

# **CHAPTER I**

## **INTRODUCTION**

### **1.1. Background**

Corona Virus or Covid 19, is a deadly virus that attacks the respiratory tract, appeared in Wuhan, China at the end of 2019. This virus quickly spread to many nations, including Indonesia, and claimed many lives. The first positive case of Covid-19 in Indonesia was detected on March 2, 2020. Covid 19 was then officially declared a pandemic by the World Health Organization (WHO) on March 9, 2020. On April 9, 2020, this pandemic has spread to 34 provinces in Indonesia. where DKI Jakarta, West Java and Central Java are the provinces most exposed to Covid-19. The President of the Republic of Indonesia, Joko Widodo, then took the step by establishing a regulation on Large-Scale Social Restrictions through Government Regulation (PP) Number 21 of 2020 concerning Large-Scale Social Restrictions (PSBB) which took effect on April 1, 2020. However, there are restrictions on community activities, which have a negative impact on the Indonesian economy. In early June 2020, the World Bank projected that Indonesia's economic growth would be 0 percent in 2020. Therefore, the Ministry of Health issued a Decree of the Minister of Health Number HK.01.07/Menkes/382/2020 concerning Protocols for Public Health in Public Places and Facilities for Prevention and Control of COVID-19.

One of the protocols contained in the Decree of the Minister of Health is in the form of implementing Clean and Healthy Living Behavior (PHBS) which urges the public to consume healthy food and balanced nutrition to increase immunity in the body, do physical activity for at least 30 minutes regularly every day, get enough rest, and avoid disease risk factors. This is slowly starting to shape the community's healthy lifestyle because it will become an activity that is carried out continuously and regularly by paying attention to things that affect the health of the body, both from food and drink consumption, exercise, and also adequate rest. In addition to the push from Covid-19 to implement healthy lifestyle trends, the public is also aware of the dangers of using chemicals that have a negative impact on the health of the body and also the surrounding environment. As lifestyle changes that

prioritize health and the environment become more popular in Indonesia, so do the country's residents' eating habits. The community's healthy, ecologically friendly lifestyle is gradually taking shape as a result of these circumstances. Agricultural products must be safe for consumption, have a high nutritional value, and be ecologically friendly in order to support a healthy lifestyle, which has become institutionalized over the world. Organic food became a marketing trend in 2004 due to customer interest in organic foods (Ham, Pap, & Bilandzic, 2016). According to Zanolli and Naspetti (2002), consumers are most likely to purchase organic food for health reasons. People are also consuming more organic food for various reasons, including improving their sustainable food sourcing and diet (Baudry, Allès, Péneau, Touvier, Méjean, Hercberg, Galan, Lairon, and Kesse-Guyot, 2017).

