

**CUSTOMER PERCEPTION, ATTITUDES AND
PURCHASE INTENTION TOWARDS ORGANIC
FOODS IN KOTA KINABALU, SABAH**

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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries, and references, which have been duly acknowledged.

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ABSTRACT

The objective of this study was to examine the consumers' perception of organic food which included organic knowledge, environmental knowledge, price consciousness, health consciousness, food safety and product availability with intention to purchase towards organic foods in Kota Kinabalu, Sabah. The study also examines the mediating effect of attitude towards organic foods on the relationship between customer perception and purchase intention. 360 respondents were selected for the study in which data was collected from different supermarket and hypermarket in Kota Kinabalu, Sabah using convenient sampling method. Partial Least Square (PLS) based Structural Equation Modelling (SEM) was utilized to identify the dimensionality of research variables. The results show that organic knowledge, price consciousness and food safety concern have a significant influence on purchase intention. However, other dimension such as environmental concern, health consciousness and food safety concern have significant effect with attitude towards organic foods. The mediation analysis results show that attitude towards organic foods mediates the relationships of purchase intention with organic knowledge, environmental concern, health consciousness, food safety concern and product availability. The result shown that food safety appears to be the most significant factors that affect the purchase intention of organic food products. It is suggest that organic foods marketers or researchers should focus on food safety in order to increase their customers' consumption of organic foods. This study also included the limitation of the study and recommendation for future researchers.



ABSTRAK

Persepsi Pelanggan , Sikap dan Niat Membelian terhadap Makanan Organik di Kota Kinabalu Sabah

Objektif kajian ini adalah untuk mengkaji persepsi pengguna terhadap makanan organik di mana ianya termasuk pengetahuan organik, pengetahuan alam sekitar, kesedaran harga, kesedaran kesihatan, keselamatan makanan dan ketersediaan produk dengan niat membeli terhadap makanan organik di Kota Kinabalu, Sabah. Kajian ini juga mengkaji kesan pengantara sikap terhadap makanan organik hubungan antara persepsi pelanggan dan niat pembelian. 360 responden telah dipilih untuk kajian di mana data dikumpulkan dari pasar raya yang berbeza di Kota Kinabalu, Sabah dengan menggunakan kaedah persampelan mudah. Partial Least Square (PLS) berdasarkan Structural Equation Modelling (SEM) telah digunakan untuk mengenal pasti kematraan pembolehubah kajian. Hasil kajian menunjukkan bahawa pengetahuan organik, kesedaran harga dan kebimbangan keselamatan makanan mempunyai pengaruh yang besar ke atas niat pembelian. Walau bagaimanapun, dimensi lain seperti kebimbangan alam sekitar, kesedaran kesihatan dan kebimbangan terhadap keselamatan makanan mempunyai kesan yang signifikan dengan sikap terhadap makanan organik. Keputusan analisis menunjukkan bahawa pengantaraan sikap terhadap makanan organik menjadi pengantara hubungan niat membeli dengan pengetahuan organik, kebimbangan alam sekitar, kesedaran kesihatan, kebimbangan keselamatan makanan dan ketersediaan produk. Hasil juga menunjukkan bahawa keselamatan makanan muncul sebagai faktor yang paling penting yang memberi kesan kepada niat pembelian produk makanan organik. Ia mencadangkan bahawa makanan organik pemasar atau penyelidik perlu memberi fokus kepada keselamatan makanan untuk meningkatkan penggunaan pelanggan mereka makanan organik. Kajian ini juga termasuk batasan kajian dan cadangan untuk pengkaji akan datang.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Purchase intention is being affected by customers' attitudes. It able to influenced the future purchase intention of a customers. (Tirtiroglu and Elbeck, 2008; Fishbein and Ajzen, 1975). So, purchase intention might assistance, food makers and marketers forecast the purchase intention of consumers and recognize the market.

Additionally, purchase intention is also known as an estimating device in market research and development (Lipman, 1988). According to Gracia and Magistris, 2008 purchase intention is a tools that used by most organic food manufacturers and marketer in order to identify the future behaviour of customers and also customer perceptions towards a products. Marketer may capable to provide a full range of product that able to get customer satisfaction if they able to have a better understanding of their customers behaviour.

