

I hereby confirm that I have examined this project paper entitled:

THE FACTORS AFFECTING GENERATION Y CONSUMERS' CONSUMPTION OF
ORGANIC PRODUCTS IN MALAYSIA.

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THE FACTORS AFFECTING GENERATION Y CONSUMERS' CONSUMPTION OF
ORGANIC PRODUCTS IN MALAYSIA.

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“I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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DEDICATION

This research is dedicated to my beloved parents who have been my constant source of inspiration and unconditional love. To my respected supervisor, Prof Madya Dr Haslinda Binti Musa, thank you for the constant guidance. To my friends, through thick and thin, thank you for being such supportive friends throughout these years we are together.

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ABSTRACT

Generation Y is the second largest generational cohort growing up in a world infused with brands that has been socialized in materialistic society with purchasing power and extraordinary impact on the economy. This paper presents the factors that impacts the purchase intention of Generation Y towards organic products in Malaysia. This study applies four factors which are health concerns, environmental concerns, availability and consumer attitudes of organic products among Generation Y. In this study, the researcher used the questionnaire survey method to verify the hypotheses and to investigate in its managerial implication to 160 respondents to generation-Y. The Statistical Package for Social Science (SPSS) will be used to analyse the data from 160 respondents.

ABSTRAK

Generasi Y adalah kohort generasi kedua terbesar membesar dalam dunia yang diselitkan dengan jenama yang telah disosialisasikan dalam masyarakat materialistik dengan kuasa beli dan kesan yang luar biasa ke atas ekonomi. Tujuan kajian ini adalah mengkaji faktor-faktor yang mempengaruhi pembelian produk-produk organik dalam generasi Y di Malaysia. Kajian ini mengaplikasikan empat konsep iaitu, keprihatian dalam kesihatan, keprihatian dalam alam sekitar, ketersediaan dan sikap pengguna apabila membeli produk-produk organik. Dalam kajian ini, pengkaji telah menggunakan kajian kaedah soal selidik untuk mengesahkan hipotesis dan untuk menyiasat implikasi pengurusan kepada 160 responden yang tergolong dalam generasi-Y. Pakej Statistik untuk Sains Sosial (SPSS) digunakan untuk menganalisis data yang dikumpul dari 160 responden.

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**TITLE: THE FACTORS AFFECTING GENERATION Y CONSUMERS'
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CHAPTER 1

1.0 Introduction

The main purpose of this first chapter is to serve as a guide and summary to readers on what is being researched in this study. The background of the research study will introduce the readers to the research study followed by the research problem, research questions, research objective, hypotheses development, the significance and scope of the study will be explained.

1.1 Background of Study

The concept of organic product were originally introduced in 1940s and 1950s (Pearson, Henryks, & Jones, 2014). Nowadays, the organic products have become more concerned within the international community, it is due to the better standard of lifestyle and the raise in better awareness of organic products. For the other countries such as European countries, they have helped to increase the awareness of the concept of organic products in food products, by introducing the new concepts of organic products such as the ecological agriculture and the bio-dynamic agriculture. In 1960s and 1970s, most of the consumers have a basic knowledge of organic product and they are becoming more focused on the handmade products toward the global surroundings.

In 1972, the International Federation of Organic Agricultural Movements (IFOAM) was formed. It is help to merge all the efforts to promote the organic agricultural movement into a single unified, the diffusion and exchange of information on the principles and practices of organic agriculture towards the global surroundings. In the 21st century, the IFOAM had become the forum for the global surrounding of the organic agricultural movement. In 1990, organic products in food industry has raise the better awareness of consuming organic product from many national governments.

In Malaysia, the making of organic products must follow the organic standard that had been set by the government and make sure that it can be certified by a recognized body. The Malaysian Standard, MS 1529: 2001 was established in 2001 and they need to list out all the elements when producing a organic product such as, the certification process, and the standards of processing, labeling, and marketing plant-based organically produced products were developed for adoption by growers and processors (Samik & Mohd Nordin, 2014).

Next, the Malaysian Investment Development Authority (MIDA) have been mentioned that, understand the purchase intention of consumers in purchasing organic products is very important. From the previous studies on this topic, they find that there are some differences concerning comparing with the other countries such as the sociodemographic of the respondents, level of acceptance among consumers, and their consumer behavior may occur. The main purpose of this paper is to examine the factors that affecting Generation Y consumers' consumption of organic products in Malaysia.

1.1.1 Concept of Organic Products

Organic products is a product from nature and the ingredient of organic product is good for healthy and it is without any artificial ingredient such as pesticides, synthetic fertilizers, sewage sludge, genetically modified organisms, or ionizing radiation. Nowadays, some of the consumers still confused about the word 'organic' and they are not fully understand the meaning of "organic". Most of the consumers will get confused with the word 'organic'. (Joshi, 2015).

