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## Editorial

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## The role of religiosity and brand perception in the brand preference for halal cosmetics: a case study of family-owned Islamic cosmetic business

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**Abstract:** Indonesia is a lucrative market for imported cosmetics from around the world. As a consequence, local cosmetics must strive hard to win the competition in the local market by improving their marketing strategies; one of the strategies used is Islamic branding by which local cosmetics are marketed using Islamic themes to appeal to the majority Muslim community in the country. This research analyses the factors influencing preferences towards Islamic branding for cosmetic products in Indonesia. The samples of this research were customers of a local family-owned Islamic cosmetic business. The variables included in this research are Islamic religiosity, brand perception and brand preference. This research employed SPSS statistical tool to analyse the data collected from questionnaires spread to 250 Muslim female customers of halal cosmetics. To test the hypotheses, this research employed structural equation modelling (SEM) through AMOS. The result of this research indicated that brand perception was the highest influencer towards the brand preference for halal cosmetics.

**Keywords:** Islamic religiosity; brand perception; brand preference; Islamic branding; halal cosmetics.

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This paper is a revised and expanded version of a paper entitled 'The role of religiosity and brand perception in the brand preference for halal cosmetics: a case study of family-owned Islamic cosmetic business' presented at International Conference on Family Business and Entrepreneurship (ICFBE), Bali, Indonesia, 4 May 2018.

## 1 Introduction

In the past few years, religion has gained prominence, many times linked with domestic socioeconomic and political factors, in influencing consumer purchasing decision in emerging markets, such as Indonesia. Marketers thus have become more interested in developing faith-based branding strategies (i.e., *halal* products) in order to appeal to certain group of people (Aoun and Tournois, 2015). Moreover, *halal* business had become an interesting research subject in respond to the growing importance of culture and religion in developing business relationships (Ramadani et al., 2015).

The Arabic word 'halal' is generally understood as foods which are not spoiled by impure components, such as pork and alcohol, and they are served in accordance with the Sharia law. The word 'halal' is not only applied on foods but may extend to all consumables, such as cosmetics (Rahman et al., 2015). Moreover, the concept of *halal* products has slowly gained worldwide recognition as an alternative benchmark for safety, hygiene and quality assurance (Ambali and Bakar, 2014).

Indonesia is the most populous Muslim country in the world of which more than 200 million people or 88% of the Indonesian population are Muslims (Ratanamaneichat and Rakkarn, 2013). Muslims are the majority of the population in the western part of Indonesia, such as Sumatera and Java. In contrast, Muslims are the minority in the eastern part of Indonesia, such as Papua, Bali and Sulawesi.

Anggadwita et al. (2015) argued that women have a pivotal role in economic development of a nation. Women in Indonesia is about half of 250 million populations; however, poverty and lack of education have deprived them from the means to achieve their true potential. Therefore, women entrepreneurship is the key; not only has it conformed to Islamic teaching but also a powerful instrument to make societal changes. Some of these women entrepreneurial activities are prominent in Islamic fashion and cosmetics industries.

The rising trend in beauty and grooming as promoted by various social media platforms as well as clever marketing ads has made many Indonesians invest in cosmetics. Unfortunately, *halal* cosmetics still generate fewer sales compare to international manufacturers, such as Unilever and P&G, who still dominate beauty and personal care in the country. Nevertheless, Indonesia endowed with large Muslim population is a lucrative market for *halal* products (Euromonitor, 2016).

According to Maamoun (2016), one of the marketing strategies to appeal to Muslim community is Islamic branding, by which products are marketed using Islamic identity (i.e., Islam, Sharia, Islamic names, the *halal* label). The presence of Islamic marking depends on the company's goals in affecting consumer buying interest especially Muslim consumers. Their awareness about the significance of applying the standards of Sharia will make Islamic branding progressively popular among Muslim consumers. For instance, Wardah as one of the local cosmetics players in the country is utilising Islamic branding strategy. Aoun and Tournois (2015) argued that Wardah cosmetic was not just for Muslims; the brand offered peace of mind to Muslim women while helping other people [non-Muslim] to understand what *halal* means.

In response to the growing demand of *halal* products in Indonesia, LPPOM-MUI (Council of Ulama) was established in 1989 to provide assurance in regards to the nature of various products in the market by issuing fatwa and *halal* certification (Ratanamaneichat and Rakkarn, 2013). Therefore, both domestic and international

businesses have seen the halal certification/label as a way to win the hearts of Muslims in the country.

