



Determinants of Malaysia Halal Brand Equity

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ABSTRACT

The purpose of this paper is to investigate the determinant of 'halal' brand equity in Malaysia. 195 respondents participated in the survey. 18 questions on a seven-item Likert scale were used and 8 questions on demographic profiles were asked. SEM was used to analyze the results. The results showed that Muslim consumers only perceived that brand loyalty as the determinant of brand equity. However, brand awareness and perceived quality also contributed to the brand equity but were not significant. The results have significant implications: the fact that only brand loyalty gives significant effect to brand equity when 'halal' food product is concerned. This should trigger marketing managers' priorities when designing their marketing strategy to market 'halal' food products.

Keywords: Brand association, brand awareness, brand equity, 'halal', perceived quality

Introduction

Muslim communities in Malaysia are concerned with the food products prepared by the food industries whether they are 'halal' (prepared according to Islamic law) or not. Recent events had promoted these concerns and had made headlines in the national newspapers and televisions.

When a big and famous factory that carries a famous brand of bread products was asked to close down for two weeks by the authority due to the factory's unhygienic condition (Berita Harian, 7/9/2006), a public uproar among the Muslim communities were heard because the brand was certified as 'halal' by the Malaysia Islamic Development Department (JAKIM). Not only the unhygienic conditions of the factory were questioned, the ingredients used to produce the product were mostly targeted.

Brand value or equity is one of the important marketing concepts, which is pursued by marketing managers to enhance the company financial results since strong brand could increase sales or market shares, and subsequently increases profit. When the brand is tarnished by the negative event, the opposite will occur.

The study re-examined the conceptual model proposed by Atilgan et al. (2005) which was a verification of a customer-based brand equity model by Aaker (1991). The study used the findings of Atilgan et al. (2005) as the based dimensions of brand equity: brand loyalty, brand awareness, perceived quality, and brand association dimensions. The study was intended to determine the most influential dimension among Muslims where halal food is concerned using customer-based equity determinants.

Based on the Atilgan's findings, the following hypotheses were formulated:

- H1:* Perceived quality has a positive direct effect on brand equity.
- H2:* Brand awareness has a positive direct effect on brand equity.
- H3:* Brand loyalty has a positive direct effect on brand equity.
- H4:* Brand association has a positive direct effect on brand equity.

A conceptual model of the study is shown below:

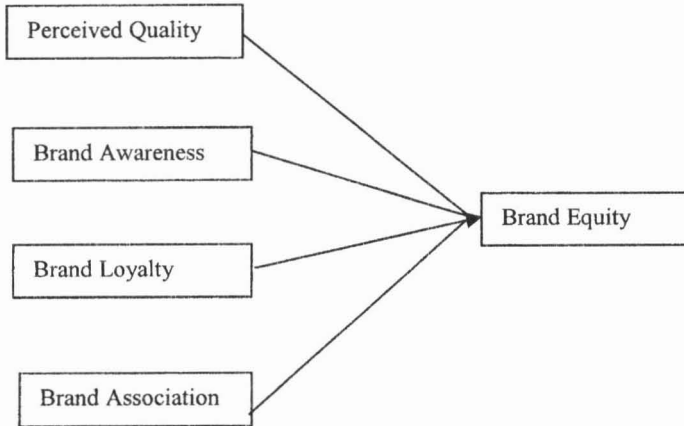


Figure 1: Conceptual Model.

Review of Related Research and Literature

Brand equity is defined using different perspectives; financially defined concept, brand strength concept, and customer-based concept. A customer-based definition by Aaker (1991) is defined as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers”.

Aaker’s (1991) five brand dimensions; brand awareness, brand association, brand loyalty, and perceived quality, were customer-based conceptual dimensions proposed to measure brand equity. Based on these dimensions, Atilgan et al. (2005) studied the framework and found out that brand awareness and brand association were united and brand loyalty was the most influential of brand equity. Brand awareness and perceived quality only offer weak support and all the dimensions were inter-related.

According to Esch et al. (2006), current purchases were directly affected by brand image and indirectly by brand awareness and both determinants required a brand relationship (brand satisfaction, brand trust and attachment to the brand) to create future purchases

A study by Delgado-Ballester and Munuera-Aleman (2005) revealed that brand trust was a result of good experience with the brand, and it was positively associated with brand loyalty, which in turn maintained a positive relationship with brand equity.

