

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Literature Review

##### 2.1.1 Organic Product

Organic product has been increasingly famous during these last few years. The word “organic” itself stems from “bio” that is derived from “bios”, which is a Greek word that means life or way of living (Wee, 2014). Agriculture Canada considers organic product as a part of natural product industry because in stores, they usually put together with natural products. The common view regarding organic and natural products is that they promoting healthier lifestyle (Wee, 2014). Organic and natural products focus on natural health and also personal care as their advantage.

Recently, the organic products are emerging in the market from foods, health products, and even fashion. The growing interest towards organic products are supported by the perception of the products to be less damaging to the environment and also somehow healthier for consumers because of the ingredients and processing compared to the conventionally produced products. Nasir and Karakaya (2014) identified that the most shared concerns among consumers are health and environment. The concern from health is actually different than the environment because health concern is for themselves (egoistic) and environment concern is for the society (altruistic).

Even with the benefits, there are main reasons why consumers are somehow reluctant to purchase organic products. These reasons include high price, trust, lacking of awareness regarding organic production, and the availability on the market (Kromker & Matthies, 2014). Consumer purchase decisions are directly impacted by consumers’ awareness and knowledge

regarding organically produced products because they are deemed to be safer, healthier, and friendlier to the environment than conventionally produced alternatives (Fonseca-Santos, Correa, & Chorilli, 2015). These reasons are the main advantage of organic products nowadays in the market.

As mentioned above, the research regarding consumer behavior towards natural cosmetics is still underwhelming, especially about the purchase decisions and also consumers behavior towards organic personal care products and cosmetic products. Despite of that, the increasing fame of organic personal care product is not supposed to be ignored by companies. Conventionally, the natural ingredients in cosmetic are replaced by chemicals available and widely used in the market. These days, the healthier way of living trend has increased the perception among consumers and also their interest in natural products, such as cosmetic products. Natural cosmetics are mainly purchased by environmentally friendly consumers that put their health and beauty alongside their belief in the environment (Fonseca-Santos, Correa, & Chorilli, 2015).

## **2.1.2 Consumer Perception**

### **2.1.2.1 Consumer Perception towards Organic Product**

The factors that impactful towards consumers' perception towards organic products are distribution, certification, and labeling. These factors are linked to consumers' trust and confidence to consume organic product as well as the price and nutritional value of the products (Nuttavuthisit & Thogersen, 2017). Organic products are usually perceived as having particular quality, safety and characteristic intrinsic by the consumers. The decision made by the consumers to buy organic products is influenced by their favor towards comparing observable and unobservable characteristics of the organic products (Nuttavuthisit & Thogersen, 2017).

Consumers can only be aware about the organic characteristics of products when they are informed regarding such characteristics and not when they purchase or even use the products.

Organic products' characteristics that are important to consumers are categorized into general and commodity-specific attributes (Schleenbecker & Hamm, 2013). The general attributes of organic products refer to the impact towards environment and the welfare of animals as well as the personal health. Commodity-specific attributes refer to the elements such as the nutritional value and visual of the products. Some of the factors that influence the purchase behavior of organic products are:

- Perceived consumer effectiveness: the belief shared among consumers that they can make a difference or even be the solution to the existing environmental problems.
- Ecological concern: the concern among consumers that is related to their intention to purchase environmentally-friendly products
- Locus of control: refers to a consumer's perception about the underlying main causes of events in his/her behavior
- Faith in others

### **2.1.3 Purchase Intention**

Vinerean, Cetina, and Dumitrescu (2013) refers to consumer behavior as the engaged activities when a person selects, purchases, and uses products and services to satisfy their specific need where mental and emotional processes play a part of it alongside physical actions. The approach used in the behavior is cognitive and it is based on consumer knowledge, product perception, and the needs consumers want to satisfy. The term cognition refers to the dynamic mental construct that consumers have when they think, understand and also interpret the outside stimuli from their environment (Wen & Geng-qing Chi, 2013). The process of the cognition itself is factoring the knowledge, meaning, and beliefs that stem from consumers'

own experience and memory (Bartels & Johnson, 2015). The aspects of cognition are generally conscious because it implies thinking process even though the rest of the aspects are essentially automatic.

The process starts when consumers receive a stimulus from a product that includes new product information. The product's stimulus will then be against the consumer knowledge and memory to build a link. This link will furthermore impact the consumers' motivation that includes factors such as product attributes, personal consequences, and also values. The links mentioned subsequently build up a cognitive network consisted of elements inside the consumers' mind after receiving the stimulus from the product information and attributes. And when this network is finalized in a hierarchical form structure, it is known as a "means-end chain" (Haas, 2013).

