Brand attitudes versus pro-environmental intentions: The tension brought by financial rewards and penalties

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Abstract

Brands and policymakers use financial incentives to increase the pro-environmental behaviors of consumers. According to Prospect Theory and loss-aversion, financial penalties (i.e., losses) are more effective at changing behavior than financial rewards (i.e., gains). However, there are indications that including financial penalties might lower consumer attitudes toward the actor implementing them. Through a controlled online experiment, we show that while financial penalties increase pro-environmental behavior more significantly than a control condition, financial rewards have a significantly more positive impact on brand attitudes than financial penalties or a control condition. This leaves managers and policymakers with the decision of whether their focus lies on increasing pro-environmental behaviors, where a financial penalty is a more effective measure, or on increasing attitudes, where a financial reward yields more favorable results.

Keywords: *Financial Incentives; Pro-environmental Behavior; Prospect Theory*

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