Van Den Brink et al. (2006) found that consumers perceived a significantly enhanced level of brand loyalty because of strategic cause-related marketing, as long as the firm had a long-term commitment to its campaign.

The literature reviewed above have linked the importance of the brand dimensions to brand equity and to purchases decision, whether to current purchases or future purchases which in turn will give an indication to the longevity of the product and the company.

The limitation of the above literature is the findings were only significant to the countries the studies were carried out. Whether it holds true to Malaysian context is to be tested, especially Malaysian consumers are diverse in culture and beliefs particularly to the Muslim community. When food products are concerned, Muslim consumers are fussy since they have to observe whether it was prepared according to the Islamic requirements.

JAKIM was given the mandate by the government to look after the enforcement mechanisms of laws and administration procedures pertaining to Islamic affairs in the country and the function of giving ‘halal’ certificate to food products falls under them. With stringent requirements to disperse, the ‘halal’ certificate by JAKIM increases the confidence of the Muslim community toward the food products that are certified with JAKIM’s logo. The government of Malaysia

intention is to develop Malaysia as a hub to 'halal' food products. Some international food product companies like Nestle has taken the queue to make Malaysia as their center for 'halal' food business ("Nestle takes", 2006).

Therefore, this study will give a positive contribution to the business entities especially in marketing their 'halal' food products.

Methodology

Data collection

A convenient sampling survey was conducted at five different locations; Kuala Lumpur (local university part time students), Shah Alam (lecturers), Port Dickson (teachers and lecturers), Bandar Jengka (academic administrators) and Kuantan (lecturers and local university part time students). A self-administered questionnaire was distributed during the survey. 195 respondents were obtained and completed the questionnaires.

Measures

All measures used in this study were estimated on a seven-item Likert scales. Items used in the questionnaires were as follow:

Perceived quality:

- PQ1 X brand is of high quality
 PQ2 The likely quality of X brand is extremely high
 PQ3 The likelihood that X brand is reliable is very high
 PQ4 X must be of very good quality

Brand awareness:

- AW5 I know what X brand looks like
 AW6 I can recognize X brand among competing brands
 AW7 I am aware of X brand

Brand loyalty:

- BL8 I consider myself to be loyal to X brand
 BL9 X brand would be my first choice
 BL10 I would not buy other brands, if X is available at the store
 BL11 If the store was out of X brand, I would go somewhere else to buy it

Brand association:

- BA12 X brand is very trustworthy
 BA13 X brand has a good reputation
 BA14 If HALAL certification is revoked from X, I still buy X brand
 BA15 If HALAL certification is revoked from X and then reinstated again, I still NOT buy X brand

Brand equity:

- BE16 It makes sense to buy X brand instead of any other brand, even if they are the same
 BE17 If there is another brand as good as X, I prefer to buy X brand
 BE18 If another brand is not different from X in any way, it seems smarter to purchase X brand

At the end of the questionnaire, demographics information was collected.

Results

Demographic Profile

Demographic profiles of the respondents are provided in Table 1. The majority of the respondents were between 30 to 40 years of age (43.5 percent), female (56.3 percent), 91.9 percent have tertiary education qualification and 96.2 percent reported a monthly income of RM1000 or more. 72.3 percent of the respondents were the decision maker to purchase the product mentioned. These criteria made up the middle income group profiles that made the purchases. 94.9 percent of the respondents were Malay and 97.9 percent were Muslim.

Table 1: Demographic Profile of Respondents

Variable	n	Valid Percent of total
<i>Purchaser (n = 191)</i>		
Self	138	72.3
Husband	12	6.3
Wife	23	12.0
Children	12	6.3
Others	6	3.1
<i>Gender (n = 190)</i>		
Male	83	43.7
Female	107	56.3
<i>Race (n = 192)</i>		
Malay	185	96.4
Chinese	3	1.6
Indian	3	1.6
Others	1	0.5
<i>Age (year)(n = 186)</i>		
Below 20	1	0.5
20 - 30	53	28.5
30 - 40	81	43.5
40 - 50	44	23.7
Above 50	7	3.8
<i>Marital Status (n = 185)</i>		
Single	27	14.6
Married	155	83.8
Others	3	1.6
<i>Education Level (n = 184)</i>		
Secondary school	10	5.4
College diploma	50	26.9
College degree/professional	59	31.7
Masters degree or higher	62	33.3
Others	5	2.7
<i>Income (RM)(n = 184)</i>		
Below 1000	7	3.8
1001 - 2000	63	34.2
2001 - 3000	36	19.6
3001 - 4000	38	20.7
4001 - 5000	18	9.8
Above 5000	22	12.0

