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# WHICH ARE MORE AUTHENTIC? THE CONCEPTUALISATION OF TRUST IN HALAL CONSUMPTION

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***Abstract***

The purpose of this study is to examine if country-of-origin, brand and halal logo influence the purchasing decision of Muslim consumer on imported halal food products in non-Muslim countries. The study will be based on a revealed preference theory to identify the effect of country-of-origin, brand and halal logo on Muslim consumers on imported halal food products in non-Muslim countries. A cross-sectional survey data will be collected through a survey in Guangzhou (China), Tokyo (Japan) and Seoul (Korea). Data will be estimated with a logit model. The results would be primarily beneficial to international halal exporters and local halal importers in East Asian countries by offering an insight into the influence of country-of-origin, brand and halal logo on the purchasing decision of Muslim consumers on imported halal food products in non-Muslim countries. The paper extends the understanding of the choice of halal products to newly emerging halal markets in East Asia.

**Keywords:** Halal, Country-of-origin, Trust, Non-Muslim country, Consumption.

## 1.  Introduction

Which is more authentic, a halal product produced by a Muslim country or by a non-Muslim country? India as a non-Muslim country became the world largest halal exporter; while Malaysia as the most trust-worthy halal producer, imports halal ingredients from Australia (Thomson Reuters, 2016). Halal credence is the most important factor that influences the willingness to pay of Muslim consumers on halal products (Verbeke, Rutsaert, Bonne, & Vermeir, 2013). Consumers pay for the halal credence they trust.

Consume halal is essential in the Islamic way of life. Awareness on buying and consuming authentic halal products is vital for Muslims in anywhere around the world. In many non-Muslim countries, Muslims have fewer choices of halal products. They have to rely on imported goods that sometimes without knowing the sources, or halal products that produced by non-Muslims. Hence, in those countries, Muslims make choices based on the trust that they built upon product attributes. Trust is an elusive concept (Elliot & Percy, 2007), and also a generalised expectancy help by an individual on things, words or persons (Rotter, 1971). A Muslim demonstrates trust on a halal product through product attributes, namely; the country-of-origin of the product, brand, and halal certification bodies (Abdul, Ismail, Hashim, & Johari, 2009; Borzooei & Asgari, 2015; Rios, Riquelme, & Abdelaziz, 2014; Wilson & Liu, 2010).

The Muslim population of the world is estimated to grow to 2.8 billion, or 30% of the world's population by 2050 (Oktadiana, Pearce, & Chon, 2016), and at least one-quarter of them live in non-Muslim countries (Fargues, 2001). There has been a steady growth in the number of Muslims visiting non-Muslim countries and opting to settle there. In Japan, the number of travellers from Indonesia and Malaysia to Japan has increased by more than 400 percent, from 152000 persons in 2009 to 665000 persons in 2016 (Ryall, 2017). This tourism boom is driving the surge in the supply and demand for halal products in the country. Similarly, the federation estimates that there are about 100,000 Muslims living in Korea, which about three-quarters are foreigners (Won-sup, 2017). Ma (2014) estimated more than 30 million Chinese are Muslims, and some 200 thousand Muslims traders and travellers visit China annually.

To ensure that Muslims in non-Muslim countries can have their specific needs met, and the concern about halal authenticity and adulteration, governments in these countries have started to pursue pure halal products from trusted producers (Nabilah, 2017; Ratna, 2017). The emerging market demand and business opportunities of halal products have emphasised the need of a credence halal sector in these countries.

There have been many studies on halal demand and consumption conducted in Muslim countries, but not in non-Muslim countries. According to Zhu (2011), consumption behaviour of Chinese Muslims has yet to be empirically studied. Similarly, Oktadiana et al. (2016) state that there are still so much to discover about the needs of Muslim travellers. To fulfil the demands and needs of the increasing number of Muslims in non-Muslim countries, further study on the halal demand and the consumption behaviour in these countries is needed. The puzzle, which exits in furthering researching about this market, is what elements of features of being Muslim and hence what consumer needs are overlooked in this research. Especially, the importance of brand, country-of-origin and halal certification body as proxies of trust on the halal credence requires in-depth examination.

This conceptual paper proposes an investigation on the importance of country-of-origin (COO), brand and halal certification body of Muslim choices on imported halal processed food in non-Muslim countries (China, Japan, and South Korea), using revealed preference theory. A literature review concerning

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the conceptualising of trust is given in the next section. Followed by a discussion on individual choice from an economic perspective. The approaches used to estimate the magnitude of product attributes are discussed and, finally, potential implications of this study are presented.

