



DETERMINING THE INTENTION TO RE-PATRONISE  
*SHARIAH*- COMPLIANT BRAND RESTAURANTS

BY

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## ABSTRACT

*The growth of the global Muslim population has presented both opportunities and challenges to marketers in exploiting the growing Shariah-compliant market especially in the food service and hospitality industries. The demand for Halal food is growing worldwide due to increasing trade, tourism, and globalisation. In Malaysia, Muslim consumers want brands that convey genuine Islamic benefits and values because the brands will reflect them as Muslims. Misunderstanding on what the Shariah-compliant brand is especially in the food services industry can trigger a lot of doubts and anxieties. Therefore, the purpose of this study is to investigate the determinants of intention to re-patronise Shariah-compliant brand restaurants. The research framework consists of eight latent variables - seven exogenous and one endogenous. The exogenous variables consist of brand awareness, trust associated with Halal certification, brand of origin (BOO) association, perceived quality association (value for money, atmospheric, food taste and service personnel), attitude, subjective norms, and perceived behavioural control. Meanwhile, endogenous variable is the intention to re-patronise Shariah-compliant brand restaurants. This study also investigates the moderating effect of religiosity on consumers' intention to re-patronise Shariah-compliant brand restaurants. In addition, this study explains how the Customer-Based Brand Equity (CBBE) theory and the Theory of Planned Behaviour (TPB) framework were used in examining the determinants of intention to re-patronise Shariah-compliant brand restaurants. The data were collected via self-reporting questionnaires in the Klang Valley and the hypothetical relationships were examined using Structural Equation Modelling - Partial Least Square (SEM-PLS). A total of 531 respondents participated in this survey. The results from this study gave empirical support to the general structure incorporated in the research model. Brand awareness, perceived quality association, and attitude have significant and positive influence on intention to re-patronise Shariah-compliant brand restaurants. Meanwhile, trusts associated with Halal certification, subjective norms, perceived behavioural control, and brand of origin (BOO) were found to be not significant. In addition, the moderation effect between religiosity and attitude, subjective norms as well as perceived behavioural control cannot be established because the relationships were not significant. The findings from this study has advanced knowledge in Islamic marketing and branding which is currently very scarce by shedding evidence on the determinants of intention to re-patronise Shariah-compliant brand restaurants. Not only does this research contributes to the body of knowledge, these findings also provided input for managerial practices. The findings can assist organisations to create pragmatic actions which are useful and applicable in the food services industry, specifically in Shariah-compliant brand restaurants.*