Assessment of reliability

Internal consistency was examined using Cronbach's alpha. Nunnally (1978) recommended using a criterion cut-off of 0.70. All values of Cronbach for our scales were greater than 0.70 except for Brand Association (0.24) during the first run. Since the BA14 showed the highest Cronbach's alpha (0.642) if the item is deleted, it was subsequently deleted during the second run. After deleting BA14, the reading for brand awareness was 0.642. Although the value is less than 0.70, all the remaining constructs of Brand Association will be used in the analysis since three is the minimum number.

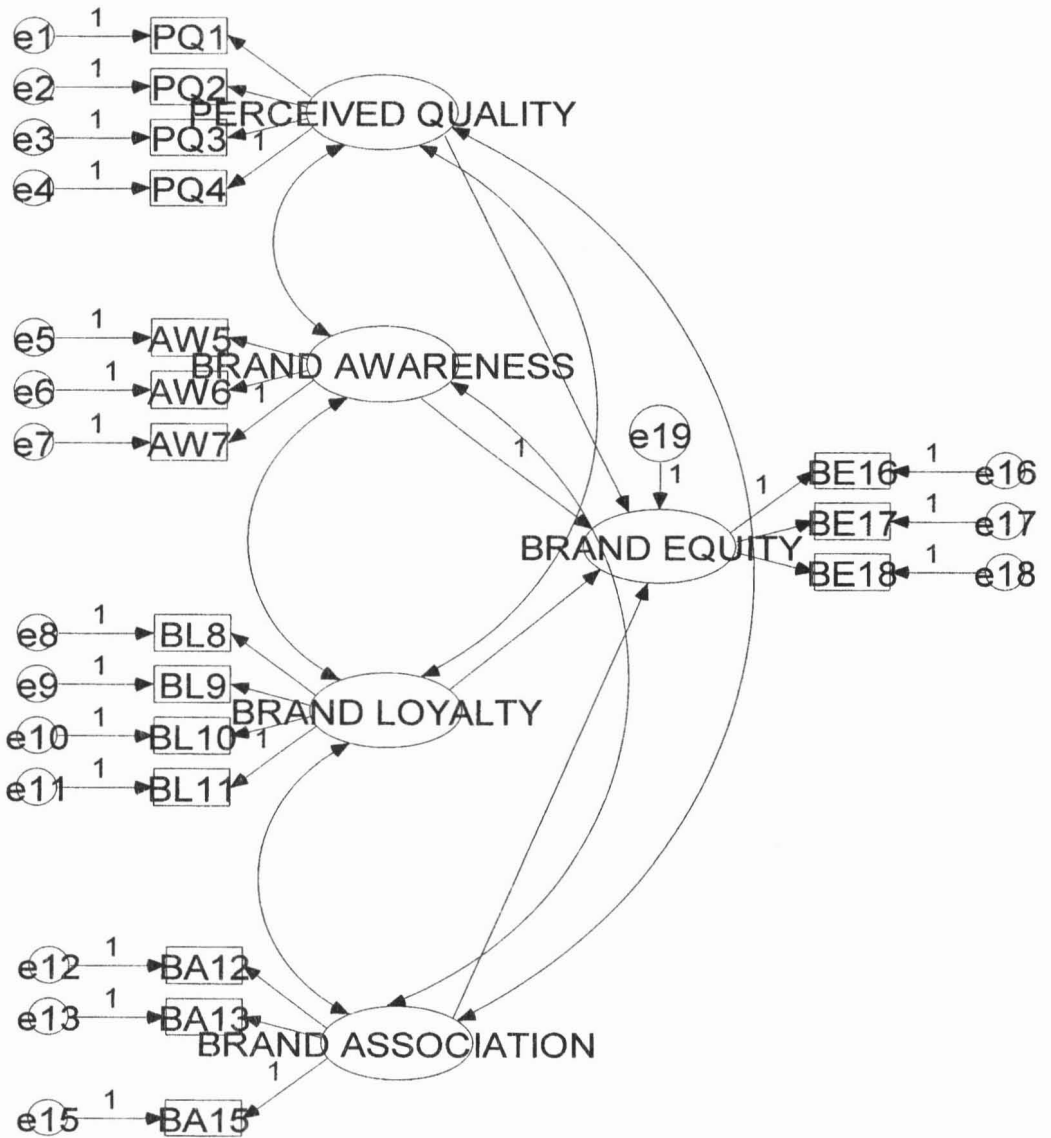


Figure 2: Structural Model.

Testing the structural model

The model was tested with an AMOS structural equations program (Arbuckle, 1996). Given the general guideline of sample size of 200 (Loehlin, 1992), the sample size for the current study was adequate to achieve accurate parameter estimates. According to Loehlin (1992), the investigator should plan to collect at least 100 cases: 200 being better for this class of model with two to four latent variables. The consequences of using smaller samples included more convergence failure, improper solutions and lowered accuracy of parameter estimates.

From the 195 samples, 16 samples were eliminated after treatment for missing data and outliers. AMOS will not run if missing data exist in the sample.

