

# ACHIEVING HALAL BRAND EQUITY USING SOCIAL EXCHANGE THEORY TO COMPETE IN THE HALAL FOOD INDUSTRY

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## ABSTRACT

*The development of the halal market potential makes many companies want to enter and win the competition. Limited research on brand equity in halal products makes it challenging to determine strategies to achieve it. Halal brand equity is essential to gain a competitive advantage and significant margin opportunity. SEM path analysis tests hypotheses related to variables that affect Halal Brand Equity. This study involved 243 respondents. The test results show that Halal Brand Image affects Halal Brand Satisfaction and Halal Brand Trust. However, Halal Brand Satisfaction does not affect Halal Brand Equity. It also fails to mediate the effect of Halal Brand Image on Halal Brand Equity. The novelty of this research is that Halal Brand Loyalty successfully mediates the effect of Halal Brand Trust on Halal Brand Equity. So that to achieve Halal Brand Equity, companies should focus on Halal Brand Image, Halal Brand Trust, and Halal Brand Loyalty.*

**KEYWORDS:** Halal Brand Equity, Halal Brand Image, Halal Brand Loyalty, Halal Brand Satisfaction, Halal Brand Trust, Halal Food.



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### **Introduction**

The Muslim population will reach 26.4% of the world population in 2030 (Pew Research Center, 2011). More than a quarter of the world population is Muslim. Hackett, et al. (2017) stated that it would become the largest in 2070. In addition, consuming halal products is a lifestyle that develops over time for Muslims and nonmuslim. It is because halal products are manufactured according to Islamic standards or laws (Gabriella & Kurniawati, 2021). Recently, many companies put much attention on Islamic branding due to the rapid increase in the Muslim population and the massive potential of the halal consumer market (Khan et al., 2021). The global halal food market showed significant growth. In 2009, it contributed 632 billion USD in sales, equal to 16% of the global food industry (Power and Abdullah, 2009). It is predicted to exceed 2 trillion USD in 2024 (Dubai Islamic Economy Development Centre, 2021). Many international companies have paid attention to this profitable opportunity, such as Nestle, Unilever, KFC, McDonald's, and Colgate-Palmolive (Izberk-Bilgin & Nakata, 2016). They have introduced halal products under Islamic sharia principles.

Indonesia had the largest Muslim population in the world in 2021, and it was projected to be the second largest Muslim population in 2030 after Pakistan, with 238,883,000 Muslims (Pew Research Center, 2011). Indonesia ranked fourth place in the Global Islamic Economy Indicator Score (DinarStandard, 2020). In terms of halal food, Indonesia ranked 4th after Malaysia, Singapore, and the Uni Arab Emirates. It rose to the eighth position due to the significant increase in halal food export to the Organisation of Islamic Cooperation member states.

Many companies and researchers have started focusing on the halal product. Brand equity is a capital of a company to increase its value. Achieving brand equity results in better competitive advantages and more significant margin opportunities (Khan et al., 2021). Especially in facing a competitive environment that Muslims dominate. Thus it is vital to identify the factors affecting brand equity in halal food products, such as brand image, brand trust, brand satisfaction, and brand loyalty. The previous research by Khan, et al. (2021) found no considerable effect of Halal Brand Trust on Halal Brand Equity. On the other hand, Nguyen Viet and Nguyen Anh (2021) found a positive effect of Brand trust on Brand Equity. This study's novelty is to analyze further the effect of Halal Brand Trust on Halal Brand Equity using Halal Brand Loyalty as a mediator.

According to Social Exchange Theory (SET), human relationships are based on an economic relationship where each party compares the sacrifice and benefit they get (Xia et al., 2021). Halal customers consider the brand they bought. Conversely, halal food companies need to identify factors that affect brand equity. Thus, this study uses SET as a fundamental theory to understand factors affecting halal brand equity.

Brand Equity is a set of an asset such as brand awareness, brand loyalty, and perceived quality that can add or subtract the value of a brand (Aaker, 1991; Khan et al., 2021). Regarding halal context, Yulianto et al. (2021) stated that it is a single criterion used by the customer by eliminating their brand list that may not comply with halal commitment.

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Brand Image is what customer's perception of a particular brand (Keller and Kotler, 2016). A customer has a better perception of satisfaction with a product with a positive brand image (Tu et al., 2012). Diputra, (2021) agrees with (Khan et al., 2021) that brand image has a positive effect on brand satisfaction.

Brand satisfaction is defined as the degree of happiness of customers because a particular brand can fulfill their needs and expectation (Ali et al., 2018). Satisfaction is a strong predictor of brand equity in the banking industry (Iglesias et al., 2019). Khan et al. (2021) agree with Basheer et al. (2017) that brand satisfaction has a positive effect on brand equity. Khan et al. (2021) also found that brand image has an effect on brand loyalty through brand satisfaction.

