



**THE INFLUENCE OF COUNTRY OF ORIGIN AND
MARKETING MIX ON OVERALL HALAL BRAND
EQUITY**

BY

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**A thesis submitted in fulfilment of the requirement for the
degree of Master of Art (Halal Industry Management)**

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ABSTRACT

The main objective of this study is to examine and identify factors affecting overall halal brand equity through the marketing lens. This study investigates factors such as Country of origin, Marketing mix and Market turbulence with brand equity dimensions which are halal brand association, brand awareness, brand loyalty, perceived quality and overall halal brand equity which is not given much research attention. In particular, the goal of this study is to determine how brand building effort affecting halal brand equity dimensions and how it affect or develop the overall halal brand equity. This is a quantitative study where a survey methodology is employed to collect the data. Individual consumers, were chosen as the sample for this study. The systematic sampling was used with an intercept procedure in selecting respondents from the respective individual who shop at four hyper markets in Klang Valley. Twenty four main hypotheses were proposed to influence overall halal brand equity, but only twelve hypotheses were supported. Structured questionnaires comprising 75 items were used to measure variables such as overall halal brand equity, country of origin, marketing mix and market turbulence which were adopted for this study. The findings revealed that significant influence exist among variables such as marketing mix, brand awareness, brand loyalty and perceived quality, brand awareness and overall brand equity, brand loyalty and overall brand equity. The findings also revealed that brand awareness, brand loyalty fully mediates and partially mediates respectively the relationship between country of origin and overall brand equity. Brand awareness and brand loyalty fully mediates the relationship between marketing mix and overall brand equity and perceived quality only mediates partially the relationship between marketing mix and overall brand equity. Market turbulence moderates the relationship between brand awareness, brand loyalty and overall halal brand equity. Finally, this study enhance the theories and model introduced such as tawhidic paradigm, customer based brand equity, brand equity creation process model and contingency theory putting together.

خلاصة البحث

إنّ الهدف الرئيسي من هذه الدراسة هو فحص وتحديد العوامل التي تؤثر على القيمة العامة لأسهم علامة الحلال التجارية من خلال المنظور التسويقي. تبحث هذه الدراسة في عوامل مثل بلد المنشأ ومزيج التسويق و الاضطراب السوقي مع قيمة الأسهم للعلامة التجارية والتي هي اتحاد علامة حلال التجارية ، الوعي بالعلامة التجارية، الولاء للعلامة التجارية، والجودة المدركة وكذلك القيمة الشاملة لأسهم علامة الحلال التجارية، والتي لا تعطى الكثير من الاهتمام البحثي. وعلى وجه الخصوص، فالهدف من هذه الدراسة هو تحديد كيف أنّ جهود بناء العلامة التجارية يؤثر على قيمة الأسهم وكذلك يؤثر على إجمالي قيمة أسهم علامة الحلال. هذه دراسة كمية حيث تمّ استخدام منهجية الاستقصاء لجمع البيانات وتم اختيار المستهلكين الأفراد كعينة لهذه الدراسة. واستُخدم جمع العينات التصنيفي مع إجراء حصر في اختيار المستجيبين من الأفراد المعنيين الذين يتسوقون في أربعة مجتمعات تجارية كبيرة في وادي كلانج. واقترحت أربع وعشرون فرضية رئيسية للتأثير على القيمة السهمية لعلامة الحلال، ولكن تمّ دعم اثنتي عشرة فرضية فقط. واستُخدمت استبيانات هيكلية مكونة من ٧٥ بنداً لقياس المتغيرات مثل أسهم علامة الحلال، وبلد المنشأ، ومزيج التسويق، واضطراب السوق والتي اعتمدت لهذه الدراسة. وكشفت النتائج عن وجود تأثير كبير بين المتغيرات مثل مزيج التسويق والوعي والولاء للعلامة التجارية والجودة المدركة والوعي بالعلامة التجارية والقيمة السهمية ، والولاء للعلامة التجارية والقيمة السهمية العامة للعلامة التجارية. كما كشفت النتائج أيضاً أن الوعي توسط بشكل كامل بينما الولاء للعلامة التجارية توسط جزئياً في العلاقة بين بلد المنشأ والقيمة السهمية للعلامة التجارية. توسط كلٌ من الوعي والولاء للعلامة التجارية تماماً للعلاقة بين مزيج التسويق والقيمة السهمية بينما توسطت الجودة يتوسط جزئياً العلاقة بين مزيج التسويق والقيمة السهمية. يتوسط الاضطراب في السوق العلاقة بين الوعي والولاء للعلامة التجارية، والقيمة السهمية الإجمالية لعلامة الحلال التجارية. وأخيراً، فإن هذه الدراسة تعزز النظريات والنماذج التي تم طرحها مثل النموذج التوحيدى، والقيمة السهمية القائمة على العميل، ونموذج تعيين الأسهم ونظرية الاحتمال.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Art (Halal Industry Management).