## 2.  Problem Statement

### 2.1.  Conceptualising of trust in the choice of halal product

Trust is a social capital, that fundamental to all relationships. A growing body of research suggests that social capital influences a wide range of significant economic and political phenomena (Glaeser, Laibson, Scheinkman, & Soutter, 2000). Trust lowers transaction costs in a trade and facilitates cooperation among entities that might otherwise view mutually advantageous exchange as too costly or risky (Raiser, Rousso, Steves, & Teksoz, 2008). Transaction costs in a trade do not only comprise traditional costs associated with logistics or transportation, trade barriers, and tariffs; it also includes searching costs, costs on gathering information of product quality and reliability, legal costs, and costs associated with international payments (Butter & Mosch, 2003).

Higher level of trust are believed to develop when information asymmetries are low and there is less behavioural uncertainty (Dyer & Chu, 2000). In the case of the halal product in non-Muslim countries, the transaction cost occurs during the process of the searching for a trustworthy product. Trustworthy product refers to the authenticity of a product. A trustworthy product should be authentically halal. If a product is well-known as halal authentic, the costs of gathering information on a product quality and reliability of a consumer will be lower. In another word, the product should be choice efficient and halal competitive advantage.

Different individual has a different level of trust on the same thing and may perceive the halal credence on a product differently. Hence, to reduce the transaction cost of getting credence halal products in non-Muslim countries, the authorities should identify the factors that consumers prefer, or use to measure the halal authenticity of a product they consume, and only supply those products to their Muslim peers.

As trust is subjective, measurement of trust is indeed not easy. However, trust can be observed through choices consumers made on the halal products. According to Mangham, Hanson, and McPake (2009), an analyst is able to understand how individuals value elected attributes of products or services through the choice made by the individual (Mangham et al., 2009). The choice of consumer reflects the trust of the consumer on the particular product, through products attributes. When a consumer buys a product, he/she is actually making decision of purchase, or consume based on the attributes that offered by the product. Attributes of the product reflect the trust the consumer has on the particular product. In other word, a consumer may not aware that the role of trust exists when a choice is made, but demonstrates the trust in product attributes that has been chosen. Product attributes, such as COO, brand, packaging, price, halal logo, and corporate image, play significant roles as visual cues in influencing the consumption intention (Bakar et al., 2013).

One of the most important attributes of imported products is COO. As the world is flat (Friedman, 2005); hence, COO of a product has become a bigger driver of consumer choice compared to price, product availability and style these days (Nielsen, 2016; Rios et al., 2014). COO refers to where the brand originates

or is manufactured (Ha-Brookshire and Yoon, 2012). It is one of the essential evaluation criteria in the purchasing decision in consumption study (Supanvanij and Amine, 2000).

COO plays the role as a consumer's cue of a trustworthy product in terms of quality. It is a signal of reliability and trust for Muslim consumers (Abdul et al., 2009). It differentiates the authenticity of halal products among different makers. Commonly, consumers seek products from countries that are Shariah compliance, such as Malaysia, Pakistan, and Indonesia (Borzooei & Asgari, 2015). In marketing and international business studies, there is a crucial issue of the degree to which COO matters to the consumers in making the purchasing decision (Hermelo and Vassolo, 2012). Consumers have higher confidence with halal brand originated from a country with a high credibility of halal. Muslims are less likely to purchase without prior information and confidence towards the authenticity of the products (Tarak & Kilgour, 2015). Thus, COO could be an important factor that influences the halal market in non-Muslim countries. It helps to differentiate the authenticity of halal products among different makers and reduce the unnecessary transaction cost.

Besides COO, brand may also be an important attribute that reflects trust. Both brand information and country-of-origin information are often used by consumers to reduce the complexity of task involved in information processing (Supanvanij & Amine, 2000). An earlier study by Hooley, Shipley, & Krieger (1988) have showed that brands from countries with the strong brand image have a better chance of being assumed to be a good product than those from countries without such an image. A general assumption in the branding literature is that a favorable brand image will have a positive impact on consumers' behaviour towards the brand, especially the trust in the quality. A study by Aziz and Chok (2012) in Malaysia provides evidence that brand is an important determinant for halal purchase intention. It is clear that consumer perception on brand exerts influence on consumer purchase intention. At the macro level, the essence of global brands- quality, reliability, and trust remain important (Rosenbloom & Haefner, 2009).

Further, the halal logo on product packaging also play an important role as an attribute that reflects trust. An implication is for marketers to recognise the importance of such symbol for Muslim consumers; especially, the logos should come from trusted certification bodies. Many studies in Muslim countries show that halal logo is one of the most important product attributes that influence halal purchases (Abdul et al., 2009; Malai & Pitsuwan, 2005; Shaari & Arifin, 2010). This symbolic attribute may be able to stimulate the Islamic sentiment of Muslim consumers towards the product. It influences extend beyond advertising to packaging (Bakar, Lee, & Rungie, 2013). A possible reason may be that the presence of a halal logo that issued by a trusted halal certification body justify the purchase.

There are also other important factors influence the purchasing decision of Muslim consumers, socio-demographic factors for sure. A study in Malaysia shows that older generation and rural residents and those with higher education seemed to be likely less confident with the food products from non-Muslim countries, unfamiliar brand and no clear list of ingredients make consumers feel less confident with the products (Rezai, Mohamed, & Shamsudin, 2012).

