THE IMPACT OF HALAL LABEL IN HALAL FOOD BUYING DECISIONS

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ABSTRACT

The current development of the halal industry has experienced a very significant increase to attract the attention of various groups. Trend indicators from the halal business can be seen in seven industrial sectors that continue to show an increase, including Islamic financial services, Halal food and beverages, Halal tourism, fashion, halal media and recreation, and halal pharmaceuticals and cosmetics. This study aims to raise the importance of awareness of halal label on halal food and beverages in Indonesia. The quantitative research method used in this research is to apply Partial Least Square-Structural Equation Modeling (PLS-SEM) through Smart-PLS software. The sample of this research is 100, with the sampling technique used being non-probability sampling with the purposive sampling method. The results of this study are the significant influence of the halal label variable on purchase intention, purchase intention on buying decision, and the halal label variable on buying decision on halal food products in Indonesia. Alternatively, on product packaging, awareness of halal Indonesian society has begun to increase and make halal a lifestyle.

Keywords: Halal Label; Purchase Intention; Buying Decision; Halal Food; SEM.
INTRODUCTION

The current development of the halal industry has experienced a very significant increase to attract the attention of various groups. According to data from the Global Islamic Economic Report 2017/2018 (Reuters, 2018), trend indicators from the halal business can be seen in seven industrial sectors, that continues to increase, including Islamic financial services, Halal food and beverages, Halal tourism, fashion, media, halal pharmacy and cosmetics and recreation. In each of its products, the entire sector carries the concept of halal. It will be to optimise the development of the Islamic economy. The Islamic financial services sector and halal food and beverage are the highest sectors compared to other sectors. The value of Muslim food and beverage spending in the world’s halal sector reached $1.24 trillion in 2016 and is predicted to rise to $1.93 trillion by 2022.

Several factors are factors in the growth of the global Muslim market, namely the demographics of the Muslim market, which is young and large in number. The rapid economic growth of Muslim-majority countries that uphold Islamic values can encourage the growth of Islamic businesses and lifestyles. In addition to the increasing growth of the Islamic market, there is a growth in trade transactions between OIC (Organization of Islamic Cooperation) countries, the participation of multinational companies, technology, and connectivity/connectivity between countries (Andriani, 2015). It is proven in the volume of data on millennial generation interactions in several countries and several sectors in Table 1 below:

<table>
<thead>
<tr>
<th>Top 15 Countries</th>
<th>GIE Indicator Score</th>
<th>Halal Food</th>
<th>Islamic Finance</th>
<th>Halal Travel</th>
<th>Modest Fashion</th>
<th>Halal Media and Recreation</th>
<th>Halal Pharmaceuticals and Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>127</td>
<td>81</td>
<td>173</td>
<td>92</td>
<td>33</td>
<td>51</td>
<td>96</td>
</tr>
<tr>
<td>UAE</td>
<td>89</td>
<td>91</td>
<td>83</td>
<td>97</td>
<td>106</td>
<td>109</td>
<td>104</td>
</tr>
<tr>
<td>Bahrain</td>
<td>65</td>
<td>45</td>
<td>86</td>
<td>20</td>
<td>19</td>
<td>44</td>
<td>45</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>54</td>
<td>48</td>
<td>64</td>
<td>34</td>
<td>16</td>
<td>33</td>
<td>47</td>
</tr>
</tbody>
</table>
Table 1 shows that the Indonesian state’s halal food occupies the tenth position, so this is a potential for Indonesia to improve and provide services and products needed for the community, especially Muslims who want to consume halal food. The halal food and beverage products market grows and develops rapidly in a rapidly changing environment. As one of the countries included in the interaction volume of the millennial generation, the halal industry, especially halal food and beverages, needs to proactively develop strategies to engage and attract this segment to achieve what the community wants, especially for Muslims.