## ملخص البحث

أدى نمو السكان المسلمين في العالم إلى توفير الفرص والتحديات أمام المسوّقين في استغلال السوق المتوافق مع الشريعة الإسلامية، وخاصة في قطاع الخدمات الغذائية والضيافة. يزداد الطلب على الأغذية الحلال في جميع أنحاء العالم بسبب زيادة التجارة والسياحة والعولمة. وفي ماليزيا، المستهلكون المسلمون يفضلون العلامات التجارية التي تتقل فوائد إسلامية حقيقية وقيمها؛ لأنّ العلامات التجارية سوف تعكسهم بوصفهم مسلمين. يمكن أن يُؤدّي سوء الفهم لما تقوم به العلامة التجارية المتوافقة مع الشريعة بشكلٍ خاصٍ في صناعة الخدمات الغذائية إلى إثارة كثيرٍ من الشكوك والمخاوف. ولذلك، فإنّ الغرض من هذه الدراسة هو التحقق من محددات النية لإعادة رعاية المطاعم ذات العلامة التجارية المتوافقة مع الشريعة الإسلامية. يتكون إطار البحث من ثمانية متغيرات كامنة؛ سبعة متغيرات خارجية وأخرى داخلية. وتتكون المتغيرات الخارجية من الوعي بالعلامة التجارية، والثقة المرتبطة بشهادة الحلال، وجمعية منشأ العلامة التجارية، وجمعية الجودة المدركة (القيمة مقابل المال، الجوّ المحيط، ومذاق الطعام، وموظفي الخدمة)، والموقف، والمعايير الذاتية، والتحكم السلوكي المدرك. وفي الوقت نفسه، المتغير الداخلي هو النية لإعادة رعاية المطاعم ذات العلامة التجارية المتوافقة مع الشريعة الإسلامية. كما تبحث هذه الدراسة التأثير المعتدل للتدين في عزم المستهلكين على إعادة رعاية المطاعم ذات العلامة التجارية المتوافقة مع الشريعة الإسلامية. بالإضافة إلى ذلك، تشرح هذه الدراسة كيفية استخدام نظرية أسهم العلامة التجارية المستندة إلى العميل، ونظرية السلوك المخطط في دراسة محددات النية لإعادة رعاية مطاعم العلامات التجارية المتوافقة مع الشريعة الإسلامية. تمّ جمع البيانات من خلال الاستبيانات الذاتية الإبلاغ في وادي كلانج، وفحص العلاقات الافتراضية باستخدام النمذجة المعادلة الهيكلية - ساحة أقل جزء (SEM-PLS). شارك مجموعة من 531 مستجيباً في هذا الاستطلاع. أعطت نتائج هذه الدراسة دعماً تجريبياً للهيكل العام المدمج في نموذج البحث. إنّ الوعي بالعلامة التجارية، وعلاقة الجودة المدركة، والموقف لها تأثير مهم وإيجابي في نية إعادة رعاية المطاعم ذات العلامة التجارية المتوافقة مع الشريعة الإسلامية. وفي الوقت نفسه، وُجدَ أنّ الصناديق المرتبطة بشهادات الحلال، والمعايير الذاتية، والتحكم السلوكي المدرك، وعلامة المنشأ ليست مهمة. بالإضافة إلى ذلك، لا يمكن تأسيس تأثير الاعتدال بين التدين والموقف، والمعايير الذاتية بالإضافة إلى التحكم السلوكي المدرك؛ لأنّ العلاقات لم تكن مهمة. وقد اكتسبت نتائج هذه الدراسة معرفة متقدمة في التسويق الإسلامي، والعلامات التجارية التي هي نادرة للغاية في الوقت الحالي من خلال إلقاء أدلة على محددات النية لإعادة رعاية المطاعم ذات العلامة التجارية المتوافقة مع الشريعة الإسلامية. لا يساهم هذا البحث في مجموعة المعارف فحسب، بل إنّ هذه النتائج قدمت أيضاً مدخلات للممارسات الإدارية. يمكن للنتائج أن تساعد المنظمات على خلق إجراءات عملية تكون مفيدة وقابلة للتطبيق في صناعة الخدمات الغذائية، وبالتحديد في مطاعم العلامات التجارية المتوافقة مع الشريعة الإسلامية.

## **APPROVAL PAGE**

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*Dedication to my partner in life, Waiz Kashifi Abd.Rauf and my parents, Mohd Yusof  
Musbah and Zahara Jaafar.*

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## **LIST OF ABBREVIATIONS**

TPB	Theory of Planned Behaviour
CBBE	Customer-Based Brand Equity

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

This section begins with an overview of Islamic marketing and *Shariah*-compliant brands, then, it discusses the advancement of global Muslim population and *Halal* food industry as the reasons behind the increased attention given by academic scholars and practitioners on the production of *Halal* products and *Shariah*-compliant brand. To set a clear argument for the subsequent deliberations, the problem statement, research questions and research objectives are then presented. Subsequently, this chapter will also describe the research scope, significance and justification of the study and define the operational definition of the study. This chapter concludes with an overview of the organisation of this thesis.

### **1.2 BACKGROUND OF THE STUDY**

Islamic marketing is based on the concept of humanitarian and the satisfaction of human needs (Abdelkader & Djilali, 2013). Islamic marketing is strategically designed for human needs through the exchange of products and services. Islamic marketing also involves doing business with proper etiquettes where the rights of buyers and sellers, as well as all parties involved, are protected (Hassan, 2013). In this light, the marketing practices within Islamic marketing does not only play a role in raising business profit but also ensure the quality of services and products.

Islamic marketing targets Muslim consumers as they are different from the general consumers. Marketers are required to adhere to the *Quran* and *Sunnah* and



utilise specific recourses, skills and tools related to this segment (Sandikci, 2011) and take advantage of this to predict and target Muslim consumers. Sandikci (2011) further stated that the success of Islamic marketing success lies in the concept of changes in demographics and purchasing power of Muslim consumers. Furthermore, the success of Muslim entrepreneurs is regarded as scholarly and managerially influential. In this regard, the practice of establishing a *Shariah*-compliant brand as a marketing strategy has achieved a considerable amount of momentum in the academic circles within the past few years, impacting both the internal and external of the Islamic world (Alserhan, 2010a). Wilson and Liu (2010), as well as Wilson (2012), also agreed that the phenomenon of *Shariah*-compliant branding and Islamic marketing present a new and separate discipline that has captivated the attention of practitioners and academics.

