

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of Study

Along with economic growth that continuously increase would also have an impact on increasing consumption and exploitation of natural resources. Excessive use of natural resources would certainly have an impact on the damage to the environment. According to Biswas and Roy (2015), some of the environmental damages resulted from high levels of consumption and exploitation of natural resources include environmental degradation (soil, air, and water), global warming, loss of quality of social life and health, ozone depletion, and many others.

The Malaysian economy is continuing to be stronger, where is growth 54.7% in the first half of 2019, and the government projected that Malaysia's GDP will grow faster to 4.8% by 2020 (Kementerian Kewangan Malaysia, 2019). According to the IMF, this country is heading towards achieving high-income status. However, in order to achieve this status, the government must fight to boost productivity and improve the living standards for 32 million people (Data International Monetary Fund, 2018). With rapid economic growth in this country, it would also have an impact on changes in consumption behavior towards overconsumption or unsustainable consumption and overconsumption of resources. This is reinforced by the data released by COEIC for the amount of personal consumption from 16 October 2016 to April 2019. Figure 1.1 shows that the presentation of private consumption of Malaysia's GDP was reported at 59.3% in June 2019. The record decreased compared to March 2019 at 59.4%. Data on private consumption of Malaysia's GDP is updated quarterly, with an average of 47.3% from March 1991 to June 2019 with 114 observations. This data indicates that the level of consumption in the State of Malaysia is high. On the other hand, Modi and Patel (2013) mentioned that the allegation of consumer awareness on the environment is still low. Thus, further action is needed to increase consumers concern about their environment.

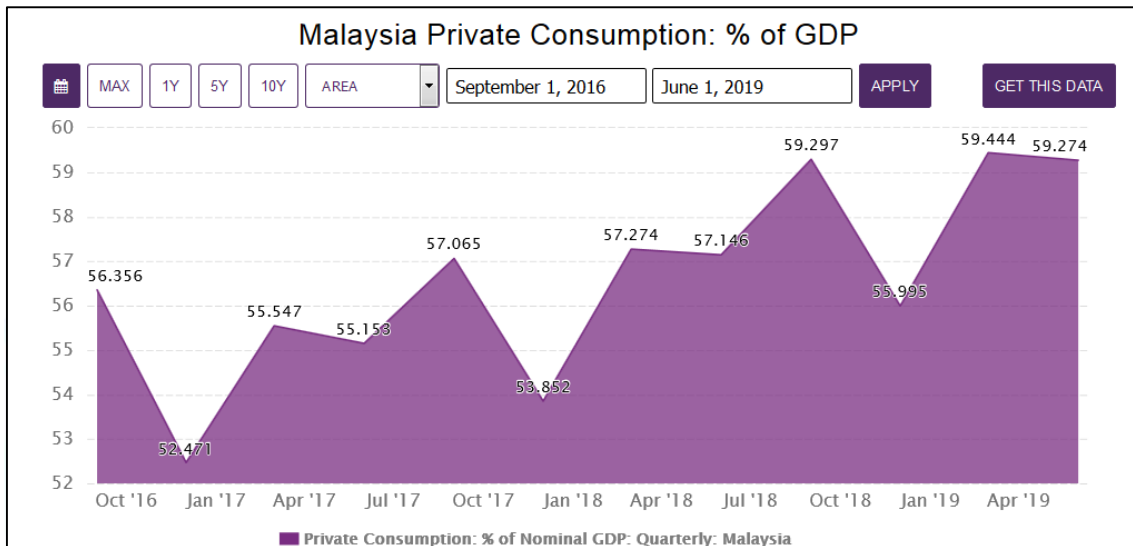


Figure 1.1 Malaysian Private Consumption in 2016-2019  
 Source: (coicdata.com, 2019)

Based on this issue, the country should develop sustainable production and consumption systems that are more environmental-friendly (Peattie, 2010). According to Akenji (2014), this development not only focuses on the use of technology and regular changes in consumer behavior but also must consider the willingness of consumers to take part in reducing or changing consumer behavior to be green. This method can create consumers' environmental awareness, to use environmental-friendly products (Y. Joshi & Rahman, 2015). Rahman (2013) defines green consumers as those who only buy products that have no adverse environmental impact. The issue of environmentally conscious consumers or green consumers is certainly very much needed by organizations in creating more environmental-friendly products as well as creating environment-based companies.

Environmental-friendly products reduce negative effects on the environment, can be recycled and reused (International Food Information Council, 2002). According to Albino, Balice, and Dangelico (2009) and Rahman (2013), a green product is designed to reduce the impact on the environment, from raw material procurement to manufacturing, processing, post-purchasing, and distribution. In particular, it is important to reduce the use of non-renewable resources, to avoid toxic materials and to use renewable resources in compliance with their replenishment rate.