Brand trust is defined as the belief of a customer that a particular brand has the ability, goodness, and trustworthiness (Ali et al., 2018). In the context of halal, it means the customer's trust in a particular brand that can carry halal commitment. Khan et al. (2021) agree with (Abdullah, 2015) that brand image has a positive effect on brand trust.

Brand loyalty is defined as customer loyalty to a particular brand because of its value, even though many competitors offer the same features at a lower price (Ali et al., 2018). If a brand wants to obtain loyalty, first, it has to obtain the trust of the customer (Abdullah, 2015). Brand loyalty has a positive effect on brand equity (Hossien Emari, 2012). There is also a positive effect of brand trust on brand equity. Kim et al. (2021) found that brand trust has a positive effect on brand loyalty. In addition, brand loyalty is one of the dimensions of brand equity (Aaker, 1991). Those theories mentioned above are proven in traditional business. Thus in terms of halal context, this study proposes :

*H1. Halal Brand Image has a positive effect on Halal Brand Satisfaction;*

*H2. Halal Brand Satisfaction has a positive effect on Halal Brand Equity;*

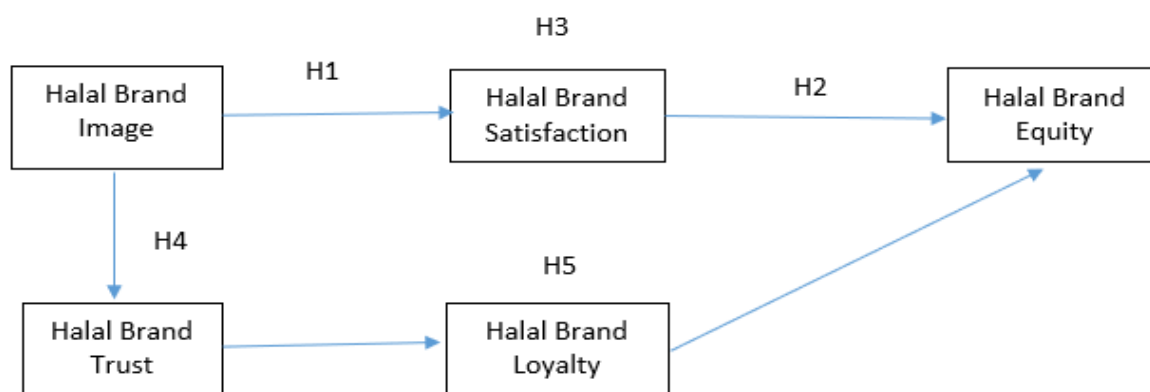
*H3. Halal Brand Image has an effect on Halal Brand Equity through Halal Brand Satisfaction;*

*H4. Halal Brand Image has a positive effect on Halal Brand Trust;*

*H5. Halal Brand Trust has an effect on Halal Brand Equity through Halal Brand Loyalty.*

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Figure 1 Conceptual Framework



## Method

The research design used in this study is causal research which examines a variable's causal relationship with another variable (Sekaran, U., & Bougie, 2016). This study used primary data, which used an online questionnaire on a 5-point Likert scale. This scale measures respondent perception and consists of 1-strongly disagree to 5-strongly agree. Design sampling used in this study is nonprobability sampling, where the respondent does not have an opportunity to be chosen as a sample subject. Purposive technique sampling is used in this study. Thus this study targeted the respondent who had the information needed by the researcher (Sekaran, U., & Bougie, 2016). The criteria set in this study are the customer of halal food brands, namely those who have repurchased the brand. According to (Hair et al., 2018), the sample size required is a minimum of 5 to 10 times the number of indicators. This study used 16 indicators, so the sample size that can be used is a minimum of 80 samples. This study involved 243 respondents. A confirmatory factor analysis (CFA) is used to test the validity using a 0.40 cutoff based on Hair et al., (2018). A Cronbach's Alpha is used to measure the reliability by using a 0.60 cutoff based on Ghozali (2007) in Kusumawati and Rahayu (2020). A goodness of fit test should be done to examine the fitness of the research model, according to Hair et al., (2018). By using AMOS, SEM path analysis is used to examine the hypothesis. Sobel Test helps this study to test the mediation (MacKinnon et al., 1995).

## Result

This study involved 243 respondents. Most of respondent are male (56.6%), age ranging from 25-29 years old (39.1%). Majority of respondent are from Bachelor degree (47.3%). Most of the respondent are government workers with income per month of 5.000.000 – 10.000.000 IDR. Muslim contributes the largest respondent in this study (97.1%). Most of respondent has been using halal food brands for more than 5 years (93.4%). The detail of respondent's profile can be seen in Table 1.

