

**THE DETERMINANT FACTORS OF CONSUMERS'
GREEN PRODUCT PURCHASE INTENTION IN
SABAH: THE MODERATING ROLES OF PREMIUM
PRICE AND ENVIRONMENTAL ADVERTISING**



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**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTING
UNIVERSITI MALAYSIA SABAH
2014**

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**THESIS SUBMITTED AS A FULFILLMENT FOR
THE DEGREE OF MASTER OF BUSINESS**

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTING
UNIVERSITI MALAYSIA SABAH
2014**

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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PRODUCT PURCHASE INTENTION IN SABAH: THE
MODERATING ROLES OF PREMIUM PRICE AND
ENVIRONMENTAL ADVERTISING**

DEGREE : **MASTER OF BUSINESS (MARKETING)**

VIVA DATE : **1 JULY 2014**

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ACKNOWLEDGMENT

My supreme grateful goes to Almighty God, who made all things possible for me in accomplishing this thesis.

I would like to express profound gratitude to my supervisor, Professor Dr. Syed Azizi Wafa Syed Khalid Wafa, for his invaluable guidance, advice, high commitment, professional analytical direction and enormous patient throughout the accomplishment of this research work. The help and guidance provided me the will and vigor to complete this thesis.

My appreciation is also extended to my co-supervisor Dr. Oswald @ Aisat Igau for his constructive criticisms, ideas and guidance on the statistic and analyses to the final works in making this thesis a reality is greatly acknowledged.

I wish to give many thanks to Dr. Hj. Amran Hj. Harun and Dr. Stephen@Jude Sondoh for their invaluable knowledge sharing.

I am also highly thankful to all my friends, fiancé Nadia and siblings especially my brother Khalifa Chekima and Sohaib Chekima for giving me a great support, much needed motivation and encouragement. I am as ever, especially indebted to my father Professor Dr. Ali Chekima and mother Hayette Benkhelifa for their hearty understanding, love and support throughout my life towards accomplishment of my study.

Ultimately, I would also like to take this opportunity to thank all of my respondents who answered my survey and also those who involved directly or indirectly in making this thesis a reality.

Brahim Chekima
1 July 2014

ABSTRACT

The past decades are witness to numerous environmental disasters and events in which they threaten both human life and environment in which 30-40 percent of it contributed by the unhealthy consumers' behavior consumption pattern. Despite this fact, insufficient information related to green purchase intention among consumers becoming a main barrier to both local and international marketers in developing a comprehensive business and marketing strategies of green products in Malaysia. Thus, it is imperative to understand consumer behavior towards green products especially in Sabah as one of most populated state in Malaysia, where the trend is still new. Acknowledging this limitation, this research intended to identify and investigate the influence of environmental knowledge and attitude, eco-label, cultural values (man-nature and long-term orientation) on green purchase intention among consumers, and simultaneously examining the effect of premium price and environmental advertising as a moderator. The Theory of Planned behavior was used to gauge consumers' green purchase intention. A total of 337 self-administered questionnaires were obtained from consumers in Sabah using non-probability sampling through convenience sampling. The finding of this study revealed that environmental knowledge and attitude, eco-label as well as cultural values of the consumers contributed significantly towards the green purchase intention. Further investigation revealed that environmental advertising enjoys a positive and significant moderating effect between the independent variable and GPI. However, premium price is found to have no moderating effect in this study in which did not contribute significantly between the relationship of environmental knowledge and attitude, eco-label, cultural values (man-nature and long-term orientation) on green purchase intention.

Key words: Green purchase intention, environmental knowledge, environmental attitude, eco-label, cultural values, Theory of planned behavior, Sabah.