As a joint initiative from different countries around the world, the Global Research Forum on Sustainable Production and Consumption (GRP-SPaC) was created to bring together research organizations and individuals in the change to sustainable production/consumption (Biswas & Roy, 2015). The studies such as (Biswas & Roy, 2015) suggested five main considerations in developing environmental-friendly products as follows: 1) product price, 2) the urge to find product information, 3) social desires, 4) the influence of situational variables, and 5) influence of green product consumption. The five perceptions are the parameters to measure consumer utility for several dimensions. In this case, the dimensions used in this research include value for money, social value, conditional value, and epistemic value. These dimensions are the foundation of growth in consumer behavior.

Various green products are offered in Europe but not in Asia and North America (Weng, Chen, & Chen, 2015). Although green products are not new in Malaysia, there is no significant growth in the market for green products. The main reason behind this situation is the need to increase awareness of the environment of Malaysian consumers (M. Norazah, 2013). Therefore, this study will examine the attitude of Malaysian consumers towards environmental-friendly products and determine consumer behavior towards sustainable green product consumption.

This research shows the consumption values which have effects on increasing sustainable green product consumption. Research on consumer perceptions of environmental-friendly products recognized that product prices and quality (functional value), peer opinion (social value), desire for information (epistemic value), concern for the image, the impact of promotional activities and subsidies (conditional value), the ability to demonstrate the importance of environmental protection (environmental values) may have a strong influence on the behavior of sustainable consumption (Biswas & Roy, 2014). In this research, five independent variables were used, they are environmental attitudes, value for money, conditional value, social value, and epistemic value. These five variables were used in Malaysia to assess the use of green products. If the determinants are known, a recommendation may be made to sustainable green product consumption.



## 1.2 Research Problem

New lifestyles lead to environmental and urban degradation, deteriorating quality of life, and adverse impacts on human health (Cruz & Prabawani, 2017). It can be prevented by the use of more green products and a good environmental impact. Green products are known as products designed or created to protect and improve the quality of the natural environment by eliminating or reducing waste agents, the use of harmful, and polluting, as well as with saving energy and/or resources (Dangelico & Pontrandolfo, 2010). Homburg and Matthies (2010) and Hanss and Böhm (2012) suggest that research be carried out to investigate what factors are associated with consumers in terms of sustainability, how important are the dimensions of sustainability in making decisions for consumer purchases and to provide input in sustainable green product consumption. It is therefore surprising that consumers' understanding of sustainability including green product consumption has so far received little research attention (Hanss & Böhm, 2012).

Knowledge of consumer attitudes towards environmental-friendly products is not high even though the Malaysian government has invested to protect the environment. With so many products available, of course this will make it difficult to choose products that will not damage the environment. Findings from previous research reveal that consumers in Malaysia tend to buy products from leading businesses and get more careful as purchasing in terms of the type of price and quality of green products (Hasan & Ali, 2015). However, over the past two decades showed that the absence of research on green product consumption behavior (Biswas & Roy, 2015). Of course, this is a special concern to conduct a study of various green product consumption behavior and determine what factors could be triggered to increase green product consumption so that the goals of green products can be achieved. From the manufacturer's perspective, there are some concerns when considering marketing of green products (Gordon, Carrigan, & Hastings, 2011), such as; producers need to get incentives from the government, consumer doubts about the performance of environmental-friendly products, assumption that sustainability efforts from companies are only public relations activities, and most of the manufacturers ignore individual consumer behavior. This concern will certainly also have an impact on sustainable green product consumption.

Environmental protection has become a significant issue in the last few decades (Hojnik, Ruzzier, & Konečnik Ruzzier, 2019). According to Hojnik et al. (2019), if companies wish to operate and remain active players on the market, they need to adhere to certain environmental regulations. On the other hand, an increasing number of studies have highlighted the importance of consumer experience in research into new trajectories towards sustainability, indicating that customers should not be treated exclusively as passive agents who choose between different business choices. Consumers, on the opposite, are active players, who can significantly influence and engage in the transition to sustainability by modifying their buying habits, attitudes, and attitude.

Due to the huge growing interest in the environment in recent years and the increased consideration and continued supply of green products by companies, it is important to have a better understanding of the perception and intention of consumers to purchase green products (Hosseinihah Choshaly, 2018). Therefore, this research attempts to investigate what determinants sustainable green product consumption. Based on some literature, these factors include prices (value for money), peer opinion (social value), desire for information (epistemic value), and concern for the image, the impact of promotional activities, and subsidies (conditional value). Then, although green products are not new in Malaysia, there is no significant growth in the market for green products (M. Norazah, 2013). So, this issue should get special attention especially by researchers to determine the determinants that have been explained previously.

