

**GREEN MARKETING:
FACTORS INFLUENCING CONSUMERS'
PURCHASE INTENTION**

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DECLARATION

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

22 January 2014



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PUSAT ILMU

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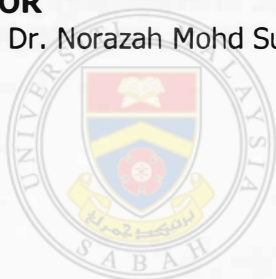
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ABSTRACT

This study aims to investigate the factors that influence green purchase intention among Malaysians. The moderating effects of gender, age, income and education on the relationship between independent variables and dependent variable are also investigated. This study applies stratified random sampling. A total of 430 questionnaires were self-administered to the respondents in several states in Malaysia namely Kuala Lumpur, Selangor, Johor Bahru, Pahang, Penang, Sarawak, Sabah and Wilayah Persekutuan Labuan. Data were analysed by conducting multiple regression and hierarchical regression analyses via Statistical Package for the Social Sciences (SPSS) computer software version 19.0. The results revealed that Environmental Attitude is the most important predictor for green purchase intention followed by Health Consciousness and Environmental Knowledge whereas Environmental Labelling was found to be insignificant. A better knowledge enhancement among Malaysians on the green labelling, as well as creating a friendlier ambiance for environmental-related activities such as recycling is suggested. Indeed, income was the only demographic characteristic of the respondents that moderates the relationship between Health Consciousness, Environmental Attitude, and Environmental Knowledge on green purchase behaviour. The marketers and government are recommended to work closely in creating stronger awareness on the importance of going green for Malaysians to increase their involvement in building a more sustainable environment, particularly by practising more ethical consumptions.



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ABSTRAK

PEMASARAN HIJAU: FAKTOR-FAKTOR YANG MEMPENGARUHI NIAT PEMBELIAN PENGGUNA

Kajian ini dijalankan bagi menentukan faktor-faktor yang mempengaruhi niat membeli pengguna di Malaysia terhadap produk mesra alam. Kajian ini turut mengutarakan faktor demografik (jantina, umur, pendapatan dan tahap pendidikan) sebagai faktor penyederhana yang memberi kesan kepada kekuatan hubungan diantara variabel tidak bersandar dan variabel bersandar. Sampel dipilih berdasarkan kaedah persampelan rawak berstrata dimana sebanyak 430 sampel diambil dari serata Malaysia iaitu Kuala Lumpur, Selangor, Johor, Pahang, Pulau Pinang, Sarawak, Sabah dan Wilayah Persekutuan Labuan dengan menggunakan borang kaji selidik. Data terkumpul dianalisis dengan kaedah regresi berbilang dan regresi berbilang hirarki menggunakan Statistical Package for the Social Sciences (SPSS) perisian komputer versi 19.0. Hasil kajian menunjukkan bahawa sikap terhadap alam sekitar merupakan faktor utama yang mempengaruhi niat pembelian produk mesra alam selain daripada kesedaran kesihatan serta pengetahuan terhadap masalah alam sekitar, manakala label mesra alam pula ditemukan tidak signifikan. Kajian ini menyarankan supaya pengetahuan tentang label mesra alam di produk dipertingkatkan di kalangan pengguna selain daripada memperbaiki persekitaran agar lebih mesra pengguna di dalam meningkatkan penglibatan mereka dengan aktiviti pemuliharaan alam sekitar, contohnya kitar semula. Syarikat pemasaran dan agensi kerajaan berkaitan juga disarankan agar meningkatkan hubungan kerjasama bagi memastikan tahap pengetahuan tentang kepentingan memulihara alam sekitar lebih meluas di samping menyokong produk mesra alam sebagai salah satu daripada penggunaan beretika.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter discovers the initial aspects of the thesis, where the nature of study is explained in the background of study. The overview and chronologies of green marketing are characterized as an introduction to the emergence of green marketing. The research problems, questions and objectives are outlined as the backbone of this research. The significance of this study is generalised to show the value added of this research for government, marketer, consumer, and knowledge body. At the end of this chapter, a chapter summary is outlined to assist reader with the organization of the thesis.

1.1 Background of Study

The total population of Malaysia in 2013 is 29.8 million (Statistics.gov.my, 2013a). Consumer consumptions, or the purchasing made by consumers is the major component for the economy of a country. For example, in the U.S itself, total consumer consumption in 2012 was 10.9 billion dollar (Tradingeconomics.com, 2013). According to Tradingeconomics.com (2013), consumer spending, also called consumer consumption or expenditure, is the amount of money that households spend on goods and services in order to satisfy their needs.