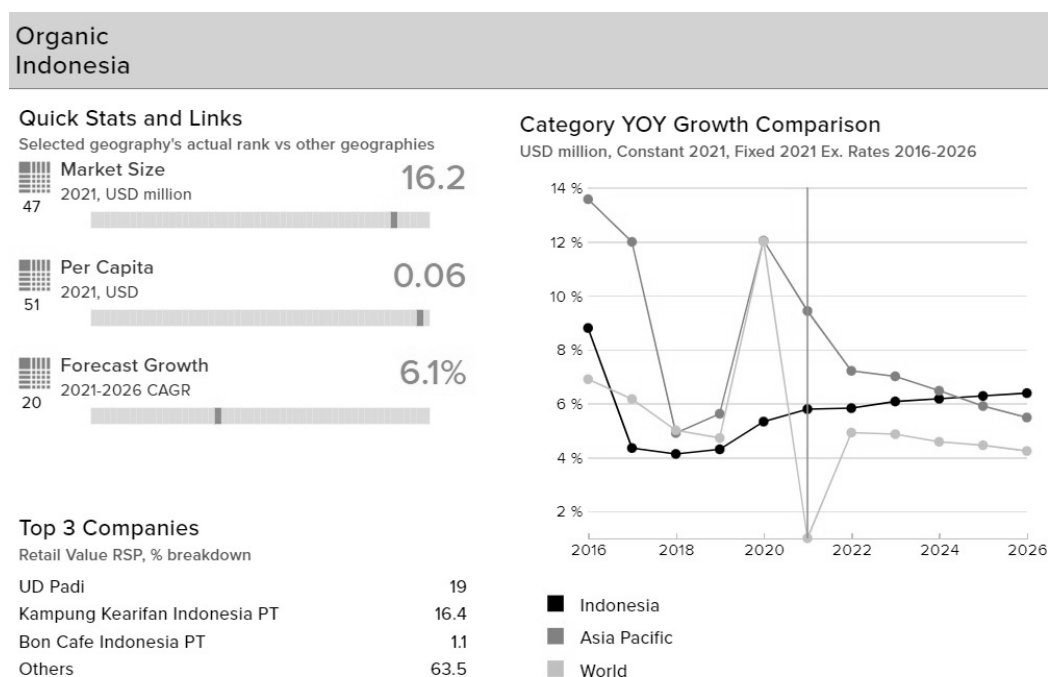


Figure 1.1 Organic Indonesia Statistics  
Source: Global Organic Trade

However, the market for organic products in Indonesia is very small. In 2017, Indonesia ranked 44th in the world organic product market, with a value of \$13.5 million USD. Indonesia ranks 48th in terms of expenditure per capita, with a huge population and a per capita expenditure on organic packaged food and beverages of 0.05 USD (Global Organic Trade Guide, 2017). Despite the fact that the

government has been running the "Go Organic" program through the Ministry of Agriculture since 2010, the organic product market in Indonesia only grew by about 9% in 2017. This was slower than growth in other Asia Pacific regions, which averaged roughly 13%. (Global Organic Trade Guide, 2017).

According to the FiBL (2022), which is based on information from the private sector, certifying agencies, and the government, Indonesia's organic agricultural land is ranked 56th out of 166 countries in the globe, with a total area of 75,793 hectares. Quoted from the Indonesian Organic Agriculture Statistics (SPOI) 2019, based on data updates carried out in March 2020, Indonesian agricultural land has increased every year which means there is increasing numbers of consumers consuming organic products.

### Organic Farming Area per Year

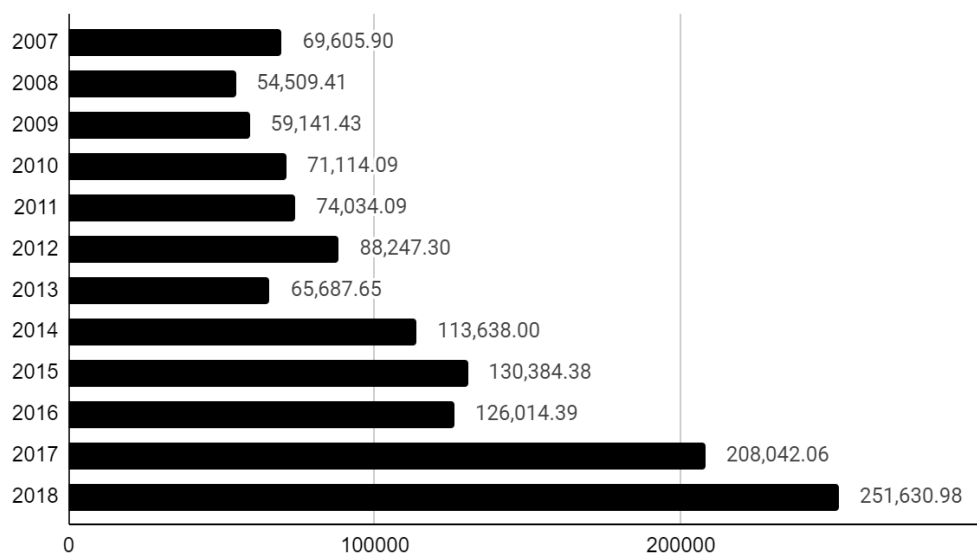


Figure 1.2 Organic Farming Area (Ha) Per Year (2007-2018)

Source: Kompilasi data SPOI 2007-2018 dan FiBL

Figure 1.1 shows that Indonesia experiences increases and decreases in the area of organic land every year due to many factors. From 2008 to 2010 there were accreditation of certification bodies, causing an increase in the number of certified lands. However, in 2011-2014 there were fluctuations in land area due to several wild harvested commodities being the prima donna and also some operators who did not renew their certification. The increase in the area of organic agricultural

land from 2016 to 2017 was around 39.4% and an increase of around 17.3% in the area of organic farmland in 2017 and 2018. The increase in the area of organic agricultural land in Indonesia is related to consumer factors who think that organic products have quality, which is better than the product in general. The Indonesian Ministry of Agriculture issued the Go Organic program in 2010 as a support for organic agriculture because it is considered more beneficial to health, the environment, and the development of environmentally friendly agribusiness. The increasing area of organic commodity land also shows that the Go Organic program has had a positive impact during its development. According to the FiBL (2022), which is based on information from the private sector, certifying agencies, and the government, in these ten years, Indonesia witnessed a 2.4% increase in organic land development, totaling 1,758 hectares. This means there are growing numbers of organic consumers.