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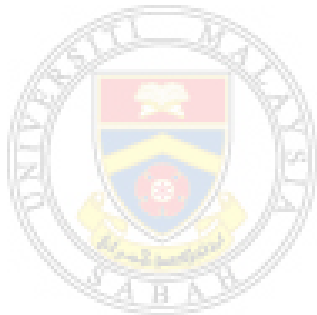
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ABBREVIATIONS

GM	-	Green Marketing
GPI	-	Green purchase intention
TPB	-	Theory of Planned Behavior
EK	-	Environmental Knowledge
EA	-	Environmental Attitude
EL	-	Eco-Labels
MNO	-	Man-Nature Orientation
LTO	-	Long Term Orientation
P	-	Premium Price
A	-	Environmental Advertising



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ABSTRAK

FAKTOR-FAKTOR PENENTU NIAT PEMBELIAN PRODUK HIJAU DI SABAH: PERANAN MODERATOR HARGA PREMIUM DAN PENGIKLANAN ALAM SEKITAR

Dekad yang lalu telah menyaksikan pelbagai bencana alam sekitar dan peristiwa di mana ia mengancam kehidupan manusia dan juga persekitaran yang mana 30-40 peratus daripadanya disumbangkan oleh pola tingkah laku penggunaan pengguna yang tidak sihat. Namun demikian, kekurangan maklumat berkaitan dengan niat pembelian hijau dalam kalangan pengguna terus menjadi penghalang utama kepada kedua-dua pemarkas tempatan mahupun antarabangsa dalam membangunkan perniagaan yang kukuh dan strategi pemasaran produk hijau di Malaysia. Oleh demikian, adalah penting untuk memahami tingkah laku pengguna terhadap produk hijau di mana trend ini masih baru terutamanya di Sabah sebagai salah satu negeri yang mempunyai penduduk paling ramai di Malaysia. Menyedari kekangan dalam latar belakang kajian, penyelidikan ini bertujuan untuk mengenal pasti dan menyiasat pengaruh pengetahuan dan sikap alam sekitar, label-eko, nilai budaya (orientasi naluri manusia dan orientasi jangka panjang) terhadap niat pembelian hijau dalam kalangan pengguna, dan sekaligus mengkaji kesan pengendali iaitu harga premium dan pengiklanan alam sekitar. Teori Tingkah Laku Terancang digunakan untuk mengukur niat pembelian hijau pengguna. Sebanyak 337 soal selidik telah diperolehi daripada pengguna di Sabah menggunakan kaedah persampelan bukan kebarangkalian melalui persampelan mudah. Hasil kajian menunjukkan bahawa pengetahuan dan sikap alam sekitar, label-eko serta nilai-nilai budaya pengguna menyumbang dengan signifikan terhadap niat pembelian hijau. Siasatan lanjut mendedahkan bahawa pengiklanan alam sekitar memberikan kesan positif dan signifikan diantara pembolehubah bebas dan niat pembelian hijau. Walau bagaimanapun, harga premium didapati tidak memberi sebarang kesan dalam kajian ini di mana ia tidak menyumbang secara signifikan diantara hubungan pengetahuan dan sikap alam sekitar, label-eko, nilai budaya (orientasi naluri manusia dan orientasi jangka panjang) kepada niat pembelian hijau.

Kata kunci: *Niat pembelian hijau, pengetahuan alam sekitar, sikap alam sekitar, label-eko, nilai-nilai budaya, Teori tingkah laku terancang, Sabah.*

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

The past decades are witness to numerous environmental disasters and events in which they threaten both human life and environment and as such have pulled environmentalism into the spotlight. Recently, they have resurfaced as a top issue to the media and green marketing research field (Bush, 2008). The consequences of environment deterioration are climate change, ozone layer depletion, air and water pollution, deforestation, hazardous waste, acid rain as well as loss of flora and fauna species, thus a swift change toward more sustainable patterns is essentially needed. This is supported by the evidence that about 30-40 percent of environment deterioration has been brought by the consumption behavior of individual consumers (Grunert, 1993; Chen and Chai, 2010). This problem has pushed developing countries like Malaysia towards becoming a green nation to protect and conserve the natural environment.

Malaysia as a developing country faced a great challenge to balance between development and environmental sustainability. It is reported that in 2006, the total solid waste generated was 1,103,457.06 metric tons which has doubled compared to 548,916.11 metric tons in 2005 (Department of Environment Malaysia, 2006). This shows an upward trend which believed to continue increasing with the progressive development if no serious action executed to curb the source of this phenomenon. Moreover, the Malaysian government allocated over RM1 billion to ensure resource management and environmental sustainability as indicated in The Ninth Malaysia Plan (2006-2010). It is predicted that if the present orientation of economic development and indiscriminate consumption form persist, the

environment deterioration would only worsen. Hence, a change towards more environmental friendly consumption patterns is vital.

