



From Quality to Loyalty in Organic Products: Voices of Customers from Sarawak

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Abstract

- *Customer-expected quality attributes*
- *Relationships among product quality, customer satisfaction, and customer loyalty.*
- *Influences of customer demographics*
- *Relative importance of the quality attributes*
- *moderating effects of green knowledge*

Introduction

- The rise of organic products
 - 1-2% of total food sales worldwide
 - World organic market growing by 20% (1990s)
- Potential:
 - Environmental concern
 - Health conscious
 - Economy
 - Marketing push



The Scenario



Towards Modern Management

Organic products perceived as:

- Challenging production (Natural, healthy & certification)
- More costly to produce
- More difficult distribution



Organic products perceived as:

- Natural & healthy
- Introduction stage (aware)
- More expensive
- More difficult to get

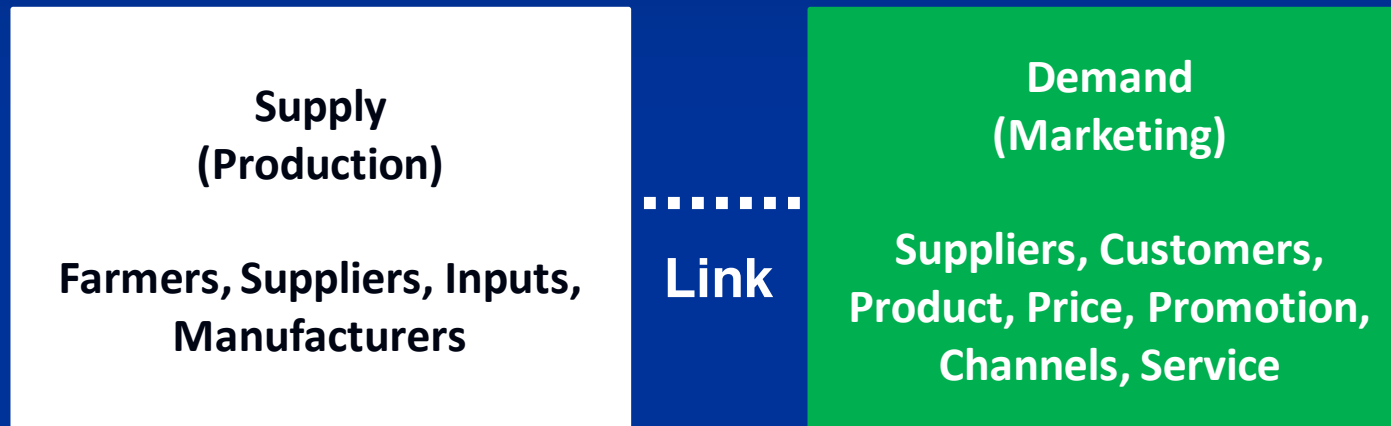
Production-oriented
Product-oriented

Less market-oriented

The Issues



Modern Management (Marketing Value-chain)



Production-oriented?
Product-oriented?
Sales-oriented?
Society-oriented?

Be market-oriented



Customer Attitudes

- opinions and feelings that the consumers usually have towards something.
- Perceptions and expectations – quality
 - Difficult to measure!
- it is important that **organic products** are perceived as food without chemicals or growth hormones, which are grown or produced as natural.
- Changing from time to time, culture, etc.