In the business world, two important goals for most of the marketers are to get profit and customer commitment. Since the attitudes toward the food products is one of the important part in the customers' purchase decision, marketers need to be sensitive in order to respond to customers' needs by providing them the precise products. For marketers to determine reason for customers to purchase the organic products, it is essential to recognize customer purchasing behaviour and trends. The theory of Planned Behaviour is used mainly in most of studies regarding consumer behaviour (Ajzen, 1991). This theory explains that an individual's intention to have such a behaviour is effected by a mixture of a person behavioural attitudes; subjective norms; and their perceived behavioural control. Therefore, consumers who have higher percentage of positive views towards purchasing of



organic products will have higher positive attitudes which encourage them towards organic product purchase.

In December 2002, the National Organic Standards Board of the U.S. Department of Agriculture (USDA) has establish the term of "organic". USDA defined organic food by how organic foods cannot be prepared relatively than in what way it can be produced. Firstly, organic foods must be formed without the using the chemical fertilizers and the pesticides, must not through any genetic modification engineering, irradiation process, use of growth hormones and antibiotics. A lot of the agricultural products able to manufactured organically, including harvested grains, animals' meat, dairy products, eggs, and organically handled food products. Additionally, organic food also must be manufactured through agriculture techniques that do not contain modern agriculture techniques example chemical pesticides and also fertilizers. Other than that, in the process of producing organic foods, it must not processed involve irradiation items, manufacturing diluters, or any food stabilizers or even preservative materials (Allen and Albala, 2007). In customer perception, organically produced food is normally considered as healthier or safer, higher nutritional value and even has better taste as compared to conventional food (Krystallis and Chryssohoidis 2005; Perrini *et al.*, 2009).

For both developed and developing countries, there is a remarkably grown in the consumption of organic food. As according to the Food and Agricultural Organization (2009), the value of organic food has reached \$45 billion (USD) in the global market for the year 2007. Although the organic food only covers a minor part of the total food marketplace, its express development has caused some attention among customers, industries as well as academics. According to Helga and Lukas (2009), there is an annually increase of 15 to 20 percent of demand for organic food in Asia. Furthermore, statistics also shown that the organic food market is presently the second utmost significant in South East Asian region which the organic intake has growth average roughly 20% per year.



The demand for organic products are dramatically increasing in Malaysia mainly because of customers in Malaysia started to have health sensible and alert on their diets in everyday life. Besides, the education level of most of Malaysians has improve which influence their eating habits to health conscious and tend to be consumed more on organic fruits and vegetables. More Malaysian customers are started to attract in ecologically friendly foodstuffs example organic food, raising the request in contrast to an inadequate food supply (Ahmad and Juhdi, 2010). Therefore, it is extremely essential to observe the fundamental issues that may have affected the trend of consumer to purchase organic food products. This research also might assist marketers to frame a strong marketplace communication, strategy and approaches in order to encouragement purchase intention toward organic food.

1.2 Research Problem

Nowadays, individuals become more concern with their daily nutrition intake, health status and contains for the food they consumed every day. Increase in organic knowledge encourage individuals to concern of their own health but also for environment and foods safety purposes. Therefore, the demand for organic food has generally increase as compared to before (Chen, 2009). The expansion of world organic food consumption has shown a continuous increase of 20% every year form end of the nineteen century. For future growth of organic foods, there will be an expansion of 10 to 50% annually but it is be determined by on the country itself (Nastase, Stoian and Ion, 2011).

Fourth National Health and Morbidity Survey (2012) has done a study on the Non-communicable diseases (NCD) which included obesity, diabetes mellitus and hypertension. For the study shown that there was growing of total number of patients in Malaysia which already to the frightening level. From the survey, it shown that around 7.5% of Malaysians consume on fruit and vegetables everyday which recommended by WHO. But the obesity level of Malaysians still growing to upsetting level from 7.1% in 2005 to 8.5% in 2010 especially for of citizen aged 15 years old and above (Euromonitor International data, 2012). In future, the number



of chronic diseases for example diabetes mellitus, hypertension and heart or kidney problems will increase and become a gateway for the diseases. Therefore, customers in Malaysia increase in their health conscious and concern on their diet in everyday life. Furthermore, the increasing of educational level in most of Malaysians also changed consumer their consumption habits. This may also can impact on their wellbeing which they increase their fruits and vegetables intake.