## 3.   Research Questions

1.   Will country-of-origin of a halal product influences the purchasing decision of Muslim consumer on imported halal food products in non-Muslim countries?

2.  Will a brand of a halal product influences the purchasing decision of Muslim consumer on imported halal food products in non-Muslim countries?

3.  Will halal logo of a halal product influences the purchasing decision of Muslim consumer on imported halal food products in non-Muslim countries?

4.  Will socio-demographic factors, such as gender, age, income, and nationality influences the purchasing decision of Muslim consumer on imported halal food products in non-Muslim countries?

## 4. Purpose of the Study

This conceptual paper proposes an investigation on the importance of country-of-origin (COO), brand and halal certification body of Muslim choices on imported halal processed food in non-Muslim countries (China, Japan, and South Korea), using revealed preference theory.

## 5. Research Methods

### 5.1. Individual choice: an economic perspective

The revealed preferences theory to transform observed choices into information about a consumer's preferences will be applied in this study. Muslims choices of imported halal food products in Beijing, Tokyo and Seoul will be observed based on their purchasing experience, and the information collected will be used to learn if COO, brand and halal logo and other socio-demographic characteristics would be important factors that determine the preference of halal purchase.

According to the revealed preference theory, when a purchasing happen, consumer is actually buying a bundle of benefits within a budget availability. The theory entails that if a consumer purchases a specific bundle of goods, then that bundle is "revealed preferred," given constant income and prices, to any other bundle that the consumer could afford. By varying income or prices or both, an observer can infer a representative model of the consumer's preferences.

Hence, the revealed preference theory allows us to find out if COO, brand, halal logo and socio-demographic characteristics play important roles in the choice of imported halal food products in non-Muslim countries. This theory will be applied by observing respondents' choice of products at different of income level, COO, brand, halal logo and some other indicators through a questionnaire survey. Questionnaire survey is a good way to collect consumer's purchasing information and pattern, because usually consumer will fill in the questionnaire based on their purchasing experience. Given these information, it is theoretically possible to construct a choice of imported halal food products in non-Muslim countries

### 5.2. Data, model and variables

Data will be collected through a structured survey interview with 900 respondents (300 responses in each city, respectively). The proposed survey destinations are Guangzhou, Tokyo and Seoul. Targeted respondents are residents, tourist or traders that have been staying in those cities for at least a week (7 days).

We will try to get as diverse sample as possible by adopting a non-probability purposive sampling method. Hence, some element of randomness prevailed.

- Model

The unit of analysis of the study is if the respondent purchased imported halal processed food product. As the dependent or response variable of this study is dichotomous in nature, taking a 1 or 0 value, we apply the logit model to test the hypotheses, as below:

$$logit(p) = log\left(\frac{p_i}{1 - p_i}\right) = Z_i = \beta_0 + \beta_i X_i + \varepsilon_i$$

Hence, the data collected via the survey will be run with a logit regression model of the form:

$$Log\left[\frac{P}{1 - P}\right] = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots\cdots + \beta_k X_k + \varepsilon$$

where P is the probability of a respondent purchase of imported halal processed food products (hereafter, "halal purchases" will be used to represent "purchased of imported halal processed food products"); the Xs are explanatory variables hypothesized to influence the probability of halal purchases; $\beta$s are the coefficients of the explanatory variables; and $\varepsilon$ represents the stochastic disturbance term. The dependent variable in the equation is dichotomous and measures whether the respondent purchase imported halal processed food products (value = 1), or otherwise (value = 0). Thus $P/(1 - P)$ may be interpreted as the ratio of the probability that the respondent will purchase to the probability that he/she will not. Overall, the model tested the relationship between factors determine halal purchases; particularly, the influence of product attributes (brand, COO and halal logo), and socio-demographic characteristics on Muslims' halal purchases. Post-estimation, such as Multicollinearity test, Hosmer and Lemeshow's goodness-of-fit test will also be conducted.

## 6. Findings

Expected finding will would be primarily beneficial to international halal exporters and local halal importers in East Asian countries by offering an insight into the influence of country-of-origin, brand and halal logo on the purchasing decision of Muslim consumers on imported halal food products in non-Muslim countries.

## 7. Conclusion

The results would be primarily beneficial to international halal exporters and local halal importers in East Asian countries by offering an insight into the influence of country-of-origin, brand and halal logo on the purchasing decision of Muslim consumers on imported halal food products in non-Muslim countries. Given the potential market size of the halal world, an applied implication gleaned from this study is for producers and marketers, dealing with or considering international markets, to recognise the importance of branding, COO and halal certification logo on packaging designs. Collectively, these points suggest that marketers operating in non-Muslim countries have to consider how their marketing communication efforts,

such as via product packaging, may be attracting or alienating Muslim consumers because of trust perception.

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