



**GREEN PRODUCTS PURCHASING BEHAVIOR IN
MALAYSIA: AN EXPLORATORY STUDY**

BY

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ABSTRACT

Green marketing has become an area of great importance, especially in the context of Malaysia. As Malaysia seeks to establish a balance between development and conservation, it is of utmost importance for research on consumer's behaviour to be done. Hence, this research attempts to explore the Malaysian consumers' purchase behaviour towards green products. With the use of the plethora of literature that currently exists, a theoretical framework was constructed in order to meet the objectives of the study. For this empirical study primary data was collected with the use of a self-administered questionnaire. With the use of 231 questionnaires from Malaysian respondents, analysis was conducted using both Statistical Package for Social Sciences (SPSS) and Analysis of Moment Structure (AMOS). At the beginning SPSS was used to conduct the Descriptive analysis and later on the exploratory factor analysis (EFA) was done. At the second stage Confirmatory factor analysis and structural equation modelling was done using AMOS. The findings of the study have indicated that a significant positive relationship exists between Malaysian customers' green knowledge and their purchase intention and behaviour. It was also noted that when it comes to consumers' green attitude towards their purchase intention as well as their behaviour a significant relationship is evident. It was made clear that consumer's willingness to pay had a significant negative effect on their purchase intention. When it comes to green advertisement it was found that consumers' purchase intention did not have a significant positive relationship with green advertisement. Additionally, consumers' green purchase intention and their behaviour were found to have a significant positive relationship.

خلاصة البحث

تسويق المنتجات الخضراء هو مصطلح جديد يعني تسويق المنتجات الطبيعية أو المنتجات الصديقة للبيئة وقد أصبح في الوقت الحالي من المجالات البالغة الأهمية خصوصاً في سياق الحديث عن ماليزيا التي تسعى للوصول إلى معادلة توازن بين تحقيق التنمية والمحافظة على البيئة لذا بات من الضروري إجراء بحث لدراسة سلوكيات المستهلك في هذا المنحى. فمن هذا المنطلق تسعى هذه الدراسة البحثية لاستكشاف ورصد السلوك الشرائي للمستهلك الماليزي تجاه المنتجات الطبيعية أو المنتجات الصديقة للبيئة. يقوم الاطار النظري المعد خصيصاً لتحقيق أغراض الدراسة البحثية على أساس الاستعانة بالمواد والمعلومات المتوفرة حالياً في هذا الخصوص. لقد تم الحصول على المعلومات الأساسية المستخدمة في هذه الدراسة البحثية المبدئية من واقع استبيان ذاتي من خلال استطلاع آراء 231 مواطن ماليزي وقد تم تحليل هذه البيانات باستخدام طريقتي الحزم الاحصائية المرحيلة للعلوم الاجتماعية SPSS وتحليل AMOS ففي البدء تم استخدام طريقة الحزم الاحصائية للعلوم الاجتماعية للقيام بالتحليل الوصفي ومن ثم تم القيام بتحليل العوامل الاستكشافية الأولية EFA. في المرحلة الثانية تم القيام بتحليل العوامل التأكيدية وأنماط المعادلة الهيكلية باستخدام AMOS. وقد أفضت نتائج البحث إلى وجود علاقة طردية قوية بين معرفة المستهلك الماليزي بالمنتجات الطبيعية وسلوكه ورغبته الشرائية تجاهها. كما لوحظ أيضاً وجود علاقة واضحة حين يتعلق الأمر بنظرة المستهلك الماليزي للمنتجات الخضراء في مقابل رغبته الشرائية وسلوكه تجاهها. كما لوحظ وجود تأثير سلبي قوي المدى قابلية المستهلك الماليزي للدفع على رغبته في الشراء. وفيما يتعلق بتأثير الاعلانات الترويجية عن المنتجات الطبيعية (الخضراء) فلم يتم رصد أي علاقة طردية تذكر بين الرغبة الشرائية للمستهلك والاعلانات الترويجية للمنتجات الطبيعية (الخضراء) علاوة على ذلك فقد لوحظ وجود علاقة طردية قوية بين رغبة المستهلك في شراء المنتجات الطبيعية (الخضراء) وسلوكه الاستهلاكي.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Zariyah Ibrahim Mohamed Zein