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DECLARATION

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LIST OF ABBREVIATIONS

AS	Advertising Spending
BA	Brand Awareness
BL	Brand Loyalty
COO	Country of origin
GC	God Conciousness
CSR	Corporate social responsibility
DI	Distribution Intensity
GHSC	Guide Book, 2013. One Touch Point
GNP	Gross National Product
HASO	Halal Brand Association
HBE	Overall Halal Brand Equity
HDC	Halal Development council
IMP3	<i>Third Industry Malaysia Plan,</i>
JAKIM	Jabatan Kemajuan Islam Malaysia
MITI	Ministry of International Trade and Industry
MMIX	Marketing Mix
MNC	Multi National Corporation
MSI	Marketing Science Institute
MT	Market Turbulence
PD	Price Deal
PR	Price
SME	Small and Medium Entrepriise
SC	Syariah Compliant

SI	Store Image
PQ	Perceived Quality

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The global Muslim population is expected to grow at the rate of 35 % in the next 20 years where an increase of 1.6 billion in 2010 to 2.2 billion in 2030 or an increase of 26.4% of the total estimated of 8.3 billion Muslim populations in the world. By 2050 it is estimated that total Muslim population is 2.6 billion and represent almost 30% of estimated total world population (Fleishman-Hillard Council, 2012) as indicated in Figure 1.1.

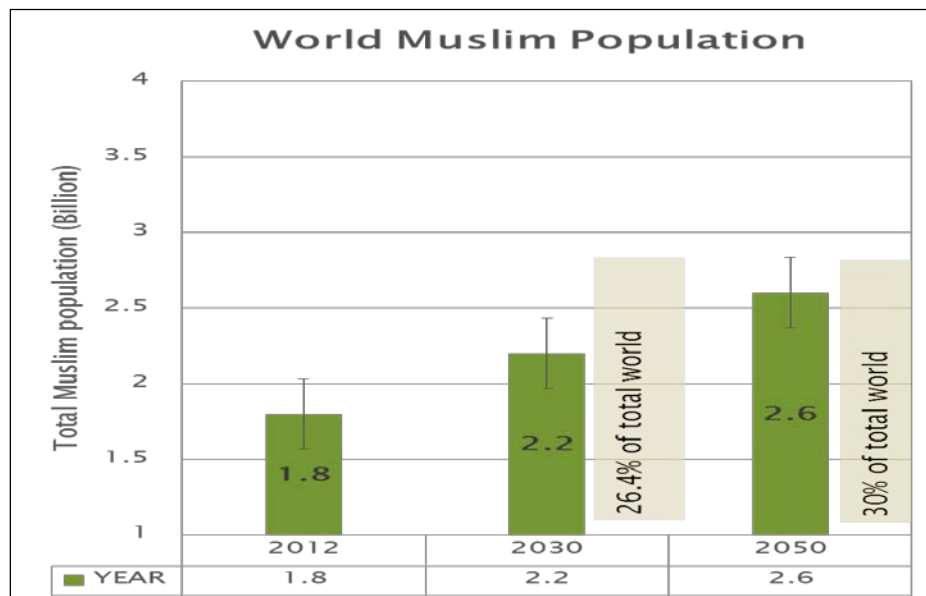


Figure 1.1 The projected Muslim world population, 2012-2050

Source: Fleishman-Hillard Council, 2012

Table 1.1 World halal industry potential (2009)

Halal Industry Potential	Notes
The annual global market value of halal trade	RM8.4 trillion
The annual global market value of halal food trade	RM190 billion

Source: From www.islamicpopulation.com

Over the next decade the Muslim population is expected to increase at about twice the rate of non-Muslim residents worldwide (Pew, 2011) and will contribute potentially an annual market value of RM8.4 trillion for overall halal trade and RM190 billion value for halal food trade globally to the world halal industry as depicted in Table 1.2. Islam as religion that always involved in global trade with halal concept has been around since its birth (Temporal, 2011) and using halal and toyyiban good is always compulsory for Muslims (Wilson, 2010).

