

## Chapter 1

### Introduction

#### 1.1 Background

The natural environment is fundamental to life, influencing the survival, growth, and development of all living beings and their activities. There is a growing consensus that environmental sustainability is an integral part of national policies and plans. This reflects the increasing awareness that environmental degradation has reached alarming rates, becoming an internationally-recognized concern the past several decades and affecting cities and populations worldwide. The need for sustainable development is critical, aiming to meet present needs without compromising the potential of future generations (Kumaresan, P., & Hidangmayum, N., 2023).

Environmentalism has emerged as a social movement seeking to influence jobs and education to conserve natural resources and ecosystems. It acknowledges the interconnectedness of ecology, health, human rights, and human activities. Businesses are increasingly recognizing the importance of environmental sustainability, driven by the growing negative effects of climate change. Organizations are taking steps to increase efficiency, reduce resource use and waste, and monitor their environmental impact, understanding that this is not only a social responsibility but also beneficial for building trust, strengthening customer loyalty, and increasing employee satisfaction. Hence, the promotional strategies such as green marketing implemented by businesses to bring awareness towards their efforts into contributing to the cause (Kumaresan, P., & Hidangmayum, N., 2023).

Green marketing refers to the strategic promotion of products and services that emphasize environmental sustainability, reducing negative ecological impacts throughout a product's life cycle, from

production and packaging to consumption and disposal. This approach integrates environmentally friendly practices into business operations to combat environmental sustainability concerns, while maintaining profitability and consumer satisfaction (Dangelico, R. M., & Vocalleli, D., 2017). An observation between consumers' awareness and levels of perceived value of brands practising eco-friendly efforts by (Wu, S.-I., & Chen, Y.-J., 2014) revealed a significant positive impact on purchase intention. When consumers recognize a brand's commitment to sustainability, they associate its products with higher quality, reliability, and ethical responsibility. This awareness not only enhances perceived value but also fosters trust, reducing uncertainties and increasing the likelihood of purchase. This highlights the crucial role of a well-established green brand image in shaping consumer behavior, reinforcing that businesses prioritizing sustainability can effectively drive consumer engagement and loyalty. However, customer loyalty toward eco-friendly beverage products within the largest and most populated city of Indonesia, Jakarta remains under-explored.

## 1.2 Research Problem

Although environmental awareness is steadily growing among Indonesian customers—particularly among urban and younger demographics—this awareness does not always translate into loyalty toward eco-friendly products. There remains a notable gap between customers' sustainability values and their actual purchasing behavior. While customers may express support for environmentally friendly practices in theory, decisions at the point of purchase are often shaped more heavily by tangible factors such as Price, product quality, and perceived value. In practice, eco-friendly attributes like sustainable packaging, though well-received, tend to play a secondary role in the formation of loyalty when compared to more functional and economic considerations (Sinaga, H. D. E. et al., 2024; Fitriani, F. A. et al., 2023).

Studies focusing on Indonesian millennials and young adults have shown that while green features may positively influence initial purchase interest, continued loyalty is largely determined by whether a

product meets expectations in terms of affordability and consistent performance. Research into sustainably packaged food, beverages, and personal care products reveals that customers often prioritize Price and product quality over eco-packaging when evaluating whether to remain loyal to a brand (Kusuma, A. et al., 2024; Putri, R. D. et al., 2023; Sudirja, A. R. et al., 2023). In fact, customers who are aware of environmental issues may still remain loyal to products that offer competitive pricing, regardless of whether the product features eco-friendly attributes.

This behavioral gap presents a challenge for companies that seek to build customer loyalty through sustainability-focused efforts. Findings suggest that while eco-friendly features and green marketing campaigns can elevate a brand's image and influence purchase intention, they are unlikely to serve as the primary drivers of repeat purchases unless accompanied by Price fairness and product effectiveness (Asmara Dewi, W. W. et al., 2020; Megia, E. et al., 2023). In this light, understanding the extent to which environmentally-aware customers weigh economic factors such as Price against eco-friendly product features becomes central to examining what truly fosters customer loyalty in the Indonesian context.

### 1.3 Research Objective

The aim of this study is to investigate how Price Perception and Eco-Friendly Beverage Product Packaging influence existing Customer Loyalty among environmentally-aware consumers in Jakarta, Indonesia. Rather than examining hypothetical purchase intentions, this research focuses on customers' actual repeated behavior by assessing the importance they attribute to these two factors in the context of products they are already loyal to. Through survey questions that ask respondents to evaluate how critical Price and Eco-Friendly Packaging are to their loyalty, the study seeks to identify which attribute—Price or Eco-Friendly Packaging—plays a more significant role in fostering ongoing patronage and repeat purchases. This approach enables us to capture real behavioral responses and compare the

relative impact of each independent variable on the overall customer loyalty of environmentally-aware customers.