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MASTER OF BUSINESS ADMINISTRATION

RECYCLE PLASTICS AS THE RAW MATERIALS MANUFACTURED FOR FERTILIZER BAGS.

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ABSTRACT

Previous research has rarely considered whether products made from recycled material are perceived to be less detrimental to the environment by some buyers than products made from virgin material only. It is possible that some buyers might be willing to purchase recycled raw materials in an attempt to improve environmental quality. This study compares the preferences of buyers toward virgin plastic raw materials with recycled plastics raw materials. In this study aimed to examine the organizations buyers' purchasing preferences between virgin and recycled materials. 60 respondents from 10 organizations participated in questionnaires.

However, the results of correlation tests indicated that Costs, Government Legislative and companies buyers' decision is not significant and has a moderate negative influence on their buying decision.

Furthermore, the findings confirmed that organization buying decision is strongly affected by the quality of the raw materials.

Keywords: Organization buying decision, Quality, Costs, Government Legislation, Virgin Plastics Raw Materials, Recycled Plastics Raw Materials

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CHAPTER ONE

INTRODUCTION

Across the globe, the issue of environmental protection and the conservation of natural resources is increasingly becoming very prominent and attracting greater attention both from statutory body and individuals. In some parts of the world it has even developed into a way of life. This trend will extend to every corner of the world where more and more government authorities are establishing regulations for this control. In fertilizer bags industry, on one hand, is to create the mankind wealth, however on the other hand, it can brings serious problems on the environmental pollution and resource waste (Environmental Resources Management for the Department of Trade and Industry, 2002).

Packaging has become a particular focus of green concern. There can be listed several important green packaging issues like resource consumption, low recycling rates, information and labeling, waste and litter. A survey by the US journal *Packaging* found that concern about waste is making recyclables as increasingly important package attribute in terms to its effect on buyers' purchase decisions (Peattie, 1995). Packaging waste has for a long time been one of the most focused problems also in environmental politics. (Hansen, Olsen, Moller & Rubach 2002) All these signs seem to lead to one direction that is to industry change in packaging and especially in fertilizer bags industry and this is required by both manufacturers and buyers.

Surveys indicate that although awareness and concerns for the environment have considerably increased (Corrado & Ross, 1990; Prothero, 1990; Pickett et al., 1993; Dembkowski & Hanmer-Lloyd, 1994; Shrum et al., 1995; Schultz et al., 1995;

Schlegelmilch et al., 1996; Roberts & Bacon, 1997) the relevant buying behavior is still very limited, either in USA (Roberts, 1996; Shrum et al., 1996; Wong et al., 1996) or in Europe (Peattie, 1995, p.154; Schlegelmilch et al., 1996). The situation in Malaysia is more or less similar.

The objective of using the recycled raw materials is to minimize pressure on the environment by lessen the pollution and waste, where businesses will flourish that rely on domestically discarded products as their feedstock's try to expand an infrastructure for a sustainable raw materials economy. By using the recycle raw materials, it can provide the buyers with more value at less environmental impact and some organizations are reduce their costs, fostering products and market innovation and also increasing their productivity dramatically. There have several ways for the companies to become better environmental saver for their goods there are designing for recycle, reuse and also can encourage reducing in use of toxic substance.

The above example can only be successful through the combined efforts of authorities and buyers. For this reason the adoption of "Green Consumerism" has become an obvious factor in the success of environmental programs, increasing the usage of recyclable by the supporting of manufacturers helping in the environment and economy. The manufacturers can spend millions of dollars in establishing recycling processes but end up with buyers rejecting goods made from recycled materials. Therefore it is importance to know whether the buyer will accept recycled raw materials before the introducing recycled products to the markets. It is for these reasons that this paper will examine whether the move towards green consumerism will influence organizational buyers to buy recycle plastics as the raw materials manufactured for fertilizer bags.

In view of the above, the factors that influence organizational buyers become the focal point that the program will need to address before proceeding to the next

stage. Hence it is what this paper will deal with. The research and survey will collect information and provide analysis to determine if embarking on this line is worthy cause. In order to achieve this research study, the researcher has chosen to examine a leading Malaysia Plastics Fertilizer Bags companies to embark on this line of business hence this research may as a good in using the term of market, recycling process, technology, R&D, and etc. Hence this research may search as a good reference for the decision making process.

