

**FACTORS INFLUENCING CUSTOMER PERCEPTION AND PURCHASE
INTENTION TOWARDS ORGANIC FOODS**

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DECLARATION

I declared that this research entitled “**Factors Influencing Customer Perception and Purchase Intention Towards Organic Foods**” is the result of my own research expect as cited in the references. The research has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature

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Date

DEDICATION

This research is exclusively dedicated to my parents, Mohd Yasin Bin Kombol and Zaitun Binti Yatim, who have been my source of inspiration and endless support, motivation and also concern with my studies. I would like to express my gratitude to my supervisor, Assoc. Prof. Dr. Haslinda Musa, who guided and supported me throughout this final year project. Finally, I also would thank to all my friends who have lend their helping hand along through this journey. Thank you.

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ABSTRACT

The purpose of this research is to identify the relation between customer perception and purchase intention on organic foods. Within the study, the purchase intention variables are organic food's packaging, organic food's product value and the advertisements on organic foods. First the researcher will determine whether customer perception on organic foods elements which is one of the purchase intention elements. Secondly, the study will investigate factors of customer purchase intention on organic foods. Thirdly, the scope is to distinguish impact of perception toward purchase intention on organic foods. The research method used in the study is by quantitative approach where sample of 384 questionnaire will be distribute at to customer at shopping center in Melaka Tengah. In discoveries of this study, all the factors will be analyzed by using Pearson Correlation Simple Regression. To complete this research, researcher utilized Theory of Planned behavior (TPB) as the main theory to be adopt.

Keywords: customer perception, purchase intention, organic foods

ABSTRAK

Tujuan kajian ini adalah untuk mengenal pasti hubungan antara persepsi pelanggan dan niat pembelian makanan organik. Dalam kajian ini, pemboleh ubah niat pembelian adalah pembungkusan makanan organik, nilai produk makanan organik dan iklan mengenai makanan organik. Pertama, penyelidik akan menentukan sama ada persepsi pelanggan terhadap unsur makanan organik yang merupakan salah satu unsur niat pembelian. Kedua, kajian akan menyiasat faktor-faktor niat pembelian pelanggan terhadap makanan organik. Ketiga, skop untuk membezakan impak persepsi terhadap niat pembelian pada makanan organik. Kaedah penyelidikan yang digunakan dalam kajian ini adalah melalui pendekatan kuantitatif di mana sebanyak 384 sampel soal selidik akan diedarkan kepada pelanggan di pusat membeli-belah di Melaka Tengah. Dalam penemuan kajian ini, semua faktor yang digunakan akan dianalisis dengan menggunakan Regresi Mudah Korelasi Pearson. Untuk menengkapkan penyelidikan ini, penyelidik menggunakan teori Tingkah Laku Dirancang (TPB) sebagai teori utama untuk diadaptasi.

Kata kunci: persepsi pelanggan, niat pembelian, makanan organik

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CHAPTER 1

INTRODUCTION

1.1 Background of Research

Enthusiasm for organic food has developed astoundingly as customers and marketers respond to well-known media about health and environmental effects of pesticides, genetically modified organisms (GMOs) and food safety (McDonagh, P. 2017). The enthusiasm for organically generated products develops throughout the globe, taking into account concerns about normal farming methods, food security, concerns about human well-being, contemplation of animal welfare and earth issues (Scott et al.2018). The interest for organic food products is significantly rising in Malaysia as the populace turns out to be more well-off and more taught about wellbeing and health issues, prompting more noteworthy cognizance in choosing food.

The organic food essentially refers to the consequence of a farming practice that retains a strategic distance from the use of man-made fertilizers, pesticides including growth controllers and feed added substances for domesticated animals. Irradiation and the utilization of genetically modified organisms (GMOs) or items delivered from or by GMOs are for the most part disallowed by organic legislation (Lewin J. 2015).