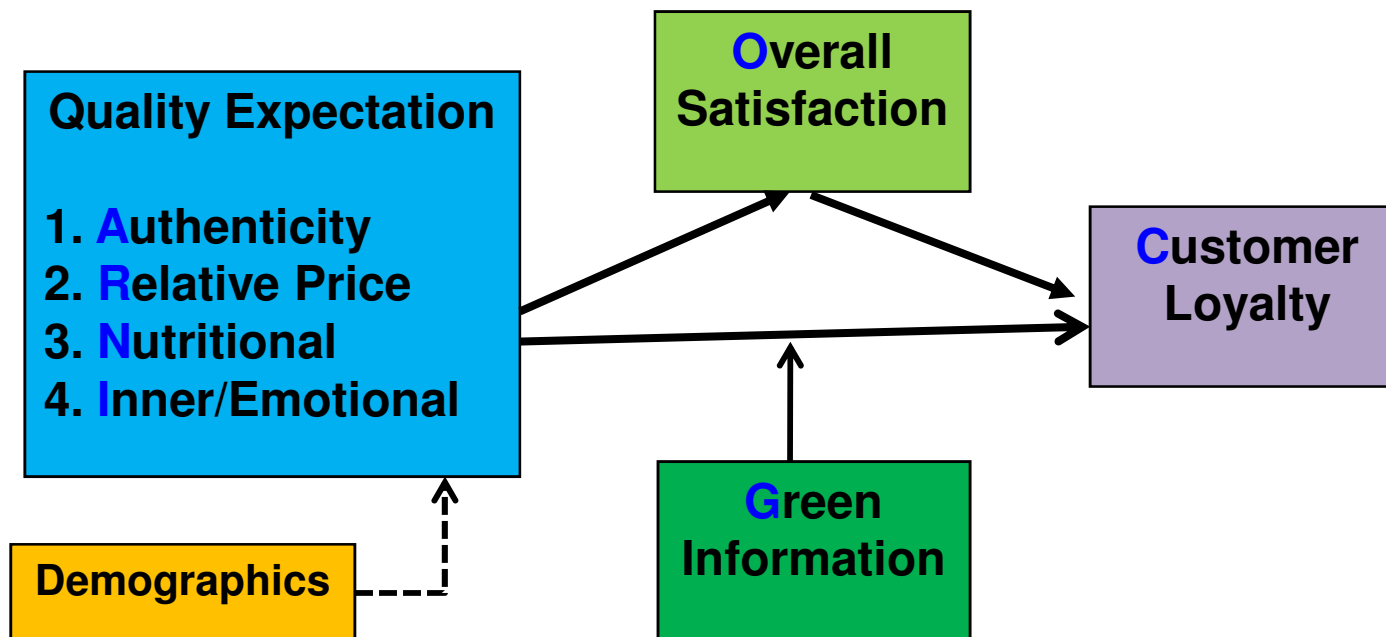


The Study

- Questionnaire survey in Sarawak
- Exploratory research – n=263 (Quota sampling)
- Unit of analysis - Customer – ‘informed judge’
- Items in questionnaires - expectation of organic products (e.g. Fotopoulos & Krystallis, 2002).
- 5-point Likert scale (1=SD, 5=SA)
- Mainly female respondents, young adults, about 75% were degree holders, 66% having monthly family income of RM2000 or less and about 50% were from urban area.



The Framework



The Findings

- Quality expectation measure consists of four **dimensions**, namely Authenticity, Price, Nutritional and Emotional (see Table).
- Results from the reliability analysis indicate all that the variables were **reliable** measures, with satisfactory levels of internal consistency.
- The **correlations** with customer satisfaction and loyalty were significant at the 0.01 level.

The Findings

Dimensions and items		Alpha (Mean)	Item-total correlation	Factor loadings	Mean	Standard Deviation
Authenticity	1. Production method	0.85 (4.32)	0.558	0.643	4.03	0.875
	2. Taste		0.491	0.532	4.14	0.958
	3. Freshness		0.710	0.742	4.46	0.872
	4. Healthiness		0.771	0.800	4.57	0.816
	5. Naturalness		0.796	0.826	4.52	0.795
	6. Environmental		0.571	0.705	4.20	0.944
Price	7. Not expensive	0.82 (3.95)	0.660	0.835	3.93	1.014
	8. Relative cheaper		0.681	0.861	3.88	1.040
	9. Value for money		0.639	0.692	3.99	0.955
	10. Relatively better price		0.592	0.605	4.02	0.897
Nutritional	11. Rich in vitamin	0.93 (4.45)	0.858	0.795	4.52	0.800
	12. Rich in protein		0.845	0.808	4.44	0.822
	13. Rich in fibre		0.803	0.762	4.36	0.858
	14. Overall nutritional		0.819	0.717	4.46	0.794
Emotional	15. Help to control stress	0.90 (4.11)	0.695	0.706	4.26	1.001
	16. Help in my day		0.770	0.761	4.18	0.987
	17. Helping me to relax		0.847	0.818	4.18	0.986
	18. Keeping me awake		0.720	0.833	3.95	1.073
	19. Make me feel good		0.736	0.813	3.96	1.091

