

The malaysian organic market and segmentation marketing essay



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2. 1 Introduction

2. 2 The Malaysian Organic Market and Segmentation

Agriculture sectors have been playing an important role in economic development and livelihood of Malaysia (Murad et al., 2009). Approximately 20 percent of total land area of Malaysia is utilized as agriculture area and 80% of this land is planted with industrial crops such as cocoa, palm oil, coconut, rubber, and pepper (Murad et al., 2009; www. slideshare. net). The contribution of agriculture sector in over few years to Malaysia's GDP is significant.

According to IFOAM & FiBL (2003), 0. 01% of total agricultural area under organic management which are 600 hectares over 6. 6 million hectares. The Department of Agriculture (2001) mentioned that there were 27 organic producers in Malaysia. In East Malaysia, the production of organic products is limited in vegetables and fruits. Statistically, the growing of the total estimated average of organic agriculture is still insignificant and contributed significantly to Malaysia's GDP (UNEP/UNCTAD, 2006). But since 1980s, there are some problem that challenge Malaysia's agriculture sector and the major challenge is most of the land was taken over for housing, industrial and infrastructure purposes. There was also less market protection for agriculture which most of the market protection is more concern toward manufacturing sector. Other than that, there was export taxes problem which is decline for agricultural products including organic products. In the contrast, trade protection for manufacturing is more supported to get loan easily. While the manufacturing sector was benefit from the advantage that they got from it,

there was resources movement from agricultural sector to manufacturing sector, hence exploiting agriculture growth (Murad et al., 2009).

The national Agriculture Policy (NAP3) realized the benefit of organic agriculture which is it can propose export opportunities in the niche organic market thus will bring high revenue to the country. One of the strategies that government do to materialize this plan is by encouraging small-scale producers to undertake in organic farming. It is also the government's strategy to increase producers' income (www. intracen. org). Unfortunately, Malaysia does not has enough food items due to lack of qualified advantages in food production and even though government has tried to increase the number of production of organic product to export purpose, but still Malaysia needs to import organic products from other country to meet the needs of organic product in the country itself and it is also because (Gan, 2010; Ahmad, F. 2001). The examples of importer country are USA, Japan, Australia, New Zealand and China (Gan, 2010). The impact of this import activity was made Malaysia experience increasing in food bills from MYR3. 5 billion in 1985 to MYR11. 3 billion in 2000 and it is still keep increasing (Department of Statistics 2001). When there are problems in agricultural sector, such as price declining in commodities, increasing in production cost, drastically decreasing in agricultural land and continual low productivity and income, the situation of organic food productions is also experiencing not good situation due to high cost production that led by the high requirement of labour and prohibition in using chemical fertilizers and pesticides (Ahmad F, 2001). If organic food can be sold in quite higher price than non organic foods, followed by there would be market and demand-driven source for the

food sector to be based increasingly on sustainable agriculture (Murad et al., 2009).

Nowadays, Malaysians are more well-informed about organic and health foods in South East Asia (Gan, 2010). It is easy for Malaysians to find organic product. It can be found in any supermarket and hypermarket, for example, Jusco, Carrefour, Cold storage or selected Giant store and Niche Supermarket (Isetan, Sogo, Village Grocers and Mercato) (Gan, 2010).

Most of Supermarkets and Hypermarket are concern toward organic products. They set up 50-800 sq m corners that particularly for organic vegetable section. For smaller supermarkets, they have some shelves for popular organic items. There are some characteristics of organic product stores in Malaysia, which are the size of the store is 50 – 120 sq meters, approximate 100 stores nationwide run by owner operators, 40% of the shop carry organic products and another 60% carry natural products that mostly from Taiwan (Gan, 2010).

