



THE EFFECT OF WORD OF MOUTH,
ENVIRONMENTAL KNOWLEDGE AND
ENVIRONMENTAL CONCERN ON GREEN PURCHASE
INTENTION: THE ROLE OF ATTITUDE AS A
MEDIATOR

BY

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ABSTRACT

This study examines factors leading for green purchase intention among Malaysian consumers. Data were collected through the distribution of 352 structured questionnaires Malaysian consumers in Klang Valley area. This research proposes a modified conceptual model based on the Theory of Reasoned Action (TRA). It investigates the effect of Word of Mouth (WOM) environmental concern, environmental knowledge, on green purchase intention the study choose attitude to buy green products as a mediator. To test the factorial validity of the constructs and the goodness of the proposed hypothesized model, factor analysis and structural equation modelling (SEM) were used. The finding of this study shows that all factors have significant impact on green purchase intention. However, based on TRA theory, attitude only mediate between the environmental concern and green purchase intentions. The empirical findings support three out of four propositions in this study support eight out of ten hypothesis in this study. All environmental knowledge and concern and WOM have significant direct impact on green purchase intention. At same time, the study explained also why attitude only mediate between environmental concern and green purchase intention. The research findings are valuable for marketing managers who looking for sustainable business which benefit environment, company and customers in both the short and long term.

خلاصة البحث

تتناول هذه الدراسة تأثير الكلمة المنطوقة، الهم البيئي، والمعرفة البيئية على نية شراء المنتجات المساعدة للبيئة مع اخذ المواقف لشراء المنتجات الخضراء كعامل وسيط بين المتغيرات. الدراسة اجريت في ماليزيا وتم جمع البيانات من خلال توزيع 352 استبيان منظم بين الزبائن في منطقة كلانج فالي كوالالمبور. يستخدم هذا البحث نموذجا مفاهيميا على أساس نظرية الأفعال المسببة (TRA) نظرا لسهولة استخدامها وتوافقها مع معطيات هذا البحث والتي تركز على العوامل المؤثرة لنية شراء المواد الصديقة للبيئة كفعل ثابت يؤدي الى قرار الشراء النهائي لدى المستهلك. لإختبار مدى صحة البيانات تم استخدام عدة تحاليل واختبارات مقترحة من عدة باحثين للتأكد من النتائج وهي اختبار (SEM)، وتحليل العوامل متمثلا في اختباري ال (CFA) و (EFA)، وأيضا تحليل البيانات الديموغرافية. حيث خلصت نتائج البحث إلى تدعيم ثمان فرضيات من أصل عشرة من الفرضيات المقترحة في هذه الدراسة. النتائج أثبتت وجود علاقة مباشرة وإيجابية بين جميع العوامل نحو النية لشراء المنتجات الخضراء الصديقة للبيئة. من ناحية اخرى فالموقف لشراء المنتجات الخضراء لم يكن عامل وسيطا في حالي المعرفة البيئية والكلمة المنطوقة، غير أنه وافق الهم البيئي لكي يكون الموقف مؤثرا ايجابيا ووسيطا لنية شراء المنتجات الخضراء. نتائج البحث تعطي قيمة كبيرة لمديري التسويق الطامحين لاقتصادات مستدامة والتي تعود بالنفع على البيئة، الشركات، وأيضا العملاء على المدى القصير والطويل.

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 (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.

Khendek Abdallah.

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PURCHASE INTENTION: THE ROLE OF ATTITUDE AS A
MEDIATOR**

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Affirmed by Khendek Abdallah.

