Green Business Practise on Consumer Behaviour in Small and Medium Industries (SMIs)

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Abstract

This study aims to determine consumer behavior in small and medium industrial businesses influenced by green products, green packaging, and green promotion. The analysis unit of this research is small and medium industry business (SMIs) actors located in Berau Regency, East Kalimantan. Increasing public awareness of environmental issues encourages business actors to apply the concept of green marketing as one of the strategies to increase competitiveness and attract consumer interest. The sampling technique used purposive sampling with a total of 50 respondents. The analysis tool used is SEM-PLS with the help of SmartPLS 4.0 software. The results of the study show that, in terms of direct effects, green products and green promotions have a positive and significant effect on green brands, while green packaging has a positive but insignificant effect on green brands. Furthermore, green products, green packaging, and green promotion were found to have a positive and significant effect on consumer behavior, whereas green brand had no significant effect on consumer behavior. Regarding the indirect effect, green brand was unable to mediate the relationship between green products, green packaging, or green promotion and consumer behavior, as all mediation paths showed insignificant effects. This study concludes that green marketing strategies are more effective at influencing consumer behavior through direct effects than through the establishment of a green brand as a mediating variable. The implications of this study are that SME operators in Berau Regency need to prioritize improving the quality of environmentally friendly products, using more sustainable packaging, and implementing informative and consistent green promotions. On the other hand, strengthening the green brand still needs to be carried out through integrated branding strategies in order to increase consumer trust and exert a greater influence on consumer behavior in the future.

Keywords: green products, green packaging, green promotion, green brand, consumer behaviour

INTRODUCTION

The development of environmental issues has changed the paradigm of consumers in choosing and consuming a product. Increasing attention to climate change, environmental pollution, exploitation of natural resources, and the high volume of plastic waste encourage people to be more selective in choosing products that are not only of high quality, but also environmentally friendly. This condition encourages companies, including Small and Medium Industries (SMIs), to apply the concept of green marketing as a business strategy that can integrate economic goals with environmental sustainability. Green marketing is a marketing strategy that emphasizes all business activities to pay attention to environmental conservation aspects, starting from the production process, the use of raw materials, packaging, to promotional activities. According to Kotler and Keller (2016), green marketing is one of the strategies that can create a competitive advantage due to increasing consumer awareness of environmental issues. Through the implementation of green marketing, the company is expected to be able to produce products that have added value while building a positive image in the eyes of consumers. One of the important dimensions in green marketing is green products. Green products are products that are designed using raw

materials that are safe for the environment, an efficient production process, and are able to minimize pollution during the product life cycle. Products that have environmentally friendly characteristics not only provide benefits for consumers, but also increase confidence in the company's commitment to preserving the environment. Therefore, green products are seen as one of the factors that are able to form a positive perception of consumers towards a brand while influencing purchasing behavior. In addition to products, green packaging is also an important part of the implementation of green marketing. The use of packaging that is recyclable, easily decomposed, or uses more environmentally friendly materials is one of the efforts to reduce the impact of pollution, especially plastic waste. Green packaging not only functions as a product protector, but also as a communication medium that shows the company's concern for environmental sustainability. However, in many Small and Medium Industries, the use of environmentally friendly packaging still faces various obstacles, such as relatively higher production costs, technological limitations, and low availability of environmentally friendly packaging raw materials. The next dimension is green promotion, which is marketing communication activities that emphasize the company's commitment to environmental conservation. Green promotion aims to increase public awareness of the benefits of environmentally friendly products through various promotional media, both directly and digitally. As social media develops, businesses have a greater opportunity to convey information about sustainable business practices to consumers so that they can increase trust and encourage purchasing decisions. The implementation of green marketing is expected to be able to form a green brand, which is a brand image that reflects the company's concern for the environment. Green brands are an important asset for companies because they are able to build trust, credibility, and consumer loyalty. According to Chen (2010), green brands are consumer perceptions that a brand has a real commitment to environmental conservation. The stronger the company's green brand, the greater the company's chances of gaining a competitive advantage amid increasing market competition. However, the formation of a green brand does not necessarily automatically change consumer behavior. Consumer behavior is influenced by various factors, both internal and external factors, such as needs, prices, product quality, income, experience, culture, and environmental awareness. In the context of environmentally friendly products, some consumers still make price and quality the main considerations compared to the image of a green brand. Thus, it is important to examine whether green brands are able to be a mechanism that bridges the relationship between the implementation of green marketing and consumer behavior.

