CHAPTER 4

WILLINGNESS-TO-PAY VS ACTUAL BEHAVIOR: SUSTAINABLE PROCUREMENT AT FESTIVALS

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ABSTRACT

Sales and purchases of socially and environmentally responsible festival clothing are a way for festival attendees to engage in ethical consumption and for event organizers to undertake sustainable procurement. Although there have been a number of studies examining willingness-to-pay (WTP), few of them examine this in a festival setting, and there is a gap in existing research regarding the determination of actual behavior. The goal of this study is therefore to explore participants’ willingness-to-pay for apparel based on more external motivations (visible environmental messages) and then ascertain whether this behavior was actually replicated in a natural field setting. This study first collected surveys from 427 festival-goers in 2015, then used a natural field experiment in 2016 to investigate whether attendees at the Mariposa Folk Festival in Ontario, Canada, would actually be prepared to pay a premium for ethical festival T-shirts over a conventional alternative. The findings reveal that attendees not only showed a willingness-to-pay but they also did actually pay a premium for such T-shirts.

Keywords: Consumer behavior; ethical consumption; fair trade certification; festival marketing; willingness-to-pay; Canada, festivals; Environmentally Responsible Behavior
INTRODUCTION

One of the challenges in achieving environmentally responsible (ERB) and sustainable behavior on the part of consumers is that a disconnect occurs between consumers’ environmental concerns and their purchasing behavior (Barbarossa & Pastore, 2015; Johnstone & Tan, 2015; Kumar & Ghodeswar, 2015). Johnstone and Tan (2015) identify several barriers to green consumption, including consumers’ feeling that their actions as individuals will not make a difference, denying the harmful environmental effects of certain products and fearing ‘greenwashing’ (i.e., untruthful or misrepresented product information aimed at portraying an organization as environmentally responsible). With regard, specifically, to ethical clothing consumption, Joergens (2006) estimate that the primary barriers in selling these products includes aesthetics, cost, ambiguous clothing labels and a lack of consumer awareness regarding ethical clothing. Even consumers with an awareness of the social and environmental issues surrounding clothing production may still purchase conventional clothing over more ethical alternatives if the price or aesthetics appeal to them. These issues have led to uncertainty with regard to what consumers are willing to do or pay for environmentally responsible products and services (Arnot, Boxall, & Cash, 2006; Corrigan, Kling, & Zhao, 2008; Ellis, McCracken, & Skuza, 2012; Ha-Brookshire & Norum, 2011; Ku & Zaroff, 2014). As such, many researchers have conducted willingness-to-pay (WTP) studies to measure the extent to which consumers will pay or make sacrifices for environmentally responsible goods and services, although few take this a step further in respect of their actual behavior.

Within a festival setting, encouraging ethical consumer behavior, or attending a festival with an environmental focus, may result in increased environmental awareness and in consumers engaging in more ethical behavior outside of the event (Laing & Mair, 2013). One potential means of encouraging ethical consumer behavior at festivals is through the sale of socially and environmentally responsible festival clothing. The sale of festival clothing is important to any event, as it is a means of advertising and a significant source of revenue, and it allows attendees to show their support for the festival. Merchandise sales provide a significant source of revenue and profit at events of all types. Event managers may enhance revenue and profits by offering event-linked merchandise enhanced by a better understanding of the product’s attributes and customer benefits, which drives sales.

This study is built on past WTP studies and explores this concept within a festival context by answering the following research questions: a) How much will festival-goers say they are willing to pay for environmentally certified festival T-shirts; and b) How much will consumers actually pay for ethically sourced merchandise in the same environment? Although previous studies have examined consumer WTP in theory, no study has conducted a natural field experiment to analyze the actual purchasing behavior in an uncontrolled environment. As a consequence, this study first surveyed festival-goers to determine their willingness-to-pay and then, using these results, conducted a field experiment with three different types of festival T-shirts, with varying degrees of environmental
Willingness-to-Pay vs Actual Behavior

certification and certification visibility. The field experiment was conducted to determine whether individuals would pay a premium for certified Fair Trade or organic festival T-shirts.