Signature

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**EXPLORING THE FACTORS THAT IMPACT MALAYSIAN
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Dedication to my beloved family

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LIST OF ABBREVIATIONS

SPSS	Statistical Package for the Social Sciences
AMOS	Analysis of Moment Structure
EFA	Exploratory Factor Analysis
CFA	Confirmatory Factor Analysis
SEM	Structural Equation Modelling
MI	Modification Indices
AVE	Average Variance Extracted
CR	Construct Reliability
CFI	Comparative Fix Index
RMSEA	Root Mean Square Error of Approximation
df	Degree of Freedom
GFI	Goodness-Of-Fit Indices
NFI	Normal Fit Index

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Currently the earth is undergoing unfortunate changes; temperate has risen and will continues to rises at an alarming rate, this has cause an imbalance in the earth's ecosystem, which in turn will result in the melting of ice caps and snow. These climate changes are the main case of the instability in the earth environment, because of this climate related misshapen will continue to occur. Climate related misshapes not only have a direct effect on the quality of life around the world, but it also affects the world economy.

The recent rise in temperate have impacted the economy via decreased crop productivity and increased instability of product prices. This was seen on July 2012, when the price of corn rose by 23 percent because of the unprecedented drought in the United States, and the price of sugar increased by 12 percent because of untimely rain in Brazil (Bilbao-osorio, 2012). Additionally, in accordance to the World Bank, Thailand floods in 2011 not only cost the local economy US\$45 billion but had a direct effect on the global economy. Climate change has unfortunately cause losses beyond any monetary loss, for example, the recent floods in the Philippines which took the lives of 1,500 and in Pakistan 17 million people were affected by floods in 2010 (World Economic Forum, 2011). China suffered a greater deal during the 2006 floods and storms that claimed lives in both east and south regions, rising temperate caused drought in the western and north-eastern claiming additional lives (World Economic Forum, 2011).

According to a report by Prediction of the future by the Business As Usual Scenario (2012) it is believed that the earth will warm further, these temperature rise will have drastic effects on the world's quality of life. Millions of people will be exposed to water shortage, the Himalayas and Andes will be at risk of experiencing floods, the world sea level is expected to rise which will lead to some parts of the world being submerged. It is very unfortunate that developing nations around the world will not be able to accurately overcome the threats of climate change because of their shortage of resources such as technological and financial resources. Hence there is a need for these governments to work on investing, promoting and establishing policies that will help them adopt better.

This is why academics and politicians have come together to identify and help prevent further damage from being done. Over consumption and the excessive use of the earth's resources are the two main factors behind the current condition of the earth. It is important to highlight that human over consumption not only affects the environment directly but rather indirectly as well, because consumers create the demand for products, which then drives the production processes (Fransson and Garling, 1999). Unless consumers, organizations, governments and society as a whole work together to reduce their impact on the environment more and more environmental issues will emerge.

Despite the fact that the late eighties marked the beginning of the "green revolution", only during the 1950s did modern environmentalism begin. As time passed and public pressure increased, the 1960s saw the birth of the National Environmental Policy Act of 1969 in the United States (Kinoti, 2011). The 1970s marked two monumental events which are the first Earth Day and the first United Nations Conference on the Human Environment which took place in Stockholm. By 2000

consumers demonstrated increase awareness towards the environment in fact 2006 is considered the year of environmentalism (Chang, 2011).

