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Sustainability Premium: A Study on Consumer's Willingness to Pay Premium for Sustainable Products

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Abstract:
Sustainability and green growth are becoming more and more important in addressing environmental challenges. The growing environmental concern like pollution, climate changes, resource depletion etc leads to the development of more sustainable alternatives. Sustainable products and services are also a better alternative to attain sustainability, which reduces the negative impact on environment. Improving consumers awareness and responsibility can make a major contribution to this global challenge. Consumers behaviour is the key factor in purchase decision. Many consumers show a positive attitude towards the green products, but such attitude does not always covert to actual purchase. The paper aims to understand the consumer's buying behaviours towards environmentally sustainable products. Consumer's awareness of environmental issues and their influence on purchase decision, constraints that are preventing the consumers from buying environmentally sustainable products are also examined. This study used quantitative research techniques through primary and secondary data from a sample of 100 consumers in Wayanad district through the convenient random sample method. This study used correlation method to analyse the relationship between consumers' willingness to pay premium for green products and purchase decision .

Keywords: Sustainability, Consumer behaviour, Sustainable premium, Willingness to pay

Introduction

Sustainability is vital concept that has become very important in today's world because of the increasing population and the scarcity of natural resources. The growing global population and the depletion of natural resources have made sustainability an essential idea in today's world. In order to secure a better future for present and future generations, it is now imperative that we embrace sustainable practices. In order to balance the needs of the present without compromising the capacity of future generations to meet their own needs, sustainability takes into account environmental, social, and economic factors.

In recent years, the idea of sustainability has drawn a lot of attention on a global scale due to growing concerns about social inequality, environmental degradation, and climate change. Sustainable consumption patterns are emerging as a result of consumers' growing awareness of how their purchases

affect society and the environment. Growing awareness of the need to advance social justice and preserve the environment is what is causing this change.

Economic growth that is both socially and environmentally inclusive is referred to as "green growth." It entails making investments in renewable energy, encouraging sustainable infrastructure, and embracing sustainable patterns of production and consumption. Using goods and services that satisfy essential needs while reducing negative effects on the environment is known as sustainable consumption. Because they are concerned about how their purchases will affect the environment and society, consumers are realizing the need to adopt sustainable consumption patterns. Selecting goods and services that are manufactured and provided in a manner that reduces environmental damage and advances social justice is known as sustainable consumption.

Sustainable consumption patterns are largely driven by consumers' willingness to pay more for sustainable goods. Studies have indicated that consumers are prepared to pay a premium for goods that support social justice, are produced sustainably, and have a low environmental impact. However, there are a number of variables that affect consumers' willingness to pay more for sustainable products, including product type, cost, and level of awareness.

It is very essential to adopt sustainable practices to ensure a better future for ourselves and future generations. In recent years the concept of sustainability has gained significant attention globally, as concerned about climate change, environmental degradation, and social inequality continue to escalate. The increasing awareness regarding environmental degradation, social inequality, and climate change has led to a sustainable shift in consumer's buying behaviour. Sustainable consumption means the use of products and services that meets the basic needs while minimising the environmental harms. In the present era, the consumers are recognising the needs to protect the environment, so they change their consumption pattern and consider the environment in their purchase decision. The present study explores the consumer's willingness to pay a premium for sustainable products.

Literature Review

Hu et al., (2024) examining consumers' willingness to pay premium price for organic food. In this study the researchers examining the factors that influence consumption of organic food and their willingness pay premium price for organic food products. The researchers found that the environmental concern, environmental values, price sensitivity, green promotions and value perceptions are affecting the consumers attitude towards organic food, and their attitude influence their purchase decision, and willingness to pay premium price for organic food. Finally, they suggest that enhancing knowledge and awareness regarding organic food will lead to greater productivity.

Kucher et al., (2019) conducted a study on Consumer's willingness to pay premium price for ecological goods in the region of Ukraine. The study found more than half of the local Consumers in Ukraine are ready to buy ecological products with premium price. The researcher also found that the young people in Ukraine are more conscious about the concept of sustainable development. The researcher used various types of methods in this study such as survey method, induction and deduction method, comparative analysis, regression analysis, graphical analysis to find out the result.

Zhan et al., (2025) conducted an empirical study regarding carbon label recognition, advertising appeals, willingness to pay premiums and their relationship. The researcher found that carbon label recognition directly affects the Consumers' willingness to pay premium for carbon labelled products and it also affect the green payment intention of Consumers. Furthermore, it found that the advertising appeal regulates the

willingness to pay a premium and quality value of products. The study provides suggestions to enterprises to promote the green products and government should give awareness regarding environment through education and guidance because the researcher believe that, when consumers are aware of carbon labelling, they are willing to pay more price for green products.

