

**INFLUENCE OF THE PRICE FACTORS ON CONSUMER BUYING
DECISION OF ORGANIC FOOD PRODUCTS IN MELAKA**

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**Report submitted in fulfilment of the required for the Bachelor Degree of
Technology Management (Hons) in High Technology Marketing**

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DECLARATION

“I admit that this report is the results of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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DEDICATION

I would like to dedicate the appreciation to my family members who supported me from spiritually and financially, beloved supervisor and panel who guided me throughout the research, and coursemates that assisted me through the journey of research.

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ABSTRACT

This research aims to investigate the influence of the price factors on consumer buying decision of organic food products in Melaka. This is because the consumption of the organic food products among the Malaysian is rapid increasing nowadays. However, economic recession affect the importance of pricing as the challenges of the consumer buying decision to buy the product. The data were collected using questionnaires from 250 respondents in Melaka, Malaysia. This study was a descriptive research study. This study used quantitative method and data collection sources from primary data and secondary data. SPSS software version 22.0 was used to analyze questionnaire-based survey data. Furthermore, pilot test, descriptive analysis, reliability test, validity test and inferential analysis that including Pearson Correlations, Multiple Regression Analysis and Hypothesis testing had been discussed in Chapter 4 in order to analysis the data collection. The finding of this research show that there have significant relationship between the factor which included quality, costs, demand and price adjustment that able to influence the consumer buying decision of organic food products in Melaka. Lastly, the results also show that quality was the most influential price factors that influence on consumer buying decision of organic food products.

Keywords: Price factors, consumer buying decision, organic food products

ABSTRAK

Kajian ini bertujuan untuk mengkaji pengaruh faktor harga terhadap keputusan membeli produk makanan organik di Melaka. Ini disebabkan penggunaan produk makanan organik dalam kalangan rakyat Malaysia semakin meningkat pada masa kini. Walau bagaimanapun, kemelesetan ekonomi menyebabkan kepentingan harga sebagai cabaran keputusan membeli pengguna untuk membeli produk. Data akan dikumpul menggunakan soal selidik dari 250 responden di Melaka, Malaysia. Kajian ini adalah kajian penyelidikan deskriptif. Kajian ini menggunakan kaedah kuantitatif dan sumber pengumpulan data dari data primer dan data sekunder. Perisian SPSS versi 22.0 telah digunakan untuk menganalisis data tinjauan berasaskan soal selidik. Selain itu, ujian pilot, analisis deskriptif, ujian kebolehpercayaan, ujian kesahan dan analisis inferensi yang termasuk Pearson Correlations, Berbilang Analisis Regresi dan ujian hipotesis telah dibincangkan dalam Bab 4 untuk menganalisis pengumpulan data. Penemuan kajian ini menunjukkan terdapat hubungan yang signifikan antara faktor yang termasuk kualiti, kos, permintaan dan pelarasan harga yang dapat mempengaruhi keputusan membeli produk makanan organik di Melaka. Akhir sekali, hasilnya juga menunjukkan bahawa kualiti adalah faktor harga yang paling berpengaruh yang memberi kesan kepada keputusan membeli produk makanan organik.

Kata kunci: faktor harga, keputusan pembelian pengguna, produk makanan organik

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LIST OF ABBREVIATIONS

ANOVA	=	Analysis of Variance
FYP	=	Final Year Project
PPMC	=	Pearson Product Moment Correlation
SPSS	=	Statistical Package for the Social Sciences
UTeM	=	Universiti Teknikal Malaysia Melaka

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Marketing can be say as the form of communication between seller and buyer with the goal of selling their goods or service which means that it can be very important to ensure whether the business can successful or not. Therefore, marketing mix is the business tool in marketing which used to help understand by how the product or service can offer and plan to market it successful. There are four important variable was used to executed marketing mix which is product, promotion, place and price. However, economy always has an impact on the marketing. In this challenges economic, price has developed into a communication tool and is considered as a central issue for marketing. In order to outstand among the competitive rivalry, price has become more and more important and being the point-of-purchase merchandising tool in the marketing mix. Nowadays, economic recession affect the importance of pricing as the challenges of the consumer intention to buy the product by willing to pay low price with the good quality product. This make that most of the seller make consideration of the factors of price when set the product prices. One of the latest product development which offer the price with its worth is organic food products.