Islam has outlined the rules and regulations for food preparation as stipulated in the Qur'an and the Hadith in compliance to the Islamic principles (Samori, Z., Ishak, A.H., Nurul, & Kassan. H., 2014). Halal products are not subject to food products alone, but also consumer product, hospitality, tourism, phamaseutical, cosmetic, and so as the banking sectors, financial and others (Maulan, 2014).

Table 1.2 Potential value of halal market according to category (2009)

Category	Potential Value of Halal Market (Based on 5% global market)
Logistic	RM0.52 billion
Agriculture	RM126.42 billion
Islamic Finance	RM76.16 billion
Cosmetick and personal care products	RM356.00 billion
Phamaseutical	RM91.39 billion
Tourism industy	RM0.4 billion
TOTAL	RM835.00 billion

Source: Adapted from Cass Logistics Annual State Logistics Report, Piper Jaffrayresearch, Statistik FAO2007, Gulf Daily News 2007, Moody's Investors Services, Halal Journal 2009, Frost & Sullivan 2006 and S.Smith

The halal market potential shows a high value in sectors such as RM0.52 billion in logistics, RM126.42 billion in agriculture, RM76.16 billion in Islamic financing, RM356 billion in cosmetics and personal care, RM91.39 billion in pharmaceuticals and RM0.4 billion in tourism industry as depicted in Table 1.3.

Halal market opportunities has attracted many strong regional business competitors from either Muslim countries as well as non-Muslim countries, for example, China, Japan and other ASEAN countries have strengthen and equip themselves as global halal market competitors (HIDC, 2012). The halal market opportunities is endless, since halal concept covers the entire value chain of commercial activities and grew rapidly as new world markets that less pioneered or explored by either Muslim or non-Muslim (Temporal, 2012; Halal Industry Development Corporation, 2012). It cannot be denied that the global halal industry is currently faced with strong competition not only industries within (between Islamic business organization) but also strong competition among industries (between the Islamic system and conventional system) (Maulan, 2014).

With the increase importance of halal products awareness, it demands halal products to obtain halal accreditation especially for Muslim consumers outside the country. Some businesses use halal recognition as a marketing tool to attract consumers (Dahlal, M., 2015) and as a result, the term halal products and halal recognition give high commercial value which is so important beyond the boundaries of race, religion and international (Jusoh, & Halim, 2007).

Study by Pasim (2010) and Malaysian Ministry of Science and Technology (MOSTI) found that the level of confidence in halal products globally is very much dependent on the products with halal logo or halal branded. Even though in terms of perception, the halal logo issued by various agencies across the world is disputed in terms of its credibility, especially in the case of imported halal food and non-food products from other countries (Yusuff, 2016; Pasim, 2010). The issue of logo exploitation e.g. using halal logo without permission and misleading logo and confused usage of language and branding using Muslim names (Dahlal, 2015; Yusuff, 2015). Furthermore, with a stiff global competition, the emphasis on halal branding becomes very important for products or services offered to the market (Dahlal, 2015; Nooh, 2007).

1.2 HALAL INDUSTRY IN MALAYSIA

A situation where an increase in population exceeds the national food supply has forced the national food suppliers to import food from non-Muslim countries such as Thailand and Australia to meet their local needs (Dahlal, 2015). The dependency on imported food, food trade between countries and the increase in processing food are among reasons identified that contribute to the growth and the development of halal industry concept in Malaysia (Pasim, 2010). All aspects related to food processing

has been given serious focus by the Government in developing halal food industry, whether domestically or globally (Yusuff, 2017; The Economic Report, 2004/2005).

Malaysia has the advantage to compete in the halal market domestically and globally due to existing demand, Government support, the low cost of halal logo and halal certification and accreditation (Noor, Hairunnizam & Razak, 2011).