The model is a second order factor model consisting of a higher order latent variable that is modeled as causally influencing several first order latent variables (i.e., standard latent variables with measured indicators (Chin, 1998). A second order factor must be modeled at a higher level of abstraction and be reflected by first order factors. For example, the second order factor of brand equity underlies the four dimensions of perceived quality, brand awareness, brand loyalty and brand association, each with its own measured indicators, as clearly depicted in Figure 2.

When testing the first order for perceived quality, a modification was done to get a good fit where PQ3 AND PQ4 were correlated. Similarly, BL10 and BL11 were correlated, and BA12 and BA13 were correlated to get a better fit. In theory, they were allowed since they were measured variables for their respective groups.

Finally, when testing the structure, BA12 was eliminated to get a good model fit. The measurements recorded are tabulated as follows:

Table 3: CFA Measurement.

Fit Index	X^2	X^2/df	GFI	CFI	RMSEA	TLI
First order:						
CFA PQ (1)	8.331	4.166	0.977	0.992	0.133	0.976
CFA PQ (2)	1.61	1.161	0.997	1.000	0.030	0.999
CFA AW *						
CFA BL (1)	19.434	9.717	0.950	0.970	0.221	0.910
CFA BL (2)	2.077	2.077	0.994	0.998	0.780	0.989
CFA BA *						
CFA BE *						
CFA PQ & AW	24.825	2.069	0.963	0.990	0.077	0.982
CFA PQ & AW & BL	59.432	1.524	0.944	0.989	0.054	0.985
CFA PQ & AW & BL & BA	126.914	1.866	0.909	0.975	0.070	0.967
Second order:						
CFA STRUC- TURE	143.270	1.557	0.909	0.981	0.056	0.975

Note * not tested because there are only three items (minimum).