2. 3 The type of the “ green” consumers

Steenkamp (1990), as summarized by mentioned that consumers are more demanding towards product quality. Environmental issues are not only concerned by the environment activist that trying to encourage people to be more environmental conscious, but nowadays it becomes business matter (McCloskey and Maddock, 1994), which influence consumer behaviour towards organic product (Follows and Jobber, 1999). Erickson and Kramer-LeBlanc (1991) mentioned that environmental amenities are become popular among consumers. Therefore, it is important for the retailer and the other

food supply chain to have the knowledge of “ green consumers” since the purchase and nutritional decision of most people in UK and USA are influenced by environmental issues (Ottam, 1992). In USA, many polls show that there is increasing in the people awareness towards environment (Fotopoulos, 2002). Tilikidou and Zotos (1999) also mentioned that 27 per cent of British adults are willing to pay more to purchase “ green” products.

Diamantopoulus et al. (2003) study proved that there are five components of socio-demographic that involve in profiling green consumers, which are age, gender, education, material status and number of children. Many research also claimed that the different levels of education and environmental involvement of individuals are influenced the levels of people awareness towards environment (Fotopoulos, 2002). In North America and Europe, people that have high level of environment awareness are people that have high income, more educated, young to middle aged and female (Tiilikainen and Huddleston, 2000; Robert, 1996). On the other hand, Diamantopoulus et al. (2003) argue that those socio-demographic factors are not strong enough to measure the power of environmental awareness.

Based on the survey by Davis et al. (1995), UK consumers are classified into 3 categories, which are “ light green”, “ dark green” and “ green of the arm chair”, based on their willingness to purchase “ green” product. Pale green is type of consumers that only purchase “ green” products when they see its goods. , “ dark green” is type of consumers that actively looking for to buy environmentally products, while “ green of the arm chair” is type of consumers who cares about environment issues, but still do not have

intension to change their purchasing habits accordingly. This survey proved
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that 39 per cent of the samples are “ dark green” consumers which most of them are women with child that more concern about the quality than price and also guided by “ green” specification for deciding their purchases.

Consumer preferences towards variation of environmentally friendly products are increasing since the growth of certification program around the world (Fotopoulos, 2002). Government and firms’ institutional bodies are encouraged to participate as a partner in the process to fulfil consumer needs (Hussain, 2000). Reinhardt (1999) suggests that managers should do environmental investment with the same level with the other investment. Additionally, Teils et al. (1999) mentioned that from a business perspective, eco-labelling will bring a lot benefit to the firms.

Therefore, the increasing of green consumerism can be understood as a result from people reaction toward environmental friendly advertisement from the firms’, thus they purchase more products that environmentally friendly. In order to let this still increasing, it is important to form that “ green” consumers can differentiate between competing products or processes on the strength of their environmental characteristic and let them choose their preference towards the products (Hussain, 2000).

However, there are some problems that faced in an effort to make people more “ green”. Fotopoulos (2000) claimed that “ enough attention has been given to the general preferences for environmentally friendly products”. Furthermore, Sriram and Forman (1993) and Teils et al. (1999) pointed that the limitation that we have is we do not really know about the level of consumers’ willingness towards the nature and the degree of sacrifice.

However, Blend and van Ravenswaay (1999) argue that the demand of eco-labelled products is not affected by the price and income level, but how promising this effort through environmental improvement. Furthermore, Straughan & Roberts (1999) claimed that “green” is not enough, but the marketers also need the consumers that consuming “green” products is helping in struggle to preserve environment. The problem is consumers have limited knowledge on how the products are produced; hence it causes inefficiencies and social welfare loss (Erickson and KramerLeBlanc, 1991).

As a result, Hussain (2000) pointed that we cannot directly label people as “green” consumers even though most of people realized the importance of environmental issues. Thompson and Kidwell (1998) mentioned that the expected market share in term of fresh organic produce in US supermarket cannot be achieved because of consumer concern actually cannot describe their changes in purchasing behaviour. Reinhardt (1999) added that environmental problem cannot instantly become money generator, but company needs more concern in term of investing in improving environmental performance.

2. 4 Profiling Organic Food Consumers

Baker et al (2004) agreed that there are some similar reasons that affecting people for purchase organic food products, which are health, fear of chemicals, taste and also concern about environment and animal welfare. Those people who consume organic food products are classified as organic foods consumers.