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Signature

.....
Date

*This dissertation is dedicated to
My Father, Khendek Achour
Beloved Mother, Menouer Farida
And to all knowledge seekers*

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LIST OF ABBREVIATION

GMI	Greener Management International
BSE	Business Strategy and the Environment
WOM	Word of Mouth
WOMc	Word of Mouth Communications
ELM	Elaboration Likelihood Model
ARI	Affect Reason Involvement
ECCB	Ecologically Conscious Consumer Behaviours
PCE	Perceived Consumer Effectiveness
TRA	Theory of Reasoned Action
EF	Environmental Friendly
GC	Green Consumption
TPB	Theory of Planned Behaviour
IV	Independent Variable
DV	Dependent Variable
SEM	Structural Equation Modelling
ML	Maximum Likelihood
CFA	Confirmatory Factor Analysis
ASV	Average Shared Variance
MSV	Multiple Shared Variance
AVE	Average Variance Extracted
EFA	Exploratory Factor Analysis
KMO	Kaiser-Meyer-Olkin
GFI	Goodness of Fit Index
TLI	Tucker-Lewis Index
RMSEA	Root Mean Square Error of Approximation
AMOS	Analysis of Moment Structures
GOF	Goodness-of-Fit
APG	Attitude to Purchase Green Products
GPI	Green Purchase Intention

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Various problems surface due to business globalisation and internationalisation generating concerns among local and multi-national companies such as ethical consumerism, control of money laundering, environment protection, racism and discrimination etc. (Warren & Gibson, 2011). Of these, environmental concerns are a top priority due to its severe and widespread negative effects on the globe. Efforts to boost environmental protection emerged several decades ago and have generated broad global awareness among many consumers. Global warming, climate change, and environmental pollution are major commonly recognised effects of industrial manufacturing (Chen & Chang, 2012). Such issues have caused organisations to focus more on protecting the environment (Devi & Monique, 2012).

The increasing environmental problems such as air pollution and water contamination due to non-regulated production have led academic researchers to establish linkages between green issues (Hanemann, 1994). As a result, numerous organisations such as Business Strategy and the Environment (BSE) and Greener Management International (GMI) are promoting the concepts of ethical consumerism. This is creating a backlash toward traditional products that damage the environment and are harmful to human health.

Since the 1980s, many studies have sought to promote awareness of global issues in an attempt to encourage an inescapable shift to green products (Peattie & Crane, 2005). With greater consumer environmental awareness, customers are highly concerned about environmental problems and are more willing to purchase green

products (Prothero, 1990). This has led to increased demand for green products and marketing. Several researches have been conducted to identify the relationship between the factors that affect consumer willingness to purchase green products and that influence their environmental concern. Communication has a significant effect on consumer purchasing behaviour and is linked with quality perception and consumer satisfaction. Word of mouth (WOM) seems particularly important to raise awareness among potential buyers. Consumers have been found to rely on WOM to reduce the effect of perceived risk and the doubt that is often associated with the service purchase intention and decision (Murray, 1991). Intangibility is often considered the most distinct difference between the goods and services industry. The intangibility of services typically results in higher associated perceived risk, which proved to encourage customers to look for sources of information from the surrounding social network.

1.2 PROBLEM STATEMENT

As green business is becoming an increasing global trend, it has become a priority to the Malaysian Government. In recent years, the Malaysian Government has been seriously involved in many green projects including engaging in green technology, promoting green business, and encouraging green consumerism among Malaysians. The new corporate objective of improving green purchase intention is a positive move towards saving the environment. Several methods have been proposed in order to attract green product purchase and to encourage consumers to act green and participate in sustaining the environment. Since the 1990s, green marketing has faced many obstacles and undergone a period of volatility. Some reports showed a gap between concern and actual green purchasing due to poor quality green products,

limited success, unsustainability, and weak marketing, which raise the question as to whether green marketing has failed to change how business behaves and move the economy towards sustainability.

King (1985) took it upon himself to respond to this question. He found that history repeats itself regarding “false marketing” as the marketing formula applied by these companies departed from the principles and philosophy of marketing. A review of how King determined the problem reveals the evolution of green marketing as follows: (Peattie & Crane, 2005)

- Sales orientation

King (1985) defines “thrust marketing” as a company’s self-based approach. Even in green marketing, they produce green products without conducting any research or analyses, or modify existing products without any radical change in the orientation of the company.

