer effectiveness (the ability of individual consumers to affect environmental resource problems)

explained 33% of the variation in ecologically conscious consumer behavior. Consumers may perceive large chains who adopt pro-environmental behavior as having more impact on environmental causes than small retailers. If this is the case, environmentally responsible consumers might feel more personal responsibility to patronize large chains who are supporting social causes because of the perceived greater impact.

A poll conducted by the Roper organization (1992) found that socially responsible consumers are likely to be more educated, earn more money, and be female. However, Roberts (1996b) found that demographics could explain only 6 percent of the variation in the consumers' ecologically conscious behaviors. Roberts found that the best predictor of the ecologically conscious consumer was the consumers' belief that they, as individuals, could help successfully solve environmental problems. Osterhus (1997) found that economic factors, combined with feelings of personal responsibility and trust in the firm adopting the policy, were important factors in the consumers' decision process involving pro-environmental consumption behavior. Consumers are wise enough to realize that the large retail chains are able to offer better prices because of economies of scale. Therefore, customers may expect less impact on prices in larger stores adopting environmental policies.

METHODOLOGY

A questionnaire was developed with six short scenarios describing the adoption of environmental protection policies by small and large retailers. Three of these policies were described as being adopted by national chains. The other three scenarios were exactly like the national chain scenarios except they were described as being adopted by small, privately owned stores (see Table 1).

Table 1 - Scenarios

- Effective January 1, 1998 a *large, Fortune 500 office supply store chain* will carry 100% recycled paper, plastic, and glass products.
- Effective January 1, 1998 a *small, privately owned office supply store* will carry 100% recycled paper, plastic, and glass products.
- Effective January 1, 1998 a *large national grocery store chain* will implement a policy in which only fresh produce that is grown without the use of pesticides harmful to the environment will be sold in their stores.
- Effective January 1, 1998 a *small, privately owned grocery store* will implement a policy in which only fresh produce that is grown without the use of pesticides harmful to the environment will be sold in the store.
- Effective January 1, 1998 a *large, national toy store chain* will implement a policy in which 20% of its net profits will be donated to environmental protection.
- Effective January 1, 1998 a *small, locally owned toy store* will implement a policy in which 20% of its net profits will be donated to environmental protection.

The three major categories for the six scenarios (grocery store, office supply store, and toy store) were selected in order to appeal to a broad range of respondents. For example, the grocery store

was selected because most people, at one time or another, have to shop in a grocery store. The office supply store scenario was created to relate to clerical and professional staff. The toy store was selected to gain affect and cognition from parents.

Respondents were asked to what extent they predicted these retailer policies would affect product prices, trust in the retailer, personal responsibility to patronize the retailer, and the overall impact on the environmental cause. Their responses were measured using a five point scale with 1 indicating the policy would cause a "decrease", 3 indicating "no change", and 5 indicating an "increase" in the variable being measured.

Demographic questions were included in the study because they are commonly used for market segmentation purposes, although past research has contradicting evidence on the viability of using demographics to segment environmentally conscious consumers (Spiller & Hamilton, 1995; Roberts, 1996a; Roberts, 1996b). Respondents answered questions relating to age, gender, marital status, employment status, education level, ethnicity, number of children, and income.

The questionnaire was pre-tested on 77 undergraduate students at a northern California public university. In addition to filling out the survey, respondents were asked to give feedback on the questions and the scenarios. Minor clarity revisions were made to the questionnaire before it was distributed to the sample population.

The surveys were then distributed to a sample of 200 public agency workers in northern California. A total of 136 useable questionnaires were returned, for a response rate of 68 percent. The respondents represented a broad range of ages, education levels, incomes, and marital status (see Table 2).

Table 2 - Sample Characteristics Frequencies

Gender	Female 63.2%	Male 36.8%					
Marital Status	Single 41.2%	Married 50.0%	Divorced 8.8%				
Employment Status	Employed Full-Time 75.0%	Employed Part-Time 11.0%	Not Employed 10.3%	Retired .7%	Missing Values 2.9%		
Income	< \$20,000 11%	\$20,000- \$40,000 30.9%	\$40,001- \$60,000 14.7%	\$60,001- \$75,000 14.0%	>\$75,000 27.9%		
Children in Household	None 63.2%	1 14.7%	2 15.4%	3 2.9%	4 1.5%	5+ 2.2%	
Ethnicity	Caucasion (non-hispanic) 83.1%	Black 0.0%	Hispanic 3.7%	Asian Pacific Islander 4.4%	Other 8.1%	Missing Values 0.7%	
Age Groups	Under 18 .7%	18-24 9.6%	25-34 45.6%	35-44 23.5%	45-54 16.2%	55-64 4.4%	65+ 0%
Education	Some High School .7%	Graduated High School 2.9%	Some College 22.1%	Graduate College 43.4%	Post-Grad Credits 30.9%		

RESULTS

Consumer reactions to small versus large retailers adopting pro-environmental strategies were compared. Paired sample t-tests were used to compare the mean scores in each category (see Table 3). (Noteworthy differences in responses by the consumers to the small and large retailers would be indicated by a significance score of .01 or less. These scores are listed in the far right column of Table 3.) In fact, there were significantly different consumer ratings in all four categories: level of trust in the retailer, potential for the retailer to successfully impact environmental protection, expectations of price increases accompanying the pro-environmental policies, and feelings of personal responsibility to patronize the retailer adopting these policies. Respondents indicated they would have a higher level of trust in small retailers adopting environmental protection policies than in large retailers adopting the same policies. However, respondents predicted that the larger retailers would have a greater impact on environmental protection by adopting pro-environmental policies.