In 2008, executives who consist of company managers and political analysts look upon environmental issues as the sociopolitical issue that will draw most attention, certainly, from the public and politicians over the next five years. This is indicated by a research conducted by Bonini et al., (2008) across 9 key countries representing the world's population namely, Brazil, the United States, China, India, France, German, Japan, United Kingdom and Canada. The accountability for environmental problems are neither falling on industries nor on government; however every one of us is part of the solution to the problem by simply taking responsibility for our own sustainable matters. Some business entities in Malaysia has start to involve in the journey towards a greener nation which can be seen by an increased awareness among agencies, companies, retailers and service providers by increasingly assimilating green objectives and practices into their business model. Among the initiatives carried out over recent years are campaigns such as no-plastic-bag days (Saturday, Sunday and Monday), renewable fuel, energy saving light bulb, rechargeable car batteries, e-statement, e-billing, e-voucher, e-agenda, e-advertisement, friendly packaging, recycle, reuse and many more.

Consumers too have come to a realization point where they need to put an effort followed by an action in help to sustain and protect the environment that in the long run benefits them the most. Nik Abdul Rashid (2009) reported that in both developed and also some developing countries including Malaysia, consumer responsiveness towards the environment and favored for more green products caring food and products appears to be increasing progressively. For instance, in Malaysia, people started using energy saving light bulbs, refrain from using plastic bags as much as possible, and strive to make the 'Reduce, Reuse and Recycle' (3R) initiative as part of their life besides supporting environmentally friendly service with banks and other service provider businesses. Throughout many surveys, individual have showed great concerns for the environment, along with a expressed willingness to buy products that they consider to be contributing towards a

sustainable environment (Ottman, 1993). Krause (1993) concluded that consumers were becoming more aware and concerned about their habits and the impact they have on the environment. Such finding indicates that some of the consumers would translate their environmental concern into serious commitments of actively purchasing green products (Martin and Simintiras, 1995).

In the 1990s, consumers in 16 countries among them was Singapore, voiced their concerns about the environment effects in the shopping market and they shaped a new trend known as green consumerism or environmental consumerism in attempt to minimize such effects (Ottman, 1992). In addition, Nik Abdul Rashid (2009), reported in both developed and developing countries including Malaysia, consumer responsiveness towards the environment and favor for more green products appears to be increasing progressively. However, studies show contradiction in consumers' green claims and their actions through their consumption at this time. There is skepticism about how committed consumers are to buying green products. Bonini and Oppenheim (2008) stated "consumers say they want to buy an ecological friendly product and to reduce their impact on the environment, but when they get to the supermarket or cash register; their Earth-minded sentiments die on the vine". In other words, not all environmentally concerned consumers would purchase and green product. Furthermore, Bonini and Oppenheim (2008) claimed that in order to sell more green products, retailers have to eliminate five barriers between consumers' intention and action that the latter will translate words to deeds which are; negative perception of green products, lack of awareness on green products, distrust of green claims, the high price and also low availability of products. This study focuses on the consumers with actions and demands that are essential signs for retailers and producers, by aiming to investigate relevant factors/variables which are the determinants or contributors to the purchase of organic food. Correspondingly, Chan (2001) pointed out that in order to advance a country's green revolution, the role of the consumer is essential which is reflected through their purchases and consumption.

Interestingly, consumption of food products, trade and production has been identified as among environmentally significant activities that are crucial contributors to several environmental problems faced (Tanner and Cast, 2003; Stern, 2000; Stern et al., 1997). Thus, furthering changes in the food product chain, ranging from initial step of production to the end stage of consumption production are crucial steps in ensuring sustainable consumption. This can be achieved by altering the pattern of consumption that will shape production and not vice versa. Hence by tackling factors in which cultivate or determines green purchases behavior will eventually help in improving it and latter shift consumers' purchases pattern towards green purchases. Organic food is being the substitute for the modern food processing. Organic foods are those that are produced using a method that eliminates modern synthetic inputs which are chemical fertilizers and pesticides, free from genetically modified organisms, go through free processing methods from industrial solvents irradiation, and chemical food additives.