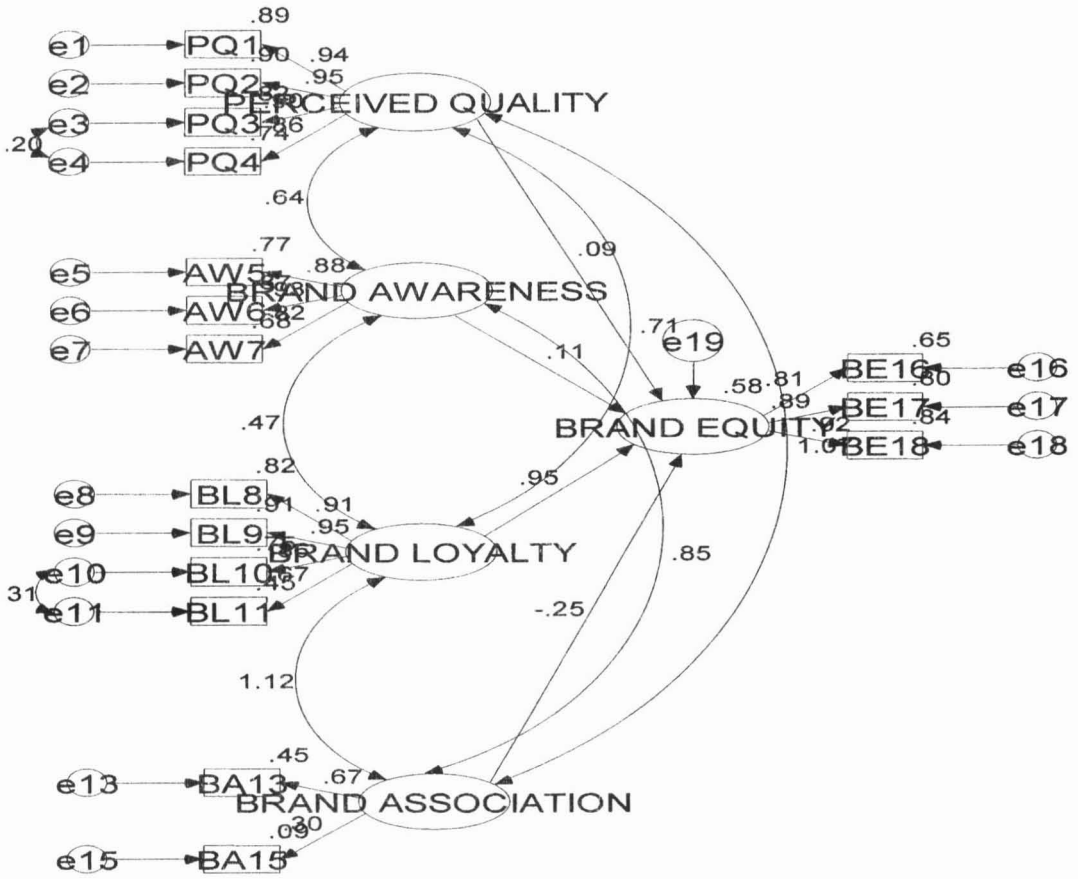


Figure 3: Structural Model Measurement.

The hypothesized path model showed a good fit to the data. Especially when the Root Square Error of Approximation (RMSEA) was 0.056, less than the recommended 0.08 (Newcomb, 1994; Marsh & Hau, 1996). The comparative Fit Index (CFI) of 0.981 and Tucker-Lewis Index (TLI) of 0.975 values exceeded the recommended 0.90 (Newcomb, 1994). Chi-Square with 92 degrees of freedom, which gives a ratio of 1.557 ($X^2/df < 2$) indicated a good fit.

Table 3: Regression Weights

	Estimate	S.E.	C.R.	P
BE <-- PQ	0.1062	0.1521	0.6981	0.4851
BE <-- AW	0.1335	0.1094	1.2198	0.2226
BE <-- BL	0.9939	0.1789	5.5555	0.0000
BE <-- BA	-0.5297	0.3352	-1.5806	0.1140

By referring to Table 3, only H3 ($p < 0.05$) is supported and therefore H1, H2 and H4 are not asserted.

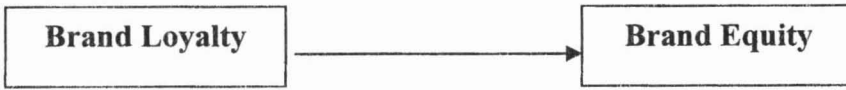


Figure 2: New Model

Conclusion

The findings are consistent with Altigen et al. (2005) result, which stated that brand loyalty was the most significant determinant of brand equity. However, this study has contributed a new dimension to brand equity among the Muslim community in Malaysia since the belief that 'halal' certificate can significantly contribute to brand value is not supported.

The findings also indicated that perceived quality and brand awareness had a weak relationship to brand equity, and brand association had a negative relationship to brand equity.

The significant contribution to the marketing managers is that they should give more effort to secure loyalty among their consumers to gain sales where 'halal' food products are concerned.

It is suggested that future study should look at the perceived quality, brand awareness and brand association as the contributors to brand loyalty and subsequently brand loyalty as the determinant to brand equity. Therefore, the model should be rearranged and tested.

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