One of the organic food products is organic rice which is often found and consumed by Indonesian people as a staple food. Organic rice is different from conventional rice, especially in terms of health. Organic rice is healthier and safer for consumption because there is no use of chemicals that are usually found in fertilizers, pesticides, and medicines. Organic rice cultivation uses rice seeds that are free from genetic engineering and fertilizers derived from animal manure and compost. Organic rice also does not use radiation technology to preserve its products. Therefore, organic rice goes through a natural process from the aspect of cultivation to processing (Thio, 2012).

Organic farming does offer great benefits but does not make farmers switch to organic farming because the production costs of organic products are relatively higher than conventional products (Sánchez, Grande, Gil, & Gracia, 2001). There are studies that show that the cost of producing organic products is greater than that of conventional products (Barkley, 2002). This is because the criteria and certification from official certification bodies must be met in producing organic products. Farmers also still find the certification process difficult for them as they are not used to changing their habits not to use synthetic substances. In addition, certification processes require considerable costs so that high production costs

make organic product prices expensive (Haghjou, Hayati, Pishbahar, Mohammad, & Dashti, 2013).

The following is a graph of the development of the area of organic rice production per year quoted from the Indonesian Organic Agriculture Statistics (SPOI) 2019.

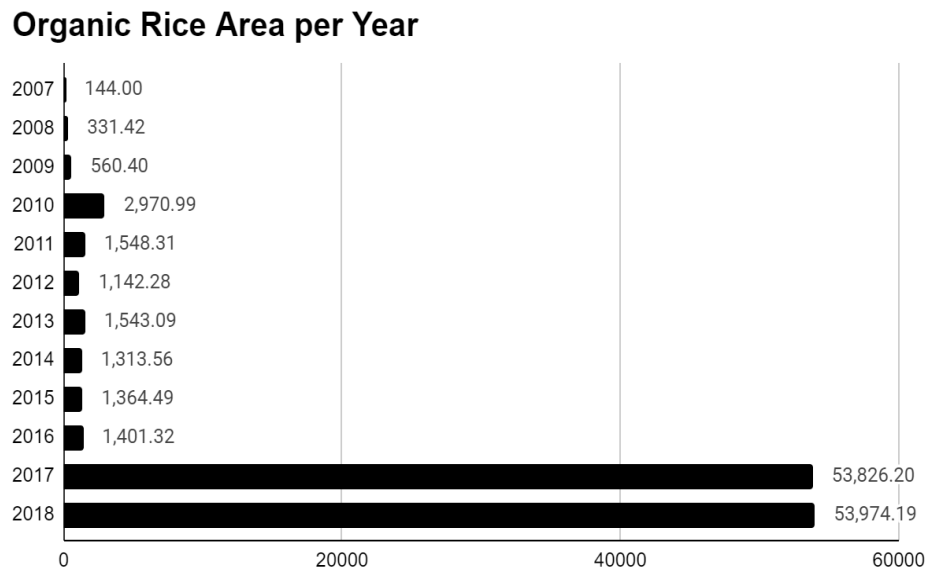


Figure 1.3 Organic Rice Area (Ha) Per Year (2007-2018)  
Source: Kompilasi data SPOI 2007-2018 dan FiBL

The second most popular organic product that consumers buy is organic rice (David and Ardiansyah, 2017). According to Purwasmita and Sutaryat (2014), consumers purchase organic rice out of concern for both the environment's sustainability and their own health. When there is an increase in the area of organic rice, the demand for organic rice rises in direct proportion to the conversion of organic land to organic rice commodities. In 2017 and 2018, the overall area of organic rice land increased significantly by about 53,000 hectares.

