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## THE INFLUENCE OF TERM 2 AL VALUE, INSTRUMENTAL VALUE, AND GREEN BRAND POSITIONING ON GREEN PURCHASE INTENTION THROUGH GREEN ATTITUDE AS A MEDIATING VARIABLE

(Study on Automotive Companies Implementing Green Company)

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Abstract:

This study aims to examine the effect of Terminal Value, Instrumental Value, and Green Brand Positioning on Green Purchase Intention with Green Attitude as a mediating variable. The research method used is descriptive quantitative with Partial Least Square (PLS) analysis to test the causal relationship between variables. The research population is prospective LCGC car consumers in Indonesia with characteristics aged 25-35 years. The results showed that Terminal Value and Green Brand Positioning have a positive and significant influence on Green Attitude, while Instrumental Value has no significant effect. Green Attitude itself is proven to play a mediating role that strengthens the relationship between the independent variables and Green Purchase Intention. The implications of this study provide insights to marketers and automotive companies to further emphasise terminal value and environmentally friendly positioning strategies in their marketing campaigns to increase the purchase intention of green products among consumers.

Keywords: Terminal Value, Instrumental Value, Green Brand Positioning, Green Attitude, Green Purchase Intention.

#### 1. Introduction

The implementation of the Sustainable Development Goals (SDGs) has now entered its 6th year. Since its establishment in September 2015, at the UN General Assembly attended by 159 Heads of State, the SDGs have become the Global Agenda for 2030, which is implemented by all countries in the world (Siringoringo, 2022). According to the 2030 SDGs agenda, the elimination of poverty in all its forms, including extreme poverty, is a major challenge at the global level. Sustainable development has absolute requirements covering three dimensions, namely economic, social and environmental, which are interrelated (Alfa 2019). The commitment is named Sustainable Development Goals (SDGs) (Alfa 2019).

In 2013, the Ministry of Industry (MOI) issued a policy on low-cost green cars (LCGC) as stipulated in the Regulation of the Minister of Industry No. 33/M-IND/PER/7/2013 on the Development of Energy-Efficient and Affordable Four-Wheeled Motor Vehicle Production

International Journal of Economics, Business and Accounting Research (IJEBAR)Page 1

<u>Peer Reviewed - International Journal</u>

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(kemenperin.go.id). Green cars consist of several automotive industries that replace their energy sources from fossil to renewable energy can save production costs up to 70% (cnbcindonesia.com).

The Low Cost Green Car (LCGC) programme is one of the Government of Indonesia's concrete interpretations in realising SDGs on point 13. The LCGC programme provides a Sales Tax on Luxury Goods (PPnBM) relief facility through Government Regulation No. 41/2019. So far, there are 8 LCGC models in the Indonesian market. LCGC has a market share of 22.68% in Indonesia of total motor vehicle sales in 2017 (January-August) (gaikindo.or.id). Statistics from Lokadata.com show that there was actually no significant reduction in carbon emissions from 2013 to 2018. Many efforts to reduce carbon dioxide emissions have been made by the government, such as Reduce, Reuse, and Recycle (3R), planting trees, reducing food waste, efficiency in energy use. One of the efforts in reducing carbon emissions is by using the LCGC car programme. In tackling pollution problems, LCGC as a green product is one alternative solution that can be chosen (online.binus.ac.id). This statement is supported by Sandi, et al. (2021) which states that green purchase intention refers to consumers' willingness to buy environmentally friendly products whose motives are related to the ecological quality and environmental impact of consumer purchasing behaviour. However, the largest contributor to carbon emissions is in the energy and transportation sector with a percentage of 50.6% (potential of 1 Giga Ton CO2) of total emissions in Indonesia in the year 2020.



Figure 1.1 Carbon Dioxide (CO2) Emissions (1900-2022)

According to the *International Energy Agency* (IEA) figure 1.1, carbon emissions from energy combustion and global industrial activities reached 36.8 gigatons in 2022. This is an increase of about 0.5 gigatons compared to 2021, and a new record high in history.

Efforts to implement the SDGs goals by 2030 require support from consumers who have green behaviour and company participation. Companies that create *green* products can pave the way for producers to enter the *green product* market with target consumers in the market, which can be interpreted as *green* consumers (Giarti and Santoso 2015). Chen and Chai (2010) suggest that *green consumers* are consumers who are aware of and interested in environmental issues. This can be interpreted that consumers today are becoming more concerned about their daily habits and their impact on the environment.