Berau Regency is one of the areas in East Kalimantan Province that has economic potential based on Small and Medium Industries (SMIs). Various SMIs in Berau are engaged in the food processing, handicrafts, fashion, and processed products sectors based on local natural resources. On the other hand, Berau Regency is also known as an area that has a wealth of high-value ecosystems, such as the Derawan Islands, Maratua, Kakaban, tropical forest areas, and coastal conservation areas. This condition makes the issue of environmental conservation one of the aspects that is increasingly receiving attention from local governments, business actors, and the community.

As awareness of sustainable development increases, some SMIs in Berau Regency have begun to implement green marketing practices, such as the use of natural raw materials, the reduction of production waste, the use of more environmentally friendly packaging, and promotions that highlight concern for the environment. However, the implementation of green marketing in SMIs still faces various challenges, including limited capital, low

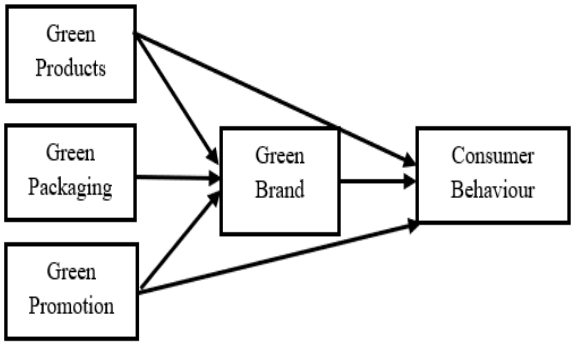
innovation capabilities, limited access to environmentally friendly technology, and not optimal branding strategies that are able to build a green image consistently.

This phenomenon shows that even though the concept of green marketing has begun to be implemented, its effectiveness in forming green brands and encouraging consumer behavior still requires empirical study. The results of previous research also showed inconsistent findings. Some studies have found that green products, green packaging, and green promotion are able to improve green brands and consumer behavior, while other studies show that the influence of green brands on consumer behavior is not always significant. The difference in results indicates that there is a *research gap* that needs to be studied further, especially in the context of SMIs in developing areas such as Berau Regency.

Based on these conditions, this study aims to analyze the influence of green product, green packaging, and green promotion on consumer behavior with green brands as a mediating variable in Small and Medium Industries (SMIs) in Berau Regency. This research is expected to make a theoretical contribution to the development of literature on green marketing and consumer behavior, as well as provide practical recommendations for SMIs and local governments in formulating effective green marketing strategies to increase business competitiveness and support sustainable economic development.

RESEARCH METHODOLOGY

This study employs a quantitative approach. The exogenous variables in this study are environmentally friendly products, environmentally friendly packaging, and environmentally friendly promotions; the endogenous variable is consumer behavior; and the mediating variable is environmentally friendly brands. The sampling technique used is purposive sampling, in which sample selection is based on predetermined criteria. The sample consisted of 50 respondents who were small and medium-sized business owners in Berau Regency. Data were collected by distributing questionnaires. The instrument used in this study was a closed-ended questionnaire containing a series of questions based on indicators for each construct using a Likert scale. The analysis tool used was SEM-PLS with the assistance of SmartPLS 4.0 software.



Based on the review of the literature and previous research, the hypothesis proposed in this study is as follows:

H1: Green Product significant to Green Brand
H2: Green Packaging significant to Green Brand
H3: Green Promotion significant to Green Brand
H4: Green Product significant to Consumer Behaviour
H5: Green Packaging significant to Consumer Behaviour
H6: Green Promotion significant to Consumer Behaviour
H7: Green Brand significant to Consumer Behaviour
H8: Green Brand mediating Green Product to Consumer Behaviour
H9: Green Brand mediating Green Packaging to Consumer Behaviour
H10: Green Brand mediating Green Promotion to Consumer Behaviour