According to Thomson Reuters 2018 data, it shows that Indonesia is included in the top 15 countries as a destination and interaction for millennials from several countries in the world and several Islamic economic sectors. Table 1 shows that food and drink are a primary need for society for its survival. Consuming halal food is an obligation for Muslims to maintain the food standards offered by food providers (Khalek, 2014). In Islamic teachings, something consumed from halal food or drink is recommended to be consumed. In Arabic, halal means allowed or permitted (Mohd Ismail, 2015). (Ambali & Bakar, 2014) explain that Islamic law places restrictions on non-halal foods, including pork, blood, animals that die from being beaten, and animals that live in two realms fanged disgusting animals, hoofed
animals. According to the MUI fatwa, sharp, intoxicating drinks and food mixed with unclean (2009).

Halal industrial products, whether food, beverages, medicines, cosmetics, even Muslim-friendly tourism or halal tourism, are currently a hot topic globally. The Indonesian state achieved the popular term halal food industry as the largest halal food producer globally (Karim, 2015). Halal products will refer to products that meet Islamic law. Meanwhile, the label is a significant factor in marketing a product. The labels include brands, ISO logos, information about the goodness of a product, composition, and halal labels. The halal logo represents measuring quality and fulfilling religiosity (Aziz & Chok, 2013).

For Muslims, the rules of halal and haram are essential things. Halal means anything allowed to be used, and haram is not allowed to be used. Considering the number of this Islamic market segment, it is one of the largest markets in the world, as reported by the print and online media Republika, which amounts to around 1.8 billion, making this market an attractive market for local marketers international. Halal industrial products, whether food, beverages, medicines, cosmetics, even Muslim-friendly tourism or halal tourism, are currently a hot topic in the world.

This halal regulation can be an effective marketing campaign for business people targeting this segment. So, halal labelling on every product in circulation has become a must. Not only is halal labelling a must in products, but halal certificates are also an essential factor in every halal product. Halal certification guarantees safety for the Muslim community to consume a product. This halal certification can be proven by including the halal logo on the product packaging (Aziz & Chok, 2013).

(Kotler & Armstrong, 2016) define purchasing decisions as part of consumer behavior, which is the study of how individuals, groups, and organisations choose, buy, use, and how goods, services, ideas, or experiences satisfy consumer needs and wants. (Sumarwan, 2011) states that purchasing decisions are how consumers decide. Which choices to choose, what to buy, when to buy, where to buy, and how to pay for it.

One of the steps taken to determine consumer wants and
needs is to examine consumer behavior. Furthermore, according to (Schiffman & Kanuk, 2015:228), the notion of buying interest is: “A model of a person’s attitude towards objects of goods that is very suitable in measuring attitudes towards certain groups of products, services or brands”. Academics have widely carried out research related to purchasing decisions for halal food products in the field of online marketing (Bellini, Cardinali, & Grandi, 2017); (Chan, Cheung, & Lee, 2017); (Liao, To, Wong, Palvia, & Kakhki, 2016); (Pappas, 2016); (Qalati et al., 2019); (Simarmata, RS, Keke, & Panjaitan, 2019) and offline marketing (Kumar & Ghodeswar, 2015); (Zhou & Gu, 2015).

Based on the phenomenon of the increasing halal lifestyle and the increasing potential of the halal industry. Therefore, it is time for researchers to examine the factors and efforts that must influence Muslim consumers’ purchase intention and purchasing decisions for halal products. In more detail and depth, the results can strengthen Indonesia’s position in the halal product market. This study was conducted to know the effect of halal labels on purchase intentions, purchase intentions on buying decisions, and the effect of halal labels on purchasing decisions of halal food products in Indonesia.

LITERATURE REVIEW
Label

The problem of labels is included in the scope of marketing science. Because the label plays a vital role in the marketing strategy. The Labels can carry only the brand name or a large amount of information related to the product (Kotler, Keller, & Amstrong, 2009). Labels are usually made of paper, laminated paper, or plastic film with or without additional adhesive. Labels can cover the entire package or only locally, can be cut in various shapes to suit the shape of the packaging (Klimchuk and Krasovec, 2007). According to (Kotler, Keller, & Amstrong, 2009), labels have the following functions:

1. Identifier, as the identity of the product identifier.
2. Rating, can indicate the product class in peach products labelled A, B, or C.
3. Explanation, to explain the manufacturer, production location, production time, product composition, and how to use the product.
4. Promotion, through attractive graphics.