Whereby, Malaysians household expenditure in average from year 2005 until 2013 was 78,682.74 million Ringgit; showing that consumers in Malaysia are actually voting in the economy system, which indirectly become a social contribution which is crucial because:

The act of buying is a vote for an economic and social model, for a particular way of producing goods. We are concerned with the quality of goods and the satisfactions we derive from them. But we cannot ignore the conditions under which products are made – the environmental impact and working conditions. We are linked to them and therefore have a responsibility for them. (Ellwood, 1984, p.8).

In the traditional way of purchasing, consumers will buy the best quality products that they can afford where people will normally choose the cheapest product, but only if they are confident that its 'utility' is as good as slightly more expensive options available (Beardshaw, 1992, p.59). Whereas, the price sensitive consumers are more concern with the quality and the ultimate value of environmental benefits (D'Souza, 2004). Consumers nowadays are not just concern about the term of 'everyday low prices' offered in the market, but as more of them were getting more knowledgeable about environmental deterioration, health issues, and the urge to be more responsible in the consumption, more demand for environmental friendlier products are created. Even if the prices are premium, to ethical consumers the value and goodness of greener product is more important compare to the conventional product.

There are varieties of consumable product in the market. From food, clothing, electrical appliances, cosmetics, recycled paper, to detergents and soaps. It is the essentials for households. Greener products are made in a fairly acceptable way during the production process, and have lesser impact to the environment (Pickett-Baker and Ozaki, 2008), works equally or better than conventional products, and because of those, it is considered worth a premium price (Ottman, 2011). For example, the price of organic products is undeniably more expensive than others but there are consumers who are willing to pay more in order to fulfil the needs.

Consider the classical theory of Abraham Maslow's (1987), the 'Hierarchy of Needs' – as consumers who live in affluent society have fulfilled their basic needs, they turned to seek for self-actualization; for other concerns in life. For example, because of the concern on a healthier food selection (which is a matter of health concerns), consumer tend to seek for other options than what is already been on the shelves, even though the prices are slightly higher such as home-grown vegetables, organic poultry like free-range chicken, and organic eggs.

Even though green products need the support from consumers but creating meaningful progress towards sustainability requires more radical solutions than just development of new products substitutions among consumers (Peattie & Peattie, 2008). The purpose of business in the 21st century is not just to generate cash flows for the well-being of company but also to bring out more environmentally consumable goods into the market. There is a need in recruiting more green consumers and deepening the awareness on the importance of ethical consumption along of the seriousness with environmental problems as it is meant for the well-being of the society and environment.

Ethical consumption is an important element in educating consumers before they can advocate the role of green consumers; who not just literally recognize themselves as pro-environmental consumers but also act ethically in their purchasing. However, to encourage consumers towards a responsive consumption need the integration between consumers and marketers. In essence, the main mechanism for labels (or brands) to work is not to change or make up the mind of the consumer in a shop, but also to confirm an earlier decision made outside the marketplace influenced by marketing, the media and crucially, civil processes (Zadek, Lingayah & Forstater, 1998, p. 35). Furthermore, ethical consumerism is important to contribute to a more responsible purchasing and consumptions, thus it is important to convey and educate the consumers, companies and corporations about ethical consumerism, as the exposure on ethical purchasing is very limited (Ismail & Ali Khan Panni, 2008).

According to Wikipedia Online, climate change is a significant and lasting change in the statistical distribution of weather patterns over periods ranging from decades to millions of years. Climate change includes global warming or the increased of the atmosphere's temperature. The United Nations Framework Convention on Climate Change, (Change, 2013) stated that human activities have been substantially increasing the changes in climate change such as greenhouse effects. The Commonwealth heads of Government Meeting (CHOGM) was held since 1971 where the leaders from the Commonwealth countries met every two years to discuss concentrated issues and policies in common of the nations' that join it. The recent CHOGM 2011 was held in Perth, Australia. One of its main discussions besides political issues, economics and social was environmental changes; was chaired by the Prime Minister of Malaysia, Datuk Seri Najib Abdul Razak. It has come to a ground conclusions that every nation must work together o improve the understandings of climate change, to support clean energy as well as to develop practical and effective prevention to natural disasters (Chogm2011.org, 2013).