Biswas, (2016) examine the consumers' willingness to pay for green products. The researcher explores the relationship between the consumers behavioural factors, contextual factors and the responsiveness to corporate environmental performance on the consumers' willingness to pay a premium for green products. They also discover environmental awareness and education campaign will help to promote the willingness to pay premium for green products.

Perret et al., (2025) conducted a conjoint analysis-based study in Germany on the effect of packaging design on the consumers' willingness to pay. The researcher used a mixed-methods approach to combine the consumers perception, expert opinion and theoretical insights. They found that the packaging elements are very important while determining the consumers' willingness to pay for green cosmetics.

Hao et al., (2022) analyse the consumers' willingness to pay ecological agricultural products and their influencing factors on such purchase. The researcher used a questionnaire survey method to study the factors that influencing purchase and consumers' willingness to pay for ecological agricultural products. The study aims to promote the supply and production of ecological agricultural products and access high quality products to consumers. The study found that the consumers have not enough knowledge regarding ecological agricultural product and a portion of consumers are dissatisfied with the ecological agricultural products.

Coelho, n.d.(2011) examine three areas related to price of green products. Firstly, the consumers' willingness to pay premium for green products. Secondly, the correlation between the different categories of green products. Finally, how tax credit affects the green product. The researcher used a convenient sampling design to collect data from the respondents. The study reveals that the consumers are willing to pay premium for green products but it varies from products to products.

Sostar & Ristanovic, (2024) evaluating the consumers Preferences for sustainable products by using an Analytical Hierarchy Process (AHP). The researcher aims to identify the factors that affect the consumers behaviour on their purchase decision of sustainable products. The study was conducted in Spain, Croatia, Moldova, turkeys and Ukraine with a sample of 880 respondents. The findings of the study reveals that the consumers behaviour regarding purchase of sustainable products is vary from country to country.

Statement of the problem

Now a days consumers are highly exposed to environmental problems like resource depletion, pollution, and climate changes etc. This problems pav a way for the expansion of green market and the development of more sustainable products like food, clothes, cosmetics and other house hold items. however, the consumer's awareness and responsibility of sustainable products remain significantly low. Therefor there is an increasing need for improving consumers awareness and responsibility in their purchase decision in order to attain sustainability. There is only a limited study is conducting in the area of consumer's perception towards the sustainable products. The purpose of the study is to filling the research gap in considering the consumers' willingness to pay a premium for sustainable products.

Objectives of the study

1. To determine the extent to which consumer's awareness on environmental issues influences their purchase decision.
2. To determine the consumer's willingness to pay a premium for sustainable products.
3. To study the constraints that preventing consumers from buying more sustainable products.

Hypothesis for the study

H_1 Consumers awareness on environmental issues is significantly influencing their purchases decision.

H_{01} Consumers awareness on environmental issues does not influence their purchases decision.

H_2 Consumers' willingness to pay premium on sustainable products are significantly influence their purchase decision

H_{02} Consumers' willingness to pay premium on sustainable products does not influence their purchase decision

H_3 Constrains that preventing consumers from buying sustainable products are significantly influence their purchase decision.

H_{03} Constrains that preventing consumers from buying sustainable products do not significantly influence their purchase decision.

Research Methodology

The secondary data was collected through a detailed study of existing literature. Primary data was collected with the help of structured questionnaire. A convenient random sample of 100 respondents among the young adults in Wayanad district in the period of September to November 2025, is used for data collection. The questionnaire included multiple choice, open-ended, and five-point Likert scale type question, and the data was collected by conducting an online survey with the aid of Google form.

ANALYSIS AND INTERPRETATIONS

A significant portion of consumers surveyed in this study are relatively young adult, with 47% aged 25-34 years. Only 13% of consumers are belongs to the age category of 45- 54. The survey revealed a slight majority of female participants (52%) compared to male (48%). In the case of income level 47% of consumers are under the income level of 15000 and 13% of consumers are in between the income level of 25000-35000. Scientific studies and reports and the most trusted sources of information (53%) and Only 5% of the consumers are trusted the product labels and packaging. 32% are always ready recommends such products to others but 7% of consumers are not ready to recommends such products to others. Table 1.1 illustrates the demographic profile of consumers.

Demographic profile

Respondent profile	Category	Respondents	Frequency
Age	18- 24	25	25%
	25- 34	47	47%
	35- 44	15	15%
	45- 54	13	13%
Gender	Male	48	48%
	Female	52	52%

Income level	Under 15000	47	42%
	15000 – 25000	26	26%
	25000 – 35000	13	13%
	Above 35000	14	14%
Source of information	Scientific studies and reports	53	53%
	Health and wellness blogs	15	15%
	Friends and family	11	11%
	Social media influencers	14	14%
	Product labels and packaging	5	5%
	Other	2	2%
Recommendation status	Never	7	7%
	Rarely	17	17%
	Sometimes	26	26%
	Often	18	18%
	Always	32	32%

Source: Primary Source.