Despite the growing need for halal cosmetics, various researches have indicated that 'halal' has yet become the first criteria for choosing cosmetics among Indonesian Muslims. For instance, a study by Sigma Research Indonesia (2017) involving 1,200 Muslim women in Indonesia suggested that halal was only the fifth criteria for choosing cosmetics, being the first criteria was the suitability of cosmetics formula to one's face or skin.

To survive the competition, one of the biggest family-owned halal cosmetic businesses in Indonesia has been forced to alter their 'Islamic' image as well as their marketing communication strategies by reaching out to non-Muslim customers and also the growing Muslim cosmopolitan women in the country who are in favour of foreign branded cosmetics regardless their halal status.

Based on the previous research conducted by Mansor et al. (2015), the researchers found that religiosity and brand perception were factors influencing consumer preference towards Islamic branding. This research was focusing on Muslim female consumers of halal cosmetics in Bekasi, Indonesia. The objective of this research is to determine the most significant factor which influences Muslims' preference towards halal cosmetic products.

## 2 Literature reviews

### 2.1 Islamic branding

Alserhan (2010) argued that Islamic branding could be broken down into three components: compliance – the extent to which a brand follows the Islamic rules and values; origin – the extent to which a brand comes from a Muslim majority country; and customer – the extent to which a brand is offered to solve the needs of Muslim consumers. Currently, the academic research of Islamic branding will more concern on how to make Muslim's consumer are willing to buy a brand with Islamic aspects. According to Temporal (2011) and Alserhan (2010), the marketing mix requires the concern on Islamic laws and norms. To appeal to Muslim consumers, it is even more important to create a brand identity which gets them closer to Islamic principles. This concept is the key to differentiate Islamic brand to others; consumers may choose brands as they choose their religion that is Islam.

### 2.2 Brand preference

Ebrahim (2013) argued that consumer brand preference is the key to understanding consumer behaviour. Brand preferences suggest the attributes a brand possesses that are appealing to consumers hence by having this knowledge, companies may develop a successful brand strategy as well as develop a better product so that it can strengthen its position in the market.

As cited in Batra (2016), brand preference is the picture of that specific brand in the mind of the customers. Customers usually select, organise and interprets information they are exposed to (such as via marketing ads) in order to create a meaningful picture about the brand or the product. There are three phase process that makes an interpretation of

raw stimuli into important data which are exposure, attention, and interpretation. Every individual interprets the importance of information they are exposed to in accordance to their unique biases, needs and desires.

### 2.3 Religiosity

According to Basri et al. (2015), Islam is a way of life and covers the following elements: *Al-Iman* (related with one's belief towards the theological ideas in Islam), *Al-Islam* (righteous actions as the manifestation of the five pillars in Islam), and *Al-Ihsan* (a sense of being watched over by Allah). Therefore, a true Muslim is expected to have faith, to represent their belief through righteous actions, including daily worship and charity, and to do it all with sincerity because he or she knows that Allah is watching over them all the time. Therefore, to believe or to have faith is the first step. Moreover, according to El-Menouar (2014), the role of Islam in societal development as well as politics has become important and the extent to which Muslim religiosity influences the two aspects has become an interesting topic for social research.

El-Menouar's model of religiosity was based on Charles Glock's multidimensional model of religiosity which served as a basic model to define Muslim religiosity. Glock (1962) suggested that religiosity has six dimensions which covered all religious aspects as commonly found in world religions: First is the belief aspect which is the agreement with the central theological ideas in a religion. In this regards, the core foundations of faith in Islam are the belief in the existence of Allah as the one and only God, the belief in Quran as the pristine words of God and also the holy books before it, the belief in the existence of Jinn, angels and other supernatural creatures found in the Quran, the belief in Mohammed, the prophet, as well as the prophets before him, and lastly, the belief in fate and destiny. Second is the ritual aspect which is a set of ritual activities committed by a believer. In this regards, five times prayer (Salah), charity, fasting during the holy month of Ramadan, the pilgrimage to Mecca, etc. are some of the measurements of ritualistic dimension of Islam. Third is the devotion aspect, such as to recite *basmala* or to invoke the name of God before carrying out important tasks in everyday life. By invoking the name of God privately and spontaneously, Muslims place their actions under the will of God and hope for His blessings. The forth is the experience aspect which is a perceived communication or personal encounter with a supernatural entity. In this regards, the feeling of being watched by God and being able to communicate with Him to some degree are popular in Islam. Moreover, God is believed to punish or reward human behaviour in this world. The fifth is knowledge aspect which is the extent to which believers know and understand religious contents in their religion. In this regards, the Quran and the Hadiths are the main sources of Islamic knowledge hence Muslims are expected to know a minimum of these contents. Sixth is the consequences aspect which is the extent to which religious law regulates the everyday life of the believers and also gives guidance to correct their actions.