The Findings



Dimensions and items		Alpha (Mean)	Item-total correlation	Mean	Standard Deviation
Green Information	About acid rain problem	0.89 (3.46)	0.658	3.40	0.959
	About the water pollution		0.720	3.52	0.956
	About the ozone problem		0.756	3.42	1.015
	About the nuclear wastes		0.788	3.27	1.019
	About world overpopulation		0.723	3.36	0.986
	About world pollution		0.568	3.73	0.964
Overall Satisfaction	Overall satisfaction on the organic products	NA	NA	3.58	0.878
Customer Loyalty	Usually purchase	0.80 (3.45)	0.616	3.43	.970
	Usually spend		0.655	3.27	.972
	Will spend more		0.630	3.23	.904
	Like to be customer again		0.492	3.65	.868
	Will recommend to others		0.543	3.66	.931

Correlations

Dimensions/Variables		Authenticity	Price	Nutritional	Emotional	Quality	Satisfaction
Price	Correlation	0.42*					
	Sig.	0.000					
Nutritional	Correlation	0.66*	0.45*				
	Sig.	0.000	0.000				
Emotional	Correlation	0.42*	0.44*	0.60*			
	Sig.	0.000	0.000	0.000			
Quality	Correlation	0.77*	0.74*	0.85*	0.80*		
	Sig.	0.000	0.000	0.000	0.000		
Satisfaction	Correlation	0.24*	0.24*	0.30*	0.24*	0.32*	
	Sig.	0.000	0.000	0.000	0.000	0.000	
Loyalty	Correlation	0.19*	0.21*	0.24*	0.19*	0.26*	0.62*
	Sig.	0.002	0.001	0.000	0.002	0.000	0.000



The Findings

- Customers were expecting the organic products to be authentic, typically on the healthiness, naturalness and freshness. This suggests that customers have to be **consistently assured** of the authenticity of organic products and the **certification** of authenticity will be necessary.
- Besides, they should be **nutritional**



The Findings

- Expectations of **price and emotional value** are relatively lower.
- Most of the customer demographics (i.e., gender, age and income) did not exert any significant influence on quality expectations, except **Place of residence** and **Education**.
- customer-perceived **nutritional value** and **value for money** were important determinants for satisfaction and loyalty to organic products.

Demographic Influences

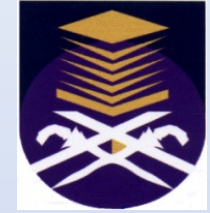
Demographic Variables	N	%	Mean	Sig.	Difference
Gender: Male	76	29	4.14	0.26	No
Female	187	71	4.23		
Age (Years): ≤18	45	17	4.15	0.48	No
19-21	100	38	4.17		
>21	118	45	4.26		
Education: SPM	29	11	4.23	0.10	No
Diploma	37	14	4.13		
Degree and above	197	75	4.30		
Monthly Family Income (RM)	173	66	4.19	0.82	No
≤2000	43	16	4.24		
2001-3000	47	18	4.24		
>3000					
Residence: Rural	72	27	4.12	0.04	Yes
Suburbs	74	28	4.36		
Urban	117	45	4.11		

The Findings

- Significant **attitudinal differences** among customers whose levels of green knowledge are different. Those who have higher level of green knowledge have relatively higher expectations of quality.
- **Green knowledge** positively moderated the quality-loyalty relationship.