### **1.3 Research Questions**

The purpose of this study is to answer the following questions on the basis of the background of study and research problems:

1. Does environmental attitude positively affect consumption values?
2. Do consumption values positively affect sustainable green product consumption?
3. Do consumption values mediate the effect of environmental attitude on sustainable green product consumption?



## 1.4 Research Objectives

The objectives of this research are as follows:

1. To examine the structural effect of environmental attitude on consumption values.
2. To examine the structural effect of consumption values on sustainable green product consumption.
3. To examine the structural indirect effects of environmental attitudes on sustainable green product consumption.

## 1.5 Scope of Study

This study determines significant factors supporting the improvement of sustainable green product consumption in Peninsular Malaysia. The considerations include environment attitude, value for money, conditional value, social value, and epistemic value, based on literature. Environmental attitude has been described as a psychological phenomenon expressed with some degree of advantage or disadvantage by assessing the natural environment (Lin & Huang, 2012). According to Biswas and Roy (2015), value for money will gauge consumer perceptions about the performance of the products that will be associated with the price of a product. The social value will measure the usefulness of the products according to the association of consumers with social groups. Conditional value shows the net utility based on the situation or more specific conditions faced by consumers as decision-makers. The epistemic value will focus on the perceived net utility to achieve satisfaction, the desire to seek knowledge and the latest information.

## 1.6 Significance of Study

For several reasons, this research is important. Theoretically, this research provides a theoretical contribution to managerial and industrial studies (Bocken, Boons, & Baldassarre, 2018). This study contributes to enhancing understanding about the determinants in leveraging sustainable green product consumption in Peninsular Malaysia. It is done by modeling the relationship between consumer behavior (environmental attitude, value for money, conditional value, social value, and epistemic

value) and sustainable green product consumption. Scholars will gain a more detailed comprehension of the relation between sustainable green product consumption and environmental attitudes (Mazar & Zhong, 2010).

Practically, the finding of this research can be used as references by all companies involved in creating environment-friendly products. This research will provide a guideline for the company that are adopting a new business model for implementing an innovative and competitive environment. Subsequently, this work also gave advertisers the idea to highlight environmental aspects of these products to achieve a competitive advantage for themselves rather than relying on consumption values.

### **1.7 Definition of Key Terms**

The key terms were defined as follows to explain the vocabulary used in this research:

#### **Conditional Value**

Conditional value is defined as the net utility felt by consumers in certain circumstances or situations, in other words, it will appear when the use of a product is closely related to a certain situation (Qasim, Yan, Guo, Saeed, & Ashraf, 2019)

#### **Consumption values**

Consumption values explain why consumers choose to purchase/use a product compared to other products or not to purchase/use a product. Another explanation is why consumers choose one brand over another. According to Sheth, Newman, and Gross (1991) consumption values include functional value, conditional value, social value, emotional value, and epistemic value.

#### **Environmental Attitude**

According to Lee (2009), the definition of an environmental attitude is a rational assessment (according to logical thinking and consideration) of a person to the value of environmental protection.

### **Epistemic Value**

The definition of epistemic value is measuring the net utility perceived by consumers based on the ability of the product to offer new things, raise interest, and/or meet the needs of awareness (Qasim et al., 2019).

### **Green Consumers**

Rahman (2013) defines green consumers as consumers who care about the environment, have the will to change their behavior into environmental-friendly behavior and consider the environment when making purchasing decisions as an initiative.

### **Green Product**

According to OECD (2009), green products are listed as products without the use of toxic chemicals in the production process, can be recycled and can be reused, have environmental-friendly packaging so that they can biodegrade, have a low environmental impact with the aim of preserving the natural environment long term long.

### **Social Value**

Due to its association or relationship with culture, with one or more particular social, and socio-economic groups, social value is defined as the benefits consumers feel about receiving a product/service (Qasim et al., 2019).

### **Sustainable Green Product Consumption**

The Sustainable Green Product use has the environmental benefits of today's actions, resulting in benefits over the years that may not be known to consumers themselves. In other words, sustainable green product consumption is inter-temporal. Therefore, Trudel and Argo (2013) argue that customers almost always have a system in which the system makes informed decisions based on the facts and information available by simple cognitive processes.

### **Value for Money**

A value that comes from every transaction or sum of money spent. Value for money is not only dependent on the minimum purchase price (economy) but also the optimum purchasing efficiency and effectiveness (Business Dictionary, 2019)



## 1.8 Organization of Thesis

The following is the structure of this thesis. Following this introduction section consists of a background of the study, research problem, research question, research objectives, the scope of the study, the significance of the study, and the organization of the thesis. A review of current literature and hypotheses applicable to the topic of study will be given to the second chapter. The following sections explain the research methodology and result of data analysis. This study ends with some research findings and future research recommendations.