1.1 RESEARCH BACKGROUND

Fertilizer bags Industries is planning to produce and promote heavy-duty plastics bags that are made from recycled plastics raw materials. This strategic move stems from the recent development that plastics waste has become an environmental issue. However, this effort will require organizational buyers to accept purchasing product that is made from recycled raw materials. Therefore this research will determine if the buyers of companies are willing to change their buying behavior in relation to products made from virgin plastic materials or recycled plastics materials.

This research measures the preference of organizations' buyers toward virgin plastic materials and recycled plastic materials, which are both being used to plan to produce (recycle) in Fertilizer Bag Industry is keen to increase its sales of recycled products for 3 reasons: 1. Environment factors. 2. To increase the profit margin (recycled products provide higher margins). 3. To increase the production capacity in recycle packaging materials and therefore reduce manufacturing downtime. Basically, the purchasing portfolio of an organization may differ from others based on the buyers' objectives, purchasing policies and resources. Beside that, the processing method may also affect the buyer's preference, security and attitude in long term.

However, in this research, the researcher is trying to find out whether the different price (costs), quality and government legislative will affect the buying decision of the buyer or the organization as a whole. Therefore, the researcher is interested in determining the preference of buyer toward these two types of fertilizer bags. Specifically, which do organizational buyers prefer from Malaysia businesses: Fertilizer bags made of virgin raw material or recycle raw materials.

Beyond any doubt, markets in packaging industries especially fertilizer bags in general have grown more competitive. Industrial companies have begun to take a great interest in what market research is able to do for them, and in many cases they have even discovered for the first time that cases can in fact, give them highly relevant and pragmatic help. The benefits of doing this research among others include providing marketers with information that can be of great advantage in market strategy formulation. This information can form an excellent platform in decision-making and the basic to develop a suitable strategy for market penetration and product growth. Ultimately, it will assist to meets their objectives and enhance their brand quality.

1.2 STATEMENT OF PROBLEM

The fertilizer bags industry is very dynamic and has undergone a great deal of convert and replaces the virgin plastics raw materials because the universe in which it works is changing. Laws and regulations, quality of products, and cost effective have accelerated in the last 10 years. With those pressures in the fertilizer bags industry starting to take effect, it is important to examine how the influence of quality, costs and government legislative is like to change the companies' buyer's buying decision in the future. Because the fertilizer bags industry is essentially a business-to-business activity, manufacturers may not be aware of the particularly point of view from the buyers. Also, because the industry in an enormous system

involving everything from raw materials to waste disposal, each level may experience a relatively narrow view of the future. (Coates 2003)

The fertilizer bags industry has already noticed the advances in systems and technologies are creating a new opportunities and it may be possible to divert the majority of plastic waste from landfills to recycling with the combined actions of the industry, government and the buyers. The environmental pollution problem is generating by the level of the usage in used the virgin plastics raw materials and it is now important to research what the buyers think about the used of recycled plastics raw materials and were the costs and quality of the raw materials will be the requirements for use recycled plastics as the raw materials in the future. On the other hand, the governments regulations is an increasingly rate and were the companies take into consideration when acting on the regulations. As now there already has come lot of regulations of packaging and recycling that will support the sustainable development recycled plastics raw materials.

However, developing a green marketing strategy is not easy. So, the researcher has to survey and determine from collected result whether this recycled plastics raw materials program can be successful or failure. Primarily, those buyers from organizations accept the raw materials made from the recycle plastics mean success.

1.3 RESEARCH QUESTION

The following are the research problems of the present study:

In context, the discussion of the drawbacks and benefits of recycled plastics raw materials, the term of the environmental impact and economic have been generally framed. Even recycled events are frequently make loss or run at breakeven but Ackerman is argues that the societal effects and environment issues are still

positive (Ackerman, 1997; Denison & Ruston, 1997; Kharbanda & Stallworthy, 1990) with other exceptions argument (Bloemhof-Ruwaard, Van Wassenhove, Gabel, & Weaver, 1996).

Hopes to convert or replace the virgin plastics raw materials have also been hurt by the perception that such products are lower quality or costs production of the recycle plastics raw materials is higher than the virgin plastics raw materials. In a 2002 Roper survey, 41% of buyers said they did not buy green products because they worried about the diminished quality of the products. Companies will convert and replace the virgin plastics materials while the manufacturing costs are lower and while the profitability of the recycling programs could be marginal, (Kharbanda & Stallworthy, 1990).

Government legislative could be forced onto buyer because characteristics of the products is attempted to improve environmental quality. Moreover, for this research the influence of quality, costs and government legislation towards recycled plastics raw materials are look beyond and purpose is to determine the were these factors influence the companies buyers' decision towards the recycled plastics raw materials.