AN INVESTIGATION OF CUSTOMER CHOICE BEHAVIOR TOWARDS HALAL PRODUCT: STRUCTURAL EQUATION MODELLING (SEM) APPROACH

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Abstract—Theory of consumption values are employed in this study to determine the factor that influences customer choice behavior towards the halal product. Three independent variable which is emotional value, epistemic value and halal concern are used as an indicator in determining the customer choice behavior. Multiple regression by using Structural Equation Modelling- Partial Least Square (SEM-PLS) is used to examine the collected data by a questionnaire. The resulting point out three independent variables significantly influences the customer choice behavior regarding the halal product. This study concludes that the foremost influence factor on customer choice behavior towards the halal product is emotional value, epistemic value, and halal concern. This study contributes to introductory study but vibrant understanding in stimulating the halal market to become a worldwide brand.

Index Terms—Choice Behavior, Consumption Value, Halal Product, Partial Least Square (PLS), Structural Equation Modelling

I. INTRODUCTION

The growing demands towards halal product are increasing over the past few year and it is estimated halal product transaction are worth USD 347 billion per year [1]. This growing demand for the halal product is due to the high-quality standard manufacturing practice that needs to obey by the manufacturer. The increasing number of the Muslim population also resulting in the demand towards halal product increases. It is reported that Muslim population is 2.1 billion in 2015 and it is expected to reach 2.2 billion in 2030 [2]. But is reported that non-Muslim customer also prefers to consume halal product due to the benefit and hygiene [3]. Thus, the emerging halal market should focus on worldwide brand instead of as a religious obligation.

In recent times, the studies of the halal product are well conducted by the researcher to determine the consumer behavior. The previous study employed Theory of Planned Behavior [4] in determining the customer intention in halal purchasing [3], [5], and Theory of Reasoned Action in order to determine the impact of attitude, and knowledge towards customer intention in purchasing halal product[6]. However, there is an insufficient literature study the customer choice behavior towards the halal product. Thus, the theory of consumption value is capable in clarifying the customer choice behavior and assist the industry, researcher, and government bodies in order to regulate the passion of specific choice regarding halal product [7].

II. LITERATURE REVIEW

In this section, an analysis of the theory of consumption values and the literature related to hypothesis development are discussed.

A. Theory of consumption value

It is emphasized that three essential propositions are manifest to the theory of consumption value which customer choice is a function of multiple consumption beliefs, consumption value is autonomous, and consumption value makes a diverse influence in any specified choice condition [8]. Literature shows studies regarding the theory of consumption value has been applied in the various studies in determining the stimulus in customer choice behavior. Sheth et al [7] highlighted that there is five factor which influenced the customer choice behavior; functional value, social value, emotional value, conditional value, and epistemic value. However, in this study, considering the halal product, only adopt three factor (Emotional Value, Epistemic Value, and Halal Concern) that influences the choice behavior towards the halal product.

B. Emotional Value

Emotional value is defined as the individual feeling condition towards some event or scenario that possibly change the natural feeling [7]. Furthermore, it is emphasized that emotional value is salience besides of functional value of the product [9]. In the perspective of customer choice towards the halal product, emotional value is salience due to economic value when a customer decides to purchase the halal product. Thus, the following hypothesis is develop H1: Emotional value plays a significant role in determined the customer choice behavior towards halal product

C. Epistemic Value

Epistemic value is defined as the alternative value to stimulate inquisitiveness for knowledge [7]. The customer may purchase the different halal product to try something new halal product available in the

market. The customer possible choose another product due to the effectiveness of marketing such as the halal product offer healthier ingredient, neat packaging, and exclusive knowledge [10]. From the literature, the following hypothesis is aroused

H2: Epistemic value plays significant impact towards customer choice behavior regarding halal product

D. Halal Concern
The halal concern is reflected the individual orientation and concern toward the halal issue [11]. Literature shows that customer is very concern towards halalness of the product [12], [13]. The concerns of the customer towards halal issue possibly due to the religious obligatory for Muslim in obtaining the halal product, and the non-standardized halal standard across the countries. Thus, the following hypothesis is developed

H3: Halal concern is significant towards customer choice behavior regarding halal product

III. METHODOLOGY
In this section, the methodology of the research is discussed. Additionally, the research framework is introduced and data collection and data analysis are deliberated.

A. Research Framework
A research framework for this study is developed based on the theoretical background and literature review in section II. Fig. 1 illustrates the research framework and hypothesis employed in this study. A questionnaire was distributed online to get a fast respond. The questionnaire was adapted from literature study [8]. The respondent of the survey was asked to rate the questionnaire with each response being measured using 5 points Likert scale(1=strongly disagree 2=disagree 3=neutral 4=agree 5=strongly agree).

![Fig. 1 Research Framework](image)

B. Sample Characteristic
Total 100 questionnaires were distributed, and 67 returns (67% respond rate). The demographic of the respondent is shown in Table I.