This study is also an attempt to contribute to the understanding of *Shariah*-compliant brand since there are still no proper definition and explanation of *Shariah*-compliant brand (Copinath, 2007; Alserhan 2010a). The term Islamic brand has been analysed by several scholars in order to prevent confusion and to reduce the probability of improper use. It is imperative to understand, identify and differentiate the characteristics of *Shariah*-compliant brand so that consumers may not be confused and in doubt. Abusing the use of the term *Shariah*-compliant brand can cause dissatisfaction and create negative views among consumers against the producers, sellers and the brand itself. Manufacturers should be responsible and do not manipulate consumers' trust especially Muslims. Thus, it is of great importance for business process and marketing strategies to have worthwhile characteristics of *Shariah*-compliant brand in response to the growth of Islam in the world. Applying Islamic values to the brands could show that the brands are superior and of high quality, consequently, Islamic brands can distinguish

themselves from their competitors and are able to greatly satisfy their existing customers and acquire new ones.

According to Alserhan's (2010a) there are four (4) characteristics possessed by an Islamic brand- The “*true*” Islamic brands produce *Halal* produced in a Muslim country and are meant for Muslim consumers where products which originated from a Muslim minority country is categorised as “*inbound*”. In this light, “*traditional*” Islamic brands originated from Muslim countries and target Muslim consumers are expected to be *Halal*. Meanwhile, “*outbound*” Islamic brands refer to brands that originated from Muslim countries, but do not focus on target Muslim consumers. Brands that are based on Muslim countries such as “*true*”, “*traditional*” and “*outbound*” Islamic brands are often deemed as exclusive, but, according to Ismail and Alias (2016), this definition is irrelevant and elusive. This is due to the increasing competition from conventional, international brands from non-Muslim countries that are also *Shariah*-compliant. Moreover, there are also some brands from Muslim countries which are not *Shariah*-compliant. Thus, as according to Alserhan's (2010a), Islamic branding is prominently based on the marketing strategy on how to encounter Muslim and *Halal* market as a whole.

Alserhan (2010a) and Wilson (2002) also defined Islamic brand according to three constructs, country of origin, target audience and legitimacy of *its Halalness* and whether it adheres to the *Shariah* principles. The Islamic brand is friendly and comply with *Shariah* principles as stated by Ogilvy Noor (2010). For the current phenomenon, it is beneficial to determine that Islamic brands that should be compliant with the *Shariah* principles and originate from Muslim countries but are not necessarily targeting only on Muslim consumers.

Jumani and Siddiqui (2012) stated Muslim consumers believe that that it is essential for Islamic brands to be fully *Shariah*-compliant. Muslim consumers want a brand that represents them (Power & Abdullah, 2009), represents what they really are in terms of benefits and values in Islam, as well as the brand that reflects them as Muslims. Thus, *Shariah*-compliant brands or products are created according to the Islamic principles which do not only prioritise food products but also in other industry such as pharmaceuticals, cosmetics, clothing, logistics, hospitality, finance and banking (Minkus-McKenna, 2007).

There are 2.18 billion Muslims worldwide (Pew Research Centre, 2017) and this number is expected to increase approximately to 35 per cent in the next 20 years (Temporal, 2011) of which 20 per cent are in the Arab world while the majority are spread in South and East Asia. This estimates that 29.7 per cent of the world's total projection population of 7.6 billion. These markets can create a wide scale of opportunity for not only those in Muslim countries but as well as the Western countries. Marketers should be aware that Muslim consumers are far from homogenous and differ from one another, therefore, it is more difficult for marketers to meet the various needs of Muslim consumers worldwide (Kearney, 2007; Abuznaid, 2012). Wilson and Liu (2010) also stated that the interpretations and practices concerning what is *Halal* may differ among Muslims because of cultural differences Henceforth, to understand Muslim consumers, marketers and scholars need to expand the demographics of Muslim from various regions (Sandikci, 2011). In this light, will be a great loss for scholars and marketers if they do not take the opportunity to review and pioneer this segment.