Malaysia as a Muslim nation with various ethnic groups, religions and cultures allow non-halal and halal products to be in the market for the use of Muslims and non-Muslims (HDC, 2013). Aspired to be halal hub, the Industrial Master Plan 3 (IMP3) 2006-2020 provides the Ministry of International Trade And Industry (MITI) to manage the establishment of Malaysia halal hub through the Halal Development Corporation (HDC) (guide book, a Touch PointGHSC, 2013).

HDC was established by Government of Malaysia on 18th September, 2006 to coordinate all government initiatives in developing halal economy sector and also to be the authority for promoting halal industry with three core strategies: industry development, halal integrity, branding and promotion (GHSC, 2013).

However, HDC also faced regional challenges in exporting halal product by competing with the neighbouring countries such as Thailand, Singapore, Indonesia, Brunei and the Philippines. Thailand is a non-Muslim country but very competitive producers or exporters of world halal products, followed by New Zealand, Australia and China (Yusuff, 2017; Abdullah, 2006). This situation becomes more severe when the potential of halal market has shown that few ASEAN countries such as Singapore, Thailand, Indonesia and Brunei have exercised halal initiatives more aggressively, while Vietnam and the Philippines have just started exploring their halal products initiatives potentials. This might be a barrier that put Malaysia under intense competition for a bigger portion of global market (Nor Aidi-Zulkarnain, 2014).

Therefore, Malaysia as Islamic country is expected to be more aggressive in Asia Pacific that contain 62 % of global Islamic population (Pew, 2011). Many ASEAN countries are still low in terms of food trade per capita. This indicates the potential for strong future demand. With the growing economy, the increase in disposable income and rapid increased of halal awareness, halal products should be listed strongly especially in the meat and food items (the Halal Industry Development Corporation, HDC, 2012).

However, according to statistics total of Malaysian halal products export in 2012 is worth RM32 billion. The multinational companies are the main contributor to Malaysia's halal export for the year 2012 with total trade amounting to RM23 billion, representing 72% compared to the contribution from small and medium enterprises (SMES) which is only RM9 billion or about 28% even though SMEs holds more halal certification numbers (Halal Industry Development Corporation, 2012). Obviously, the contribution of Malaysian SMEs export value is far behind the multinational companies. From literatures, halal SMEs are exposed to many challenges or obstacles related to their export activities, which need further study (Hashim, 2012; Bohari, Hin, & Fuad, 2013).

Malaysia ranks third among ASEAN countries in the halal industry (HDC, 2012). In phase 1 (2008-2010), phase 2 (2011-2015) and phase 3 (2016-2020) of Third Industry Master Plan enhances Malaysia integrity as global halal hub and the halal industry has been identified as a new growth hub that will contribute significantly towards the development of the Malaysian economy. Despite the holistic approach and initiative by Malaysian government to capture halal market, but it still remains backward as compared to other neighbouring countries, not only in consumer local market but also in the global halal market (Salleh & Hamzah, 2013). This is

unacceptable as Malaysia is an Islamic State supported strongly by the Government. In globalization era, the SMEs faced bigger business challenges internationally where it affect the SMEs development through halal products export opportunities (Ramli, 2013). As a result, over time, Malaysia may lose potential long-term halal products and services market due to intense competition among ASEAN countries, Muslim and other non-Muslims countries, as they also introducing their halal initiatives in their industry (Yusuff, 2017; Abdullah, 2006)

Malaysia, with halal certification expertise leadership, halal food manufacturer and distribution has been promoting its halal expertise to non-Muslim countries (HDC, 2013). With predicted halal food market worth RM2 trillion and significantly growing (Jaswir, 2013), holistic and strong marketing strategies is required to venture into the global arena (OIC Today, 2014).

The Malaysian halal industry from production, certification to distribution contribute 5% to 6 % of GDP or USD 10.13 billion. However, the GDP contribution growth depend on branding and finally users recognition as driver of halal market (OIC Today, 2014).

1.3 PROBLEM STATEMENT

One of the major functions of branding from customers perspective is to minimize the risk as purchase impression can foster basic beliefs (Mitchell, 1999). Halal brand equity play a very important role as risk reliever, and provide customers with guided purchase decisions using Islamic principles to further increase their faith (Yusuff, 2017; Erdeem & Swait, 1998).

But in reality there are many contemporary issues of logo, labelling and branding in Malaysia such as the fraud offences in terms of halal logo, halal labelling