

FACTORS THAT INFLUENCING
CONSUMER BUYING BEHAVIOR TOWARDS ORGANIC PRODUCTS IN
MELAKA

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DECLARATION

"I hereby declare that have read
this thesis and in my opinion this
is sufficient in terms of scope and quality for the award
Bachelor of Technopreneurship"

Signature :

Supervisor name : Eng. Dr Mohd. Fazli Bin Mohd. Sam

Date :

I hereby declare that the report has been prepared by my own self except the summaries and citations that I have been clarify the resource.

Signature :

Name : Nurfadhilla Binti Abu Hasan

Date :

DEDICATION

I dedicate my thesis to my family and friends. A special feeling of gratitude to my loving parents, Abu Hasan Bin Ismail and Fauziah Binti Senin whose words of encouragement and push for tenacity ring in my ears.

I also dedicate this dissertation work to my friends who have supported me throughout the process. I will always appreciate all they have done, especially Muhammad Faiz for stand by me along these four years, Junaydi for helping and motivating me, Mohamad Syahmi for lending me his keyboard, Nurul Hidayu, Noor Azimah, Noor Haryani and Alifah for helping me to develop my SPSS skills.

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ABSTRACT

The organic products has extremely increase especially in develop country. Even the trend has increasing, the share of organic products in world food market is remains low. There is a discrepancy between preference and behavior in purchasing organic products. There are numerous reason that lead to this discrepancy. The purchasing of organic products is still less favorable even though it produce numerous benefit. The purpose of this research is to identify the actual factors that influence the consumer purchase of organic products and also to determine the marketing strategy that can be applied by organic products marketers and producers in order to attract more people to purchase organic products. There are four factors in this research such as consumer attitude, health consciousness, environment concern, and marketing strategies. This research were using qualitative method and the questionnaire survey were distributed at organic product shop lots in Aeon Jusco Bandaraya Melaka. There are 150 respondents whom take parts in answering these questionnaire. The result from the analyzed data shown that there are significant relationship between those towards intention to purchase organic product. Factor that mostly impact consumer intention to purchase organic product is consumer attitude. There are three indicator in term of marketing strategies for this research which is certification and labelling, packaging and price. The impact of this indicator to intention to purchase organic product is also determined, and packaging shows the highest result. Marketers for organic product in Melaka should more concern on creating awareness regarding organic products to consumers and they also need to improve the packaging quality of organic products as packaging play an important roles in attracting people to purchase it.

ABSTRAK

Penggunaan produk organik telah meningkat terutamanya di Negara membangun. Walaubagaimanapun, bahagian produk organik di pasaran makanan dunia adalah masih rendah. Terdapat percanggahan antara keutamaan dan tingkah laku dalam pembelian produk organik. Terdapat banyak sebab yang membawa kepada percanggahan ini. Pembelian produk organik masih kurang memberangsangkan walaupun ia menghasilkan banyak manfaat. Tujuan kajian ini adalah untuk mengenal pasti faktor-faktor sebenar yang mempengaruhi pembelian pengguna produk organik dan juga untuk menentukan strategi pemasaran yang boleh digunakan oleh pemasar dan pengeluar produk organik dalam usaha untuk menarik lebih ramai orang untuk membeli produk organik. Terdapat empat faktor dalam kajian ini seperti sikap pengguna, kesedaran kesihatan, kebimbangan alam sekitar, dan strategi pemasaran. Kajian ini telah menggunakan kaedah kualitatif dan kajian soal selidik telah diedarkan di lot-lot kedai produk organik di Aeon Jusco Bandaraya Melaka. Terdapat 150 responden yang mengambil bahagian dalam menjawab soal selidik ini. Hasil daripada data yang dianalisis menunjukkan bahawa terdapat hubungan yang signifikan antara faktor-faktor tersebut terhadap niat untuk membeli produk organik. Faktor yang kebanyakannya memberi kesan terhadap niat pengguna untuk membeli produk organik adalah sikap pengguna. Terdapat tiga penunjuk dari segi strategi pemasaran untuk penyelidikan ini iaitu pensijilan dan pelabelan, pembungkusan dan harga. Kesan penunjuk ini dengan niat untuk membeli produk organik juga ditentukan, dan pembungkusan menunjukkan hasil tertinggi. Pemasar untuk produk organik di Melaka perlu memberikan perhatian yang lebih kepada mewujudkan kesedaran mengenai produk organik kepada pengguna dan mereka juga perlu meningkatkan kualiti pembungkusan produk organik disebabkan pembungkusan memainkan peranan penting dalam menarik orang ramai untuk membelinya.

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LIST OF ABBREVIATION

ABBREVIATION	STAND FOR	PAGE
DOA	Department of Agriculture	2
NGO	Non-government organization	4
CETDEM	Centre for Environment, Technology and Development, Malaysia	4
Eco-farm	Ecological Farm	4
SLAM	<i>Skim Akreditasi Ladang Malaysia</i>	23
SOM	<i>Skim Organik Malaysia</i>	23
USDA	United State Department of Agriculture	25
SPSS	Statistical Package for Social Sciences	37
SPM	<i>Sijil Pelajaran Malaysia</i>	49
PhD	Philosophiae Doctor / Doctor of Philosophy	49
DV	Dependent Variable	59
IV	Independent Variable	60
PMCC	Pearson's Product Moment Correlation	60
ANOVA	Analysis of Variance	63

CHAPTER 1

INTRODUCTION

1.0 Background of the Study

In the year 2009, the volume of organic market hit \$55.4 billion because of the increasing demand of organic products and internationally growth of organic market (Blanc and Kledal, 2012). People are more cautious on what they consume after the various reports on food polluted with chemicals that can harm their body. As an alternative, they are changing from conventional foods to organic foods. Organic farming growth helps the smallholder to gain advantages and to improve economic development (Bellon and Abreu, 2006).