Recycling is one of the simplest ways to preserve the environment. During the 1980s, consumers in the Western Europe and North America started to become more concern with the unnecessary packaging materials. Apart from that, they started to recycle the recyclable materials from the products consumed (Kotabe, Ang, Griffiths, Marshall, Vaola, & Helsen, 2011). As much as the goods consumed by the consumers are being thrown as wastage, there are a lot of things in which are recyclable either from home or office, for example, papers, plastic and glass bottles, batteries, clothes, aluminium cans and clothes.

Marketing tools and communications are useful to create more awareness among the consumers towards green or environmental-friendly products. Besides that, they are also functioned to educate consumers about the importance of ethical purchasing. Promoting a more sustainable environment cannot be done by only one party. It involves a solid contribution from everyone including the society and organizations.

1.2 The emergence of green marketing

The evolution has started since the 1970s when the marketing concepts changed with the rising of ecological and social issues which lead to the rise of new marketing terms including social marketing, sustainable marketing, ecological marketing, environmental marketing and green marketing.

Social marketing is defined as "a process that applies marketing principles and techniques to create, communicate, and deliver value in order to influence target audience behaviours that benefit society (public health, safety, the environment, and communities) as well as the target audience" (Kotler, Lee, & Rothschild, 2006 cited in Kotler & Lee, 2008, p. 7). According to Kotler and Lee (2008), social marketing is different from conventional or commercial marketing where commercial marketing focuses on selling goods and services, aimed on financial gain; whilst social marketing focuses on selling a desired behaviour of the society and target audience, and it is aimed at societal gain. It involves closely with public health campaigns (i.e. stop smoking, safer sex, drug abuse and alcoholism), environmental campaigns (i.e. promote wildlife conservation, recycling, conserving the forestry, and improving energy saving and efficiency) and also other issues related such as human rights, gender and race equality and corruptions. Government as well as nongovernment organisations are usually involved in the social marketing campaigns, which targeted to form a better society.

Sustainable marketing is defined as "building and maintaining sustainable relationship with customers, the social environment and the natural environment" (Belz, 2006, cited in Belz & Peattie, 2009, p. 31). The main goal is to develop a long-term relationship between the three elements and it is not just focusing on sales-oriented. It involves the corporations and companies efforts to maintain a sustainable environment by actively involving the public and society in order to reduce the impacts of human consumptions to the environment.

In the early 1970, the ground-breaking concepts in relation to marketing and ecology were drawn to both positive and negative impacts of marketing on the natural environment. It looks more into product policy, (i.e. type of packaging use, substances inside a product as well as recycling the product) and focuses more into most damaging industries such as oil, chemicals and cars. However, in the early 1970s several companies were developed with value-driven concept to benefits the society and environment (i.e. The Body Shop).

Green marketing emerged in the early 1980s when marketers and marketing researchers revealed the environmentally conscious and active 'green consumer' in the Western Europe and North America. Hence, it has become a supervening action in an increasing number of countries. It was the marketers' reaction to the governments and concerned citizens that increased a call for reduction of unnecessary packaging materials and increased recycling and recyclability of materials used in the products (Kotabe *et al.*, 2011).

Green marketing in contrast with ecological marketing in the 1970s, was not merely concerned with the depletion of non-renewable resources and critical substances but also included environmental issues such as the loss of species, the destruction of ecosystem and habitats, and poverty in developing countries (Belz & Peattie, 2009). In addition to that, the second phase of green marketing during late 1980s and early 1990s was more significant from the early 1970s: (a) environmental problems were not only issues of public controversy and political regulation, but was a competitive factor in the market, (b) the focus was not only on production process but also on packaging and products, (c) there was a broadening beyond the original 'front line' of industries with the most direct impact on the natural environment, such as oil, mining, chemistry and cars, to also consider a wide variety of consumer goods industries and even service markets such as tourism or financial services.

There are various definitions outlined by previous researchers on green marketing. Blackwell, Miniard, Engel, D'Souza, and Taghian (2006, p. 498) defined green marketing as "a process of satisfying consumer needs and wants in a profitable, resourceful and environmentally sustainable way". The terminologies and definitions of green marketing from previous research are: (i) the marketing of products that are presumed to be environmentally safe (American Marketing Association, AMA, 2011), (iii) the movement which is directed towards organizing production of products responsible environmentally (Kotler & Keller, 2006).

This study defines green marketing as any marketing activities of product and service not just to satisfy the needs and wants of human, but also to minimize the negative impacts from the usage of them to the natural environment. Whereas, to define green products or environmental-friendly products is a complex task because there is no such product that is consumed at households are free from any harmful particles whenever it is used or discarded to the environment. However, if a product has low environment impact, it can be regarded as environmental-friendly product (Pickett-Baker & Ozaki, 2008).