A means-end chain refers to a knowledge structure that is formed in consumer's mind that links the knowledge they have about attributes and also personal consequences. The perception made can be positive (benefits) or negative (risk). In other words, the means-end chain model is an explicit link between consumers' needs and also the characteristics of the products while revealing the goals and also motivations of the consumers in their purchasing behavior. According to means-end chain theory, the decision making process of consumers is seen as a problem-solving process (Gummerus, 2013). The seen behavior of the consumers is viewed as a means for them to fulfill their objectives of to reach an end. Such behavior is based on the positive consequences consumers hope to achieve in purchasing the products with particular attributes. The behavior at a more abstract and also subconscious level can be seen as a means to achieve values, that is "preferred end states of being and preferred modes of behavior (Gummerus, 2013).

It is necessary to understand the nature of the finalized decision by consumers as a process so the reasoning behind purchasing a product to can be analyzed. What the consumers want or try to achieve through the purchase become the factors in the thought-process of interest in purchase (Hutter, Hautz, Dennhardt, & Fuller, 2013). To find out the motivations of product-purchase is constructed as consumer's purchase intention.

### **2.1.3.1 Organic Product Purchase Intention**

The decision making in the purchase intention of organic product can be viewed from several dimensions (Ling, 2013):

1. Information about organic products with the factors of the definition of organic, knowledge and information about the source, and the difference between organic and natural. The lack of information from the consumers' point of view will have some impact in identifying the product, know the definition of organic, and also to differentiate between organic and natural.
2. Contextual factors influence consumers' behavior because it can strengthen or weaken their motivation in purchasing the products, specifically purchasing organic products. These factors furthermore will impact the level of trust especially towards the consumers' perceptions of the certifications process and products labeling. In the next step, these factors will influence the consumers' decision process when it comes to choose the products and stores.
3. The belief that consumers can make a change environmentally will strengthen their motivation in purchasing organic products. The belief can be shifted when consumers who are not environmentally conscious to health reason in purchasing organic products.

As a starting point, consumers are interested in the packaging of the product with certification and labeling because it can give information to the consumers and furthermore give them more freedom and knowledge (Ling, 2013). The desire consumers have to understand and increase their awareness towards organic product production process is accompanied by the common conception of how conventional products are made, therefore they can identify the organic products in a saturated market (Lee, Mitsuru, Kniffin, & Wansink, 2013).

The intention of organic products consumers is to be independent from the market because they want to be healthier and at the same time maintaining the pleasure of life. Companies have to be able to balance the health and environment value with the pleasure value in devising better communication strategy to the consumers. In organic products, health and environment remain as the pivotal keywords, but it is not exclusive because it can also be packaged implicitly with value such as hedonism, pleasure, and achievement, which also act as driving forces (Ling, 2013).

## **2.2 Theoretical Framework**

### **2.2.1 Perception**

Zabkar and Hosta (2013) have found that the act of consumers towards products or services they want or need is affected by their perception. The perception is important to this research because it becomes the initial process of purchase when it comes to organic products. As organic products serve as a segment in the industry, it is perceived differently from the conventionally made products. As mentioned above, the advantage and also the characteristics of organic products are that they are better for personal health and environment. The common perception among consumers these days is increasing as organic products receive more and more popularity each day.

Consumers perception is also influenced by several factors including their knowledge about the product and also information they get from other people. As the popularity of organic products is increasing, the knowledge about organic products is not as much because of the stereotype consumers already has regarding organic products. They don't feel the need to find more information as long as the labeling has informed them that the products are organic. Based on this notion, it is important to examine the perception commonality shared among consumers.

The ways consumers perceive, select, and put attention towards products affect the purchase behavior of consumers and also influence their purchase decision process. Analyzing the perception and breaking down the perception to distinctive factors are important to find out how consumers see organic products and which element is important for them to be in products.

### **2.2.2 Purchase Intention**

The dimensions of organic product purchase decisions are organic product knowledge and information, contextual factors, and consumers' belief (De Medeiros, Ribeiro, & Cortimiglia, 2014). These dimensions are used in this research because these factors are influenced by the perception of consumers towards organic products.

Knowledge and information regarding organic products remain as an element in purchase decision because consumers rely on this information to differentiate between organic products and conventionally made products. The knowledge and information also shape consumers' decision in purchasing products because they want the products to be able to satisfy their need and want.

Contextual factors such as retailers and the source of information are affected by the amount of trust consumers have. The level of trust they have towards the retailers of organic products influence their purchase decision. Not only the level of trust towards retailers, the level of trust towards the source of information is more important in consumers' decision-making process. If they trust the source of information, for example relatives or friends, then they will more likely gain positive attitude towards the purchase intention. The opposite also true as if the source of information is unreliable then the consumers are more reluctant to purchase such product.

Consumers belief of helping themselves and the environment when purchasing organic products plays an important factor in the purchase decision. With the information they have regarding organic products and their advantages, health and environmental concerns will become the decisive factor when consumers purchase organic products more that the conventionally made products. This belief affects the purchase intention but also influenced by consumers' knowledge and perception towards organic products.

The affecting factors from consumers' perception to the purchase intention are analyzed in this research to find out which factor is more important and how those factors can influence the purchase intention.