RESULTS AND DISCUSSION

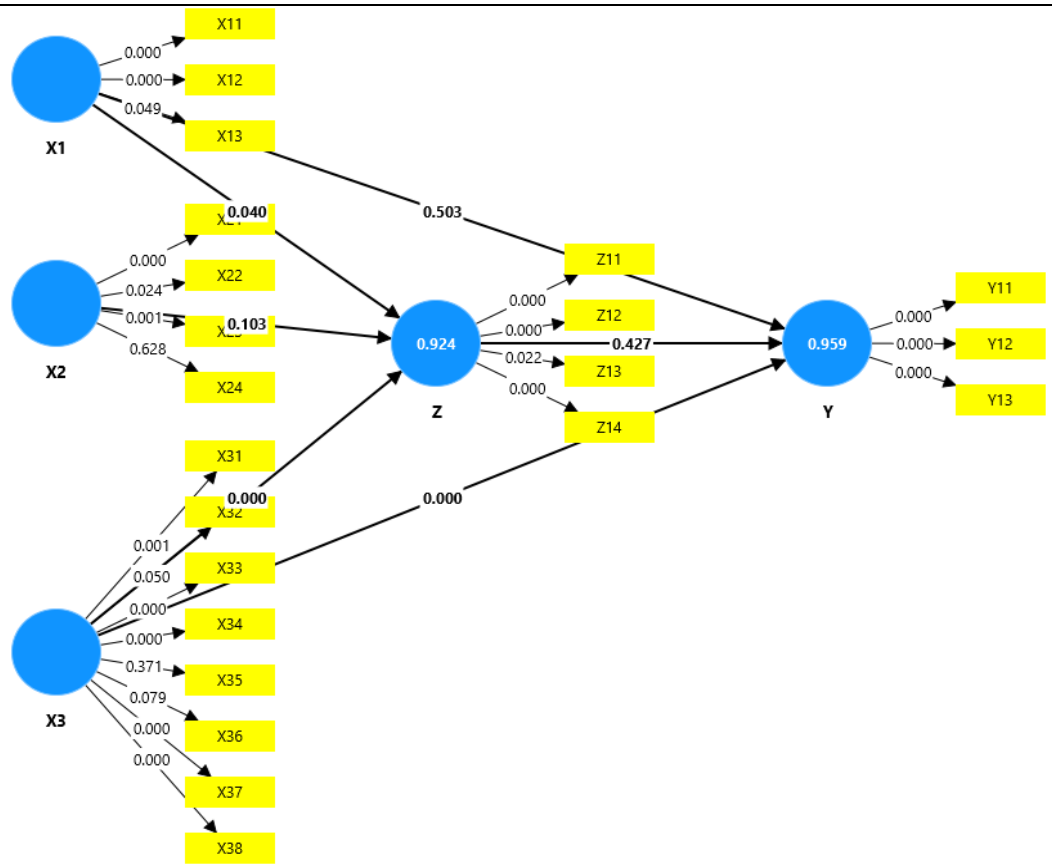


Table 1. Direct Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1 -> Y	**0.027**	**0.032**	**0.040**	**0.670**	**0.503**
X2 -> Y	**0.325**	**0.425**	**0.052**	**2.354**	**0.000**
X1 -> Z	**-0.315**	**-0.216**	**0.153**	**2.051**	**0.040**
X2 -> Z	**0.254**	**0.161**	**0.155**	**1.633**	**0.103**
X3 -> Y	**0.843**	**0.844**	**0.164**	**5.148**	**0.000**
X3 -> Z	**0.993**	**0.993**	**0.036**	**27.596**	**0.000**
Z -> Y	**0.127**	**0.124**	**0.160**	**0.794**	**0.427**

Table 1 above explains that directly variable green products and green promotion have a significant influence on green brands, but green packaging has an effect but not significantly on green brands. Based on the results of research on Small and Medium Industries (SMIs) in Berau Regency, green products and green promotion are the main factors in building a green brand. Truly eco-friendly products and promotions that consistently communicate a commitment to sustainability have been proven to increase consumers' positive perception of the brand. Meanwhile, green packaging has not had a significant impact on green brands. This condition indicates that SMIs in Berau Regency still face obstacles in the

implementation of environmentally friendly packaging, both in terms of cost, availability of materials, and the level of consumer appreciation for green packaging. Therefore, local government support, training, and increased education to the community are needed so that the use of green packaging can become one of the competitive advantages of SMIs and strengthen green brands in the future.