With the organic menu choice, people are gradually being looked at. Once deemed “a lifestyle for a small offer for them,” organic food is currently discovered frequently in conventional food market (USDA Economic Research Service, 2017). Restaurants have provided organic products on their menu in reaction to the continuous increase requested for organic food (Ravindran, S.2018). Even restaurants frequently labeled as unhealthy as

Papa John's have begun to incorporate organic ingredients into their offering (Kelly, 2017). One of the customer's main views in choosing organic food is that organic food is much healthier (Egan, S.L. 2018). In accordance with past research, healthy food which referring to organic foods are less fattening and high nutritious yet less enticing (Valente, M., & Chaves, C. 2018). Figure 1.1 shows the comparison between organic food and non-organic (Non-GMO) in terms of health while describing few issues on choosing the right food to consume. The researcher obtained this figure from Food Revolution Network official web page.

Organic VS. Non-GMO		
What's the Difference?		
	<u>Organic</u>	<u>Non-GMO</u>
• No GMOs used	✓	✓
• No Synthetic Pesticides , linked to lymphoma & leukemia	✓	✗
• No Roundup Herbicides , linked to kidney disease, breast cancer & birth defects	✓	✗
• No ingredients laced with residues from the neurotoxin Hexane	✓	✗
• No Sewage Sludge , human waste contaminated with endocrine disruptors & heavy metals	✓	✗
• No Growth-Promoting Antibiotics , contributing to weight gain & antibiotic resistance	✓	✗
• No Ractopamine drug residues, banned in dozens of countries	✓	✗

More Info at FOODBABE.COM

Figure 1.1: Comparison Between Organic Food with Non-Organic Food (Non-GMO)

With numerous individuals trusting that organic foods have a higher supplement content, are kinder to nature and animals which are more beneficial than traditionally created foods, interest for organic deliver is on the ascent. The Malaysian Agricultural Research and Development Institute, through various projects and exercises, has efficiently constructed up the organic cultivation segment. Organic food has been seen as another sector that contributes to economic growth. Organic food production has become an imaginative method for the structure of Malaysian agriculture to remain its upper hands. The Malaysian government looked at its organic cultivation strategy and changed its worldview to ensure that the organic food sector became the growth engine in the agricultural industry. In 2016, a research titled “A Review on Organic Food Production in Malaysia”, have concluded a positive effect upon the situations stated above.

There are thousands on the market organic food items as the word “organic food” can be obtained from many ways such as the ingredient used to produce the final products or the process of provision the ingredient itself (Blair, R. 2018). The researcher takes organic eggs as the example of an organic food products. In order to qualified as organic food, eggs need to be originated from chickens that have only organic feed, i.e. feed that is free of animal by-products, manures produced, pesticides or other synthetic added substances. It is not possible to use genetically modified foods. Organic eggs also need to be come from chickens on a conventional assumption that are offered antibiotics. No hormones can be used in the production of organic eggs. (Lallanilla, M. 2018).

This study define that the organic food consumers are portrayed as the ones who take into consideration towards healthier lifestyle and intend to alter their buy and utilization of organic food in order to encourage others to practice the same. Purchase decisions of organic food are found to be the focal subject in the current situation with research on organic food consumer behavior.

1.2 Problem Statement

Nowadays, the number of companies providing organic food products in Malaysia is escalating drastically over the years. For example, Country Farm, DQ Farm, Raw & Living, SUAN MOKKH, Zenxin and else. All these companies have been certified from SOM and USDA ORGANIC. The diversity of alternatives accessible for customers has push the researcher to find out what are the factors that influencing the customers perception and purchase intentions towards organic food products.

The awareness and interest towards organic product have been increase steadily these past few decades. Based on Basha et al., (2015) the food industry has been classified as one of the fastest-growing industries in the globe. This scenario affects the increase in worldwide consciousness. Therefore, it is encouraged for marketers in organic industry to promote the benefits of consuming organic products to create more awareness and health conscious society in the market. (Teng & Lu, 2016). Also, as a respond towards the corresponding nation's call in 11th Malaysia Plan (2016-2020) which changed from industrial focus towards manufacturing sectors only in the 10th Malaysia Plan (2010-2015) into focusing all sectors including agriculture while expecting the increasing its growth momentum of 2.4% per annum.