There are a lot of studies that discuss about profiling organic food consumers and determining the basic values of their purchases (e. g. Makatouni, 2002; Baker et al., 2004; Zanolli and Naspetti, 2002). Some studies have divided organic food consumers based on several factors, which are demographic factors, attitudes toward organic food and purchase intentions, frequency of purchase, and food-related lifestyles. Based on these segmentations, researchers have profiled organic buyers to describe who they are and what factors that influencing their purchasing motives are (see Davis et al., 1995; Fotopoulos and Krystallis, 2002). From socio-demographic aspects, some researches proved that organic food buyers are mostly women, younger age groups, in family whit children and higher level of education & incomes that buy organic food in large quantities and more frequently (Fotopoulos, 2002; Hamzaoui and Zahaf, 2008). Furthermore, Hamzaoui and Zahaf (2006) said that the typical organic consumers are in some way vegetarian, concern about the environment, purchase organic food to support local farmers, health conscious, willing to pay higher price to buy organic food products and do not trust big corporations.

Moreover, cultural differences also take place in determining consumers' purchase decision making because every country has their own values which encourage them to have different point of view in order to achieve their values while making their purchase. Further on a large scale consumption of organic foods in excess within expanded time in some countries opposed to others could outcome in more experienced and Germany consumers present more affluent hierarchical value maps (Baker et al., 2004). People all over the place have the same value but in different degrees. Unfortunately, the

importances of values have not been generally applied to direct study towards consumer organic foods behaviour (Hamzaoui and Zahaf, 2008). Because values influence a lot of consumers' behaviour, many research about consumers are related to the measurement and classification of values.

Life values are classified into 3 main categories, which are the value that centred on human being, on the environment and on the well-being of animals. Even though resemblances emerged with reverse to main values among the three studies, the central perceptual orientations of German, Italian, and UK organic food consumers vary broadly. German consumers' central perceptual orientations are centred on health and pleasure towards quality and taste then belief in nature, while UK consumers do not show their perceptual orientations towards environment (Baker et al., 2004). On the other hand, perceptual orientations towards animals are the second most commonly cited value (Makatouni, 2002). Surprisingly, most of Italian consumers' value is ecology, harmony with the universe, although health is their the most essential motivators together with hedonism, enjoyment and achievement (Zanoli and Naspetti, 2002). While Lumbers et al. (2003) mention that Greek consumers are more aware in term of food supply and are fearful of pesticide residues compared with the British consumers. But these values and their priority of motives to buy organic food products can be changed over time (Davis et al., 1995)

Based on the study that conducted by Fotopoulos and Krystallis (2002), the consumers awareness toward organic product is relatively high, but there are some people who do not know about the term organic. Based on people <https://assignbuster.com/the-malaysian-organic-market-and-segmentation-marketing-essay/>

awareness towards organic foods, Organic consumers can be divided into 3 main groups, which are aware non-buyers”, “ aware buyers” and “ unaware”.

“ Aware Non-Buyer” Consumers

The first category is the aware non-buyer consumers. This type of consumers, although they aware about the presence of organic foods, but they are not purchase and consume organic foods. This type of consumers is mostly lower income level and rarely shop in speciality shops. In general, their diet habit is considered as less health oriented and their profession does not give them enough time to let them think about their health diet habit, thus they prefer consume conventional foods. Moreover, they are also often read a lighter newspaper and magazine.

Concerning their reason for not purchasing organic foods, Fotopoulos and Krystallis (2002) supported the previous study that conducted by Zotos et al. (1999) which proved that the major reason for not purchasing organic foods is because the low availability of organic foods in the market and followed by the high price of organic foods. Then, some of non-buyers consumers claim that they are already satisfied with conventional foods and have no reason to try consuming organic foods. In addition, only small group of people that choose for not purchasing organic foods because of they assume organic foods has poor appearance and quality and also believe that there is nothing special about organic foods to be offered to them.

“ Aware Buyer” Consumers

The “ aware buyer” consumers are people that aware towards the presence of organic foods and also purchase and consume organic foods. Consumers

that consider as “ aware buyer” are mostly people that younger than 40 years old, women, women work out-of-home, married, family with one or two children, high level of education and have high level of income. They are also work as state or private employees, superior, average level of manager and the owner of firms and small number of pensioners. In addition, their residences are mostly located in big cities and towns.