Green marketing has become a central component of marketing strategy (Kassaye, 2001) but, it is still at its infancy stage in Malaysia. For example, a study done by Ahmad and Juhdi (2008) showed that the organic food is considered at the introductory stage as not many people are aware about it. In a study by Scott, Peter, Laura and Brian (2009), they found that green shoppers are still on a learning curve. As consumers are lacking of understanding about the social and environmental benefits of green products, it is crucial to educate consumers through media and the product information at the point of purchasing. In fact there is a lack of availability of such products in common supermarkets where consumers do their household purchasing.

With the tremendous outcome of environmental campaigns from non-profit pro-environmental organisations and the public governments involvement with climate change issues, increase in pollutions of land, water and air, ecological problems and diseases occurrence because of uncontrollable pollutions to the environment have definitely made the environmental issues nowadays to affect consumers' product choices (Sihombing, 2007).

1.3 Research problems

Green marketing is the development from environmental issues as well as public and societal issues related to marketing. It is continuously developing because of the urgency of ecological problems and issues, the rise of consumers' concerns on environmental problems which then lead to the creation of new needs and wants for friendlier products and services to the environment. Besides that, the involvement of more corporations is not just for the sake of engaging in a more competitive market but as a part of their social responsibility, and government intervention.

In order to see a bigger picture of Malaysian consumers' purchasing behaviour, this study should not just focus on one single geographical area in Malaysia, as the results from fore-studies that have been done may not portray the sample of population in Malaysia (Salleh, Ali, Harun, Jalil, & Shaharudin, 2010). For example , Wahid, Rahbar and Shyan (2011) did a study on green purchasing behaviour among green volunteers which only covers the Penang state, whilst Shaharudin, Pani, Mansor, Elias and Sadek (2010) did a study on purchasing intention of organic products at Kedah state in Malaysia. Whereas, not much study related to green marketing or green consumerism have been done in the East of Malaysia particularly Sabah, Federal Territory of Labuan and Sarawak.

Educating consumers about the seriousness of environmental problems is crucial not just to promote sustainable environment, but also to create a healthier lifestyles. According to a study done by (Tan, Dunn, Abdul Samad, & Feisul, 2010)

the obesity is found as a significant health concern in Malaysia, because of unhealthy food consumption and lack of physical activities. The study also shows that health-lifestyles contribute to Malaysians health problems. In terms of consumption, health concern is one of the significant factors to be considered when consumer is dealing with purchasing decisions for the households.

Besides that, though Malaysians were exposed through the media and campaigns about the importance of recycling, taking public transportation (instead of driving), and the climate change, the exposure is still not sufficient to make the public aware the importance of environmental friendly values (Haron, Paim, & Yahaya, 2005), where it will deter the progress to a responsive consumption (Rashid, 2009). Rashid's also pointed that even if the potential of market growth for green products are great, the lack of information and awareness on green product labelling among consumers cause products labelled as "green" received less demand by consumers.

The problems stated were summarized on three issues need to be discovered; particularly a larger scale of demographic profiling of consumers in Malaysia, the needs of clear information and awareness on green product labelling, and the needs to discover the level of understanding on environmental issues and knowledge among the Malaysians. It has been suggested from previous literatures which highlights that green purchase intention is driven by these gaps.

1.4 Research objectives

This study aims:

- i. To identify a profile of prospective green consumers, via demographic characteristics from various states in Malaysia.
- ii. To investigate the influence of health consciousness towards Malaysians green purchase intention among Malaysians
- iii. To investigate the influence of environmental attitude towards green purchase intention among Malaysians

- iv. To investigate the influence of environmental labelling on products towards green purchase intention among Malaysians
- v. To investigate the influence of environmental knowledge on products towards green purchase intention among Malaysians
- vi. To investigate the impact of moderating factors (gender, age, income, and education) towards the green purchase intention among Malaysians

1.5 Research questions

This research raises three questions:

- i. Who are the prospective green consumers in Malaysia?
- ii. What are the factors that significantly influence the purchase intention towards green products?
- iii. What are the moderating effect of gender, age, income, and education in determining the green purchase intention among consumers?

1.6 Significance of study

This study brings a substantial significance to marketers, local government and consumers. Firstly, it provides a green profiling of consumers in Malaysia for marketers through demographic characteristics namely the gender, age, residential cities, race, income, number of children and education level. In future the green marketers can make use of this information to understand its target market and create better awareness for green products information so that consumers are able to understand the products benefits and goodness.