(Boone and Kurtz, 2010) state that a label can carry a brand name or symbol, the name and address of the manufacturer that produces it, information about the composition and size of the product, and the recommended way of use. Correct labeling can play a vital role in attracting consumers’ attention and encouraging them to buy.

**Halal Label**

Qardhawi (Ath-Thawil, 2016) defines halal as all permitted things that do not contain transactions prohibited by sharia and have been legitimised by sharia to carry out the case. In-Law Number 33 of 2014 concerning Halal Product Guarantees, it is explained that halal products have been declared halal by Islamic law.

Government Regulation Number 69 of 1999 show that food labels are any information regarding food in the form of pictures, writings, a combination of both. Alternatively, other forms that are attached to food, inserted into, affixed to, or are part of food packaging, which from now on referred to in government regulations as labels. Meanwhile, Law Number 33 of 2014 concerning Halal Product Guarantee states that what is meant by a halal label is a sign of the halal of a product. According to Government Regulation Number 69 of 1999, the indicators of halal labelling are (Klimchuk, and Krasovec, 2007):
1. Image: is the result of imitation in shapes or patterns (animals, people, plants) made with writing utensils.
2. Writing: is the result of writing which is expected to be read.
3. Combination of Images and Writings: a combination of the results of images and writings made into one part.
4. Sticking to the packaging can be interpreted as something attached (intentionally or unintentionally) to the packaging (protecting a product).
Purchase Intention

Ajzen’s Theory of Planned Behavior (TPB) is used to measure purchase intention (Ajzen, 1991). Purchase intention is something related to consumer’s plan to buy certain products and how many product units are needed in a certain period, so it can also be said that purchase intention is a consumer mental statement that reflects the plan to purchase several products (Barata, 2007).

In addition, according to (Assael, 2001), purchase intention is the tendency of consumers to buy something or take action related to buying and is measured by the level of possibility of consumers to buy. Measured by statements of wanting to buy or not buy, will buy-not going to buy, will buy again-will not buy again. Attitude is a relatively consistent evaluation and the tendency of a person to react to an attitude object. Two things can affect the formation of attitudes: behavior beliefs or positive or negative assessments that a person has of behavior and evaluation of behavioral beliefs, which are positive or negative evaluations of the consequences of behavior that will be accepted.

Research by (Bashir, et al., 2019) shows a significant positive relationship between attitudes and intentions to buy halal products. Furthermore, (Bashir et al., 2019) state that consumers with a high positive attitude will have a higher intention of buying halal products.

Buying decision

According to (Kotler & Keller 2007), in the evaluation stage, consumers form preferences for brands in the choice set. Consumers can also form an intention to buy the most preferred brand. According to (Suryani, 2008), the decision to purchase goods or services often involves two or more parties. Generally, there are five roles involved. The five roles include:

1. The initiator, is the person who first suggested buying an item/service.
2. Influencers, are the person who has views or advice that influence purchasing decisions.
3. The decision-maker (decider), is the person who determines the purchase decision.
4. Buyers, are the person people who make actual purchases.
5. Users, are the person who consume and use the goods/services purchased.

(Thamrin & Tantri, 2013) state that there are roles in purchasing decisions, namely: the originator of the idea, namely the person who first proposes to buy other products or services, the influencer, namely the person who views or has his opinion. The decision-maker, namely the person who decides on each component in the purchase decision, the buyer, namely the person who makes the actual purchase, and the user, namely the person who consumes the product.

Purchase decisions are not only made by researchers in marketing, and it turns out that there has been research in psychology, especially emotional buying (Homburg, Klarmann, & Schmitt, 2010). Psychological research has shown that creating emotional bonds with buyers can increase the value of a company’s products. Five dimensions of the buying process (information, utilisation, influence, purchase, and intention to share) to address some relevant issues regarding the decision-making process (Icoz, Kutuk, & Icoz, 2018).

Figure 1. Thinking Framework

H1: Halal Label affects Purchase Intention
H2: Purchase Intention affects Buying Decision
H3: Halal Label affects the Buying decision
METHODS

This study uses primary data and secondary data collected to support this research. Primary data was obtained by sharing google form links to social media and chat applications. Secondary data was obtained from books, journals, and the internet. Sample selection was made by the purposive sampling technique, where the researcher gave specific criteria in sampling. The characteristics used in this study: 1) the respondents are Muslim. 2) respondents are consumers who have bought or consumed halal products at least once. The total number of research samples was set at 100 respondents. This study measures the effect of the variable halal label and purchase intention on buying decisions.