This type of consumers shows high preference toward speciality shop. They are also more health-conscious orientation towards their diet habits, however their jobs do not give them enough time and opportunity to follow more health-conscious diet pattern, even for meal frequency and quantity. Moreover, they are very often consume the printed media under examination.

“ Unaware” Consumers

The last one is the “ unaware” consumers. The “ Unaware” consumers are type of consumers that never heard about organic foods. Most of people that consider as “ unaware” consumers are people that have lower education level and live far away from the main cities or in the small town. The familiarity towards organic foods is also influenced by location of the residence itself. If locations of the residences are near by the production areas of organic foods, the possibility to familiar about organic foods is high (Fotopoulos and Krystallis, 2002). In Greece, the major problem of organic production is the limited and uneven geographical distribution (Pantzios and Tzouvelekas, 1999). While Fotopoulos and Krystallis (2002) proved by their study that gender, income level, family size, material status and working women’s presence in the household do not have effect in discriminating the <https://assignbuster.com/the-malaysian-organic-market-and-segmentation-marketing-essay/>

level of awareness. The unaware consumers are rarely shop at hypermarkets or any speciality market and they are very often watching TV and buying lighter newspaper and magazine. This statement could be highly related to their lower level of education and location of their residence.

2. 5 Factors Influencing Purchasing motives

2. 5. 1 Knowledge about Organic Food Products

Organic has different meaning depend on who and how they interpret it. Organic is correlate and most of the time confused with terms “ green”, “ environmental friendly”, “ ecological” and “ natural” (Rimal et al., 2005). It means there is no specific standard in defining the term organic. For example, what is organic to one person might not be the same organic to other persons and how producers and regulators’ interpretations define the term also different from those people (Lilliston and Cummins, 1998). The problems of linguistic nuances also lead the consumers’ confusedness towards the correct definition of the term organic (Hutchins and Greenhalgh, 1995, 1997). The term organic has been used to explain various products such as vegetables, fruits, daily products, grains, cereals and pulses (Rimal et al., 2005). The organic certifiers declare that there are basically four values that highlight organic production (of animals), which are natural inputs, high welfare, nutritious and healthy quality (Rimal et al., 2005).

Typically organic food consumers recognize organic products depend on the organic logos and labels that attached to the products. Organic foods refer to as organics, are grown, stored and processed without using synthetic chemicals or fertilisers, growth hormones, genetic modification, pesticides,

fungicides, in addition to promotes soil health, low stress treatment of animals, biodiversity and also sounds environmental practices (Jones et al., 2001; [www. agric. gov. ab. ca](http://www.agric.gov.ab.ca)). For example, organic chicken is different from ordinary chicken, which the growth and the breeding involve natural way technique instead of other materials to reduce chicken maturity age. The meats of organic chicken contain higher protein than non organic chicken and it also give antioxidant and anticancer to those who eat it (Shaharudin et al., 2010). Nevertheless to give the correct and commonly agreed meaning of organic foods and organic farming is not a simple task. Jones et al. (2001) stated that organic farming is an ecologically sustainable agriculture production system which depends on biological procedures to develop and sustain the fertility of the soil and the good condition of animals and plants. Moreover, Beharrell and MacFie (1991) pointed that “ organic farming systems rely on crop rotation, crop residues, off-farm organic wastes, mechanical cultivation, mineral bearing rocks and aspects of biological pest control to maintain soil productivity and filth to supply plant nutrients and to control insects, weeds and other pests”. Yet it is impossible to prove whether the food is organic by optical examination or testing only. All products that would like to be sold as organic products must be come from growers, producers, processors and importer that registered and matter to inspection (Jones et al., 2001). In every country, there is an organic food control division that ensures the organic products are feasible and safe to be sold and consumed by consumers, to ensure all the foods to be sold are produced in high nutrition by using management practices that intend to avoid the use of agrochemical inputs and to minimise environmental and wildlife damages and this division also need to make sure that the organic

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food products are 95 percent have been produced and grown organically. In the UK, UKROFS (United Kingdom Register of Organic Food Standards) has responsibility to ensure that the various body that work in organic food sector to register and look over organic farmers and processors to apply the regulation properly. For Malaysia itself, it is controlled by Ministry Of Health Food Quality Control (Jones et al., 2001; <http://husegib.scraping.cc>).