Despite all these findings, consumers' purchase of organic food including an organic egg is still unsatisfactory. An interesting finding to highlight where in the US, organic food accounted for less than 3 percent of all food sales in 2006 (Bonini & Oppenheim, 2008) and in the Czech Republic with only 5 percent of all food sales in 2008 (Urban et al., 2009). In Malaysia, the Malaysian Industrial Development Authority (MIDA) has reported that in general, due to increase in consumers' awareness and focus on nutrition and health has created a demand for organic based food. These figures show that consumers have done little to lighten their impact on the environment. Again, this contradict with from a survey findings done in 2007 by McKinsey & Company, where surveyed a total of 7,751 consumer in 9 key diverse economies. Surprisingly, the result showed that 87 percent of these consumers claimed to be concerned about both social and environment influence of the goods they purchase. However, when it comes to actual purchase of green products, words and action often part away. Such claim encouraged scholars to dig deeper and look for the reasons behind such contradiction between the claim and the actual action by consumers.

A good number of recent surveys show that the psychological/personal norm (Kim & Chung, 2011; Chen & Chai, 2010; Chan, 2001; Kim & Chain, 2005), demographics (Suplico, 2009; Tanner & Cast, 2003), cultural values (Chen & Chai, 2010; Kim & Choi, 2005) , price (Ali et al., 2011 and Laroche et al., 2001), eco-label (Nik Abdul Rashid, 2009; Nillson *et al.*,2004) , environmental knowledge (Haron et al., 2005; Nabsiah Abdul Wahid et al., 2011; Nik Abdul Rashid, 2009; D'Souza et al., 2007), environmental attitude (Nik Abdul Rashid, 2009; Kalafatis et al., 2009), environmental advertising (Elham Rahbar and Nabsiah Abdul Wahid, 2011 and Haytko and Matulich, 2008) are among the most influencing determinants of consumers' green purchase intention. To put it in a nutshell, all the above studies mentioned have been carried out in different countries across the world with different methodology and produced different result and recommendation from one and another.

1.2 Problem Statement

In recent years, green products have received increasing attention in both academic and market arenas. Hence factors that influence or motivate purchasing intention of green products have yielded an interesting relationship with the green purchase intention of consumer. According to Widger (2007) it is very important for any marketer to understand consumer behavior and relatively critical for development of green products. Research in marketing along with and businesses attempt to classify and understand green consumer and their needs, and to offer products that fulfill these needs (D'souza et al., 2007). Mun (2009) reported that there are promising signs that demand for greener goods is increasing sharply. Both growth on social and regulatory concern for the environment lead in an increasing number of firms to consider green issues as part of their strategic plans (Polonsky, 1994). It was found, in a study, that green consumers in developing countries showed the most willingness to support green consumerism compared to other Asia-Pacific countries (Lung, 2010). While nearly 95 percent of Thai consumers and more than 80 percent of Malaysian consumers were willing to pay more for green products; less than 60 percent of consumers from Hong Kong and Australia were willing to pay more (Lung, 2010). Mun (2009), and Chen and Chai (2010) found that there is an increased demand for green products by Malaysian

consumers. Therefore, it is interesting for this research to find out what drives Malaysian consumers to purchase green products which eventually would contribute to firms that want to emerge as key players in the Malaysian green market.

A probing statement by (Wong et al., 1996 and Aspinall, 1993) highlighted that despite evidence proposed that society is increasingly concerned about the environment, yet many green products have yet to achieve the anticipated degree of market success. Kalafatis et al., (1999) further supported this claim by reporting that the manufacturers of green product have disappointingly achieved small percentage of market share. Hackett (1993) quoted saying that "although public opinion polls consistently show that consumers would prefer to choose a green product over one that is less friendly to the environment when all other things are equal, those "other things" are rarely equal in the minds of consumers". A recent survey found that while Malaysians showed a great concern for environmental impact, 20 percent of Malaysian consumers were willing to pay more for green goods (The Edge, 2011). In addition to that survey, Malaysia ranked ninth out of 51 countries survey in terms of consumer worries about the impact of environment issues. This implies that despite the fact that most Malaysians expressed a great concern towards environmental issues, there exist obstacles that block their willingness to pay more for green products. Therefore, one must always keep in the mind that the consumer is unlikely to emphasize on traditional product aspects, such as availability, convenience, performance, price and quality alone.