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Green purchase intention is a form of high concern in society and the desire to protect the environment. This behaviour is a person's desire to commit to activities that support environmental friendliness (Junaedi, 2017). Green purchase intention is the willingness of a consumer who is interested in environmentally friendly issues and is aware of choosing products that are more environmentally friendly than conventional products, which currently in the production process tend to ignore their impact and influence on the environment (Ali and Ahmad, 2012).

In line with these indicators, green attitude plays an important role in strengthening the relationship between consumers' personal values and their intention to make green purchases, making it a relevant mediating variable in this study. McIntyre and Milfont (2016) state that green attitude is an evaluation of the natural and built environment and the factors that influence its quality. Green attitude shown by consumers can help realise their desire to preserve the environment.

Consumers may consider a product keeping in mind attributes that provide desired consequences, which ultimately contribute to the fulfilment of personal values (Thøgersen, 2011). Consumption of green products has been considered terminal value-oriented, which is categorised under social value (Kahle, 1996). Terminal value is considered to be the desired end state of participating in the specific tasks involved (Vinson, et al., 1977b). Consumers' intention to purchase LCGC car products is based on an attitude to preserve the environment. The attitude underlies the emergence of terminal and instrumental values. Therefore, this study wants to evaluate the terminal and instrumental values through green attitude. This research focuses on positive attitudes or preferences towards environmental protection and the use of environmentally friendly products, namely LCGC car products. So this research is different from the research of Kautish, et al (2020) which evaluates terminal and instrumental values through consumer sustainability consciousness. Kautish and Sharma's (2018) other research examines theminal and instrumental values through fashion consciousness. 4 onsumers form attitudes towards certain products based on the desired end goal (Dreezens, et al., 2005; Hansen, et al., 2018; Yadav, 2016). In accordance with the research of Rofianto, et al (2021), namely Terminal Value is negatively related to Green Attitude.

*Instrumental* value-oriented consumption is described as goal-driven consumption, which is primarily motivated by the desire to make affective judgments in relation to eco-friendly and proenvironmental projections, for example, the purchase of eco-friendly products and sustainable consumption (Prothero et al., 2011; Thøgersen, 2011). Instrumental value is the value required to achieve a desired end state by participating in specific tasks associated with it (Vinson et al., 1977b).

Besides being influenced by terminal value and instrumental value, environmentally friendly attitudes are also influenced by green brand positioning. Green brand positioning plays an important role in supporting environmentally friendly practices. Wang, et al (2016) state that green brand positioning helps organisations meet customer needs for certain brands. Hartmann, Ibáñez, and Sainz (2005) state that green brand positioning is an attribute of a brand that is environmentally friendly and provides meaningful benefits to consumers.

One of the main attractions of LCGCs is that they are relatively more affordable compared to other eco-friendly cars. This makes it easier for consumers who want to participate in

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https://jurnal.stie-aas.ac.id/index.php/IJEBAR

preserving the environment to access greener vehicle options without having to spend a lot of money. Consumers who have the intention to buy cars with the aim of reducing environmental impact tend to be attracted to LCGC products, as these cars combine sustainability and lower prices. Based on data from the Indonesian Automotive Industry Association (Gaikindo), Daihatsu Sigra was recorded as the best-selling LCGC car in September 2023, with factory-to-dealer sales (wholesales) in the domestic market totalling 5,315 units. Underneath, there is Honda Brio Satya which posted wholesales sales of 4,998 units, followed by Toyota Calya with 3,544 units, and Toyota Agya with 1,667 units.

With the phenomenon of an increasing amount of carbon emissions, *green brand positioning* influences consumers to be able to choose car products that have low carbon emission qualities. Consumption of environmentally friendly LCGC vehicle products has been considered *terminal* value-oriented, which is categorised under social value. This is mainly driven by the desire of the public or potential consumers of LCGC cars to reduce carbon emissions. Consumers are also *instrumental* value-oriented which is described as goal-driven consumption, which is primarily motivated by the desire to make affective judgements in relation to eco-friendly and proenvironmental projections, for example, the purchase of eco-friendly LCGC vehicle products.