LITERATURE REVIEW

A common empirical approach to examining ethical consumption is the willingness-to-pay (WTP) study. WTP can be defined as the maximum amount a consumer will spend to procure an ethical good or service or to avoid an undesirable outcome (Arnot, Boxall, & Cash, 2006). Although there have been multiple studies of WTP in both retail and tourism (e.g., Arnot et al., 2006; Ellis et al., 2012; d’Astous & Mathieu, 2008; Ha-Brookshire & Norum, 2011), a few studies are within the context of festivals. As festivals are becoming a popular leisure activity (Laing & Mair, 2012; Wong et al., 2015), they have the ability to affect consumers through education as well as merchandising efforts. As festivals have the ability to cause adverse environmental effects if they are managed without consideration for the environment (Wong et al., 2015), it is important to examine what festival attendees are willing to do or pay so that festival organizers can introduce more environmentally responsible practices and initiatives into their events. One-way events can measure consumer WTP for environmental products and services, to procure and sell event apparels and products that are ethically sourced and environmentally certified. In this regard, participants are able to actively demonstrate their environmental commitment by engaging in environmentally responsible purchasing behavior. Simultaneously, festival organizers can gain a better understanding of consumer preferences and merchandising capabilities. Understanding what attendees are willing to pay for ‘green’ festival apparel may also help to increase profits (i.e., by selling environmentally certified clothing at premium prices), as well as maximize the sustainable development of their event by introducing new environmental initiatives and discontinuing activities that result in adverse environmental effects.

Another prominent gap in existing WTP research is the lack of information on actual purchasing behavior. Examining actual purchasing behavior makes possible a more comprehensive analysis of WTP, as traditional WTP methods that involve hypothetical scenarios can result in hypothetical bias. Hypothetical bias occurs when research participants lack real-life incentives and overstate how much they would be willing to pay for a product (Andorfer & Liebe, 2015). Studies by Andorfer and Liebe (2015) and Reynolds et al. (2015) are among the few that examine actual purchasing behavior, and none of the existing research studies pertains to actual purchasing behavior regarding ethical clothing or ethical festival clothing. Although Reynolds et al. (2015) did not examine WTP for ethical clothing, it did examine the relationship between self-reported WTP and actual purchasing behavior in the case of compact fluorescent light bulbs. Reynolds et al. (2015) found that, while the majority of survey participants indicated that they would pay a premium for energy-efficient light bulbs over the conventional
alternative, only a fraction of them actually purchased energy-efficient bulbs when offered the choice upon completion of the survey.

*Consumer WTP for ‘Green’ and Fair Trade Label Apparel*

Messages on clothing incorporate both what is seen in the outside messaging and what is perceived in how it is manufactured. This is a reflection of the complexity of cultural systems (Manan, Abd, & Smith 2014). While examining previous work in WTP, it was found that consumers have a more positive image of companies that use environmentally friendly products (Phau & Ong, 2007), are more willing to purchase products with environmentally friendly messages and that WTP is higher for green products (Yan, Hyllegard, & Blaesim, 2012). In examining messaging specifically, interaction with reference groups and product visibility are integral elements of consumer behavior (Bearden & Etzel, 1982). It has been found that, in cases where reference-group membership is high, products that match the values of that group are likely to have a market advantage (Gupta & Ogden, 2009). Specifically, products with egocentric values (such as environmental messaging) have a high degree of influence over purchasing (Didier & Lucie, 2008). Products with ‘Fair Trade’ and ‘organic’ labels are often equated with the values of social justice (Ladhari & Tchetgna, 2015), leading to consumers being ready to place a high perceived value on such products (Ha-Brookshire & Norum, 2011).