Globalization made environmental protection not only a local issue but rather a global issue, which affects every part of human life. In order to conserve the environment a number of environmental organizations were established, ranging from national to international, governmental and non-governmental organization and profit and non-profit organizations. In Asia the association of South East Asian Nation (ASEAN) and at an international level there is the United Nations Environmental program (UNEP) these organization play a key role in environmental conservation. All these organizations have one common goal, which is to prevent farther damage from being done and establish a more environmentally friendly way of living.

Green marketing tools have been used by many companies in order to reduce their carbon foot prints. According to Ottoman et al. (2001) green marketing should not just seek to improve environmental quality but should also satisfy customers as well. It is important to remember that going green is a long term commitment that should involve all the parties within the organization (Ottman, 2010). During the 1970s environmentalist pushed consumers to make dramatic change to their lifestyle, not much success was gain by that, hence modern day environmentalist are encouraging consumers to simply incorporate green habits in their everyday life (Haanpaa, 2007). The 20th century saw the trend of greening of all aspects of human life; many companies have incorporated policies of green workplace. Green work places have saved companies money in both overhead cost as well as cost on employee retention (Zee et al. 2011).

Consumers realization of the implications that there consumption pattern have on the environment, has created opportunities for companies. They now have to meet

the new growing demand for greener products. In order to remain competitive companies have incorporate green marketing strategies to their organizations. This is because the current economic environment is very competitive hence it is extremely important for companies to consider the integration of green marketing in their marketing strategies (Ghosh, 2010). The ways of the past where companies didn't give back to the society are gone; companies today have to give back to the community and have to conduct business in a more responsible manner. According to an online survey conducted by Nielsen in 2012, which consisted of 28,000 respondents from 56 countries around the world it showed that, 66 percent of consumers were more likely to purchase products and services from companies that gave back to society. Not only did they prefer to purchase but 62 percent said that they preferred to work at a company that conducts business in a responsible manner as well as 59 percent claimed that they also wouldn't mind investing in them. Additionally, a study conducted by GlobeScan and Sustainability with support from BBMG, surveyed 6,224 consumers across Brazil, China, India, Germany, the UK and the US, showed that two thirds of consumers in six countries understand the importance of consuming less and purchasing product that are good for the environment.

In 2011 a survey also conducted by Nielsen's know as the Global Online Environment & Sustainability Survey, more than 25,000 internet respondents in about 51 countries, reported that 83 percent of consumers believed that it was important for companies to implement programs to improve the environment. Despite that only 22 percent say they will pay more for an environmentally friendly product. When it comes to Willingness to pay extra for environmentally-friendly goods the Middle East and Africa regain held the highest. Surprisingly only 12 percent of both Canadians and Americans say they will pay extra for eco-friendly products. Finding the balanced

between providing products that are environmentally friendly, high quality as well as at a competitive price will be a challenge but if successful can result in high profits. But this is not possible if research is not done to assist marketers to make sound business decisions when it comes to implement green marketing strategies.

1.2 BACKGROUND OF THE STUDY

Like most developing countries, Malaysia faces the challenge of finding the middle ground between development and environmental sustainability. The Malaysian government has taken steps to successfully incorporate environmental sustainability within Malaysia, the enforcing of laws and regulations, providing incentive and heading environmental programmers such as cleaner technology, cleaner production, pollution prevention, adoption of Environmental Management System (EMS), as well as the ISO 14000 series certificate. (Green Purchasing Network Malaysia, 2003). The funding for the preservation and conservation of Malaysia natural resources emphasizes the government commitment to moving to a more greener Malaysia. Table 1.1 is shown below breaks down the funding that was allocated in The Ninth Malaysia Plan (2006-2010).

Table 1.1 The Ninth Malaysia Plan (2006-2010).