There are arguments against and for organic foods from many aspects, such as healthy eating and higher quality, improved animal welfare and environmental benefit. From health aspect, it declares distress the lack of chemical, hormone residue and antibiotic and the lack of synthetic chemicals that proposed to reduce food intolerance, whereas supposed to reduce food intolerance, while many supporters of organic foods only propose it has a higher nutritional value and better taste. Animal welfare stated that in order to reduce injury and disease which the result from less intensive production, yields has a function as natural feeding and aim to treat them with respect. Environmental part claims that the fertility of soil is improved by the addition of organic substances and the natural fixation of nitrogen, which reduces the pollution of water courses and encourage biodiversity. In contrast, there are some people and bodies argue that all these claims are unproven (Jones et al., 2001). For example, The UK Foods Standard Agency (2000), argue that there is not enough information to prove that organic food products are much different from foods product that produced by conventional farming in term of nutrition contain and safety. There are also doubts that traditional organic farming could not achieve the same production level as high

technology, role of modern and intensive agriculture in order to feed the world's rapid growing population (Jones et al., 2001).

2. 5. 2 Attitudes towards Organic Foods

Most of people show the positive attitudes towards organic foods. Based on the research that conducted by Tsakiridou et al. (2008) majority of people in Greek are interested in and tend to purchase organic foods, but most of them claim not to be adequately informed about organic foods in the market. This research pointed that environmental and health issues are the strong motives that influence people to purchase organic foods. People are concerned about food safety and they assume that organic foods are healthier and have better quality because they are free from chemical residues and pesticides. At the same time, they also assume that by consuming organic foods is a mean of an effort to protect the environment and organic foods are more valuable than the conventional one, that is why they able to spend more money to purchase organic foods. Nevertheless, regarding the visual product quality and performance, people are tended to not purchase organic foods. They also feel dissatisfied with the amount of the availability, the variety offered and number of selling point of organic foods in the market.

Based on some studies, every country has different attitudes towards Organic Foods. The minority of the populations in the United Kingdom have rough ideas about the definition of organic farming. A large number of people believe that chemical synthetics are increasingly emerging as residues in the foods we eat and environments are being destroyed because of currently farming methods (Stopes and Woodward, 1988). Beharrell and <https://assignbuster.com/the-malaysian-organic-market-and-segmentation-marketing-essay/>

MacFie (1991) stated that the reason why people overwhelmingly purchase organic foods is for dietary benefits. It is supported by the study of Dixon and Holme that found people in UK are selfish individual attitude which more concern with nutrition and health instead of environmental issues.

Meanwhile in USA, factors that influencing people to purchase organic foods products, which are nutrition, environment, health and safety are equally ranked (Jolly et al., 1989). Furthermore, Ekelurd (1989) argued that consumers in Sweden are more connected with the quality of foods. The demands in Sweden also increase because of Swedish are more concern about the freedom from chemical residues and health instead environmental concern. The quality of foods is measured by the chemicals contained during the production. Moreover, people in Italy also attend to have positive attitudes towards organic foods. They believe that organic foods are environmental friendly, high nutritional value contained and tastier than non-organic foods (Saba and Messina, 2003). In addition, Consumers preferences in Germany are more stressed on environmental issues. Beharrell and MacFie (1991) summarise that there are essential factors that cause the increasing of demand for organic food products. The triggering factors are the socio-cultural background, dissatisfactions towards the present food supply, health consciousness, organic foods' positive image, and dissatisfactions towards the mass production system.