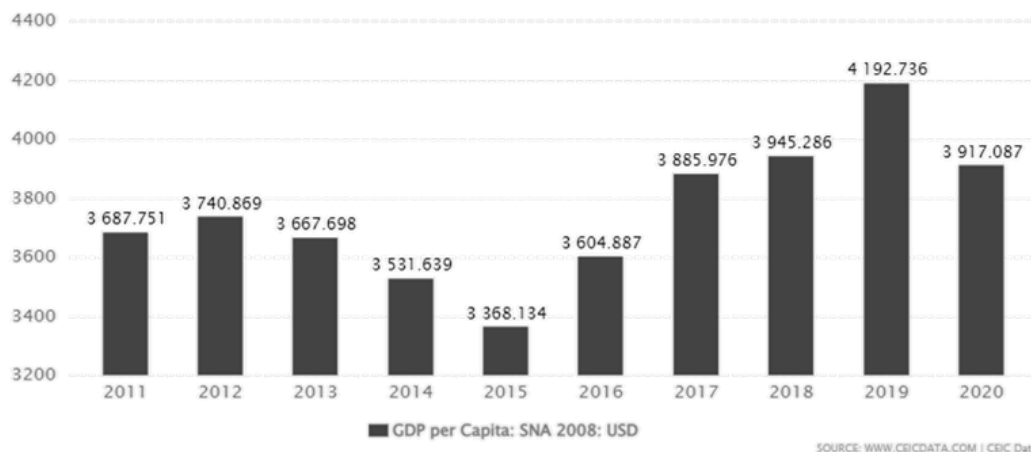


Figure 1.4 GDP Per Capita of Indonesia from 2011 to 2022  
Source: CEIC Data

Although Indonesia has a significant potential for organic products, both the land area and the market share are still quite limited. According to FiBL (2022), Indonesia had only 0.1% organic shares of total agricultural land in 2020 compared to Estonia 22.4%, Austria 26.5%, and Liechtenstein 41.6%. This is due to the complexity of the certification system that organic goods producers or farmers must undergo. As a result, the price of organic food is affected for all socioeconomic groups, particularly the lower middle class. Moreover, Indonesia is still a developing country where the Indonesians' economic status is still considered below middle class where it is shown on Figure 1.4. This will be a factor in consumers' decision to repurchase organic rice.

People who are concerned about their health as a whole are driven to maintain or improve their health and quality of life as well as prevent illness by establishing healthy behaviors and experiencing self-consciousness about their appearance (Gould, 1988; Plank and Gould, 1990; Kraft and Goodell, 1992; Newsom, McFarland, Kaplan, Huguet, & Zani, 2005). Health consciousness has been found to be a predictor of attitude, intention, and organic food buying (Magnusson, Avrola, Hursti Koivisto, Aberg, & Sjoden, 2003). In addition, because they appreciate natural foods and are more aware of how their diet affects their health, consumers of organic produce are more likely to make healthier eating decisions (Schifferstein and Oude Ophuis, 1998).

Suh, Eves, and Lumbers (2015) claim that rising environmental consciousness is increasing consumer demand in organic foods. The desire for consumption that places a high priority on health (Lee & Yun, 2015; Padel & Foster, 2005), the belief that organic food is of higher quality than non-organic food (Grunert, Bech-Larsen, & Bredahl, 2000), and the perception of fairness despite higher prices for this food all contribute to consumers' positive attitudes toward organic food (Sahota, 2014). As a result, the desire to consume healthily and the perception of value influence the decision to buy organic foods again.

Consumer behavior that indicates a willingness to repurchase in the future is referred to as repurchase intention. According to Hicks, Behe, Page, Dennis, and Fernandez (2005), repurchase intention is a behavior that occurs when consumers feel satisfied or happy after consuming a product or service. Repurchase intention, according to Anoraga in Kusuma & Suryani (2017), is a decision made by consumers after making a purchase. Repurchase is a product's post-purchase behavior. Consumers are satisfied with the items or services they use therefore they tend to repurchase them in the future. Building and nurturing good connections by consistently giving value and growing client happiness might result in repurchase intention (Hicks *et al.*, 2005).