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**Table 1 Respondent's Profile (n = 243)**

	Category	Frequency	Per cent (%)
<b>Gender</b>	Male	135	56,6
	Female	108	44,4
<b>Age</b>	18-24 years	60	24,7
	25-29 years	95	39,1
	30-34 years	34	14,0
	35-40 years	37	15,2
	> 40 years	17	7
<b>Education</b>	Junior High School	3	1,2
	Senior High School	37	15,2
	Diploma	74	30,5
	Bachelor	115	47,3
	Master	14	5,8
<b>Occupation</b>	Student	35	14,4
	Government worker	128	52,7
	Private worker	46	18,9
	Entrepreneur	16	6,6
	Others	18	7,4
<b>Income per month</b>	< 2.000.000,- IDR	52	21,4
	2.000.000 – Rp. 5.000.000 IDR	43	17,7
	5.000.000 – Rp. 10.000.000 IDR	78	32,1
	> 10.000.000 IDR	70	28,8
<b>Religion</b>	Islam	236	97,1
	Catholic	2	0,8
	Protestant	4	1,6
	Confucianism	1	0,4
<b>How long been using halal food brands ...</b>	< 1 year	1	0,4
	1-2 year	8	3,3
	3-5 year	7	2,9
	> 5 year	227	93,4

The validity test uses factor loading. Hair et al., (2018) recommended factor loading value cut-off for 200 samples is 0.40. The test resulted in factor loading of all indicators above  $\geq 0.40$ ; thus, all indicators are considered valid. The reliability test used in this study compares Cronbach's Alpha to the recommended cut-off value based on Ghozali (2007) in Kusumawati and Rahayu (2020) in the value of 0.60. All variables have Cronbach's Alpha  $\geq 0.60$  and thus are considered reliable. The further details of the validity and reliability test can be seen in Table 2.

**Table 2 Validity and Reliability Test Result**

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Variable	Indicator	Factor Loading	Cronbach's Alpha	Source
Halal Brand Image	The halal food brand that I used ...	0.803	0.833	Khan et al. (2021)
	is the best benchmark than others that have the halal commitment	0.836		
	has a good reputation among other halal food brands	0.839		
	answers all my halal concerns	0.790		
Halal Brand Satisfaction	I'm happy to take decision to choose my halal food brand due to its halal commitment	0.847	0.833	Khan et al. (2021)
	I believe that my halal food brand is right to be purchased due to its halal assurance	0.891		
	Overall, I feel satisfied with my halal food brand because of my halal consideration	0.859		
Halal Brand Trust	Regarding the halal food brand that I used ...		0.852	Khan et al. (2021)
	I trust it	0.838		
	I rely on it	0.789		
	It is an honest brand	0.881		
Halal Brand Loyalty	It is safe to be used	0.817	0.798	Hossien Emari (2012)
	I'm loyal only to halal food brand I purchased	0.915		
	The halal food brand I used will be my first choice	0.915		
<i>Halal brand equity</i>	It makes sense to use this halal food brand than any other else due to its halal commitment even they are the same	0.788	0.838	Khan et al. (2021)
	Even if other halal food brands have the same halal features as this brand, I would prefer to buy this brand	0.914		
	If there is another halal food brand that has the same good performance, I would prefer to buy this brand	0.900		

A Goodness Fit Test should be done before proceeding into hypothesis testing. A model is considered fit if it has at least one good fit (Hair et al., 2018). The test resulted in 4 Good Fits. Thus, this model is considered fit.

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**Table 3 Goodness of Fit Test Result**

Types of Measurement	Measurement	Value	Acceptance Limit	Conclusion
<b>Absolute fit indices</b>	RMSEA	0,106	≤ 0,08	Poor Fit
	ECVI	1,821	Closer to saturated value than independence	Good Fit
<b>Incremental fit indices</b>	RMR	0,039	≤ 0,05	Good Fit
	IFI	0,893	≥ 0,90 or closer to 1	Marginal Fit
	NFI	0,859	≥ 0,90 or closer to 1	Marginal Fit
	TLI	0,869	≥ 0,90 or closer to 1	Marginal Fit
	CFI	0,892	≥ 0,90 or closer to 1	Marginal Fit
	RFI	0,829	≥ 0,90 or closer to 1	Marginal Fit
<b>Parsimonious fit indices</b>	CMIN/DF	3,704	Lower limit 1, upper limit 5	Good Fit
	AIC	440,741	Closer to saturated value than independence	Good Fit