Secondly, this study highlights the needs for the local government to increase the level of awareness on environmental knowledge and responsive consumption among Malaysians; which is by improving the current environmental awareness campaigns or activities particularly for the people who reside outside the Klang Valley.

Thirdly, the findings from the research bring more insights to consumers to be more conscious on environmental problems, knowledge and product labelling before they make any purchasing decisions. In the meantime, useful information is important to encourage consumers to be more responsive to the environment and lead a healthier lifestyle.

Finally, this study brings an extension to the research model for the benefit of the knowledge bodies. This study implies moderating effects into the research model (i.e. gender, age, income and education).

1.7 Chapter organization

This study contains five chapters. The first chapter provided the background of the study, problem statements, research objectives, research questions and the significance of the study. Readers were also provided with insights of the chronologies of green marketing since the 1970s until the recent emergence of green marketing section.

The second chapter provided the backbone of this study where the literature reviews from previous research were outlined along with the underlying theory that supports the study. Based on the literature reviews, a theoretical framework for this research was proposed along with the research hypotheses.

The third chapter discussed about the research methodologies of this study. It will tell the readers on the sampling method, questionnaire development, data collection method, and the statistical techniques applied to this study.

The fourth chapter described the findings in this study. The descriptive statistics are provided as the green profiling. Besides that, this section focused on the exploratory factor analysis of the data where factor analysis was conducted and

all factors were identified. This chapter provide readers the results of each hypotheses testing via standard multiple regression and hierarchical multiple regression. The results are then discussed where the evidence from this study are presented in tables and figures.

Chapter five was the last chapter in this study. Since all hypotheses have been tested in previous chapter, this chapter focused on the conclusions. Conclusions are summarized prior to the research objectives to further state whether it they have been achieved or not. The final chapter pointed out the implications of this study particularly to the government, marketers, consumers and the knowledge body. Research limitations are mentioned here and last but not least, the suggestions for future research are finally outlined.



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CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the relevant literature related to the assumptions of the study. First, it describes the underlying theory on studying the consumers' purchasing intention, particularly the Theory of Reasoned Action (TRA). Next, in the second section of this chapter, it will further define and characterize the green purchasing intention while the third section will describe the factors affecting consumers' green purchasing intention based on the previous literatures. In addition, demographic factors (i.e. gender, age, income and education) were generalized as the factor that is presumed to have moderating effects in the relationship between independent variables (i.e. Health consciousness, environmental attitude, environmental knowledge and environmental labelling) and the dependent variable, green purchase intention. A theoretical model was proposed based on supporting literatures and the research hypotheses were developed for further investigation.

2.1 Underlying theory

The premise of the Theory of Reasoned Action (TRA) developed by Ajzen and Fishbein (1980) describes the central factor predicting an individual's behaviour is the individual's intention to perform a given behaviour. The theory is described in general, where one rationales and uses the information that is available in a systematic way. TRA is aimed to explain volitional behaviour, where a person acts to make a particular decision, where it is appropriate when the behaviour being studied is under the volitional control of the individual (Ajzen, 1988; Ajzen & Fishbein, 1980).

Furthermore, the theory considered social relevant actions whenever are consciously controlled because of one's intention to carry out the act. Thus, it will become the positive determining factors for predicting behavior. In other words, in order to predict a particular behaviour, it is crucial to understand the intention of the person involved.

According to TRA, an intention is an aim that guides action or objective towards an act, thought, or action. To understand an intention, we have to understand the factors that determine the intention. There are two basic determinants that determine one's intention towards something: (i) attitude towards behaviour, and (ii) social norms.

Attitude towards behaviour expresses one's judgmental thoughts whether the intended behaviour is good or vice versa. For example, either to bring own food container when purchasing a meal or instead of using polystyrene that is harmful to human as well as the environment. To be precise, it is one's positive or negative belief about performing a specific behaviour. It is called behavioural beliefs. A person will intend to perform certain behaviour when he or she evaluates it positively. Attitude is determined by one's beliefs about the consequences of performing the behaviour (behavioural beliefs), weighted by his or her evaluation of those consequences (outcome evaluations). In addition, attitude is believed to have a direct effect on behavioural intention and is linked with the subjective norm.

Subjective norm is a function of beliefs that either one agrees or disagrees of performing the behaviour (Ajzen, 1988; Ajzen & Fishbein, 1980). Beliefs that underlie subjective norms are termed as normative beliefs. One will intend to perform a certain behaviour when he/she perceives that important others think he/she should. Important others are for example; siblings, spouse, closed-friends or work colleagues.