Cause	Funding (RM)
Cleaning, preserving and beautifying rivers	510 million
Coastal management	530 million
Reforestation	200 million
Management of wildfires and protected areas	70 million

Source: The ninth Malaysia plan (2006-2010)

The government also hopes to be more involved in green technology; by launching the green technology policy on the 24th July 2009 which has paved the way towards a “Greener Malaysia”. Double tax deduction and tax benefits are granted by the government for Green Tech R&D. However, these are limited only to corporations and companies which adopt and implement green technologies. This will allow business to profit from differentiating themselves as well as reduce their carbon footprints. Additionally, green buildings such as Gtower and 1first Avenues set a fine example of how construction can be more environmental friendly. As the number of car on the road increase every year in 2011 Malaysian government granted Hybrid cars a full excise duty exemption in the hopes of reducing pollution on the roads (Eugene Mahalingam, 2011).

In an attempt to promote and increase consumer’s knowledge about “going green” the government has started implementing environmental friendly encouragement campaigns. Such as “No Plastic Bag Days” policy which was introduced in 2011; where by all major hypermarkets, supermarkets and petrol station do not offer customers plastic bags on Saturdays. However upon request customers could ask for the plastic bags but they would have to pay a fee of 20 cents.

Change can also be seen in the way that the private sector conducts business can also be seen, more and more companies have implemented a more environmental responsible way of conducting running their organization. Below is table with just a few examples of Malaysian’s companies that have “gone green”.

DIGI	<ol style="list-style-type: none"> 1. 'Deep Green' programme as part of its CSR strategy where old equipment is swapped for newer, and more energy-efficient ones. 2. 'Mangrove-saving Project' to preserve mangrove forests in Kuala Selangor.
Sime Darby	'Plant a Tree Programme'.
Canon Malaysia	'Canon Goes Green Campaign'.
Shell Malaysia	<ol style="list-style-type: none"> 1. Offers grants up to RM300,000 for sponsorship of sustainability projects for forest and marine conservation programmes, etc. 2. Actively involved in environment awareness, conservation and preservation.
YTL Group of Companies	Actively involved in environment awareness, conservation and preservation.
Panasonic Malaysia	Promotion of inverter technology is a positive contribution to the Green Culture.
HP Malaysia	Has conducted a similar programme through its green products, services and operations strategy.
Malaysia Airlines (MAS)	<ol style="list-style-type: none"> 1. Moving towards the adoption of green management strategies for its fleet of commercial planes. 2. Introduction of the carbon-offsetting scheme in response to local and international carbon emissions reduction performance targets.

Figure 1.1 Malaysian Companies Gone Green
Source: Phuoc, 2010

As more and more industries move to practicing a more environmentally sound way of doing business, green marketing is beginning to play a more important role in the Malaysian business arena. Government and companies are placing much needed concern on the environment by implementing green marketing strategies. However, if consumers do not change their attitudes and consumption pattern to a more environmentally responsible manner, than the hope for a greener Malaysia will be hindered.

At the 2009 United Nations climate change conference the Malaysian Prime Minister Datuk Seri Najib Tun Razak pledged the Copenhagen (COP-15) to deliver to the world. Malaysia's ambitious carbon emission of 40%, the PM's COP-15's pledge will remain unachievable unless there is real integration and understanding of this green culture between industrial supply realities and the lifestyle demand of Malaysians (Phuoc, 2010)

1.3 PROBLEM STATEMENT

The deteriorating state of the environment is without argument caused by consumer's behavior towards the environment and their consumption patterns; however consumers can also be seen as the solution (Gardner and Stren, 2002). If consumers change their consumption pattern, this will have a positive impact on the environment. However, despite the fact that evidence shows consumers are aware of the negative impact that their consumption patterns have on the environment, not much change can be seen in their behavior (Hanas, 2007). In Malaysia, the current trend of economic growth and consumers' environmentally irresponsible consumption pattern will result in catastrophic results. An increase in pollution and a reduction in consumer's quality of life will be seen. Fortunately, environmental issues and sustainable development is slowly becoming the main concern in Malaysia among both the government and public (Eltayeb, 2012). A substantial amount is being invested both by government and non-governmental organizations on promoting environmental behaviour. The process of being environmentally responsible cannot be done over night, time and resources (human and monetary) are needed in understanding and changing consumer's behaviour (Soloman, 2010).