In addition, there are still a lot of cases that wrongly label their product. Most of the producer of organic products will get confused with the word “organic” so they may distinguish that their products as organic. (USA Today, 2014) For the producer of organic products, they must clearly understanding the organic products so that it may reduce the amount of confusion in organic products. The concept of organic products is to use the natural farming method to produce an organic products without any artificial and pesticides. This natural farming method may help to reduce the amount of natural pollution. Nowadays, most of the organic products have label their ingredient clearly and this will help the consumers to easily identify the organic products. (Kosovska, 2013).

1.2 Research Problem

Nowadays, the organic products had become more concerned towards global surroundings and the rate of purchase intention and consuming organic products have been increased. Most of consumers have a basic knowledge of consuming organic product and have positive attitude towards organic products. Organic products have brings a lot of benefit to body health because it contains a high amount of nutritional value to human body (Bee Lian, 2016). But, there is an issue when it comes to consumers in Malaysia. Most of the consumers have a high awareness of organic products and believe that it can maintain them a healthy lifestyle but this is not fully reflected in purchasing and consuming of organic products (Tareq & Lim, 2016).

From previous studies, many of researchers have carried out this problem in their studies such as identify the variables that may affect the purchase intention and consuming the organic products(Tareq et al, 2016). Therefore, there is also lack of information about the purchase intention and consume organic products for the young shoppers - Generation Y (Hassan, Loi & Kok, 2015).

The main purpose of this research study is to determine the factors that impacts the purchase intention of Generation Y consumers towards organic products in Malaysia. This research study is to mention about the purchase intention and consumes organic products of Generation Y in Malaysia is the main key for manufacturers and marketers. When the manufactures and marketers have fully understood the intention of young shoppers, they may use the marketing strategies

focus on it. to understand the young shoppers. For Generation 'Y', it is defined as the person who were born between the year 1980 and 1996. (Seethaletchumy Thambiah, 2015)

The factors that will be investigated in this paper are namely health concerns, environmental concerns, availability and consumer attitudes towards organic products. These factors have been selected based on the relevance of the factors to the research in question which is the purchase intention of Generation Y consumers towards purchasing organic products and this research study will be explained more clearly in the next paragraph.

For health concerns, Budi Suprpto (2012) had mentioned that health concerns are said to be the main determinant that affect the purchase intention of consumers towards organic products. But, for this previous study, the researcher did not mentioned that why this variables were become the main determinant that affect the purchase intention of consumers towards organic products. For this previous study, there are also less amount of information towards young shoppers- Generation Y. However, health concerns will become one of the variable in this study to determine how the variables will affect the purchase intention of organic products among Generation Y.

For environmental concerns, Hassan, Loi & Kok, (2015) had mentioned that environmental concerns is an another determinant that affect the purchase intention of consumers towards organic products. It was found that some of the consumers are adopting a vegetarian lifestyle. Vegetarian means that the consumer only consume fruits and vegetables. The mindset of vegetarian consumers are more concern for their body health and the environment. For consuming the organic products, it can help to reduce the amount of natural pollution it is due to the natural farming method have a low environmental impact. However, environmental concerns will become one of the variable in this study to determine how the variables will affect the purchase intention of organic products among Generation Y.

For the availability of organic products, Song, Safari & Mansori (2016) had mentioned that the availability of the organic products is an another determinant that impacts the purchase intention of young shoppers towards organic products. In addition, most of the organic products are sold at Cold Storage, Jusco Supermarket,

Tesco, Giant, and Carrefour Malaysia (Christopher Teh Boon Sung, 2012). Lack of availability of organic products had affected the purchase intention of consumers towards organic products. For example, Melaka consumers had mentioned that the organic products are hard to find in the store. This research study will only focus on a limited area namely Melaka.

According to (Justin Paul, 2012) it has been discovered that attitude has been regarded as an important indicator towards intention of purchasing organic products especially in purchasing organic products. Moreover, a study from Bee Lian (2016) concluded that there is a significant positive relationship between the attitude of buying organic product and the intention to purchase these products.

1.3 Research Questions

For the previous studies, many researchers have been carried out to study the main factors that impacts the purchase intention of Generation Y consumers' towards organic products in Malaysia. But, the researchers still unable to provide a reasonable answer the following questions;

1. What is the importance of organic product in Malaysia ?
2. What are the factors that affect Generation Y consumers' purchase intention towards purchasing organic products in Malaysia?
3. What are the relationship of health concerns, environmental concerns, availability and consumer attitude towards organic product in Malaysia among Generation Y?

1.4 Research Objectives

The main purpose of this research study is to determine the main factors that impact Generation Y consumers' purchase intention towards organic products in Malaysia.

1. To determine the importance of organic products in Malaysia .
2. To identify the factors that determines Generation Y consumers' purchase intention towards purchasing organic products in Malaysia.

3. To determine the relationship between health concerns, environmental concerns, availability and consumer attitudes in purchasing organic products in Malaysia among Generation Y.