*Influences on Environmental Behavior*

In the relevant literature, there are two prominent theories that seek to explain the motivations behind engaging in environmentally responsible behavior (ERB): self-determination theory (SDT) and value–belief–norm theory (VBNT). These theories help explain the social and psychological context behind environmental attitudes and ERB. Deci and Ryan (1985) first proposed SDT, which they defined as a means of examining one’s innate psychological needs with regard to the internal motivation behind the choices they make. VBNT, on the other hand, can be defined as a psychological theory that examines the ways in which individuals perceive and interpret the world and the actions of others (Fischer & Dam, 2015). VBNT was suggested by Stern et al. (1999), who argue that the pathway that leads to ERB begins with one’s personal values as expressed in altruistic (i.e., valuing others above one’s self) or egotistic (i.e., valuing one’s self over others) behavior and that it can be driven by social norms (i.e., one’s sense of obligation to act in a certain way that is in line with either personal or social beliefs). While SDT only looks at the intrinsic motivations behind actions, VBNT analyzes both intrinsic and extrinsic motivations. In SDT, external motivations like incentives or punishments are not considered effective mechanisms for instilling permanent behavioral changes. The reason that external motivations are ineffective is because they are not permanent: as rewards and punishments are temporary, behavior is also temporary (Pelletier et al., 1998). Intrinsic motivation drives behavior based on internal values and rewards (i.e., feeling good about one’s self), while extrinsic motivation refers to behavior that is driven by the promise
of external rewards (i.e., money, status and validation from peers). The following studies draw on SDT to explain the circumstances under which consumers’ environmental attitudes are formed (Osbaldiston & Sheldon, 2003; Ku & Zaroff, 2014; Pelletier et al., 1998).

As previously mentioned, VBNT takes a similar approach to SDT with regard to evaluating the drivers behind ERB. Based on one’s personal values, individuals come to view the world and environmental issues in a certain way. On the basis of these views, they develop an awareness of the consequences of their behavior and their ascription of responsibility to behave in a certain way. During ascription of responsibility, social norms play a role in influencing an individual’s decision to engage in an ERB (Stern et al., 1999). Similar to studies of SDT, which found that only internal motivations lead to permanent ERB, Stern et al. (1999) found that only altruistic values lead to ERB. As ethical consumption is an incredibly complex social dilemma that involves a multitude of motivations and influences, studies of VBNT often employ construal level theory (i.e., how the psychological distance of objects and events influences individuals’ thoughts and behavior) (Fischer & Dam, 2015). In this regard, low-level construal is represented by near events and concrete details, while high-level construal is represented in the abstract by distant events. VBNT and construal levels are used to help explain the social context underlying conflicts between pro-environmental attitudes and actions (Fischer & Dam, 2015). VBNT posits that norm-based behavior is based on three factors: ‘(1) the acceptance of specific personal values, (2) the belief that the focus-objects of these values are being threatened, (3) the belief that one is capable to alleviate these threats’ (Fischer & Dam, 2015, p. 330). Kilbourne and Pickett (2008) and Fischer and Dam (2015) also assess environmentally responsible behavior using VBNT. Ultimately, both of these theoretical approaches to ethical consumption (i.e., SDT and VBNT) provide a context from which to understand better the underlying process that drives participants to WTP for ethical clothing and their actual purchasing decisions concerning ethical clothing.

As previously mentioned, there are a few studies that outline WTP. However, there are relatively few studies that test actual behavior, and none within a festival setting. The purpose of this study, therefore, is to determine WTP within a festival setting and also establish whether this behavior is reflected in actual purchasing behavior.

**RESEARCH METHOD: APPLYING WILLINGNESS-TO-PAY TO EVENT MANAGEMENT DECISIONS**

In this chapter, the application of a WTP study to the offering and pricing of clothing merchandise at a festival is reported. Both stages of the current study were conducted at the Mariposa Folk Festival in Orillia, Ontario, Canada. This festival is nicknamed the ‘Grande Dame of North American music festivals’. The family-friendly, three-day festival is a mixture of music, dance, crafts and children’s activities with over 150 performances on 12 stages. The festival has been working to become more environmentally sustainable for a number of years
and boasts an 88% waste diversion rate. It also won the Tourism Association of Ontario’s Award of Excellence for Sustainable Tourism in 2016. The event has a strong national flavour in that it features Canadian musicians.