One of the factors that influencing the attitude towards organic food products is the demographics factors, which are gender, education, income, age, employment and household size. Based on the study that conducted by Tsakiridou et al. (2008), gender does not take place in influencing consumers

attitude towards organic food products, but some study mention that women are tend to purchase organic food products than men. Based on the author's study, it proved that women are tend to require more information about the production method of organic food products and willing to buy organic food products even though the price is increased and higher than conventional food products. Moreover, Baharrel and MacFie (1991) state that education is the major determinant of the attitude of consumers towards organic food products. Consumers who have high level of education are more knowledgeable about the value of organic foods. Tsakiridou et al. (2008) added that consumers who have high level of education are not only tend to have better knowledge about the value of organic food products, but also willing to pay more than the standard price of foods, have good satisfaction towards the number of availability of organic food products offered in the market and belief that by consuming organic food products has the same meaning with trying to protect the environment. Furthermore, Income level also take place in determining the consumers' attitude towards organic food products. The higher income levels of the consumers, the more positive attitudes are showed by the consumers towards organic food products. Consumers who have higher level of income are more concern about food safety thus they prefer to purchase organic food products because they believe that organic food products are more safety than the conventional food products. They also believe that organic food products have better quality, healthier, have batter taste and they also trust the production method of organic food products. As addition, consumers who have higher level of income are willing to pay more for purchasing organic food products Tsakiridou et al. (2008).

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Age is also the determinant of consumers' attitude towards organic food products. Tsakiridou et al. (2008) mention that older consumers which are 51 years old and above, show the positive attitude towards organic food products, they assume that organic food products have better quality, healthier, more safe and have better taste than the conventional food products thus they are willing to pay the premium price of organic food products. While the younger consumers, which are 18-30 years old, do not show their interest towards organic food products. They do not really care about the value of organic food products and do not want to buy organic food products if its shapes cannot attract their appetite, thus they are not willing to pay the premium price for purchase organic food products. From the employment factor, Tsakiridou et al. (2008) found out that all of the consumers show the positive attitude towards organic food product, but the consumers who are public sector employees and pensioners tend to show more positive attitude towards organic food products than consumers who are private sector employees and the self-employed. They have preference for buying organic food products, believe that organic food products have the better quality than the conventional food products, believe that the increasing amount of organic food production can increase the consumption of organic food products, but they are not willing to pay premium price for organic food products. Furthermore, Tsakiridou et al. (2008) state that household size seems not really affect the consumers' attitude towards organic food products. The family which contain four members is tend to be more distress about the organic food variation, the good effect of organic food production methods towards the environment and they are less willing to purchase organic food products if its quality of appearance is not good.

Last but not least, consumers' behaviour towards organic food products also takes place in determining the attitude of consumers towards organic food products. Most of the time the positive attitude towards organic food products is influenced by the previous experience with organic food products thus affecting their future purchase decision-making and as their preference in purchasing the organic food products (Tsakiridou et al., 2008). From the study that conducted by the author, consumers are tend to more satisfied with the quality, variations, the suffusion information given and the number of the availability organic food products in the market. They are also more concern about the healthiness and the environmental protection. On the other hand, in term of price issues, the non-buyers consumers are more concern about the premium price of organic food products. They are not willing to spend more for purchasing organic food products. In addition, they are unsure about the production methods of organic food products.

2. 5. 3 Price willingness and intention to purchase

There are some studies that discuss about consumers' willingness to purchase organic foods and report that some of the consumers are not willing to pay additional cost for purchasing organic foods (Pellegrini and Farinello, 2009). Consumers' WTP (Willingness to Pay) for intrinsic or extrinsic component to an item can be determined by the consumers' willingness to pay for food quality and safety and environmental friendly products which as a result of consumer surveys (Krystallis and Chryssohoidis, 2005). Price premium might be the indicator to determine consumers' demand for organic products (Tse, 2001). Price premium itself is price that tends to be more expensive than the normal price because of the value of

the products (Rao and Burgen, 1992; cited in Vlosky et al., 1999). Usually people purchase organic foods because of the concern towards environment and the food quality and safety consciousness. As a result, level of consumers' demand towards organic foods can be determined by the WTP for organic foods (Krystallis and Chryssohoidis, 2005).

The rising numbers of people who are willing to pay extra charge for organic foods could be the convincing evidence that supporting the increasing of ecologically favourable consumer behaviour (Laroche et al., 2001).

Nevertheless, the level of consumers' awareness and willingness to select higher-priced organic products highly divide the consumers (Irland, 1993; cited in Vlosky et al., 1999). La