The commitment towards Islam is both the testament and the expression of Muslim identity (Hassan, 2005). This is true to all Muslims regardless their degree of devotion and organisations and irrespective to where they live, be it in Muslim majority countries or non-Muslim countries. Moreover, religious commitment assumes an imperative part in individuals' lives through moulding their beliefs, knowledge, and attitudes (Rehman and Shabbir, 2010).

The hypothesis is as follows:

H<sub>1</sub> The Islamic religiosity has a significant influence on brand preference toward Islamic branding for cosmetic products.

#### 2.4 Brand perception

Brand perception deals with customers' perceptions on product quality, package design, ingredient/material being used, price, overall functions and benefits, and symbolic value of the product (Ahmad et al., 2015).

Halal logo is important to Muslims and is often linked to their perception on the overall quality of the product as well to its purchase decision. Consequently, Muslims may show negative reactions toward products whose compliance towards halal is not certain (Ishak et al., 2016).

Jalil and Rahman (2014) in their research concluded that perception influenced preference toward Islamic branding hence the hypothesis is as follows:

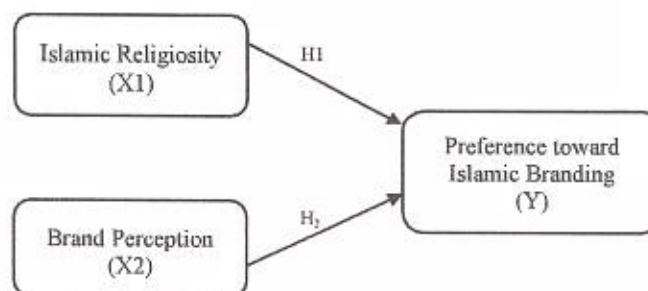
H<sub>2</sub> The brand perception has a significant influence on brand preference toward Islamic branding for cosmetic products.

### 3 Research methodology

The researchers applied quantitative method which emphasise on statistical measurements or mathematical analysis to interpret the data. Quantitative research focuses on gathering numerical data in order to explain a particular phenomenon. The numerical data can be primary or secondary in nature. Primary data is usually derived from polls, questionnaires, and surveys; whereas secondary data is derived from pre-existing statistical data. Both are processed using computational software, such as SPSS.

Figure 1 depicts the theoretical framework of this research.

Figure 1 Theoretical framework



The questionnaire consisted of seven demographical questions and 53 other questions for measuring independent variables and dependent variables regarding the factor influencing preference towards Islamic branding for cosmetic products. The dependent



variable is brand preference. The researchers used five points of Likert scale as the measurement of the questionnaires, namely: (1) never, (2) rarely, (3) sometimes, (4) often and (5) always.

To test the hypothesis, the researchers employed structural equation modelling (SEM) analysis which usually focuses on latent constructs or hidden factors and seek to find the relationships among these factors, their natures and strengths.

Table 1 is a guideline to measure goodness fit.

**Table 1** Goodness fit index value

No.	Fit index	Description	Satisfactory value
1	Chi square	Testing whether the estimated population covariance is the same with sample covariance (whether the model fits the data)	Insignificant p value less 0.05
	Normed chi square ( $\chi^2/df$ )	The ratio between the values of chi square with degree of freedom.	
2	CMIN/DF	Also called normal chi-square, normed chi-square, or simply chi-square to df ratio, is the chi-square fit index divided by degrees of freedom.	Values less than 2 are preferred but somewhere between 2 and 5 are acceptable, less than 5
3	Root mean square error of approximation (RMSEA)	The average difference in degree of freedom which is expected to occur in population, and not the sample.	Values less than 0.03 represent excellent fit.
4	Comparative fit index (CFI)	Feasibility test of the proposed model with the basic model. If CFI closer to 1, indicating the highest level of fit.	Values for this statistic range between 0.0 and 1.0 with values closer to 1.0 indicating good fit. Satisfactory fit is suggested to be higher 0.95.
5	Tucker-Lewis index (TLI)	Comparing a model that was tested against a baseline model. The size measure combines parsimony into a comparative index between the proposed model and null model.	Values for this statistic range between 0.0 and 1.0 with values closer to 1.0 indicating good fit. Satisfactory fit is suggested to be higher 0.95.