Based on the phenomenon gap and also the research gap, researchers are interested in conducting research on the Automotive Industry in Indonesia with the title "The Effect of Terminal Value, Instrumental Value, and Green Brand Positioning on Green Purchase Intetion through Green Attitude as a Mediating Variable (Study on companies that implement Green Company)".

#### 2. Research Method

#### A. Type of Research

The research method used in this research is descriptive quantitative. The quantitative method in Sugiyono (2020: 16) is quantitative or statistical data analysis with the aim of testing predetermined hypotheses.

#### B. Population, Samples, and Research Data

The population in this study is prospective LCGC car consumers with the number of populations studied unknown so that it is stated to be infinite. Researchers conducted research in Indonesia with characteristics, namely potential consumers of LCGC vehicles, potential consumers who do not yet have a car, and potential consumers aged 25-35 years. In this study there are 21 indicators, which can be classified as 5 variable items (X1), 4 variable items (X3), 5 variable items (Z), and 3 variable items (Y). So the number of samples in this study was  $21 \times 10 = 210$  samples.

#### C. Research Variable

The dependent variable of our research is green purchase intention which is measured by the intervening variable, namely green attitude. When potential customers care about the environment, potential customers are able to choose LCGC car products that are considered environmentally friendly. While our research independent variables are using terminal value, instrumental value and also green brand positioning. Where value and brand positioning affect the purchase intention of an environmentally friendly car.

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#### D. Data Analyst

There are several steps that must be taken in conducting an analysis using the Partial Least Square (PLS) method, as follows:

- a. Designing the Inner Model
  - Inner model design can be done by designing a relationship between latent variables based on substantive theory or research hypotheses.
- b. Designing the Outer Model
  - The design of the outer model can be referred to as the outer relation or measurement model can be done by designing the relationship between the latent variable and each indicator.
- c. Constructing a Path Diagram

Path diagram construction can be done by describing independent variables using circles and indicators using boxes. After constructing latent variables and their indicators, the relationship between the number of indicators and latent variables can be described using arrows.

- d. Perform Parameter Estimation or Estimation
  - Parameter estimation in PLS can be done using the least square method.
- e. Goodness of fit
  - 1). Outer Model
  - a). Convergent Validity

Convergent validity is carried out to determine the magnitude of the relationship between indicators and latent variables. In this measurement, it is seen from the standardised loading factor which can describe the relationship between each indicator and the latent variable. Considered reliable if the factor loading value is above 0.70. However, it is considered sufficient if the loading value is at a value of 0.50 to 0.60 with the number of indicators of the latent variable being three to seven indicators (Ghozali, 2021).

b). Discriminant Validity

This measurement model is carried out by comparing the square root of average variance extracted (AVE) correlation value with each construct. If the AVE value has a higher value than the correlation between constructs, it means that good discriminant validity is achieved. It is highly recommended if the AVE value is greater than 0.50.

#### 2). Inner Model

The inner model is used in predicting the causal relationship that occurs between latent variables. This test is carried out in several stages (Ghozali, 2016), as below:

- a). Evaluate the correlation between constructs by looking at the depiction of the path in accordance with the hypothesis made.
- b). Evaluating the R value<sub>2</sub> of 0.67, it is said to be substantial, if  $R_2$  is 0.33, it is said to be *moderate*, if  $R_2$  is 0.19, it is said to be *weak*.
- c). Measuring the value of  $Q_2$  or *predictive relevance* which is used to prove the validity of the model. It is said to be relevant if  $Q_2$  has a value  $\geq 0$  and is said to be less relevant if the value of  $Q_2 \leq 0$ . The calculation of the Q value can be done using the formula below 14

 $Q_2 = 1 - (\sqrt{1-R_1^2}) (\sqrt{1-R_2^2}) \dots (1-R) p^2$ 

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Vol-3, Issue-4, 2019 (IJEBAB)

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https://jurnal.stie-aas.ac.id/index.php/IJEBAR



Where  $R_1^2$ ,  $R_2^2$ ,  $R_p^2$  is the R-Square of endogenous variables



#### **Results and Discussion**

#### 3.1. Results

#### a.Data analysis results

This study uses the Partial LeastSquare (PLS) analysis method to conduct statistical analysis. The PLS-SEM method consists of two submodels: the measurement model, known as the outer model, and the structural model, known as the inner model. The Smart-PLS programme is a computer programme that supports the PLS-SEM method. (Ghozali & Latan, 2015)...