The growth of the global Muslim population has presented opportunities and challenges for tapping into the growing *Sharia*-compliant market which is estimated to generate more than 2.3 trillion US dollars annually (World *Halal* Forum, 2013).

Andarakis (2009) also mentioned that Southeast Asia producers are earning up to USD 2.1 trillion and have devised long-term plans to cater to the growing *Halal* food market in 185 countries and to enter the larger global Muslim market which was estimated to worth 2.18 trillion. At present, *Halal* food consumption is worth USD 77 billion in Europe (HDC, 2012), USD 16.1 billion in North America, USD 20.8 billion in China and USD 23.6 billion in India. Meanwhile, in 2012, the Gulf Cooperation Council (GCC) countries in reported a consumption of USD 1.62 trillion and this value is expected to increase to USD 2.47 trillion by the year 2018 (Mishra, 2014).

The existing literature has shown that the *Halal* food industry, as well as several other Islamic products and services including real estate, cosmetics, fashion, hotels and insurance (Alserhan, 2010a) have spread to various markets around the world. This shows that the Muslim *Halal* market will provide tremendous business opportunities. Muslims have a huge concern for *Halal* food which strongly stimulates the demand within this sector (Sungkar, 2010). Therefore, more active players such as Malaysia, Thailand, Brunei, Singapore, Turkey and UAE are encouraged to pay attention to the *Halal* waves (Rajagopal, 2002). Furthermore, as the *Halal* market a rapidly growing segment in the world, any company that does not acknowledge these opportunities might miss our chance to experience top and bottom line growth (Abuznaid, 2012).

Likewise, the research interest in Muslim majority markets is also on the rise and has been addressed by the world community now (Tournois & Aoun, 2012). Consequently, it is imperative for Muslims to work together to seize these opportunities. In 2017, 61.3 per cent of 32,049,700 million Malaysian populations are Muslims followed by Buddhism (19.8 per cent), Christianity (9.2 per cent) and Hinduism (6.3 per cent) (Statistic Portal, 2017). In this light, there are roughly 13 million Muslim consumers in Malaysia ranging from the age of 15-64 years old who are willing to spend

their money on products that comply with the Islamic requirements (Statistic Portal, 2017). Malaysia's *Halal* food market is worth RM36.63 billion or 6.3 per cent of nominal GDP (2009 prices) and at present, the local *Halal* industry is expected to increase gross domestic production from 2 per cent to 5.88 per cent by the year 2020 (Seong, 2011). Consumer demand for food production has also changed considerably and in line with the national aim to make Malaysia as the world *Halal* hub (Habibah, 2011), the industry is gaining popularity day by day and this has opened up opportunities to Muslim producers to expand the target market domestically and internationally.

Consequently, Yuhanis and Chok (2013) suggested that scholars should conduct further research to identify the differences between Muslim communities in different countries or regions in terms of ethnicity, culture and nationality (Said, Hassan, Musa & Rahman, 2012). This further validation might also enable the possibility to meet Muslim's needs across the world. Rice (1999) also argued that future research should include the comparison between different Muslim countries as well as regions.

### **1.3 PROBLEM STATEMENT**

Temporal (2011) mentioned that to date, there is limited research that has thoroughly look into Islamic brands issues. The brand name is important to companies as it has can positively or negatively impact consumers' perception towards the products they have used. Branding is one of the strategies for competitive advantage by differentiating a product from other competitive products. Misunderstanding and misinterpretation on what the *Shariah*-compliant brand, especially is in food service industry can trigger a lot of doubts and complexity. A majority of the existing studies is confined only to the general Islamic marketing practices (Salman & Siddiqui, 2011) that are associated with

the Muslim markets rather than branding issues and the focus has been mainly given to restaurants.

Brands contain the features that differentiate and define the company and act as a trademark for a company and promote the values of the company and its products. Hence, branding itself can impact the bottom line by reaching the target market in the most effective and competent ways. In this regard, *Shariah*-compliant brands are like a glass, whereas the product and services are the content. Thus, the distinctiveness of the brand names will show the specific attributes of the products as the brands give a valuable instrument to the consumers to simplify their selection and buying process, other than that, consumers may have better comprehension on the qualities of the services (Doaei, Kazemi & Hosseini Robati, 2011). Ozgen (2013) quoted Alserhan's (2010a) conceptualised perspective and mentioned that categorizations of brands may result in different attitudes, subjective norms and purchase intention. Therefore, the integration of these two theories will provide an opportunity for academic scholars to conduct studies and examine the branding issues and enhance in-depth, comprehensive understanding of Islamic values which is vital for any brands in the Muslim markets.