This study uses quantitative research to apply variant-based SEM, namely Partial Least Square-Structural Equation Modeling (PLS-SEM) using Smart-PLS software (Ghozali, 2008). Previous studies have used the PLS-SEM analysis method as a statistical tool as a relatively complex multivariate model (Hair et al., 2017). Previous researchers confirmed that a PLS-SEM analysis method is an analytical tool that is flexible, credible, and has advantages in testing theory (Henseler, Ringle, & Sarstedt, 2015). The operational variables in this study are: (1) exogenous variable or independent variable Halal Label as an exogenous variable (X1); (2) second exogenous variable is Purchase Intention (X2); (3) the endogenous variable or dependent variable is buying decision.

RESULTS AND DISCUSSION

According to the number of respondents collected, there are 100 (one hundred) respondents who meet the criteria previously determined and are eligible for analysis. The descriptive analysis is divided by gender, age, domicile, and occupation. The majority of respondents according to gender are more female than male. If according to age the majority of respondents are from 15-35 years old. Most respondents according to domicile are from East Java, besides that, most respondents by occupation are student (Table 2).
Table 2. Demographics of Respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
</tr>
<tr>
<td>Female</td>
<td>61</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
</tr>
<tr>
<td>15-20</td>
<td>49</td>
</tr>
<tr>
<td>26-35</td>
<td>41</td>
</tr>
<tr>
<td>36-45</td>
<td>4</td>
</tr>
<tr>
<td>46-55</td>
<td>2</td>
</tr>
<tr>
<td>&gt;55</td>
<td>4</td>
</tr>
<tr>
<td><strong>Domicile</strong></td>
<td></td>
</tr>
<tr>
<td>Jawa Barat</td>
<td>16</td>
</tr>
<tr>
<td>DKI Jakarta</td>
<td>4</td>
</tr>
<tr>
<td>Jawa Tengah</td>
<td>6</td>
</tr>
<tr>
<td>DIY</td>
<td>2</td>
</tr>
<tr>
<td>Jawa Timur</td>
<td>47</td>
</tr>
<tr>
<td>Sumatera</td>
<td>5</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>13</td>
</tr>
<tr>
<td>Sulawesi</td>
<td>3</td>
</tr>
<tr>
<td>NTB</td>
<td>2</td>
</tr>
<tr>
<td>NTT</td>
<td>1</td>
</tr>
<tr>
<td>Bali</td>
<td>1</td>
</tr>
<tr>
<td><strong>Work</strong></td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>46</td>
</tr>
<tr>
<td>Private employees</td>
<td>21</td>
</tr>
<tr>
<td>Government employees</td>
<td>6</td>
</tr>
<tr>
<td>BUMN employee</td>
<td>1</td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>6</td>
</tr>
<tr>
<td>Housewife</td>
<td>10</td>
</tr>
<tr>
<td>Teacher</td>
<td>3</td>
</tr>
<tr>
<td>Lecturer</td>
<td>3</td>
</tr>
<tr>
<td>Etc.</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: data processed 2021

The results in Figure 2 show the outer model in this study. Each variable has Average Variance Extracted (AVE), Composite
Reliability, and Cronbach Reliability, each above 0.5; 0.7; and 0.6 (Abdillah & Jogiyanto, 2016). Figure 3 also shows some indicators of each latent variable. Halal Label has five indicators, then purchase intention has six indicators, and Buying Decision has four indicators because one indicator is unreliable.