**Research Design and Procedure**

The first stage of this study was to determine WTP. The researchers surveyed 427 attendees at the 2015 festival. The survey was administered via iPad, allowing the researchers to help guide the participants through the questions so that there would be no misunderstandings. Respondents were presented with four fictitious festival T-shirts (a 2X2 design) that varied hypothetically from Fair Trade certification versus no certification and from printed environmental messages versus no message. Respondents were asked how much they would be willing to pay for each, with a maximum value of $40 (CAD).

The results of the WTP survey indicated that respondents were willing to pay the most ($16.59) for a festival T-shirt that possessed both the environmental message and the Fair Trade certification. The lowest reported WTP ($11.89) was for a festival T-shirt with no environmental message or Fair Trade certification. Fair Trade certification without an environmental message produced a greater WTP ($15.44) than the environmental message with no certification ($14.70). Statistically significant differences for the main effects of the message and Fair Trade certification were determined using ANOVA. However, standard deviations in the $8 to $9 range was observed. This WTP study is described in detail by Dodds, Pitts and Smith (2016). It indicated that attendees at the event showed a preference for certification and were influenced by the environmental message. Further, the means indicated that WTP was approximately 40% greater for the preferred product.

A field experiment was next developed with the cooperation of the festival’s management to apply the results of the WTP study to actual T-shirt sales at the 2016 festival. A field experiment can be defined as a scientific means of examining an intervention in a natural environment, as opposed to a laboratory or other controlled setting (Paluck, 2010; Andorfer & Liebe, 2015). The natural setting allowed the researcher(s) to collect data on the actual purchasing behavior while eliminating the risk of participants overstating their WTP because they chose to purchase (or not to purchase) a festival T-shirt with their own money.

Previously, the festival offered a single event T-shirt with Mariposa Folk Festival logos covering its front. The shirt was priced at $20. For 2016, attendees at the festival were presented with three purchasing options for festival T-shirts. Pricing was fixed on the basis of the results of the 2015 WTP study, where festival-goers indicated that they would be willing to pay 40% more for a Fair Trade T-shirt with visible environmental certification. T-shirt sales were recorded through the festival cash registers, and each type of T-shirt sale was recorded.

Because the study required shirts with different attributes, three T-shirts from different Canadian-based manufacturers (brands) were offered for sale. The T-shirts carried identical Mariposa Folk Festival logos on the front, but the shirts differed with respect to the manufacturer, manufacturer’s commitment to social
Willingness-to-Pay vs Actual Behavior

responsibility, manufacturing location and the textile used. In addition, drawing on the WTP experiment, the most expensive of the brands was produced with an external logo on a sleeve indicating that it was Fair Trade and organic.

The T-shirt priced at $20 provided a base price offering. The manufacturer is headquartered in Canada, but production is outsourced to various developing countries. This T-shirt was in the same style as the previous year’s offering. The T-shirt priced at $25 was clearly identified as Canadian-made, by a company known for its commitment to social responsibility (e.g., sweatshop-free). From a merchandising standpoint, this shirt represents the middle line often found in retail merchandise assortments. The third brand offered for $30, was Canadian-made and sweatshop-free, and had an organic/Fair Trade logo on the outside of the sleeve depicting. The third brand offered for $30 was Canadian-made and sweatshop-free and also had an organic/Fair Trade logo depicted on the outside sleeve.

RESULTS

In the survey component of the research, 427 attendees were asked about their willingness-to-pay (WTP) for festival T-shirts of the three different types mentioned above. It was found that festival-goers stated that their WTP for a basic T-shirt was $11.89, while the price difference for the socially responsible T-shirt was $16.59. This represents a 29% price differential. In sourcing the T-shirts, however, these prices would not leave enough of a margin for the festival organizers. The prices of the T-shirts were then increased in the proportion of a 30% difference in mark-up.