Source: Hooper et al. (2008) and Shadfar and Malekmohammadi (2013)

Table 1 describes common satisfactory values for model fit. However, Hooper et al. (2008) a structural model should also be examined with respect to the underlying theories which motive such construct or else any numbers produced by the software could simply derail the researchers from the main purpose of testing the theoretical model through SEM. Moreover, the usefulness of fit indices has been debated by some authors calling for their abandonment.

## 4 Analysis

### 4.1 Descriptive analysis

All of the respondents who filled out the questionnaires were Muslim women that have purchased halal cosmetics. The demographic profiles of 250 respondents were based on age, education, occupation, monthly spending on halal cosmetic products, and Islam denomination.

Based on age, 175 respondents were of 16–25 years old, 42 respondents were of 26–35 years old, 33 respondents were above 35 years old. Based on education background, 21 respondents were of diploma degree level, and 152 respondents were of undergraduate level, 62 respondents of graduate level, 15 were of postgraduate level. Based on occupation, 52 respondents were of government officers, 124 respondents were private employees, 47 respondents were professionals and 27 respondents were of entrepreneurs. Based on monthly spending on halal cosmetics, 125 respondents had monthly spending less than IDR 500,000, 87 respondents had monthly spending between IDR 500,001 – IDR 1,000,000, 38 respondents had monthly spending between IDR 1,000,001 – IDR 1,500,000. Based on denomination that the respondents professed, 181 respondents were of Sunni, ten respondents were of Shi'a, two respondents were of Khawarij, 16 respondents were of Ahmadiyya, four respondents were of Sufi and 37 respondents did not profess any branch in Islam.

From the above respondent profiles, it can be concluded that most of the respondents were Muslim women that professed as Sunni who were 16–25 years old whose education background was on undergraduate level and with monthly spending on Islamic cosmetics less than IDR 500,000.

### 4.2 Validity and reliability test

Before proceeding to SEM analysis, the data gathered was tested on account of their validity and reliability (Table 2). The researchers derived construct validity through factor analysis with the cut off value of factor loading more than .55. After that, the researchers checked the KMO-MSA and Bartlett's test which should be higher than 0.5. In this regards, Islamic religiosity, brand perception and brand preference factors were all greater than 0.5. Meanwhile, the significance of Bartlett's test of sphericity suggested 0.000 with DF 465. Next, communalities after extraction showed an average value of more than 0.5. Lastly, the total variance explained is 73.956% which is above 60% requirement hence the data are eligible for further analysis.

Items RLG3, RLG13, BPR12, BPF3, and BPF4 were eliminated due to a low value of communality of less than 0.5. Also, the items RLG4, RLG5, RLG6, RLG14, RLG15, RLG16, RLG17, RLG19, RLG20, RLG21, RLG22, BPF1, BPF2, BPF10, BPF12, BPF13, BPF14 and BPF15 were eliminated due to the high cross-loading of more than one factor with a value greater than 0.4.

For the data to be reliable, the Cronbach's alpha of each factor has to be greater than 0.6. As indicated by Table 2, all factors have passed the reliability test with Cronbach's alpha ranging from .909 to .965.

After the removal of the 23 items, all the items are with acceptable communality values which are ranging from 0.586 to 0.903. The factors extracted are three as indicated in Table 3.

**Table 2** Validity and reliability test

	<i>Code</i>	<i>Factor loading</i>	<i>Reliability</i>
Islamic religiosity	RLG1	.852	.965
	RLG2	.892	
	RLG6	.837	
	RLG7	.861	
	RLG8	.853	
	RLG9	.827	
	RLG10	.903	
	RLG11	.821	
	RLG12	.836	
	RLG18	.772	
Brand perception	BPR1	.722	.950
	BPR2	.727	
	BPR3	.738	
	BPR4	.738	
	BPR5	.751	
	BPR6	.860	
	BPR7	.896	
	BPR8	.863	
	BPR9	.865	
Brand preference	BPF5	.676	.909
	BPF6	.656	
	BPF7	.680	
	BPF8	.830	
	BPF9	.814	
	BPF11	.586	

#### 4.3 Structural equation modelling analysis

A SEM was conducted with the independent variables used in this research, which are Islamic religiosity and brand perception. This analysis was done by using the AMOS 24th version as the software. In this research, the data was considered as normal, thus the data can be used in testing the hypothesis. The variables are being tested using SEM in order to test the truthfulness of theoretical framework and hypotheses proposed by the researchers. The independent variables are Islamic religiosity and brand perception, whereas the dependent variable is Islamic brand preference.