Attitudinal Differences by Green Knowledge Levels

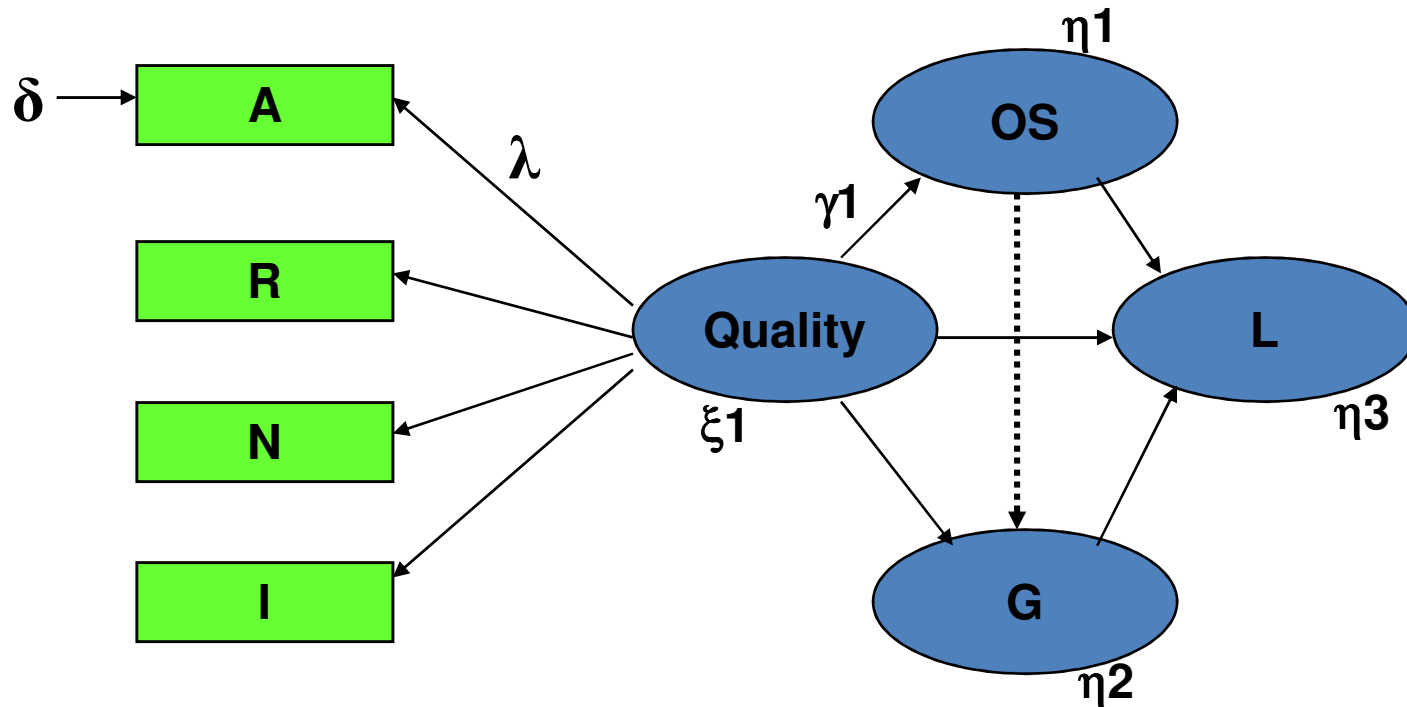
	Green Knowledge	N	Mean	Std. Deviation	Sig.	Outcome
Quality	Low	190	4.13	0.622	0.000	Supported
	High	73	4.44	0.490		
Authenticity	Low	190	4.25	0.702	0.003	Supported
	High	73	4.52	0.528		
Price	Low	190	3.90	0.781	0.053*	Supported
	High	73	4.11	0.793		
Nutritional	Low	190	4.36	0.785	0.002	Supported
	High	73	4.68	0.559		
Emotional	Low	190	3.98	0.857	0.000	Supported
	High	73	4.45	0.813		
Satisfaction	Low	190	3.45	0.839	0.000	Supported
	High	73	3.92	0.894		
Loyalty	Low	190	3.32	0.633	0.000	Supported
	High	73	3.78	0.741		



Future Research

- Future empirical investigations should also include perceived **quality** of and **experiences** on organic products and its impact on behavioral intentions for effective organic product marketing and relationship management.
- The role of **retailing service quality** in affecting the customer-perceived quality, customer satisfaction and loyalty should also be examined for more holistic organic product marketing.
- More **elderly customer** samples in future will provide a more representative perspective of customer-defined qualities for organic products.
- More **comprehensive measure** of quality, conclusive causal relationships can be obtained and applied.

Structural Equation Modeling of the relationships



N.B. δ = Delta (error)

γ = Gamma (structural relationship)

λ = Lamda Loading path between observed
and latent variables of LibSQ

ξ = Xi η = Eta ζ = Zeta



Thank you.

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