<table>
<thead>
<tr>
<th>Table I Demographic</th>
<th>Frequency</th>
<th>%</th>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>18</td>
<td>26.9</td>
</tr>
<tr>
<td>Female</td>
<td>49</td>
<td>73.1</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30 Years</td>
<td>58</td>
<td>86.6</td>
</tr>
<tr>
<td>31-40 Years</td>
<td>8</td>
<td>11.9</td>
</tr>
<tr>
<td>41-50 Years</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Degree</td>
<td>14</td>
<td>20.9</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>60</td>
<td>74.6</td>
</tr>
</tbody>
</table>

IV. RESULT AND DATA ANALYSIS
To test the hypothesis, a non-parametric structural equation modeling (SEM) by partial least square (PLS) analysis is employed in this study. PLS is a suitable approach in this study due to PLS does not distress with the lowest sample size, normal distribution, and model complexity [14]

A. Measurement Analysis
Kaiser-Meyer-Olkin (KMO) and Bartlett’s test of sphericity are used to assess the sample adequacy for factor analysis. The value of KMO must be greater or equal to 0.6 (≥ 0.6). The result for KMO and Bartlett’s test of sphericity is shown in Table II

<table>
<thead>
<tr>
<th>Table II KMO and Bartlett test of sphericity</th>
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<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling</td>
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<tr>
<td>Adequacy.</td>
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<tr>
<td>Bartlett’s Test of</td>
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<tr>
<td>Approx. Chi-Square</td>
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<tr>
<td>Sphericity</td>
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<tr>
<td>df</td>
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<tr>
<td>Sig.</td>
</tr>
</tbody>
</table>

In this study, the KMO result is considered a good as it is achieved 0.863 [15]. While Bartlett’s test of sphericity is showing the high significant value (p<0.001). Later, factor analysis is employed to test the discriminant validity of the item. From the factor analysis, four item (EPV1, EPV2, CB2, and CB7) has been removed due to the low factor loading (< 0.6)[14], [15] resulting four dimension are labelled as emotional value (EV1, EV2, EV3), Epistemic value (EPV3, EPV4, EPV5), Halal Concern (HC1, HC2, HC3) and Choice Behavior (CB1, CB3, CB4, CB5, CB6).

Furthermore, the assessment of convergent validity has assessed the value of average variance extracted (AVE). The value of AVE must be above than 0.5 [16]. The result in Table III demonstrates that convergent validity is satisfied with the threshold value. Additionally, to assess the discriminant validity, the square root of AVE must be greater than inter-construct correlation. The result of discriminant validity is shown in Table IV which the diagonal value represents the square root of AVE.

As a final point, composite reliability (CR) and Cronbach alpha coefficient are used to assess

reliability, as shown in Table III, the CR value is above the strictest value of 0.8, and the Cronbach alpha is greater than 0.7. This result shows that the reliability of the constructs is reliable [17].

B. Path model assessment

It is vital to assess the multicollinearity issue in the model. As shown in Table V, VIF value between construct is less than the threshold value (5.0). The value shown in Table V demonstrate that the multicollinearity issue is not happening in the model.

The result of path assessment is shown in Table 6. The bootstrap technique was employed to test the significance of the model. A subsample of 5000 [14] is used with the 67 sample size. The value for path coefficient results as shown in Fig. 2 and Table VI indicates that the relationship between construct delivers significant relationship (H1,H2,H3). The study express that a positive and direct impact on emotional value to customer choice behavior toward the halal product (p < 0.001). This result indicates that emotional value of customer plays a significant role in determining the customer choice behavior regarding halal product. Additionally, the path from epistemic value significantly connected to choice behavior towards the halal product (p=0.044). This shows that belief, knowledge, and understanding play a significant role in determining the choice behavior of customer towards the halal product. This result provides support for H2.

Lastly, there is a direct influence between customer’s halal concern towards choice behavior in purchasing the halal product (p<0.001). This is offer support for H3.

As a final point, the coefficient determination (R^2) for a dependent variable which is customer choice behavior is 74.3% where p<0.001. This endogenous construct manifests a high level of capturing variance.
which means that its well predicted by the exogenous constructs.

V. DISCUSSION AND CONCLUSION

Theory of consumption value has been employed in this study to investigate the customer choice behavior regarding the halal product. For analysis and verification, multiple linear regression analysis was used. Emotional value, epistemic value, and halal concern is the independent variable, while customer choice behavior regarding the halal product is the dependent variable.

The emotional value has a significant impact towards customer choice behavior regarding the halal product. Customer who regards choose halal product feeling that by choosing a halal product, they will feel a better person by consuming high quality manufactured product, healthy product for the body, and obey the religious obligation. Thus, government and the halal industries need to focus on the marketing strategy by promoting the benefits of the consuming halal product. Epistemic value has a significant impact on customer choice towards the halal product. This is due to the enthusiasm of the customer to seek for a knowledge and novelty in the halal product. Thus, it is important for the manufacturer to display the product ingredient and a benefit in their packaging. Moreover, it is important for the manufacturer to have a unique brand’s name and nice packaging in order to attract the customer. This unique brand and nice packaging will attract customer to try something new and looks trendy by choosing a halal product. Besides, that is suggested for the halal manufacturer to implement online retails in order to enhance their product sales. Of similar positive impact on customer choice behavior is the halal concern. Halal concern plays a significant role in influence customer choice behavior, especially Muslim customer. This is due to, lately, there is a lot of halal integrity issue that affects the halal status of the product. Thus, it is important for the halal manufacturer to display their credential halal logo in their premises and product clearly as one of their marketing strategies[12]. Besides that, it is compulsory for the government to spread the information about the halal status of the product to the customer. There is an opportunity for government and industries practitioner in enhancing the halal industries, such as standardization of the halal logo and certification across the country. This study also suggests government and related sector in halal industries promote a halal product by conducting a halal trade in the non-Muslim country and provide a platform for halal firm’s to promote their product in the worldwide market.

REFERENCES


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