- Compartmentalism

Marketing department marketing shows the lack of integration between marketing and other department. Although some firms endeavoured to meet the consumer’s need, they focused green production solely in the marketing or production department or some individual department instead of across the entire company.

- Finance orientation

King, (1985) explained that an accountant marketing is marked by short-term profitability with limited concern for long-term brand building. Many firms did not take the concept green marketing seriously, with a radical change to their production toward sustainability. They searched for easy profit and were involved in short-cost saving only (e.g. energy saving or package reduction).

- Conservatism

Many green marketing activities avoid any significant changing in product and focused solely on incremental improvement to existing products such as changing the packaging rather than changing the production line toward sustainability.

This study however, takes a different approach and argues that the consideration of the dynamics that result from consumer brand relationship can generate new knowledge on how green consumers can be created and maintain positive (WOM) toward green purchase intention. This gap in literature needs to be studied in order to observe concurrently the effect of these theories on green purchase intention. Therefore, this research proposes and examines a conceptual model which takes into account different prerequisite issues of green purchase intention to understand consumer perception, attitude, and behaviour towards green products. It seeks to determine the extent to which consumers' green purchase intention is influenced by environmental knowledge, concern, and word of mouth. Further, does attitude mediate the relationships between environmental knowledge, concern, and word of mouth with green purchase intention?

1.3 SIGNIFICANCE OF THE STUDY

This study would contribute to the literature from both academic and managerial perspectives. From the theoretical side, the present study will add to the body of knowledge on WOM and its effect on green purchase intention. Moreover, this study will propose and examine a structural model, which considers the motives that incite individuals to involve in the propagation of green purchase intention. This research also uses a structural model to examine the nature of the relationships among numerous variables: environmental knowledge, environmental concern, attitude toward green purchase, price, WOM, and green purchase intention. Furthermore, as

most WOM studies were conducted in developed countries, this study will provide an alternative view for this concept in a developing country (i.e. Malaysia). Finally, one of the objectives of this study is to investigate the credibility of WOM that leads to greater purchase intention, and the alternative hypothesis will be examined.

From a managerial side, this research will assist marketers identify which motives of WOM are useful for green product marketing. Additionally, this study will help marketers better understand how consumers are affected by WOM towards green products. It will also explain how environmental concern, environmental knowledge, attitude toward purchasing green products, and price influence the WOM. By accomplishing this goal, marketers can better target specific WOM motives for improvement to go green and develop specific strategies to enhance the positive effect of WOM on green purchase intention. This in turn will increase the likelihood of positive customer attitude toward green products and their intention to buy it, and eventually will hold their current customers and attract potential clients. As a final point, this research would help marketers recognise the cause leading consumers to express negative thoughts about products so that the issues could be resolved cleverly.

1.4 RESEARCH QUESTIONS

This study attempts to provide answers to the following research questions:

1. What is the impact of word of mouth on green purchase intention?
2. What is the impact of word of mouth on attitude?
3. What is the impact of environmental knowledge on green purchase intention?
4. What is the impact of environmental knowledge on attitude?
5. What is the impact of environmental concern on green purchase intention?
6. What is the impact of environmental concern on attitude?

7. What is the impact of attitude on green purchase intention?
8. Does attitude mediate the relationship between word of mouth and green purchase intention?
9. Does attitude mediate the relationship between environmental knowledge and green purchase intention?
10. Does attitude mediate the relationship between environmental concern and green purchase intention?

1.5 RESEARCH OBJECTIVES

This study seeks to achieve the following objectives:

1.5.1 General Objective

The general objective of this research is to find out the effect of word of mouth, environmental knowledge, and environmental concern on green purchase intention. Besides, this study will also attempt to investigate the mediating role of attitude to buy green product in a comprehensive model adopted from Theory of Reasoned Action

1.5.2 Specific Objectives of the Study

1. To investigate the impact of word of mouth on green purchase intention.
2. To investigate the impact of word of mouth on attitude.
3. To investigate the impact of environmental knowledge on green purchase intention.
4. To investigate the impact of environmental knowledge on attitude.
5. To investigate the impact of environmental concern on green purchase intention.

