

Chapter 1 INTRODUCTION

1.1 Introduction

Today, there has been a surge of interest on health enhancing benefits of specific foods or physiologically-active food components that are known as functional (healthy) foods (Hasler, 1998). This provides a new approach to healthy eating through a single component that promotes a certain health effect through the consumption of a certain single product. (Lähteenmäki, 2003). Consumers are interested to improve their life quality by improving their psychological and physical well being through health enhancing foods that are also believed to help fight diseases and increase mortality rate (Sloan, 1999).

The functional (healthy) foods were developed with believe that through the consumption of functional (healthy) food, diet-related diseases such as cancer, heart disease and osteoporosis could be reduced. This however came with a significant commercial interest. Functional (healthy) foods are being marketed as products that could cure or prevent diseases since consumers are taking proactive steps to disease prevention through certain dietary behaviours that are believed to reduce risk of chronic diseases. Study by O'Regan (1999) reported that functional (healthy) foods have health boosting effects that could play a major role in reducing health care cost for diseases that are related to diet.

With interest from consumers on the relationship between diet and health that is growing over the years has cause for the demand for information on functional (healthy) foods. With science and technological advancement, increase in health care cost, changes in law for food labels and product claims, aging population and the desire for wellness through diet are among the factors that drives consumers' interested in functional (healthy) foods. Through scientific researches, many indications of clinically proven health benefits from food components have been demonstrated.

American's awareness and attitude towards functional (healthy) foods was studied by the International Food Information Council (IFIC) in 2009. Functional (healthy) foods that claim to provide health boosting benefits can play a significant role in the reduction of health care cost for diseases that are related to diet (O'Regan, 1999). The market of functional (healthy) foods is seen to be constantly growing and is believed to be growing towards an optimistic future (Gray, Armstrong, Farley, 2003).

1.2 An overview of Functional (Healthy) Foods in Malaysia

Functional (healthy) food has quite a long history in Malaysia. There was a proliferation of functional foods and drinks in the market in the 1990s. This occurred when major local and ASEAN regionally-based food manufacturers competed to introduce new product lines to create new market

niches, so capitalising on the emerging health trends at that time, and to expand their market shares.

Many definitions have been given to functional (healthy) foods throughout the world. However in the Malaysia market, it carries the meaning of “food that has one or more components incorporated into for a specific health, medical or physiological benefit that is beyond its normal nutritional values. In Malaysia, functional (healthy) foods are categorized into two categories, which are the modern functional (healthy) foods and traditional functional (healthy) foods. This shows that functional (healthy) foods are not entirely new to the Malaysian food industry.

However, most of the traditional functional (healthy) food that has basic or generic ingredients such as botanical extracts, aromatic oils and complex sugar are manufactured by small or medium scaled organizations. Major players in the market are the larger scaled organizations who are equipped with high end food manufacturing technology that manufactures modern functional (healthy) foods. The modern functional (healthy) foods category looks more useful and trendy over the traditional functional (healthy) foods category.

Although the functional foods trend is one of the smallest segments in the food industry, it has shown to be growing steadily for over a decade. Estimates of consumption of these drinks range between 120 million and 130 million liters per annum. This shows that it is undeniable that functional foods

trend is growing steadily in most countries. With the growth of global economy, this has accelerated the expansion of the industry into developing countries as those in South East Asia.

According to the trade sources commented that Malaysia has a sizeable functional (healthy) food market niche within its very large food and beverage market, which is now valued at more than RM 30 billion (about C\$ 11.5 billion) as reported by the Counselor and Regional Agri-Food Trade Commissioner, Southeast Asia, and the High Commission of Canada in Malaysia on March 2011.

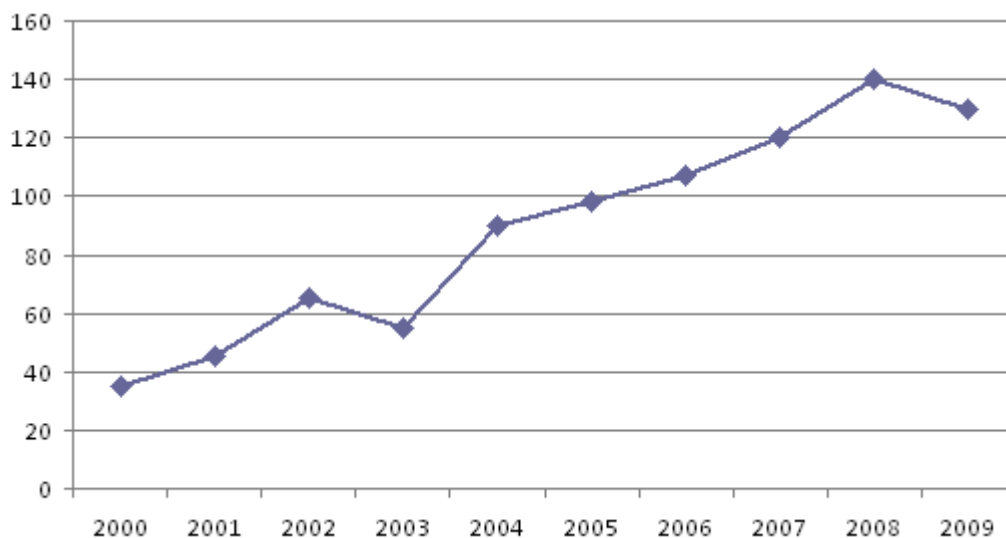


Figure 1.1 Sales Trends in Functional Drinks in Malaysia – 2000 to 2009

Source: Trade data and estimates by the Counselor and Regional Agri-Food Trade Commissioner, Southeast Asia, and the High Commission of Canada in Malaysia on March 2011.