Upgrading in country's economic and demographic arrangements causes a major changes in Malaysian food processing industry where there is a dramatically growth in organic foods sales recently (Ness *et al.*, 2010). The environmental knowledge and food intake pattern of Malaysians also changes day by day which their eating pattern has improved to eco-friendly and healthy products. Although the market of organic food in Malaysia is rising exponentially and as compared to few years ago, but the information for organic foods consumption is still incomplete. In Malaysia, regardless of the development movement of organic food industry and sustained government support the information and data for organic foods studies is still limited.

For an organic food manufacturing to success, customer viewpoint and consciousness of organic foods is the initial stage in developed demand for organic foods. As organic foods is important to Malaysian, it is motivating to research on the consumers' awareness and to recognise the important issues that would influence the customer purchase intention on organic food in Malaysia. Thus, the concentration on variables such as organic knowledge, environmental concern, price consciousness, health consciousness, food safety, product availability and attitudes of these customers in purchasing organic foods in Asia and Malaysia are significantly important.

Consumer's knowledge is chosen due to it is a deterrent that affects consumers purchase decision (Ahmad and Juhdi, 2010). Durham and Andrade (2005) discussed that customers' attitudes towards environmental and health factors are the main causes to explain the intention of purchasing organic food. As

for price consciousness most consumers that do not mind to purchase the organic or environmental friendly products with higher price, this strongly proves that they are supporting the growth of ecological ecologically favourable consumer behaviour (M. Harris, 2007). As mentioned, organic food has more essential nutrients than conventional food, no harmful additives, and safe to be consumed. Therefore, it seems to be a right decision by choosing organic food. This is why the consumers believe that foods labelled as organic are safe when compared with conventional ones (Grankvist and Biel, 2001).

According to Williams and Hammitt (2006), organic products consumers are seem to believe that organic products are healthier and less dangerous because to the products composition. Several studies have identified that lack of organic food availability in store is considered as one of the barriers to consumer purchase (Kavaliauske and Ubartaite, 2014; Justin and Jyoti, 2012). Therefore, this research believed could aid in framing a strong market design and strategy to effect consumers' purchase intention towards organic foods.

1.3 Research Question

The research questions of this study generated consistent with above research objectives are shown at below:

1. Does the customers' perception (organic knowledge, environmental concern, price consciousness, health consciousness, food safety concern and product availability) of organic foods have a positive relationship with purchase intention towards organic foods?
2. Does consumer's perception (organic knowledge, environmental concern, price consciousness, health consciousness, food safety concern and product availability) towards organic foods have a positive relationship with attitude towards organic foods?

3. Does attitude towards organic foods have a positive relationship with customer purchase intention?
4. Does attitude mediate the relationship between consumer's perception (organic knowledge, environmental concern, price consciousness, health consciousness, food safety concern and product availability) of organic foods and customer purchase intention of organic foods?

1.4 Research Objective

This objective of this study is mainly to determine the purchase intention of Kota Kinabalu consumer towards organic food.

Specifically the objectives of this study are:

1. To examine the relationship between customer perception of organic foods (organic knowledge, environmental concern, price consciousness, health consciousness, food safety concern and product availability) and purchase intention towards organic foods.
2. To examine the relationship between customer perception of organic foods (organic knowledge, environmental concern, price consciousness, health consciousness, food safety concern and product availability) and attitude towards organic foods.
3. To examine the relationship between attitude towards organic foods and purchase intention of organic foods.
4. To examine the mediating effect of customer attitude towards organic foods on the relationship between customers perception of organic foods (organic knowledge, environmental concern, price consciousness, health consciousness, food safety concern and product availability) and customer purchase intention.