The following is a flowchart for four interconnected variables, namely Terminal Value to Green Attitude, Instrumental Value to Green Attitude, Green Brand Positioning to Green Attitude and Green Attitude to Green Purchase Intention which we will test as in Figure 4.1 Algorithm Path Diagram below:

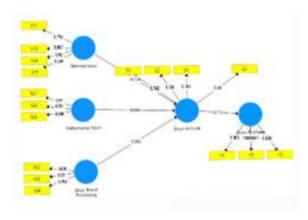


Figure 3.1 Algorithm Path Diagram

Source: Smart-PLS

Table 3.1 Outer Loading

Variables	Indicators	Item	Outer Loading	Description
Terminal Value	Using LCGC car products is easy	X.1.1	0.776	Valid
	Using LCGC car products is fun	X.1.3	0.880	Valid

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https://jurnal.stie-aas.ac.id/index.php/IJEBAR

	Using LCGC car products makes you happy	X.1.4	0.763	Valid
	Using LCGC car products despite higher prices	X.1.5	0.784	Valid
	Using LCGC car products is logical	X.2.1	0.812	Valid
Instrumental Value	Using LCGC car products that are comfortable to use	X.2.2	0.778	Valid
	Using LCGC car products that are good for health	X.2.3	0.768	Valid
	LCGC cars represent comfort	X.3.1	0.830	Valid
Green Brand Positioning	LCGC cars are low in pollution	X.3.2	0.774	Valid
	LCGC cars are well known	X.3.3	0.766	Valid
	Excitement about LCGC cars	Z.1	0.822	Valid
Green Attitude	Thinking positively about LCGC cars	Z.2	0.842	Valid
	LCGC cars help reduce pollution	Z.3	0.753	Valid
	Choosing an LCGC car over a non LCGC car	Z.5	0.765	Valid
Green purchase	Intend to purchase an LCGC car	Y.1	0.853	Valid
intention	Considering buying an LCGC car	Y.2	0.776	Valid
	Switching to LCGC type cars	Y.3	0.864	Valid
C	Consider DLC			

Source: Smart-PLS

In the PLS model, factor loading for reflective indicators is *outer loading*. Table 4.1 discusses the *loading factor* value. Statement items are considered valid if they have an *outer loading* value

International Journal of Economics, Business and Accounting Research (IJEBAR)Page 7

<u>Peer Reviewed - International Journal</u>

Vol-3, Issue-4, 2019 (IJEBA1) E-ISSN: 2614-1280 P-ISSN 2622-4771

https://jurnal.stie-aas.ac.id/index.php/IJEBAR

of more than 0.60 is considered sufficient and more than 0.70 is considered good, at the number of statement items per construct is not large, ranging from 4 to 5 indicators. Table 4.1 shows that the *loading factor* seen through the *outer loadings* value of each statement item of all indicators of the variables in this study is greater than 0.60. This shows that the variable statement items of all variables in this study are valid.

#### b. Discriminant Validity

Discriminant validity is used to prove that statements on each latent variable are not confused by respondents who answer questionnaires based on statements on other latent variables.

Table 3.2 Discriminant validity

Variables	Green Attitude	Green Brand Positioning	Green Purchase Intention
Green Attitude	0.792		
Green Brand Positioning	0.768	0.804	
Green Purchase Intention	0.736	0.834	0.839

Source: Smart-PLS

From the results of the table above, the Average Variance Extracted (AVE) value of Organisational Culture on Organisational Culture itself is smaller than the Average Variance Extracted (AVE) of *Green Attitude* (0.792) on *Green Brand Positioning* (0.768) and *Green Purchase Intention* (0.736). In addition, the Average Variance Extracted (AVE) of *Green Brand Positioning* itself is smaller than the Average Variance Extracted (AVE) of *Green Brand Positioning* (0.804) on *Green Purchase Intention* (0.834). Average Variance Extracted (AVE) *Green Purchase Intention* to *Green Purchase Intention* (0.839) is greater than *Green Brand Positioning* (0.804) and *Green Attitude* (0.792).

#### c. Test Reliability

The research construct reliability test is needed to determine whether the research instrument item, when used twice to measure the same symptoms, will provide relatively consistent measurement results (Putka and Sackett, 2010).