Green products, green packaging, and green promotion have a significant effect on consumer behavior and green brands have a significant effect on consumer behavior. This explains that based on the results of research on Small and Medium Industries (SMIs) in Berau Regency, green products, green packaging, and green promotion have a positive and significant effect on consumer behavior. These three variables are able to encourage consumers to choose, buy, and use SMIs products because they provide benefits that can be felt directly, both in terms of product quality, packaging that supports environmental sustainability, and effective marketing communication. On the other hand, green brands have not had a significant effect on consumer behavior. These findings indicate that the green brand image has not been the main consideration in the purchase decisions of SMIs consumers in Berau Regency. Consumers still prioritize tangible product attributes over brand image. Therefore, SMIs need to strengthen green branding strategies consistently through improving product quality, using clear brand identities, education about sustainability values, and sustainable marketing communication so that green brands can develop into a more influential factor on consumer behavior in the future.

Table 2. Indirect Effect

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**T statistics (|O/STDEV|)**	**P values**
X3 -> Z -> Y	**0.126**	**0.122**	**0.159**	**0.792**	**0.428**
X1 -> Z -> Y	**-0.040**	**-0.026**	**0.042**	**0.945**	**0.345**
X2 -> Z -> Y	**0.032**	**0.020**	**0.037**	**0.873**	**0.382**

Based on table 1.2 above,

Green brands are not able to mediate The Influence of Green Product, Green Packaging, and green promotion of consumer behavior. This phenomenon can be explained based on the condition of Small and Medium Industries (SMIs) in Berau Regency. Most SMIs are still on a micro and small scale so that green brand development has not become the main in marketing strategy. Business actors focus more on improving product quality, using safe raw materials, packaging design, and promotion through social media rather than building a consistent green brand identity.

On the other hand, consumers in Berau Regency also tend to make purchases based on benefits that can be observed directly, such as product quality, material safety, affordable prices, attractive packaging, and promotional information received. An eco-

friendly brand identity has not been a key consideration in the 6purchase decision. This condition is influenced by several 6factors, including: Low green branding literacy, SMIs do not have a strong brand identity, limited resources for SMIs, and characteristics of local consumers. This finding can be explained through the Theory of Planned Behavior (Ajzen, 1991). This theory states that behavior is influenced by intentions formed from attitudes, subjective norms, and perceptions of 6behavioral breakdowns. In the context of this research, green products, green packaging, and green promotion provide benefits that are immediately felt so that it is easier to form attitudes and 6purchasing decisions. On the contrary, green brands are not strong enough to form behavioral intentions because the image of a green brand has not been embedded in consumer perception.

Tabel 3. R Square

	R-square	**R-square adjusted**
Y	0.959	0.956
Z	0.924	0.919

The results of the R-Square analysis show that the research model has an excellent goodness of fit. The variables Green Product, Green Packaging, Green Promotion, and Green Brand were able to explain 95.9% of the variation in Consumer Behavior, while Green Product, Green Packaging, and Green Promotion were able to explain 92.4% of the variation in Green Brand. Thus, the SEM-PLS model used has a very high explanatory power and can adequately describe the relationship between variables in Small and Medium Industries (SMIs) in Berau Regency

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CONCLUSION

In direct influence, the results of the study show that green products and green promotion have a positive and significant effect on green brands, while green packaging has a positive but not significant effect on green brands. Furthermore, green products, green packaging, and green promotion have been proven to have a positive and significant effect on consumer behavior. On the other hand, green brands do not have a significant effect on consumer behavior, so the existence of a green brand image has not been the main factor that drives consumer purchase decisions in SMIs in Berau Regency.

In terms of indirect influence, the results of the study show that green brands are not able to mediate the relationship between green products, green packaging, and green promotion on consumer behavior. All mediation pathways had a p-value of > 0.05, so the indirect influence was declared insignificant. These findings indicate that consumers are more influenced by the tangible benefits they directly feel from eco-friendly products, packaging, and promotions than by the perception of green brands.

Overall, the results of the study show that the green marketing strategy implemented by SMIs in Berau Regency is more effective in influencing consumer behavior through direct channels than through the formation of green brands. This condition reflects that consumers still consider functional aspects, such as product quality, the use of environmentally friendly materials, packaging that supports sustainability, and informative promotions, rather than green brand image in making purchasing decisions.

This finding provides an implication that SMIs in Berau Regency need to maintain and improve the quality of green products,

develop more innovative green packaging, and strengthen educational and consistent green promotion. On the other hand, green brand strengthening still needs to be done through the development of a clear brand identity, sustainable communication, and increasing consumer trust so that in the future green brands can play a greater role in influencing consumer behavior and becoming effective mediators in green marketing strategies.

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