The final goal of the study was to have a full understanding on consumer intention for purchasing organic food products. It hope to help the organic food marketers to produced effective strategic marketing design, new sales network and advertising campaign to the targeted consumers groups.

1.5 Significance of the Study

This research is to be significance and advantageous to industry in terms of determining the customer purchase intention, exclusively the marketplace targeted with organic foods.

Specifically, it is expected that the present research contributes to the subsequent sections:

1. This study is considered as in the point of view of marketing research. Therefore, this study will be described as the systematic and objective identification, collection, analysis, and distribution of information for the purpose of supporting the markets to better understanding the potential of the organic market.
2. This study will be useful for the organic marketer to have a better understanding the tendency of organic purchasing. This study also may help the marketer on understanding the favourites, attitudes and purchase decision of consumers.
3. The researcher believes that this research would help marketers further to understand, what are the basic factors would influence consumers in their purchasing decision.
4. This study will also assist marketer to better understanding the most influences factors of purchasing intention of organic foods consumer.



1.6 Scope of Study

The scope of this study is to determine the effect of customer perception of organic foods on customer purchase intention towards organic foods by using Theory of Planned Behaviour. This theory proposes that an individual's behaviour is determined by their intention to implement the behaviour (Fishbein and Ajzen, 1975). At the same time, this research will also examine the moderating effect of the customer attitudes on the relationship between customer perception of organic foods and customer purchase intention. This study will be carried out in Kota Kinabalu, Sabah. The sample of this study will be the customer around Kota Kinabalu area. Survey questionnaires will be distributed to respondents at supermarket and hypermarkets in Kota Kinabalu area.

1.7 Rationale of Study

Customer purchase intention is an interesting topic for researcher for the past 30 years. As it is important to determine the customer future purchase decision, thus this study is carried out to fill the time gaps of the previous research with current issues. Besides that, present researches on customer purchase intention are less focused on organic foods especially in Malaysia. Therefore, this study will be examining the relationship between customer perceptions towards organic foods with customer purchase intention. In addition to that, in this study, the attitudes towards organic foods is added into the study to investigate the mediating effect of attitudes to the relationship between customer perception towards organic foods and customer purchase intention towards organic foods.

1.8 Definition of Key Term

A brief introduction and definition for the important terms in this study is given in this section in order to have a clearance meaning of the content of this thesis.

1.8.1 Organic Foods

Organic foods may not only refer to the foods itself, but also the process of how it was produced. Products labelled organic must be certified under the National Organic Program (NOP). Plants must be grown without using artificial pesticides,

chemical fertilizers and be given no antibiotics or growth harmonise. Organic foods may not be irradiated (Michaelidou and Hasson 2008).

1.8.2 Purchase Intention

Purchase intention refers to an idea to obtain a certain products or facility in the future (Fishbein and Ajzen, 1975).

1.8.3 Organic Knowledge

Organic knowledge known as the ability to distinguish the features and advantages of organic food when matched with conventional food (Von Alvesleben, 1997).

1.8.4 Price Consciousness

Price consciousness refer to market segment or buyers who seek best (lowest) prices (Gil *et al.*, 2000).

1.8.5 Health Consciousness

Health has been referred to a condition which individual with whole physical, psychological, and societal welfare and do not effect of disease or illness (WHO, 1998).

1.8.6 Food Safety Concern

Food safety refers to food with no additives, preservatives, genetically modified organisms and growth hormones and (Michaelidou and Hassan, 2008).

1.9 Chapter Layout

This study consists of three parts which is divided by chapter. Chapter 1 provides the overview of organic foods purchase in Malaysia that leads to the importance of the study. The chapter outlines overview of the study followed by problems statement, objectives of the study and questions, contribution from the present study and scope of study, rational f the study and ended with the definition of terms use in the study.

For chapter 2, this study provides a wide-ranging literature of attributes of organic foods and purchase intention. Chapter 3 includes a detailed outlines and research theoretical framework and hypothesis. Research design, sampling design, research measurement, data collection procedures and finally data analysis method. Chapter 4 will discuss on data analysis and findings continue with chapter 5 will be elaborate on discussion and conclusion of the study.



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