In order to raise customer satisfaction, which is one of the keys to generating repurchase intentions (Savitri, 2018). Customer satisfaction is a highly significant factor to consider in business and might affect customers' decision to make purchases in the future. Kotler & Keller (2016) categorize satisfaction as a person's emotion of joy or disappointment brought on by comparing achievement to expectations. An emotional response linked to expectations for a product and prior experiences is satisfaction (Giese & Cote, 2000). According to Richard in Kusuma and Suryani (2017), consumers are content with the services offered during transactions, and for the goods/services they receive, they are likely to return and acquire further things, as well as refer the company and its products to their immediate area. Consumer satisfaction will almost likely create a sense of loyalty to a specific firm or product, therefore if consumers are satisfied, it will influence repurchase behavior.

Based on the background explanation above, researchers are interested in knowing consumer behavior in Pontianak by using consumer satisfaction as mediator on measuring health consciousness and perceived quality to find out whether there is significant impact on repurchase intention in organic products in the form of organic rice with the title *The Effect Of Health Consciousness And Perceived Value Toward Repurchase Intention On Organic Rice In Pontianak With Consumer Satisfaction as Mediating Variable*.

## **1.2. Problem Formulation**

In this study, the problem formulation consists of two components, namely the problem statement and the research purpose:

### **1.2.1. Problem Statement**

Based on the description of the background above, organic rice is very good for health and can have great potential in the market. However, public interest in Pontianak to consume organic rice is still relatively low, consumer growth is also very low and not stable. Due to this, the author is interested in learning how much consumer satisfaction, health awareness, and perceived value affect people's willingness to repurchase organic rice as a result.

### **1.2.2. Research Problem**

Based on the problem statement above, the problem of the research can be formulated in the form of questions as follows:

1. Does Health Consciousness have a significant impact on Repurchase Intention after consuming organic rice in Pontianak?
2. Does Health Consciousness have a significant impact on Consumer Satisfaction after consuming organic rice in Pontianak?
3. Does Perceived Value have a significant impact on Consumer Satisfaction after consuming organic rice in Pontianak?
4. Does Perceived Value have a significant impact on Repurchase Intention after consuming organic rice in Pontianak?
5. Does Consumer Satisfaction have a significant impact on Repurchase Intention after consuming organic rice in Pontianak?



- 6 Does Consumer Satisfaction mediate the relationship between Health Consciousness and Repurchase Intention after consuming organic rice in Pontianak?
- 7 Does Consumer Satisfaction mediate the relationship between Perceived Value and Repurchase Intention after consuming organic rice in Pontianak?

### **1.3. Research Objective**

From the problem research above, the objectives of the research are as follows:

1. To examine whether Health Consciousness has a significant impact on Repurchase Intention after consuming organic rice in Pontianak.
2. To examine whether Health Consciousness has a significant impact on Consumer Satisfaction after consuming organic rice in Pontianak.
3. To examine whether Perceived Value has a significant impact on Consumer Satisfaction after consuming organic rice in Pontianak.
4. To examine whether Perceived Value has a significant impact on Repurchase Intention after consuming organic rice in Pontianak.
5. To examine whether Consumer Satisfaction has a significant impact on Repurchase Intention after consuming organic rice in Pontianak.
6. To examine whether Consumer Satisfaction mediates the relationship between Health Consciousness and Repurchase Intention after consuming organic rice in Pontianak.
7. To examine whether Consumer Satisfaction mediates the relationship between Perceived Value and Repurchase Intention after consuming organic rice in Pontianak.

### **1.4. Research Contribution**

From the research objectives above, the research contribution can be divided into theoretical contribution and practical contribution:

#### **1.4.1. Theoretical Contribution**

Theoretically, the result of this research is expected to help students study literature. The result of this research also can be used by future researchers as a reference for further research that is related with consumer satisfaction, health consciousness, perceived value, and repurchase intention.

#### **1.4.2. Practical Contribution**

This research can be used as information as well as an evaluation for community and producers in Pontianak to achieve goals that are oriented to consumer satisfaction, health consciousness, perceived value, toward repurchase intention on organic rice. Besides that, this research can be used as a guidance for the marketer to know further about consumer satisfaction, health consciousness, perceived value, and repurchase intention.

#### **1.5. Research Contextual Overview**

The object of this research is consumers of rice with any brand in Pontianak. The research sample consisted of rice consumers who were aware of the importance of health and the environment and knew and understood the benefits of organic rice. This study uses descriptive quantitative methods where the activities in the study which started from data collection were taken from questionnaires.