15 Table 3.3 Reliability

Variables	Cronbach's Alpha
Green Attitude	0.725
Green Brand Positioning	0.715
Green Purchase Intention	0.734

Durce: Smart-PLS

Based on the results above, it can be concluded that the value of the Green Attitude, Green Brand Positioning and Green Purchase Intention variables is more than 0.715, which means that the Cronbach Alpha variables used in this study are very reliable. In addition, that the instruments used in this study when used to measure the same symptoms twice or more will give relatively consistent measurement results.

<u>Peer Reviewed - International Journal</u>

Vol-3, Issue-4, 2019 (IJEBA1) E-ISSN: 2614-1280 P-ISSN 2622-4771

https://jurnal.stie-aas.ac.id/index.php/IJEBAR

#### d. R-Square

The adaptation of the influence of *Terminal Value*, *Instrumental Value*, *Green Brand Positioning* on *Green Attitude* has an r-square value of 0.653. It can be interpreted that the variable *Green Attitude* is able to be explained by the *Terminal Value*, *Instrumental Value*, *Green Brand Positioning* variable by 65.3%, while the rest is explained by other variables not in this study. The magnitude of the influence of *Green Attitude* on *Green Purchase Intention* has an r-square value of 0.625. This means that the *Green Purchase Intention* construct variable can be explained by the *Green Attitude* variable by 62.5%, while the rest is explained by other variables not in this study.

#### e. Bootstrapping Resampling

The bootstrapping measurement test model is used to see the relationship between constructs and the significance value in the path coefficients table which displays the results of the direct effect and then can see the indirect effect, through the coefficient estimate value and how the level of t-statistics or p-values of each variable.

Table 3.4 Measurement Bootstrapping

Relationship	Original	T-	P-	Description
Terminal Value	Sample (O)	Statistics	Value	H1
→ Green Attitude	0.35	2.10	0.036	accepted
Instrumental Value → Green Attitude	0.25	1.85	0.065	H2 rejected
Green Brand Positioning → Green Attitude	0.40	3.20	0.001	H3 accepted
Green Attitude → Green Purchase Intention	0.60	5.50	0.000	H4 accepted

Source: Smart-PLS

Based on table 4, the *direct effect* between variables is known as follows:

- 1. The effect of *Terminal Value* on *Green Attitude* has a coefficient with a positive value. The calculation results show that the path coefficient is 0.35 with *t-statistics* of 2.10 (p = 0.036). This can be explained that *Terminal Value* has a positive effect on *Green Attitude*. This result can be interpreted that the high *Terminal Value* that a person has, these results are proven to have an increasing impact on *Green Attitude*.
- 2.The effect of *Instrumental Value* on *Green Attitude* has a coefficient with a positive value. The calculation results show that the path coefficient is 0.25 with t-statistics of 1.85 (p = 0.065). This can be explained that *Instrumental Value* does not have a positive effect on *Green Attitude*. This result can be interpreted that the high *Instrumental Value* that a person has, these results are proven not to have an increasing impact on *Green Attitude*.

<u>Peer Reviewed - International Journal</u> Vol-3, Issue-4, 2019 (IJEBA

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https://jurnal.stie-aas.ac.id/index.php/IJEBAR

- 3. The effect of *Green Brand Positioning* on **Green Attitude** has a coefficient with a positive value. The calculation results show that the path coefficient is 0.40 with t-statistics of 3.20 (p = 0.001). This can be explained that *Green Brand Positioning* has a positive effect on **Green Attitude**. This result can be interpreted that the high *Green Brand Positioning* that a person has, these results are proven to have an increasing impact on **Green Attitude**.
- 4.The effect of *Green Attitude* on *Green Purchase Intention* has a coefficient with a positive value. The calculation results show that the path coefficient is 0.60 with t-statistics of 5.50 (p = 0.000). It can be explained that *Green Attitude* has a positive effect on *Green Purchase Intention*. This result can be interpreted that the high *Green Attitude* that a person has, these results are proven to have an increasing impact on *Green Purchase Intention*.

#### 3.2. Discussion

a. The Effect of Terminal Value and Instrumental Value on Green Attitude

In Kautish, et al, (2018) previous research shows general agreement that consumers' personal values play an important role in predicting attitudes and behaviour (Torres-Ruiz, et al., 2018; Von Meyer-höfer, et al., 2015). Michaelidou and Hassan (2008) state that values can indirectly influence behaviour through attitudes.