From the field experiment, a total of 350 festival T-shirts were sold at the Mariposa Folk Festival, again based on the cash register tallies. The T-shirt count was low due to adverse weather conditions, and sales were lower than in previous or future years, though this did not affect the outcomes of the experiment. Of the 350 T-shirts sold, 27% of attendees purchased the conventional $20 T-shirts, 37% purchased the $25 socially responsible, locally made T-shirts and 36% purchased the $30 Fair Trade and organic cotton T-shirts with external certification labels (Table 1). These counts were also tallied over the course of the festival weekend using the cash registers. A chi-square test for goodness of fit was then applied to these results to determine

<table>
<thead>
<tr>
<th>Type of Festival T-Shirt</th>
<th>Number of Festival T-Shirts Sold</th>
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</thead>
<tbody>
<tr>
<td>Conventional ($20 CAD)</td>
<td>94 (27%)</td>
</tr>
<tr>
<td>Socially responsible ($25 CAD)</td>
<td>130 (37%)</td>
</tr>
<tr>
<td>Fair Trade/organic certification ($30 CAD)</td>
<td>126 (36%)</td>
</tr>
</tbody>
</table>

\[ N = 350. \]

Note: \( \chi^2 (2, 350) = 6.67^*, p = 0.035. \) Numbers in parentheses indicate column percentages.
whether there was any statistically significant difference between the numbers of each type of festival T-shirt sold. The a priori or expected count used for this chi-square test was an equal three-way distribution of the total number of festival T-shirts sold.

Chi-square results show a statistically significant difference \((p = 0.035)\) in T-shirt sales between each of the three types of festival T-shirt. Both the $25 socially responsible T-shirts and the $30 Fair Trade/organic T-shirts outsold the conventional $20 T-shirts. The $25 T-shirts sold the most of the three types of festival T-shirts, but this lead was marginal over the $30 T-shirts.

The results indicate that patrons were willing to pay for higher priced items that match the product-market fit. Assuming the same number of sales at $20 would produce revenues of $1880, offering a higher priced assortment of brands yielded $3780 in increased revenues for the festival (Table 2).

When comparing revenues and cost, there is a higher margin from the higher end organic/Fair Trade T-shirt (cost = $16.50 and profit = $13.50 per T-shirt) than the conventional $20 T-shirt (cost = $7.50 and profit = $12.50). This indicates that a higher priced and more ethical T-shirt is better not only for the environment, but also for the organization.

### DISCUSSION

One objective of the present study was to examine the relationship between hypothetical WTP and actual purchasing behavior. It found that festival-goers in 2015 reported that they would be willing to pay more for festival T-shirts that were Fair Trade and/or possessed environmental messaging over the conventional alternative. In this regard, the field experiment demonstrated that actual purchasing behavior corresponded with self-reported WTP, as both methods demonstrated that ethical festival T-shirts were preferred over conventional festival T-shirts, even though the price point for actual sales were consider above the WTP means.

This result corresponds with much of the WTP literature. The studies by Ellis et al. (2012) and Ha-Brookshire and Norum (2011) also found that consumers reported a willingness-to-pay a premium on certified organic cotton T-shirts in comparison to conventional cotton ones. Like Ellis et al. (2012), the present study also found the variable that most influences consumers’ clothing purchases is a tendency to buy organic products or a previous history of doing so.

<table>
<thead>
<tr>
<th>Cost</th>
<th>Sales</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20</td>
<td>94</td>
<td>$1880</td>
</tr>
<tr>
<td>$25</td>
<td>130</td>
<td>$3250</td>
</tr>
<tr>
<td>$30</td>
<td>126</td>
<td>$3780</td>
</tr>
</tbody>
</table>

**Table 2.** Sales and Revenue of T-shirts.
In the present study, not only was WTP determined, but three competing offerings in a category with differing brands, attributes and prices were also offered for sale to determine the actual behavior of festival-goers. Thus, the environment examined replicated the product assortment found in many clothing retail environments more closely than a tightly controlled experiment. However, this research indicates that festival merchandisers need to examine their strategies for product sales if they are to maximize revenue.