There are, however, some barriers to buying organic food goods that affect customer purchasing intention. Missing customer knowledge of current organic food (Zailani et, al. 2018) and their benefits (Salim et, al. 2018) are some of the obstacles encountered in Malaysia's promotion of organic food products. There are also some of negative perception among the customer towards the quality of the organic food products (Thogersen et, al. 2017). Therefore, these barriers also have been the driven factors for the researcher to work on this topic.

1.3 Research Question

These research issues will be used as a study guidance. The issues will be as follows:

1. What is the relationship between consumer perception and purchase intention on organic food products?
2. What are the factors of consumer purchase intention on organic food products?
3. Does the consumer perception of organic food products can be influencing the purchase intention?

1.4 Research Objective

These research goal acts on this study as the promising response. To be the results of this study, it will answer all the research question. The study goals are as follows:

1. To determine the relationship between consumer perception and purchase intention on organic food products.
2. To investigate factors of consumer purchase intention on organic food products.
3. To identify influence of perception toward purchase intention on organic food products.

1.5 Scope of The Study

This research focusing on the factors of customer perception which is influencing the purchase intention towards organic food products. This research information from customers in Melaka Tengah who consume organic foods representing the entire population of customers of organic food in Malaysia. The minimum requirement for the respondent to answer this questionnaire is 18 years old and above. This is because, this

age is considered as suitable age which happens to be aware and have higher percentage to consume organic foods.

1.6 Limitation of The Study

This study's constraints are inadequate marketing and understanding about organic food product in the market. Some of the sample might had been confused between organic food with natural food.

Target population is another element that limits this study because the target population is only at Melaka state. However, the willingness and the honesty of the sample to answer the questionnaire is also not known.

1.7 Significant of The Study

The importance of the study was to identify the factors influencing the perception of the intention to purchase organic food goods from the client. This information described the link between the perception of the client and their intention to buy organic food products. The results of this study will improve awareness of the presence and significance of choosing organic food products for clients. The findings also best believed to give advantages not only for the customers but also the organization.

1.8 Summary

This chapter consists of background of the study, problem statement, research questions, research objectives, scope of the study, limitation of the study and significant of the study. The next chapter will be explaining the theoretical framework proposed and discussing on literature review.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter features the literature review of the factor influence consumer perception on organic foods in terms of green purchase intention. This research moreover planned to understand connection between consumer perception and purchase intention which clears up on how organic food can affecting their purchase intention. This research utilized different reference materials as guidelines, for example journals, books, thesis, and another printed medium. The data from this exploration can be utilized to reinforce the comprehension and conceptualized research framework.

2.2 Definition

2.2.1 Organic Food

First thing first, what are organic foods? Based on the definition of the United States, Europe and global, organic food is produced by farmers who emphasize sustainable resource utilization and soil and water security to enhance future generations' ecological performance. According to Datuk Ahmad Zakaria Mohamad Sidek, TheStar, 2017, organic food is a food arranged through organic process and innovation where it is rehearsed normally. Organic plant innovation where unused synthetics or engineered materials are utilized for poisons and steel yet rather utilize organic materials.

To sum up, based on researcher's definition, organic food is created utilizing most ordinary pesticides, composts made with engineered fixing or sewage sludge, bioengineering or ionizing radiation.

2.2.2 Differentiation of Natural Food with Organic Food

The variety between organic food and natural food is frequently bewildered by the majority of the general population. Moreover, individuals pretend to have comparable credit for organic food and natural food and will treat or imply the same in general. To tell the truth, some highlights acknowledge organic food and natural food.

Clearly, fundamental distinction between these types of foods is that the U.S. Department of Agriculture (USDA) must license organic food and higher quality organic food. We could see that organic food has been labeled "organic" and this name refers to the products being certified organic by USDA and approved by the designated association.