Correlations 1: H_1 Consumers awareness on environmental issues is significantly influencing their purchases decision.

		CASP	CPD
CASP	Pearson Correlation	1	.752**
	Sig. (2-tailed)		.000
	N	100	100
CPD	Pearson Correlation	.752**	1
	Sig. (2-tailed)	.000	
	N	100	100

****. Correlation is significant at the 0.01 level (2-tailed).**

The correlation analysis shows a strong statistically significant positive relationship between the two variable consumer's awareness on environmental issues (CASP) and costumer's purchase decision (CPD) ($r=0.752$, $p < 0.01$). the result indicates that the higher levels of CASP cause to higher levels of CPD. So, the H_1 is accepted.

Correlations 2: H_2 Consumers' willingness to pay premium on sustainable products are significantly influence their purchase decision

		WTPP	CPD
WTPP	Pearson Correlation	1	.757**
	Sig. (2-tailed)		.000
	N	100	100
CPD	Pearson Correlation	.757**	1
	Sig. (2-tailed)	.000	

N	**100**	**100**

****. Correlation is significant at the 0.01 level (2-tailed).**

There is a strong and statistically significant positive correlation between WTPP and CPD ($r = 0.757$, $p < 0.01$). This reveals that consumers with higher willingness to pay a premium on sustainable products are more likely to shows a favourable purchase decision. The result highlights the consumer's willing to pay is a critical factor in purchase decision. Therefore, the H_2 is accepted.

Correlations 3: H_3 Constrains that preventing consumers from buying sustainable products are significantly influence their purchase decision.

		CPC	CPD
CPC	Pearson Correlation	1	.655**
	Sig. (2-tailed)		.000
	N	100	100
CPD	Pearson Correlation	.655**	1
	Sig. (2-tailed)	.000	
	N	100	100

****. Correlation is significant at the 0.01 level (2-tailed).**

Constraints associated with purchases (CPC) and consumer's purchase decision (CPD) shows a moderately significant positive relationship ($r = 0.655$, $p < 0.01$). This positive association between CPC and CPD indicates that the constraints related to purchase are become more manageable or less restrictive. Although constraints related to purchase meaningfully influences consumer behaviour, it may operate alongside other stronger behavioural factors in shaping overall purchase decisions.

FINDINGS AND DISCUSSION

This study reveals that the consumer's awareness level of sustainable products is directly correlated with their purchase decision. Consumer's awareness on sustainable products means the extent to which consumers understand the benefits of consuming sustainable products and their knowledge about environmental issues. Awareness is not only the consumers are informed about the benefits of sustainable products but they covert such information into actual purchases also. Now a days consumers are more concern about sustainability and they are informed the various eco- friendly alternative available in the market. Therefore, they try to integrate sustainability in their purchase decision. So, awareness and information play a vital role in shaping consumers purchase behaviour on sustainable products. The findings implies that the higher level of awareness on sustainable products lead to a favourable purchase decision **(failed to accept H_{01})**. That means, when the consumers are more aware of the benefits and advantages of sustainable products they always make a favourable purchase decision. Furtherly, the study finds that willingness to pay premium for sustainable products is a major determinant of consumer's purchase decision. Environmentally conscious consumers are more willing to pay premium price for sustainable products **(H_{02} rejected)**. Premium price is the higher price for a product that offer an additional benefit. In the case of sustainable products, the result shows a shift in consumers mindset from price dominated buying behaviour to a value driven buying decision. Additionally, the study finds that

constraints related to purchases are significantly influence the consumer's purchase decision **(H_{03} rejected)**. Constraints related to purchase means the factors that preventing the consumers from buying sustainable products, such as durability of products, availability of products, lack of trust, etc. When the consumers perceive fewer barriers or the perceived barriers are become more manageable, it led to a favourable purchase decision. In short the result reveals the studied variables, such as consumers awareness on sustainable products, consumers' willingness to pay, and constraints related to purchases are the critical factors in shaping the consumers buying behaviour towards sustainable products.

Conclusion

The study was undertaken to examine the consumers perception towards sustainable products with the aid of three variable such as consumers awareness, willingness to pay premium, and constraints related to purchases. The findings reveals that the three variables have strong positive relationship with consumer's purchase decision. This implies that consumers are more concerned about environmental issues and sustainability. They find eco-friendly alternative to satisfying their needs and wants. It shows a greater shift in consumers from price dominated purchases to value-based purchases, particularly in sustainable products. The positive attitude of consumers towards sustainable products encourages a greater expansion and development of sustainable products and markets.

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