From the **Figure 1.1**, while sales trends are positive, economic shocks do have an impact on sales because the products are more discretionary than other beverages. In year of 2009, as a result of a collapse in consumer confidence due to the onset of the Developed World economic crisis did see a slump in demand. For year 2010, is that improvements in consumer confidence will have created new growth in this market and resulted in a bounce back in demand.

More research and development has to be done in this field considering the Malaysian functional (healthy) foods industry is still in its infancy stage. This is to cater for the growing demand on functional (healthy) foods in Malaysia. Long term development trends in this market have been positive, although the niche has been a challenge to develop in a price sensitive market that is very noisy in terms of the competitive activities.

1.3 Problem statement

The health problems issue is on the uptrend as consumers face high stress levels, lack exercise, high fat consumption and other factors. Consequently, they face difficulties to maintain a quality or healthy lifestyle, with the attendant attraction that the functional (healthy) food products may help them to maintain, prevent and reduce the chances of being down with illnesses.

Lack of consumer awareness and interest to functional (healthy) food products are amongst the factors which prevent them from realising the health benefits of these food items and the need to maintain a healthy lifestyle. There are several approaches adopted by various studies on consumers' attitude towards functional (healthy) foods. However, the issue of functional (healthy) foods do not have a broad discussion in the Malaysian context.

Marketers from different countries are trying to influence and penetrate the Malaysian market with their functional (healthy) products by targeting different & respective segmentation. The demand of consumers in Malaysia for functional (healthy) foods is increasing day by day. Therefore, the issue is whether Malaysian consumers' attitude towards functional (healthy) foods should be raised for further discussion because understanding consumers' attitude will help marketers, particularly Malaysian manufacturers to develop better strategies.

1.4 Research questions and objectives

This primary purpose of this research to study to closing the information gap between functional (healthy) foods, consumers' attitude and purchase decision towards functional (healthy) foods remains unanswered in the minds of marketers in Malaysia.

The research questions have been raised and listed as below:

1. How consumers attitude' influence on intention to purchase of the functional (healthy) foods in Malaysia?
2. How does the subjective norm's influence on intention to purchase of functional (healthy) foods in Malaysia?
3. How do the perceived behavioral control's influence on intention to purchase of functional (healthy) foods in Malaysia?
4. Does this intention to purchase lead the consumer to purchase functional (healthy) foods in Malaysia?
5. What are the important factors or attributes influence consumers' intention to purchase of functional (healthy) foods in Malaysia?

The following are the specific objectives of the study:

1. To examine the influence consumers' attitude on Intention purchase of functional (healthy) foods in Malaysia
2. To examine the influence subjective norm's on intention to purchase of functional(healthy) foods in Malaysia
3. To determine the influence perceived behavioral control's on intention to purchase of functional (healthy) foods in Malaysia; and
4. To identify the relationship between intention to purchase and purchase of functional (healthy) foods in Malaysia.
5. To identify what are the important factors which influence intention on purchase.

1.5 Significance of the Study

The findings of this research would give an exposition of theoretical contributions, which can further expand from the existing literature on the subject. This study is intended to investigate further on the factors that influenced consumers' perceptions and attitude in selecting functional (healthy) food in Malaysia, particularly in Kuala Lumpur area.

The findings of this research will be beneficial to both consumer (potential buyers) and manufacturers for better understanding the consumer behavior in functional (healthy) food shopping. Furthermore, the results of this research will provide manufacturers with a better understanding of the important factors that influence the attitude of consumers on functional (healthy) food selection, which will enable them to focus on the areas that strategically engender purchase attitude. Manufacturers may improve their overall marketing strategies in improving the awareness of consumers to increase the demand to achieve the final intention of consumer to make purchases.

1.6 Organization of the Study

This dissertation is organized in six chapters. The organization of the study is as follows:

Chapter 1: This chapter covers the introduction, problem statement, research objectives and questions, and significance of the study.

Chapter 2: This chapter addresses the overview of issue of functional (healthy) food in Malaysia, and reviews of the literature on factors that influence consumer behavior in the selection of functional food..

Chapter 3: This chapter presents the development of a conceptual model, study approach on proposed variables and hypothesis development. This also included the research methodology, which covers sampling technique, instrument design, and the data collection process.

Chapter 4: This chapter presents the results from data analysis that covers descriptive analysis of respondents' characteristics and findings from normality test and also the reliability test.

Chapter 5: This chapter focuses on the in-depth discussion of the results, conclusions, implementation of the study, recommendations, contribution of the study and suggestions of future research.

1.7 Chapter Summary

This chapter discusses the general view of the present study, which includes the problem statement, research objectives and questions which are clearly defined. Furthermore, the significance of the study will be discussed followed by limitations of the study. This chapter ends with the organization of the study. Following that, the literature regarding to antecedents of functional (healthy) food purchase is reviewed in Chapter 2.