- 6 To investigate the impact of environmental concern on attitude.
- 7 To investigate the impact of attitude on green purchase intention.
- 8 To find out the mediating role of attitude in the relationship between word of mouth and green purchase intention
- 9 To find out the mediating role of attitude in the relationship between environmental knowledge and green purchase intention.
- 10 To find out the mediating role of attitude in the relationship between environmental concern and green purchase intention.

1.6 CONCEPTUAL DEFINITIONS

1. Green purchase intention: According to Zia-ur-Rehman & Dost, (2013), “Theory of Planned Behaviour asserts that Green purchase intention is a pivotal determinant of actual buying behaviour of consumer. It means that as the intention to purchase a green product increases, there is increased probability that a consumer will actually make that purchase”
2. Environmental knowledge is defined as, “The knowledge of the environment depends critically on the level of knowledge, attitude, values and practices of the people which lead to recognition of the consequences of their actions and thus adopting an environmentally responsible behaviour” (Said et al., 2003).
3. Environmental concern is, “Consideration of environmental concern as an environmental attitude. According to the classical tripartite conceptualisation, attitudes consist of cognitive, affective and conative dimensions. The last one of these means predispositions to behaviour in

most cases, though some authors also include behaviour itself in the notion of environmental concern” (Takács-Sánta, 2007).

- 4 Word of mouth according to Bone, (1995) is, “Interpersonal communications in which none of the participants are marketing sources”. Further, Arndt (1967) defined word of mouth as an “... oral person-to-person communication between a receiver and a communicator whom the receiver perceives as non-commercial, regarding a brand, product or service.”
- 5 Attitude is defined as, “The formation through the central route takes place under a high amount of cognitive elaboration. Attitude formation or change is a result of a person’s diligent and rational consideration of information that is central to the object” (Hartmann et al., 2005).

1.7 ORGANIZATION OF THE THESIS

This section presents the flow and organisation of the thesis. This thesis comprises five chapters. The first chapter introduced the topics that will be discussed and examined starting with the introduction, followed by the problem statement, research questions, research objectives, and finally the significance of the study.

The second chapter reviews the research related to the discussed topic. It contains four sections. The first defines word of mouth and states its types and its importance. The second section discusses green purchase intention. This section provides detailed information about green marketing and its evolution. Section three

discusses environmental concern and how it affects green intention. The chapter concludes by proposing the research model adopted in this thesis.

Chapter three articulates the methodological dimensions of this thesis. An empirical methodology is used to test the hypotheses developed from the literature review and based on the research model. It starts with research design, data collection, and data analysis.

Chapter four presents the research findings and analyses the results, while the fifth chapter tests the hypotheses, discusses and interpret the findings to identify their implications on students and their process of choosing a higher education institution.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Several researches have been examined environmental concerns due to its significant and largely negative affect on the globe. Efforts to protect the environmental emerged several decades ago. This chapter highlights the outcomes of the previous researches about the word of mouth and its effect on green purchase intention. Section 2.2 reviews green marketing and green purchase intention, while section 2.3 defines the attitude to buy green products. Section 2.4 focuses on environmental knowledge and how it plays a key role in green product intention as a unidimensional factor. Section 2.5 explains the role of environmental concern toward green purchase intention while section 2.6 presents the proposed structural model of the study developed based on the hypotheses drawn from the literature review.

2.2 WORD OF MOUTH

Communication is an essential aspect of life. In both personal and corporate life, communication plays a key role. The success of any object relies on the ability to communicate effectively with its audience (Shaikh, 2014). Similarly, in the marketing context, communication has a vital role for the success of any project and within this literature, it is stated that there are two types of communication - formal and informal. Formal communication refers to the communication between company and its customers. Companies communicate with a variety of stakeholders as well as customers via multiple means such as advertising, promotion etc. while informal communication also exists amongst these companies especially among customers.