Table 3 - T- Tests: Small Retailers Versus Large Retailers
 (* Means: 1=decrease, 3=no change, 5=increase)

<u>Impact on:</u>	Small Retailer <u>*Mean</u>	Large Retailer <u>*Mean</u>	<u>T-Value</u>	<u>P</u>
Trust in Retailer	3.7328	3.5980	-3.72	.000
Success of Env. Cause	4.1961	4.2868	3.08	.002
Personal Responsibility	3.8995	3.7892	-3.23	.002
Product Prices	4.4167	4.1471	-2.60	.010

The ability of individual consumers to affect environmental change positively impacts their ecologically conscious behavior (Osterhus, 1997; Roberts, 1996b). Consumers realize that benefits accrue for a cause when a large segment of the population supports it through their behaviors. Due to the potential for large retailers to have greater impact on environmental protection, would customers feel a greater personal responsibility to patronize the large retailers adopting these policies? Results of this study suggest this is not the case. Respondents indicated greater personal responsibility to patronize the small retailers adopting the same policies even though they expected to see greater price increases by small retailers adopting environmental protection policies than by large retailers adopting the same policies. Multiple regression was used to look for significant predictors of customer behavior towards the retailers. The two dependent variables were "personal responsibility to patronize large retailers supporting environmental protection causes" and "personal responsibility to patronize small retailers supporting environmental protection causes".

Based on previous studies (Roberts 1996a; Roberts, 1996b), the authors expected that demographics would not be significant predictors of the customers' feelings of personal responsibility to patronize small or large retailers adopting environmental protection policies. Regression results indicated that this was true for age, education, and income, but gender was a significant predictor in the case of small retailers (see Table 5).

Personal responsibility to patronize both small and large retailers adopting environmental protection policies was explained by two additional independent variables, trust for the retailer and predictions of successful changes in environmental protection (see Tables 4 and 5). Product price was not a significant predictor for small or large retailer patronage.

In the case of large firms, trust in the retailer and predictions of successful changes to the environment explained approximately 83 percent of the variation in personal responsibility to patronize (see Table 4). In the analysis of small retailers, trust, gender, and success explained approximately 81 percent of the variation (see Table 5).

Table 4 – Regression: Predictors of Personal Responsibility to Patronize Large Retailers

<u>Variable</u>	<u>B</u>	<u>SE B</u>	<u>Beta</u>	<u>T</u>	<u>Sig. T</u>
Trust in Large Retailers By Consumers	.653472	.053017	.693311	12.326	.0000
Predicted Success of Retailers By Consumers	.242060	.061408	.221725	3.942	.0001
F Stat. = 142.13154		Significant F = .0000		Multiple R = .82538	

Table 5 – Regression: Predictors of Personal Responsibility to Patronize Small Retailers

<u>Variable</u>	<u>B</u>	<u>SE B</u>	<u>Beta</u>	<u>T</u>	<u>Sig. T</u>
Gender	-.197883	.075264	-.135444	-2.629	.0096
Trust in Small Retailers By Consumers	.737011	.054048	.735509	13.636	.0000
Predicted Success of Retailers By Consumers	.144255	.060159	.130076	2.398	.0179
F Stat. = 83.76314		Significant F = .0000		Multiple R = .80970	

DISCUSSION

Do consumers trust the small business's pro-environmental intentions more than they do the larger chains? The answer appears to be "yes". Are consumers more apt to support the small retailer or the large retail chain that is making an effort to do its part for the environment? Again, it appears the small business has the edge.

Consumers who participated in this study predicted large chains who adopted pro-environmental policies would have more impact on social causes than small retailers. However, their responses indicated a belief that even small retailers can have an impact.

Would socially responsible consumers feel more personal responsibility to patronize large chains who are supporting environmental causes because of their perceived greater impact? Results

from this study do not indicate this even though the respondents expected greater changes to be effected by the larger retailers.

Trust and expectations of success appear to have a significant impact on consumers' feelings of personal responsibility to patronize a pro-environmental retailer, whether the retailer is large or small. Females are more apt to support the small retailer. Gender differences appear to have interesting strategic implications for the retailer and should be investigated in more depth.

The sample used for this study, while having some preliminary implications for small businesses, is not a representative sample and should not be relied upon for developing marketing strategy. The majority of this study's participants were employed full-time, had moderate to high incomes, were ages 25 to 54, and Caucasian. The respondents were from northern California where consumers may be, on average, more environmentally conscious than in other regions of the U.S. This research should be replicated with larger and more diverse population samples. Variations may arise by age, ethnicity, income level, geographic area, or past consumption experiences.

Despite these limitations, this exploratory research paves the way for more in-depth study of these issues. More research needs to be conducted in the area of corporate image and trust as it relates to social responsibility and the small business. Future research might look at types of environmental protection issues that are most important to consumers and the accompanying strategic opportunities for marketers.

CONCLUSION

Environmental concerns increasingly affect consumption behaviors. Many U.S. consumers are patronizing businesses which donate part of their revenues to local or national causes. A successful environmental marketing strategy will be predicated on an increased understanding of what motivates the behavior of the environmentally conscious consumer.

The results of this study suggest that trust in the retailer, potential to successfully effect change, and, in the case of small retailers, gender, are the most important predictors of a consumer's feelings of responsibility to patronize a business adopting pro-environmental policies. Consumers are more trusting of small businesses adopting environmental policies and feel stronger personal responsibility to patronize these firms. This is exciting news for the small business. Becoming actively involved in community social and environmental causes could provide the small business with effective opportunities for building a positive local image and customer loyalty.

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