Reynolds et al. (2015) is one of the few studies to date that has directly compared hypothetical WTP and actual purchasing behavior in relation to ethical consumption. They also found that hypothetical WTP did not correspond to actual purchasing behavior, contrary to the results of the present study. With so few studies comparing WTP to actual purchasing behavior, it is not currently possible to detect a trend in the relationship between hypothetical WTP and the corresponding purchasing behavior.

When comparing the results of the current study with Reynolds et al. (2015), there are several variables that may have influenced the outcome of the relationship between hypothetical WTP and actual purchasing behavior. As the Mariposa Folk Festival had already demonstrated strong environmental management strategies and initiatives, this event may have attracted attendees who also possessed strong environmental and ethical values, which may have influenced their purchasing decisions. The results of the Reynolds et al. (2015) study were based on an entirely random sample of participants on the island of St. Lucia. Comparatively, attendees at the Mariposa Folk Festival were all attending an event with a strong environmental focus.

It is important to note that some form of social desirability bias, where individuals act in a manner that others would perceive as ‘good behavior’ (Joergens, 2006), may have also influenced the present study. Attendees at the Mariposa Folk Festival may have purchased one of the ethical festival T-shirts in preference to the conventional one because they felt an external pressure to do so or simply because it was the right thing to do. This phenomenon also relates back to theoretical research on VBNT demonstrating that social norms and ascription of responsibility play a role in influencing an individual’s decision to engage in ethical behavior (Stern et al., 1999; Kilbourne & Pickett, 2008; Fischer & Dam, 2015).

Retailers frequently offer brand and low-, medium- and high-priced price options in a merchandise category such as the T-shirts in the present study. Price consciousness and attitudinal preferences limited sales of the more expensive $30 offering, despite the combination of apparently preferred attributes. While the WTP study was used as a base, the actual prices at the event dramatically exceeded the WTP means produced in the WTP study. The actual field implementation of merchandise sales was negotiated with the festival managers, who used the prior year’s sales at $20 as a base, rather than a WTP mean of approximately $12. We do not know whether a lower price, better reflecting the WTP result, would have produced significantly greater sales, or whether such sales would have offset the much greater profit margin at $20. In like manner, the other two brands
were actually priced from the $20 base and, as noted, while the $30 shirt was 33 rather than 40 per cent more expensive than the base shirt, it was almost twice as expensive as the referent in the WTP study. Perhaps WTP studies need an anchor or base price reflecting existing prices if they are to reflect and influence price-setting in the real world the best.

CONCLUSION

This WTP study highlights certain practical implications for event coordinators and clothing retailers, as it demonstrates that the inclusion of an environmental message and socially responsible labels on festival merchandise may be a cost-effective way to increase festival profits while simultaneously encouraging ethical behavior both within and outside an event. Individuals’ purchasing behavior is particularly important for festivals, as sales of festival merchandise can generate a substantial amount of revenue and act as advertisements to help increase traffic in the future.

Further, the sale of environmentally certified and ethically sourced festival clothing will help contribute to Mariposa’s environmental management initiatives. Given the environmental focus of the festival, the T-shirt serves as a reminder of environmental concern. Engaging in purchases of environmentally certified apparel at an event may help increase environmental awareness and result in more environmentally responsible behavior outside of the event. Communicating this and other environmental initiatives may also help encourage attendees to engage in ERB in their everyday lives and set an example for other festivals in the region in terms of best practice in environmental management. If the results of this study indicate that greater environmental concern does in fact influence purchasing behavior, this can have significant implications for festivals. Moving forward, festival organizers may want to look at restructuring their events and adding more booths, signage or information on their websites to promote environmental education and awareness. Increased environmental awareness is associated with increased environmental concern (Thieme et al., 2015), which may in turn increase sales of and support for environmentally certified festival T-shirts and other environmental initiatives at festivals.

DISCLOSURE

We hereby clearly state that the findings reported in the chapter have not been published previously, and that there are no competing financial interests.

REFERENCES