Green marketing has a collection of rich literature mostly on consumer's behaviour towards green marketing, green marketing philosophy, sustainable consumption and sustainable development at a global level. Despite this when studying consumer behaviour it is not recommended to generalize consumers, even when they share some common variables. This is because according to Schutte and Ciarlante (2001) purchasing behaviour is very much impacted but their cultural background and personal taste. In another article Peattie (1995) also claimed that

consumer's attitudes towards green products, is usually different among market segments and psychographic variables.

Hence, in order for marketers and business practitioners to better serve the market it is important for research to be carried out. In the case of Malaysia according to Phuah (2012) the green concept is relatively new to Malaysian consumers, in spite of the fact that many green campaigns have been carried out, he still believes that the Malaysian green market is at its infancy stage. A gap between peoples' attitudes and their actual behaviour can still be seen among Malaysian consumers today. Thus more researchers need to be done in order to understand the effects that green marketing strategies have on Malaysian consumers green purchasing patterns.

1.4 RESEARCH OBJECTIVES

The general objective of this research is to explore the Malaysian consumer green purchase behaviour. In order for this objective to be achieved it is important for specific objectives to be developed below are the specific objectives.

The specific objectives are:

- 1) To examine the relationship between green attitude, green advertisements, green knowledge and willingness to pay on Malaysian consumers purchase intention.
- 2) To assess the relationship between green knowledge and green attitude on Malaysian consumers purchase behaviour
- 3) To recommend meaningful green marketing strategies to marketing practitioners.

1.5 RESEARCH QUESTIONS

- 1) What is the relationship between green knowledge, green attitude, willingness to pay, green advertisements and Malaysian consumer purchase intention?
- 2) What is the relationship between green knowledge and green attitude have on Malaysian consumers purchase behaviour?
- 3) What is the relationship between Malaysian consumer purchase intention and purchase behaviour?
- 4) What meaningful recommendations can be made about green marketing strategies to marketing practitioners?

1.6 SIGNIFICANCE OF THE STUDY

The purpose of this study is to investigate the factors that may influence Malaysian consumers purchase behaviour of green products. As well as fill in the gap of literature in the field of green marketing in the Malaysian context.

The change in the environment has opened the eyes of the world; research in green marketing plays an important role in the conservation of the environment. Research such as this will allow for a growth in literature in this field, it will also so play the role of being a supporting tool for other researches that may be interested in exploring the green marketing arena within Malaysia. This research will also play a significant role in assisting marketers in the development of marketing strategies that will help in the development of the green marketing industry in Malaysia. By understanding the Malaysian green consumers, marketers they will be able to serve them better. It will also help marketers to be more knowledgeable on the “go green”

trend from a Malaysian perspective. Therefore, this study will give marketers the tools to be able to make sound decisions that will satisfy the Malaysian consumers

1.7 ORGANIZATION OF THE STUDY

This study is divided into five chapters. *Chapter 1* looks into giving a general introduction of the topic at hand (Malaysian consumers purchase behaviour towards environmental friendly products). This chapter will also include the problem statement, research objectives, research question and finally the significant of the study. *Chapter 2* will seek to discuss and critically analyze the literature based green purchase behaviour. It will also include the connection that is established between green attitude, green knowledge, green advertisement and consumer's willingness to pay. In final section of this chapter the theoretical framework will be constructed in order to be able to answer the research questions and meet the objectives. *Chapter 3* will explain the research methodology that used in this research. The research design and the analytical tools that will be applied will be discussed in detail. *Chapter 4* in this chapter the findings from the data that was analyzed will be reports. The hypothesis which was developed in the earlier stage of the research will be testing. Finally, *Chapter 5* will act as a summary of the study, the research questions will be answered, followed by the managerial implications and limitation of the study will be included as well. Additionally suggestions for future studies will also be made by the researcher.