Nowadays, the attitude of the new consumer lifestyle has emerged such as the consumption of the organic food. This wonder has happened on the grounds because people are starting to know about the significance of consuming healthy food in their daily life. According to Cheah (2009), in the Malaysian market has found that the demand for the organic food products was increased because organic food product is ability to capture the consumer's attention during the purchase decision moment in a marketplace. This is because organic food is considered healthy since when production there are not used of synthetic chemicals (Suprpto and Wijaya, 2012). On the other hand, the expansion of the ecological cognizance has thoughtfully affected buyer conduct, with the green product showcase extending at a surprising rate (Aini et al., 2003). Along these lines, in the previous decades there has been an expanded of creation and utilization of naturally delivered items which is viewed as having less effect to the earth. Thus, environmental awareness and increasing interest of consumers in organic foods and willingness to pay for organic features lead to corporate interest in organic marketing, initiating major changes and innovations (Peattie and Crane, 2005). Organic food products has many brands like MELILEA, Nature's Path, BIOGREEN, LOHAS, HERBALIFE and else. In this study, I will focus on the BIOGREEN of organic food products by find the reason why consumer willing to pay on this products although the cost of product got little high.

1.2 The Importance of Organic Food Products

In many developing countries such as Malaysia are starting focus on the organic food products as they can achieve the environment advantages for public sector or the private sector in order for the international trade exchange (Rehber and Turhan, 2002). Organic food product encompasses natural food items which are free from artificial chemicals. In Malaysia, there are dramatically increasing for the demand for organic food products as the population becomes more opulent and people have the education about the health issues which leads to greater consciousness in food

products. The organic foods products can be perceived by the consumer because it is nutritious, healthy, and nature-friendly than conventional food. Nowadays, consumers are increasingly keen on organic food product let the organic food product rapid development because of the health and environmental effects of pesticides, food safety and genetically-modified organisms.

Therefore, in this research study, the researcher will focus on BIOGREEN as the organic food products. Consumers can afford to buy organic food to accomplish better quality of life due to the expected growth in their disposable income (Kriwy and Mecking, 2012). Due to this statement, we can assume that price factors is totally influence the consumer intention towards organic food products. Price should receive a serious consideration in value the organic food products. Some of the consumers consider not only the focal product price, but also the prices of alternative products like the reference price. Moreover, researcher identified the huge potential of the organic food product especially BIOGREEN in Malaysia and realized in such product price worth with the product becomes a fundamental strategy for competitive success and survival within the market. A good pricing is an essential part of successful business practice. So, the researcher will emphasis on the price factors of the organic food product in the buying process. Hence, for this research, the researcher feel that it is important to define the influence of price factors of products on the consumer buying decision.

1.3 Consumer Attitude in Buying Process

Consumer buying behaviour consists of a consumer's attitude, purpose, preferences and intention regarding the consumer's behaviour in the marketplace when purchase a product or service. On the other hand, attitude can be the most important predictor of intention to buy organic food and the relation between attitude and intention has been found to be positive and significant (Kozup et al., 2003). Next,

subjective and personal norms also influence the consumption of organic food (Aertsens et al., 2009a, 2009b). In any case, consumer buying decision can be changed dramatically and always influenced by many factors in any time. Consumers usually purchase based on their needs and wants. During the buying decision, a product prices plays an important factors as it communicates to the consumers in the marketplace. This can be explain that consumer has explored multiple options on the same quality of same product so they will refer to the price to decide whether to buy or not. However, the BIOGREEN product of organic also affect the consumer buying decision based on the product price. As we know, organic food product almost is the premium price. However, consumers are willing to “pay for the privilege of buying green” (Mintu-Wimsatt and Bradford, 1995) explain that consumer buying decision based on the value perceived likes it is nutritious, healthy, and nature-friendly than conventional food. So, we can seek the influence of price factors on the consumer buying decision.

