

Perceived Circular Economy as a Mediator between Green Advertising and Circular Buying Behaviour of Green Products

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ABSTRACT

The circular economy has gained attention as the outcome of Sustainable Development Goals (SDGs), which focus on Responsible Consumption and Production (SDG-12). Although the circular economy is a good initiative to make the environment more sustainable, however, consumers' perceptions of circular products are not always favorable. Therefore, this study aims to examine green advertising on the buying behavior of circular products, mediated by the circular economy. The study utilized Signaling Theory as the underpinning theory. The study applied a quantitative approach by using the survey method. The valid 183 respondents were collected via the purposive sampling technique and analyzed using Partial Least Square Structural Equation Modeling. The findings revealed that green advertising positively impacts circular buying behavior and the perception of circular economy. In addition, the circular economy positively impacts circular buying behavior. The study also found that circular economy mediates between green advertising and circular buying behavior. The study provides insightful implications for circular product businesses to embrace green advertising strategies to attract young consumers. In addition, educational institutions and consumer society should inculcate the concept of circular economy and help enrich knowledge and understanding to achieve the SDGs' goals and contribute to sustainable marketing scholarship.

KEYWORDS: Circular economy, Green advertising, Circular buying behavior, Sustainable consumption and production, SDG-12

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1. INTRODUCTION

Green and circular economy products have gained research interest (Cam, 2023), which aligned with the sustainable development goal (SDG) on sustainable consumption and production (SDG-12) (Nekmahmud et al., 2022; Shahzabeen et al., 2023). Segal (2023), stated that consumers are willing to pay 12% of the premium for sustainable/ green products as a reference from the Bain survey. This was further strengthened by Doshi and Noble (2023), which highlighted the data by McKinsey and NielsenIQ that consumers are shifting their purchases toward the products related to the ESG (Environmental, Social, Governance) claims. Thus, it has shown that sustainable consumption is going to be a practice in the near future (Fischer et al., 2023),

and aligned with the concept of circular economy (Shahzabeen et al., 2023).

Purchasing green products as a practice is welcoming around the globe, however, in developing countries like Malaysia, the purchasing of green products is still at the early stage, as highlighted by Rusli et al. (2022), where the majority of the young consumers their awareness of the green products and its benefits in the Malaysia setting are still low to mediocre, which supported the study of Ur Rehman et al. (2023) where they found that the Malaysian consumers their intention to purchase green products is at the average level. In addition, the circular economy is still at the infancy stage in the Malaysian context (Agamuthu & Mehran, 2020), where the global production of municipal solid garbage is

anticipated to have grown by nearly 70 percent to 3.4 billion metric tonnes by 2050 (Zailani, 2023). Thus, circular economy practices can turn waste into wealth and sustain Malaysian economic growth (Sarpong & Alarussi, 2022).

Therefore, it has urged various bodies especially marketers to come out the marketing strategies and initiatives to attract potential consumers to purchase green products. Although there are many past studies on green products (Sun & Wang, 2020; Sun et al., 2022; Simanjuntak et al., 2023) and sustaining tourism products (Yang & Tan, 2025) have been carried out, there are mainly looking from the green marketing mix perspective (Nguyen-Viet, 2023; Sultan et al., 2023; Mahmoud et al., 2024). However, the study that focused on the promotion part of green marketing communication (e.g., green advertising) required an extension of the study (Wenting et al., 2022; Bi et al., 2023; Correia et al., 2023).

Although numerous studies examined circular economy (Chu & Yahya, 2024; Le et al., 2024). However, studies that examine the circular economy as the mediator are still scarce and various scholars have proposed to test the circular economy as a mediating variable (e.g. Samadhiya et al., 2023; Riggs et al., 2024). In addition, Tetteh et al. (2024) found that circular economy implementation has partial mediating effects on business analytics capability and sustainable performance. Based on the discussion, it is justified that the circular economy can play a mediating role between green advertising and buying behavior. Therefore, this study aims to examine green advertising on the circular buying behavior of green products with circular economy as the mediator.

2. LITERATURE REVIEW

2.1 Theoretical Underpinning

The formation of Signaling theory was first established by Micheal Spence in 1973 (Spence, 1973). As modeled by Bafera and Kleinert (2023), the main components of the Signaling theory are the signaler, signal, receiver, and the environment. In the marketing and advertising sector, signals are utilized to overcome seller and customer barriers. As customers are less inclined to know the true qualities of the products, compared to the sellers. Hence, firms can implement signals to showcase the true qualities of the product. This may include price, brand name, license, and advertising channels (Connelly et al., 2011). The theory provides a framework where firms can effectively communicate their green advertising to consumers who will interpret the signals. To further persuade consumers to purchase green products. In green marketing, signals could include pricing, external certifications, and the brand's reputation. They are allowing consumers to evaluate and infer regarding

the organization's green positions before purchasing the products (Ramirez et al., 2023). Thereupon, the Signalling theory concerning green advertising should be used to disseminate positive information to motivate consumers into buying green products, benefiting both the organizations and consumers.

2.2 Hypothesis Development

2.2.1 Green Advertising and Buying Behavior

Luthfiana (2023) examined green advertising, eco-literacy, and green purchase behavior through green awareness as a mediator. The results indicate the positive impact of green advertising and green purchase behavior. In addition, Obaid and Rashid (2024), also found that green advertising positively impacts purchase intention and green purchase behavior. This also aligned with numerous studies that environmental/green advertisements have a positive and significant relationship with purchase behavior (Ahmad et al., 2020; Gu et al., 2022). This has synchronized with the notion of Signalling Theory, where the green advertisement from the firms acts as the signal and influences the received (customers) to form the buying behavior. Thus, this study postulated that:

H1: Green advertising positively impacts the circular buying behavior of green products.

2.2.2 Green Advertising and Circular Economy

Green marketing communication (appeals and messages) in the campaign are signals that raise the awareness of the public on environmental issues and the circular economy. For instance, Mostaghel et al. (2023) and Rejeb et al. (2022) projected that marketing and circular economy are related and relevant. For instance, Gutentag and Antonia Russell (2024) found that the abstractness of green advertising can be reduced with the circular economy message, and will lead to effectiveness of the green advertising. Besides, Jan (2024) examined caused-related marketing as the promotional tool of the circular economy and supported that it positively leads to purchase intention. Therefore, the current study hypothesized that:

H2: Green advertising positively impacts the circular economy.

2.2.3 Circular Economy and Circular Buying Behavior

The circular economy has emerged as a potential concept to regenerate business or economic activities while generating less waste and harm to the environment through reducing, reusing, recycling, and recovering materials (Kirchherr et al., 2023). Ramadhanti et al. (2024) intend to study the green purchase behavior in circular packaging in the Indonesian context and found that the circular packaging will make consumers purchase the products. Besides, Vidal-Ayuso et al. (2023)