According to Baker (2007) in his study, the demand for organic products, especially in developed countries has extremely increased. Even though the share of organic products in the world's food market is still low, but the trend is increasing. Malaysia has also been impacted by the development of this trend. Companies can grab an opportunity to produce more organic products in order to fulfill consumers need and want from the increasing demand for organic products (Rozhan et al., 2009).

Even though, organic agriculture development in Malaysia is considered in the initial stages, but it is developing very fast. This industry is estimated to be worth more than RM800 million at this moment in time (Bayaah and Nurita, 2007). According to DOA (2009), organic crops planted land area total has increased from 130 ha in 2001 to more than 2,400 ha in 2007.

There is a discrepancy between preferences and behavior in purchasing organic products. There are numerous reason that led to this discrepancy. The demographic factors which includes gender, age, education level, and personal income can be the determinants to evaluate consumers' purchase of organic products. Some research had found that female are the largest buyers for organic products. This shows that females are more conscious on their health compare to males. Young people did not concern on what food they consume compared to middle and elder people which tend to buy organic products in order to maintain their health.

Education level are also a factor that affect consumer buying decision toward organic products. People with higher education level are more aware to what they consume in their daily meal. Another important determinant are consumers' income level. Some study found that people with higher income level are more willing to purchase organic products. It is because of the price of organic products are normally higher than conventional products.

Besides that, other factor that affecting consumers purchasing of organic product such as consumer attitude toward organic products, health consciousness, environment concern and marketing strategies. The first factors that can affect consumers' purchase of organic products are their attitude towards the products. According to Durham and Andrade (2005) the main factors that motivating consumers' preference of organic products are their attitudes about health and environment. (Farrell and Gresham, 1985; Hunt and Vitell, 1993; Shaw and Clarke, 1999; Vitell et al., 2001) In their study had highlighted that there are significant impact between consumer beliefs and attitudes and consumer behavior. Second factor is health consciousness. As we know, organic products contain high nutrition and free from any chemicals. It also give beneficial impact to person who consume it. Environment factor

is also play an important roles toward consumer purchasing. According to Salleh et al. (2010) in Denmark consumers' concerns about the environment encourage them to buy organic products. Last but not least, marketing strategies by marketer. Marketing strategies can be divided by price, advertisement, packaging, labelling and others.

1.1 Organic Products

According to 'What is organic' (2008), organic products are a product of organic farming and are produced without the use of synthetically compounded fertilizers, conventional pesticides or other artificial additives. People sometimes fail to understand or misunderstand the word 'organic'. They are confused it with 'green, ecological, environmental friendly or natural', this term labeled products are sometimes do not necessary consider as organic.

Furthermore, the definition of organic products should be clearly identified to understand the concept so that the producer of a products are not labeling their products with wrong clarification of 'organic' and recognize their non-organic plantation process as organic.

1.2 Organic Industry in Malaysia

Organic products entering local markets because of the intensifying of Malaysian annual income, level of education, living standard and health and environment concern. Another factor that contribute to the entry of organic products to this county is because of the educational level. It enhance people awareness about

the food that they eat and the product that they use daily. Lot of the products at the market contains chemicals that could harm people if it were used for long time, but different with organic products. Organic products contain no chemical and it also produce benefit to its consumer. People start believe that organic products can help them maintaining their health.

Previously, the organic products can only be afford by high income level people due to its higher price compare to conventional products. The price of organic products are affordable this few years, so it can also be consume by people from the middle income level too. The trend of organic products demand are now start increasing and this is due to the enhancement (Nurita, 2007) of people awareness and changes in people lifestyle. The organic food products contains a lot of nutrients and can help improving people health. This organic products industry have a potential to expanding their market throughout this country.

Non-government organizations (NGOs) and private sectors is the main streams in the early entry of organic products industry. The establishment of Centre for Environment, Technology and Development, Malaysia (CETDEM) Community farm is the first step of NGOs involvement in organic sectors. 1987 is the beginning of organic agriculture and the CETDEM farm were change to organic. The organic production were establish during early 1990's. There are several farms across Malaysia such as Kuantan organic farms, Penang Organic Farm, Eco-farm in Rompin and others.

Table 1.2: Number and Acreage of Organic Producers in the Country, 2011

(Source: National Study: Malaysia)

State	Number	Area (hectars)
Selangor	10	10.8
Negeri Sembilan	10	90
Melaka	2	1.1
Johor	2	3.5
Pahang	6	11.6
Sabah	2	12
Sarawak	1	2
Total	27	131

1.3 Problem Statement

Recently, Malaysian people tend to changes their view to organic products. They start to see organic product in its positive sides and more people begin to consume it. This society believe that organic product has more beneficially effect in term of restoring human health and containing a lot of nutritious that needed by human body. The issues occur in which the purchasing of organic products are still less favorable in our market even though it produce numerous benefit.

There are many researchers who have made a study regarding this topic and they already revealed the various determinant that affecting consumers purchasing behavior toward organic products, but there are no coherent result and it is different from time to time or country to country.

This study found out the actual factors that affecting consumers purchasing behavior towards organic products. This research study is important to be conduct as an essential for the organic products marketer in targeting and expanding their markets. Thus, for the studies, the determinants that are used are demographic variables such as