1.4 Problem Statement

Consumer awareness towards healthy product is increasing and they now choose to buy organic food product over conventional food products. Organic foods are those that are environmentally safe to human being. They are normally produced through environmentally friendly methods that do not involve modern synthetic inputs such as pesticides and chemical fertilizers, no genetically modified organisms, or chemical food additives. Therefore, organic food products should be affordable and convenience for consumption to those people who believe in health benefits. Some of the organic products should be made as tasty as possible and should also help to protect the living thing and the environment. The increase number of the consumer purchase of organic food should be expect form improve quality of the organic food products, or in other words an increase an income from the seller. On the other hand, customers look for good brand of the organic food products especially those that have good appearance and easily available in the market. Thus, pricing factors is very important

in ensure that the sales of organic products can reach to every people especially young and adult.

However, consumers were still finding it hard to make a buying decision on organic products. In this research, researcher will focus on the BIOGREEN as the organic food products although there are many products brands in the market such as MELILEA, Nature's Path, LOHAS, Radiant and BIOGREEN but pricing remain an issue face by the customers. Hence, some of the issues also face by consumer are lack of awareness, low financial viability, availability and price. For this case, the study try to focus on the pricing factors of BIOGREEN products. This product is choose because it have a variety of organic products types and segment that can fulfil the needs of the market that should be good to support the accuracy of the finding. In fact, it has been around since 2000 year. It is found that the price of this product is quite high and compared with the others. So, it is important for consumer to be able to purchase this product. So, pricing factors must be strict since it determine the consumer's loyalty on the organic food products.

For that reason, it is necessary for researcher to look into this issue in more detail as to identify the influencing price factor that the consumer's would consider in their buying decision. Therefore, this study seeks to examine the price factors on consumer's to purchase organic food product where such study in Malaysia is still lacking. This study will try to explore the influence affecting the price factors. So, this research try to determine ways for marketer to be able to attract and increase consumer buying behaviour.

1.5 Research Questions

Based on the research topic, the researcher had identify some relevant questions as the following:

1. Are there significance variables of the influence of the price factors and consumer buying decision on purchase of organic food products?
2. Is there a significance relationship between influence of price factors and consumer buying decision on purchase of organic food products?
3. Is there a significance correlation between influence of price factors and consumer buying decision on purchase of organic food products?

1.6 Research Objectives

The role of price is getting vital as a marketing tool for organic food product. It is essential for marketers to study more on the price factors in detail to gain better understanding of which factors is the most important to influence the consumer buying decision. The objectives of this research are as follow:

1. To identify the variables of the influence of the price factors and consumer buying decision on purchase of organic food products.
2. To analyse the significance relationship between influence of price factors and consumer buying decision on purchase of organic food products.

3. To analyse the significance correlation between influence of price factors and consumer buying decision on purchase of organic food products.

1.7 Scope

This research is mainly focus on the influence of price factors on the consumer buying decision of organic food products in Malaysia. The demands of consumption organic foods products is high nowadays caused by there are many brands of the organic food products in the marketplace. Hence, the researcher is chosen BIOGREEN products as the organic food products in doing this research. Next, the research will focus at Melaka area only. Melaka is choose as the place for this research because Melaka is defined as a quaint city with an abundance of breathtaking sights and rich heritage. Therefore, when doing the survey questionnaire, the public can be target as the respondents. The targeted respondents for this research should be consumers of the BIOGREEN products or at least concerns about organic food products. Besides, the respondents also should be have the knowledge about the important of the organic food products.

1.8 Limitation of Study

The research only focus on the influence of price factors on the consumer buying decision of organic food products in Malaysia. There are several limitation of this research. Firstly, time constraint is one of the limitation that the researcher facades difficulties to complete the research in the two semester only. This is because the processes of this research basically takes longer for requires data collection, searching and data analysis of the information gather. In addition, this research study only focus on Melaka city centre only.