Products stamped with USDA or marked with “organic” needs contain at any stage 95% organic. Organic food can either be appointed by a USDA external confirmation or by a neighboring Malaysia Organic Scheme (SOM) organization. Products labelled with SOM express a meaning that is a generation method evaluated by the Crop Quality Control Division of the department. The standard that SOM pursues is the norms of SIRIM MS 1529:2001. The rule connected to control entire procedure of organic food which incorporates “generation, handling, naming and promoting of plant-based organically created food” and finally, series number will be given with the end goal to facilitate the identification process (SOM).

Organic produce:	Conventionally grown produce:
Grown with natural fertilizers (manure, compost).	Grown with synthetic or chemical fertilizers.
Weeds are controlled naturally (crop rotation, hand weeding, mulching, and tilling).	Weeds are controlled with chemical herbicides.
Organic meat, dairy, eggs:	Conventionally raised meat, dairy, eggs
Livestock are given all organic, hormone- and GMO-free feed.	Livestock are given growth hormones for faster growth, as well as non-organic, GMO feed.
Disease is prevented with natural methods such as clean housing, rotational grazing, and healthy diet.	Antibiotics and medications are used to prevent livestock disease.

Table 2.1: Organic Vs Non-Organic Practice in Agriculture

2.2.3 Organic Food Market

Organic farming has been developed in Malaysia in two concurrent ways, driven by non-governmental organizations (NGOs) and the private sector. Malaysia's Center for Environment, Technology and Advancement (CETDEM) is a case of a NGO that has played a leading role in identifying problems with usual farming methods. CETDEM concentrated on environmental degradation, the well-being of significant pesticide experts, food safety and manageable farming methods. Their first organic homestead in Subang New Village, on one acre of land was a success and becoming an inspiration for others to grow organic farm too. In addition, Malaysian government offers support to the small-scale producers to wander into organic cultivating with destinations to raise income, beaten issues of concoction buildups in food production and upgrading the nation's fare of high caliber safe food. However, it was only in the 1990s that many organic farms were constructed, such as the Sustainable Living Center in Perak, Negeri Sembilan Ecofarm and the Melaka Lifestyle Farm. Meanwhile, Zenxin Organic Food Malaysia at Johor, A Little Farm on The Hill at Pahang and fireflies organic farm @ Broga at Selangor are the example of current organic farm which rated as the barometer for organic farm practices in Malaysia. Under the 11th Malaysia Plan (2016-2020), the government of Malaysia expect a steady growth rate of 2.4% per annum, supported by modernization in the organic food and industrial commodity subsectors.

According to Eric Chung (2018), he claims that currently organic farming embrace around 2% of aggregate agriculture created around the world, which happens to be not reached yet the degree to replace traditional farming. The expense related with organic farming means organic agriculture products are excessively costly and will never be standard. In view of some investigation, the most the investigator estimate is for organic farming to stretch around 5% of aggregate farming output throughout this upcoming 10 years (Goh, C.H. 2018).

2.2.4 Customer Perception

Perception is the interpretation of sensory information to speak to and comprehend the information introduced (Ackermann, E. 2016). Customer perception is often characterized by the satisfaction of the customer towards the specific product of services (Mirabi et al.2015). Customer purchase decision have a great degree of complex process (Widyanto, H. A., & Saleh, T. A. R. 2018). Every customer has their very own perception of goods or services are used. It originates from the satisfaction of a product and service that have been acquired by the seller.

There are many views need to be considered in fulfilling customer perception. The past study has studied about customer perception and attitude towards purchase intention. According to Widyanto, H.A & Saleh, T.A.R, (2018), customer perception and attitude play an important role in determining the intention of the client to buy. Based on the same study, the researcher also defines that environment also effect both customer perception and customer attitude.

The finding from Bajcsy, R., Aloimonos, Y., & Tsotsos, J. K. (2018), also support that customer perception can be measured by their satisfaction towards organic food. It shows that the consumers of organic foods may differ in their perception because satisfaction is depending on one's true self which vary for each individual.