In the course of unraveling the problem of green marketing amongst Malaysians, this study is motivated by Chen and Chai (2010) who claimed it's due to the absence of adequate information on green purchase intention and green behavior of Malaysian consumers, making it difficult for existing and potential green product producers and marketers to enter and retain a position in the Malaysian market. Thus, this study adapted and integrated previous frameworks to investigate the influence of independent variables which are environmental knowledge (EK), environmental attitude (EA), eco-label (EL), man-nature orientation (MNO), and long-term orientation (LTO) on green purchase intention (GPI). The choice of the independent and moderating variables in this study were driven based on the

inconsistent result differ from one country to another, lack of research and some were discussed in other field of study but not the green purchase intention. Moreover, most of these researches paid much attention to the direct influence of environmental related aspects such as knowledge and attitude, marketing mix/tools and demographic characteristics of green product purchasers (Hughner et al., 2007). Therefore, to the best researchers' knowledge, this this research is amongst the pioneer studies in Malaysia that incorporates cultural values such as man-nature orientation (MNO) and long-term orientation (LTO). Hence this study will provide a deeper understanding of green purchase intention by focusing on how man-nature orientation and long-term orientation drive ecological consumptions as well as how relate to each other. In addition, this study will integrate premium price (P) and environmental advertising (A) in the framework, examining the effect of both as the moderating variables. Keeping in mind that the ability to appeal to a new customer base requires a true consideration and comprehension of their needs and wants (Kotler, 2003); the study in hand conceptualized that by observing the effect of premium price and environmental advertising as moderating variables, it may increase the level of understanding of green purchase intention and behavior. This research identified and validated the main factors influencing green purchase intention amongst consumers in Sabah.

In addition, the current prime minister of Malaysia Datuk Seri Najib Tun Razak, has assert/proclaim Malaysia's goal to be a green nation by 2020 and to play the pro-vital and leading role in serving as a channel for the development of Green Industry and Green Community in Asia as well as targeting to reduce 40 percent of GDP carbon at the same time (Inaugural, 2010). Also, in conjunction with Malaysia Green Forum 2010 speech, the prime minister of Malaysia strongly believed and pointed out that environmental sustainability can be wholly materialized if there is a holistic and comprehensive ecosystem that allows for. Further, he expressed that the government is alert of this fact and have engaged some approach in gearing the nation towards this aim by implementing six major components of this ecosystem. Among the components are awareness, knowledge, infrastructure, finance, development, research, and commercialization as well as marketing. Therefore, this study viewed and investigated some of these components such as

knowledge and marketing (price and advertising) together with other stimuli for further validation.

Moreover, investigation and validation on the determinants of purchasing intention on green product would assist and benefit the environmental friendly product manufacturer. Although many studies on the effect of green marketing determinants for purchase intention have been done, the majority of them have been conducted in industrialized countries (Ali *et al.*,2011; Kim and Chung, 2011; Chatterjee, 2009; Bleda and Valente, 2008; D'Souza *et. al.*, 2007; Mostafa, 2006; Chan, 2004; Tanner and Kast, 2003; Kalafatis *et al.*,1999; Davis, 1993) but the results and discoveries often contradict and differ from one and another. This is backed by Lee (2008), argued that compared to Western countries, the green marketing studies in Asian countries are relatively much fewer. Therefore, the findings may only be applicable in certain time, cultural, and geographical setting. Due to the complexity of consumers' green purchasing intention as a branch of the individual's behaviour, generalization is commonly not meaningful or concrete under above mentioned circumstances. According to Ottman (1992) and Peattie (1992) have both emphasized that attitudes, knowledge and psychographic on environmental friendly products are likely to be unequal between different cultures and market segments. Consequently, research on the determinants of purchasing intention on green product in an emerging Asian markets like Malaysia is considered to be well-timed. In addition, this kind of research can provide some insights to green marketers regarding how they can expand their operation in Asia especially in Malaysia. Besides, existing green marketers would also benefit by implementing what is believed to influence the consumer purchase intention for green products and advance their business practice.

1.3 Research Questions

There are few questions to be discussed and answered at the end of this study which are:

- i. What is the level of consumer's green purchase intention in Sabah?