1.5 Hypotheses Development

H1: Health concerns have a positive relationship with generation Y consumers' intention to purchase organic products.

H2: Environmental concerns have a positive relationship with generation Y consumers' intention to purchase organic products.

H3: The availability of organic products has a positive relationship with generation Y consumers' intention to purchase organic products.

H4: The attitudes of Generation Y consumers have a positive relationship with their intention to purchase organic products.

1.6 Significance of the Study

Nowadays, most of the consumers such as Generation Y have high awareness towards organic products but this is not fully reflected in purchasing and consuming of organic products. The objective for this research study is to collect the data of the purchase intention and consume organic products among Generation Y . This research study also will determine the factors that affect the purchase intention of organic products among Generation Y.

In addition, the results of this research study will help the organic marketers to identify the factors that affect the purchase intention of organic products among Generation Y. The marketers may use the marketing strategies to enhance the quality of organic products to attract young shoppers to purchase and consume organic products.

Next, for the relationship between health concerns, environmental concerns, availability and consumer attitudes in purchasing organic products in Malaysia among Generation Y. This research study will help the firms to become more understand the

need of the consumers. Understanding the need of consumers is very important because it can help to improve the sales and profit of an organization.

Last but not least, this research study is very useful for organic manufactures because they are able to understand the actual needs of Generation Y consumers towards organic products so that the organic manufactures will focus in ways to increase the rate of purchase intention and consume organic products among Generation Y.

1.7 Scope of Research

The scope of this research will be focused on the context of the factors that affect Generation Y consumers' consumption of organic products. The variables in question namely, health concerns, environmental concerns, availability and consumer attitude towards organic products will be investigated and to determine the relationship between health concerns, environmental concerns, availability and consumer attitudes in purchasing organic products in Malaysia among Generation Y.

1.8 Conclusion

In conclusion, the organic products industry in Malaysia is still growing within the country. Consumers must gain additional knowledge about organic products because it can help to enhance the level of lifestyle. The main purpose of this research study is to investigate the main factors that impacts the purchase intention of Generation Y towards organic products in Malaysia.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

In this chapter, it will explain the dependent variable which is “purchase intention towards organic products among generation Y in Malaysia” based on the relevant journals and articles on the particular topic. It also will explain the four independent variables individually namely, health concerns, environmental concerns, availability, consumer attitude towards organic product and how the four variables play a role in influencing the consumption of organic products among generation Y in Malaysia. The theoretical framework for this study will be presented and followed by the development of the hypotheses based on the literature review above.

2.1 Literature Review

2.1.1 Purchase Intention towards Organic Products

Consumers’ purchase intention normally is related to the behavior, perceptions and attitudes of a particular individual. Consumers’ purchase intention is very complex and hard to control it. For consumers, the purchase intention is the main key to evaluate the products that they want to purchase it. The researcher had mentioned that there are six stages of consumers’ purchase intention such as awareness, knowledge, interest, preference, persuasion and actual purchase (Kawa et al., 2013). According to Hawkins & Mothersbaugh (2010), the purchase intention means the motivation of making a decision to buy a product and service. The individual behaviour of consumers has strongly affected the decision to purchase or buy a product and service.

In the world today, the organic products industry is still growing in Malaysia. It means that most of the consumers have high awareness towards organic products it is due to organic products are beneficial to human health. Consumers believe that it can bring them a lot of beneficial and positive attitude towards organic products. (Suprpto & Wijaya, 2012). Wee (2014) had mentioned that the factors health and environmental concerns have significantly impacts the purchase intention of consumers towards organic products.

2.1.2 Health Concerns

In the world today, the term “health is wealth” had been planted in the mindset of consumers. They may perceive that the human health has become more important to them. Nowadays, most of the consumers have high awareness towards organic products, they believe that consume the organic products will bring them a healthy lifestyle and it can maintain the body healthy to reduce the amount of illnesses. This has led to the creation of a global market for health products due to the increasing demand. Organic products are considered to be beneficial to the human health as organic products use ingredients that are not harmful to the human body; for instance the reduced presence of artificial ingredients in organic product have helped to prove this claim (Gracia , 2014). Lairon and Huber (2014) had mentioned that most of the ingredient of organic products are nature and it does not contain any artificial and pesticides. Research has also found that consumers place a high value on health concerns and security, which is derived from organic products (Ahmad, 2010).

According to a research carried out by Md Tareq, Pei Xian Lim (2016) on Australian consumers, it was found that majority of Australian consumers believe that organic food products have a high nutritional value, it is beneficial for human health and it also can improve the standard of lifestyle. Lairon and Huber (2014) further supported the view that organic food products contain minerals and antioxidants that are beneficial to the human body. In addition, most of the consumers are prefer to purchase organic products because organic products are more healthier than conventional products. Hence, based on the previous studies carried out it can be said that health concern is an important factor that impacts the purchase intention of consumers towards organic products.