Although Islamic marketing and *Shariah*-compliant brands are considered as new buzzwords, consumer behaviour largely remains untapped and there are still limited empirical research on this aspect (Madhavi, 2010; Salman & Siddiqui, 2011). Therefore, it will be an advantage for practitioners and academics to apply consumer behavioural theories to explore branding in the context of *Shariah*-compliant brand restaurants context (Alserhan, 2010b). This is because most of the theories are based on Western context and scenarios and it will be beneficial if the Western consumer behavioural theories can be applied and viewed in the context of Islam. Meanwhile, Alserhan (2010b) stated that it is challenging to pursue business in Muslim countries as

Muslims hold different sets of value and beliefs that influence their behaviour in performing in both business and non-business transaction and different consumer segments require alternate proposition.

Salman and Siddiqui (2011) argued that there is also a need to investigate the awareness of Muslim consumers towards the *Halal* logo and brands, and how idealism of branding concepts can be assimilated into the notion of *Halal*. Undoubtedly, *Shariah*-compliant brands are considered high involvement products since Muslim consumers will spend more time and effort (Mukhtar & Butt, 2012; Ali, 2014) in searching for these brands among conventional brands. Kamaruzaman (2007) mentioned that Muslims consumers' have doubt towards conventional brand restaurants, particularly in *Halal* matters. Hence, now is the "moment of truth" for producers and marketers to introduce *Shariah*-compliant brand restaurants in the eyes of the world. Moreover, a study by Jumani and Siddiqui's (2012) mentioned that Muslims act on their perceptions rather than belief for Islamic brands and most of these perceptions are based on the origin of the brands. Thus, this study is very essential as it will probe on consumers' awareness on Islamic brand restaurants and whether the origin of Islamic brand restaurants will indirectly influence the consumers' intentions and also increase the marketers' understanding. Other than that, most preceding studies have underlined the influence of country of origin (COO) consumer evaluation of different products and brands such as the effect of COO on consumer purchase intentions of clothing label (Parkvithee & Miranda, 2012), personal computer (Prendergast et al., 2010), fresh meat (Hoffmann, 2000), clothing apparel (Patterson & Tai, 1999), durable goods (Ghani et al., 2007), fashion industry (Abedniya & Zaeim, 2011), fast-consuming product (Phau & Suntornnond, 2006) and product technological complexity and manufacturing

(Ahmed & d'Astous, 2008), however, there is a dearth of research on the effect of country of origin on purchasing products from *Shariah*-compliant brand.

Currently, Muslim consumer decisions in purchasing products are highly influenced by conventional style (Wilson, 2002) developed by the Western expert (Alserhan, 2010a). Both scholars stated that any brand and marketing theory will either endorse, cross-reference or cancel out by Islamic standard. Consequently, any Muslim or non-Muslims company that intends on capitalising business opportunity and branding opportunity in *Shariah*-compliant brand restaurants should factorise the Muslim market as a whole, is not a homogenous one. There are many differences in terms of consumer behaviour and spiritual needs that set Muslim countries apart. Therefore, in order to produce *Halal* product and services locally and internationally to Muslim consumers, marketers will need to implement different strategies as compared to non-Muslim consumers (Tournois & Aoun, 2012) as these strategies must be regulated with the Islamic values guidelines. Another challenge for the growth of *Shariah*-compliant brand restaurants from the Muslim world is how to raise awareness of the brand and fulfil customers' desire when establishing conventional brands which have achieved strong brand equity and loyalty (Temporal, 2011).

The general observation from various schools of thought has confirmed that religion is a major motivation behind Muslim consumers' behaviour. However, according to Salman and Siddiqui (2011), there is evidence where some highly devoted Muslims who might not aware of *Halal* products or service. As posited by Muhamad and Mizerski (2010), religion can influence Muslim consumer behaviour due to religious aspects; commitment, orientation, knowledge and affiliation. It can also denotes beliefs and practices as well as the omnipotent source for Muslims consumers (Salman & Siddiqui, 2011). Moreover, religion often plays an essential role in