According to Westaby (2002) Attitude is reflected as a global motive because it is a broad functional factor, which consistently describes intentions and behaviours in various human fields. Researchers argue that consumers will more enthusiastically adopt a product if they perceive the product to be consistent with their personal value dispositions (Allen, 2002; Henryks et al., 2014).

The value function characterises how consumers form attitudes towards certain products, consumers' attitudes can be influenced by their values (Hansen et al., 2018; Yadav and Pathak, 2016). As such, value has been characterised and interpreted on several dimensions involving environmental, social, ethical, personal and product attributes (Kautish et al., 2021). Looking at the average of each indicator on the *terminal value* variable shows that the statement item "Using LCGC car products even though the price is higher" with an average value of 4.360. This means that consumers are willing to use LCGC car products in their daily lives, even though the price offered is relatively expensive. Thus, by fulfilling household needs in choosing environmentally friendly vehicles, it is expected to reduce air pollution. It can also be a recommendation to other individuals to be able to use LCGC cars in their daily lives.

Meanwhile, the average of each indicator on the *instrumental value* variable shows that the statement item "Using LCGC car products that are comfortable to use" with an average value of 4.404. This means that consumers use LCGC car products because they feel comfortable using them in their daily lives. Thus, by fulfilling household needs in choosing an environmentally friendly vehicle that is comfortable, it is hoped that it can reduce air pollution. It can also be a recommendation to other individuals to be able to use LCGC cars in their daily lives.

b. The influence of Green Brand Positioning on Green Attitude

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https://jurnal.stie-aas.ac.id/index.php/IJEBAR

Green attitude is a topic that explores how customers perceive and react to products or services that claim to be environmentally friendly or sustainable (Chin et al 2019). Research in this area is crucial for marketers, policy makers, and environmental observers, as it aims to understand the factors that influence consumer behaviour and their decisions regarding environmentally friendly products or services (Wang et al. 2022).

Rios, et al (2006) state that organisations have been trying to provide consumers with environmentally friendly products, which also help them in making decisions and choosing among various competing brands. After consumers make wise decisions about green brands, a green attitude emerges (Wang, et al 2022). Consumer evaluation and judgement result in green attitude. Due to company initiatives, consumers will have a wide choice of green brands (Siya, et al 2021; Alnawa, et al 2015; Tan, et al 2019b). Consumers tend to be more willing to use green products if they have a positive view of the product (Amallia et al 2021). Good green brand positioning and consumer views influence their purchasing decisions for green products and can increase sales (Wang et al 2022).

#### c. The influence of Green Attitude on Green Purchase Intention

Liao et al. (2020) and Panda et al. (2020) state that customers' attitudes towards green products will determine their behaviour and play an important function in developing customers' green purchase intentions towards green services and products. In addition, consumers' attitudes towards environmental issues illustrate their seriousness and indifference. Attitudes will control consumer behaviour so that attitudes towards green will determine consumer behaviour towards the environment (Singh, 2011). Attitudes towards green behaviour are created when consumers understand the importance of the environment, concern for the environment, the seriousness of environmental issues, and environmental responsibility that affects the collective society and individuals (Chen, 2013; Han, 2009; Han, 2010; Han, 2015; Lee, 2011; Singh, 2011).

Therefore, if customers have a pro-environmental attitude, they can care about environmental protection and consume green services and products (Kalsi and Singh 2019; Chekima et al. 2016). Amoako, et al. (2020) concluded the positive impact of customer green attitudes on green purchase intentions, the existence of attitudes can build consistent behaviour.

#### 4. Conclusion

This study aims to examine the relationship of Terminal Value, Instrumental Value, and Green Brand Positioning to Green Purchase Intention through Green Attitude as a mediating variable in Automoti Companies that implement *Green Company*.

Based on the findings of the research results, it can be concluded that: (1) Terminal Value has a positive effect on Green Attitude in LCGC car consumers; (2) Instrumental Value does not have a positive effect on Green Attitude in LCGC car consumers (3) Green Brand Positioning has a positive effect on Green Attitude in LCGC car consumers; (4) Green Attitude has a positive effect on Green Purchase Intention in LCGC car consumers.

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