The results of data processing are shown in Figure 3. The Inner Model predicts causal relationships between variables or hypothesis testing. The next test is hypothesis testing with an estimated path coefficient which can be evaluated by comparing the T-Statistics value. The measurement indicator used is significant if the T-statistic value is greater than 1.96. Then the
P-value is smaller than the value of 0.05 at a significant level of 5%. The parameter coefficient explains the direction of influence by looking at the positive or negative effect of the original sample and the magnitude of the influence of the independent variable on the dependent variable (Ghozali, 2008). The following is a Path Coefficient table showing the T-statistic values:

<table>
<thead>
<tr>
<th>Source: data processed 2021</th>
</tr>
</thead>
</table>

| H1: Halal label → Purchase Intention | 0.514 | 0.095 | 5.247 | 0.000 |
| H2: Purchase Intention → Buying Decision | 0.705 | 0.069 | 10.070 | 0.000 |
| H3: Halal Label → Buying Decision | 0.258 | 0.080 | 3.320 | 0.001 |

Table 3: Path Coefficient explains that H1: Halal label significantly affects purchase intention. The T-statistic value is 5.247 > 1.96, the P-value is 0.000, the original sample value is 0.501. These results indicate that the halal label significantly affects purchase intention. So, this hypothesis is accepted. The results of this study have a significant effect on halal labels to purchase intention for halal food products. Previous research (Fadlullah, Soetjipto, & Rahayu, 2021) stated halal labels’ positive and significant effect on the interest buying variable. It is also by (Ajzen, 1991) statement that someone who has a positive attitude will perform positive behavior. Elseidi’s research (2018) also shows that Muslim consumers who have a more positive attitude have a greater intention to buy halal food products. It can be seen from Arab Muslim consumers in the UK who are aware of and have a strong and positive attitude towards halal-labeled products in British supermarkets. It has a positive effect on their intention to buy these halal products. This attitude is also influenced by their perception of product safety and health (Elseidi, 2018).

Most people believe in halal products from the seller’s words or halal labels made by food product companies. Consumer
behavior is currently very aware of halal, one of which is when choosing the product want to buy, by paying attention to the label on the packaged product. Consumers can pay attention to product labels from the side of the halal label but also look at the time limit for eating and its composition. In addition to being halal, there is one side that they are looking for, namely toyyib (good for consumption). The general halal approach in the marketing process can also neutralise the negative image of Muslim consumers towards a product (Salehudin, 2013). Thus, the resulting halal food products must have a halal label to ensure halal. In addition, food safety and health reasons are also a reason for choosing halal food.

H₂: Purchase intention has a significant effect on buying decisions. The T-statistic value is 10.070 > 1.96, the P-value is 0.000, the original sample value is 0.697. These results indicate that purchase intention has a significant effect on buying decisions. So, this hypothesis is accepted. The analysis results of purchase intentions on buying decisions have a positive and significant relationship with halal food products. It is supported by research conducted by (Rahmaningtyas, Hartono, & Suryantini, 2017) that purchase intention has a major influence on purchasing decisions. Intention to buy is the possibility that consumers will make purchases in the future. Consumers do not decide to buy, but sometimes they have the intention to make a transaction. Purchase intention has a big influence on buying decisions. It means that someone who has the intention to buy local food products will consider all factors when they want to buy products. It will help the company make a good product sales strategy, especially in the halal industry.

H₃: Halal label has a significant effect on buying decisions. The T-statistic value is 3.320 > 1.96, the P-value is 0.000, the original sample value is 0.266. These results indicate that the halal label significantly affects buying decisions. So, this hypothesis is accepted. The analysis results show a significant influence of the halal label variable on the buying decision. Halal labeling influences purchasing decisions.
According to (Hawa, 2007), the halal label on product packaging circulating in Indonesia is a logo composed of Arabic letters that form the word halal, which relates to purchasing decisions. Pepper et al. (2009) stated that consumers are more likely to buy food labeled halal because of the positive attitude that Muslim consumers have based on their positive and strong beliefs. So, it can be concluded that a product is essential with a halal label. A halal label will increase consumer purchasing decisions to buy a product, especially with halal products.

CONCLUSION

This study aims to raise the importance of awareness of halal label on halal food and beverages in Indonesia. The results of this study can be concluded that there is an influence of the halal label variable on purchase intention. There is a significant influence on the buying decision variable in the purchase intention variable. The last one states the influence of the halal label variable on the buying decision variable in halal food products. An opportunity for entrepreneurs and business people to provide more halal labels in products or product packaging. Awareness of halal Indonesian people has increased and made halal a lifestyle.

REFERENCES


Millatina et al.