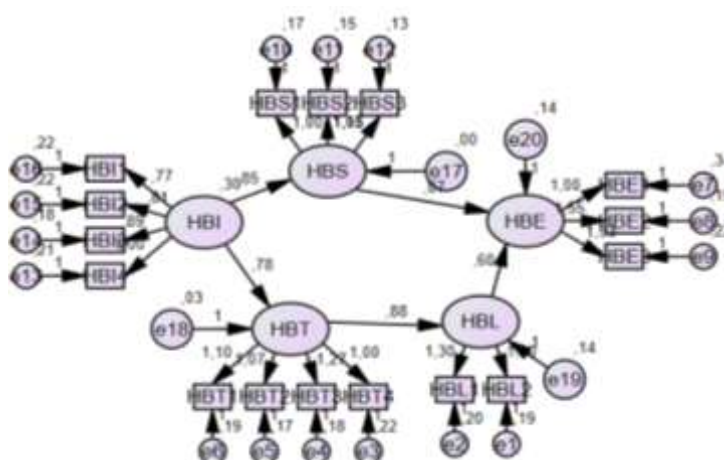
**Table 4 Direct Hypothesis Test Result**

Hypotheses	Estimate	p-value	Conclusion
H1. Halal Brand Image X Halal Brand Satisfaction	0,850	0,000	Supported
H2. Halal Brand Satisfaction X Halal Brand Equity	0,071	0,244	Not supported
H4. Halal Brand Image X Halal Brand Trust	0,781	0,000	Supported

**Table 5 Mediation Hypothesis Test Result**

Hypotheses	Test Statistic	p-value	Conclusion
H3. Halal Brand Image X Halal Brand Satisfaction → Halal Brand Equity	0,603	0,545	Not supported
H5. Halal Brand Trust X Halal Brand Loyalty X Halal Brand Equity	4,769	0,000	Supported

**Figure 2 Output of Structural Equation Modelling (SEM)**



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### **Discussion**

The SEM resulted in H1 p-value of  $0,000 \leq 0,05$  and an estimate value of 0.850; thus, Halal Brand Image has a positive effect on Halal Brand Satisfaction. It supports the findings of Khan et al. (2021) and Dam and Dam (2021). This shows that a brand with a better image will result in better customer satisfaction. H2 resulted in a p-value of  $0.244 > 0.05$ ; thus, there is no considerable effect of Halal Brand Satisfaction on Halal Brand Equity. It contradicts the finding of Khan et al. (2021) but supports the finding of Šerić and Gil-Saura (2019). H4 resulted in a p-value of  $0,000 \leq 0,05$  and estimate value of 0.781; thus, Halal Brand Image has a positive effect on Halal Brand Trust. It supports the finding of (Khan et al., 2021) and Hadinata (2020). Trust is the degree of customers toward a particular brand. It also convinces customers to purchase halal food brands. Based on the Sobel test result, H3 has a p-value of  $0.545 > 0,05$ ; thus, Halal Brand Satisfaction fails to mediate the effect of Halal Brand Image on Halal Brand Equity. This contradicts the finding of Khan et al. (2021). The last hypothesis resulted in a p-value of  $0,000 \leq 0,05$ ; thus, Halal Brand Loyalty successfully mediates the effect of Halal Brand Trust on Halal Brand Equity. The last hypothesis is the novelty of this study.

### **Conclusion**

This study involved 243 respondents of halal food brand customers. It proposed five hypotheses. The finding showed that halal brand image has a positive effect on Halal Brand Satisfaction. Halal Brand Satisfaction is also proved positively affect Halal Brand Trust. The study found no considerable effect of Halal Brand Satisfaction on Halal brand Equity. Halal Brand Satisfaction also fails to mediate the effect of Halal Brand Image on Halal Brand Equity. The novelty of this study is that Halal Brand Loyalty successfully mediates the effect of Halal Brand Trust on Halal Brand Equity. Based on this study, the right marketing strategy for achieving Halal Brand Equity is to focus on Halal Brand Image, Halal Brand Trust, and Halal Brand Loyalty instead of Halal Brand Satisfaction. This study only examines halal food brands in general. Thus, future research may compare certain halal food brands. This halal concept can also be used in other industries such as halal tourism, halal cosmetics, halal drinks, halal banking, etc.). Heterogeneity is essential to understanding consumer behavior. Most of the respondents of this study are Muslim. Many previous research findings also showed that nonmuslims accept halal food brands due to their better quality (Arifin et al., 2021), better cleanliness (Madinah et al., 2020), better health and hygiene (Mathew et al., 2014), and better animal welfare treatment (Haque et al., 2015). Thus, conducting a study with larger nonmuslim respondents would be more interesting. In addition, a respondent with low halal literacy tends to ignore the written information about the product. Thus, future research may add Halal Brand Literacy. This variable affects customers' thinking style when purchasing a halal product. This study is cross-sectional, thus longitudinal research may be used to understand better the dynamic changes in consumer behavior regarding halal product consumption over time.



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