**Table 3** Rotated component matrix

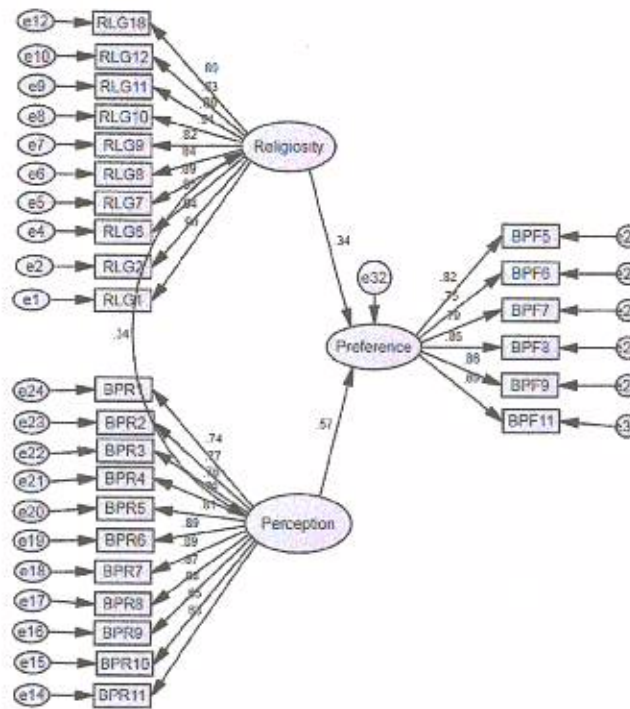
	<i>Component</i>		
	<i>1</i>	<i>2</i>	<i>3</i>
RLG1	.836		
RLG2	.881		
RLG4	.656		
RLG6	.840		
RLG7	.842		
RLG8	.850		
RLG9	.826		
RLG10	.884		
RLG11	.806		
RLG12	.827		
RLG14	.636		
RLG18	.772		
RLG22	.575		
BPR1		.688	
BPR2		.706	
BPR3		.717	
BPR4		.701	
BPR5		.722	
BPR6		.850	
BPR7		.881	
BPR8		.862	
BPR9		.864	
BPR10		.733	
BPR11		.671	
BPF5			.667
BPF6			.619
BPF7			.687
BPF8			.838
BPF9			.820
BPF10			.729
BPF11			.580

Notes: Extraction method: principal component analysis.

Rotation method: varimax with Kaiser normalisation.

In SEM, the first step of analysing is to construct a path diagram of the variables that are going to be analysed. The path diagram in this hypothesis testing is based on the result of the factor analysis. After the path diagram has been constructed, the next step is to analyse the output. The result of the standardised estimates calculation is shown in Figure 2.

Figure 2 Standardised estimates calculation of SEM (proposed model) (see online version for colours)



#### 4.4 Assessing the goodness-of-fit

The result of SEM model fit that has been obtained from statistical software, should be compared with the good fit cut-off value criteria as theorised by previous researchers, and should make sure the result passed the criteria and interpreted as acceptable.

From Table 4, the value of standardised coefficient of regression between Islamic religiosity and brand preference is .34. It means that Islamic religiosity influences brand preference as big as .34. The other factor that has standardised coefficient toward brand preference is brand perception, which has .57. It indicates that brand perception contribute .57 to brand preference.

For chi square, we normally expect the value to be  $> 0.05$  or insignificant and yet the result of the model is 0.00 which is significant. This is due to large samples hence it is to be ignored. The satisfactory value of  $CMIN/DF < 5$  and the result is 4.259 which is acceptable. The satisfactory value of GFI is  $> 0.95$  and the result is 0.703 which is moderately acceptable. The satisfactory value of AGFI is  $> 0.90$  and the result 0.650 which is moderately acceptable. The satisfactory value of RMSEA is  $< 0.08$  and the result is 0.107 which is poor. The satisfactory value of CFI is  $> 0.90$  and the result is 0.866 which is acceptable. Lastly, the satisfactory value of TLI is  $> 0.90$  and the result is 0.853 which is acceptable. Model fit shows that all the full model of SEM passed the criteria and interpreted as moderate fit or acceptable.

**Table 4** Standardised regression weight

			<i>Estimate</i>
Preference	←	Religiosity	.342
Preference	←	Perception	.572

*Source:* AMOS

Based on Table 4, brand perception has a bigger influence towards Islamic brand preference. When brand perception goes up by 1 standard deviation, brand preference goes up by 0.572 standard deviation. Moreover, brand preference is also influenced by Islamic religiosity, when Islamic religiosity goes up by 1 standard deviation, brand preference goes up by 0.342 standard deviation.

#### 4.5 Interpretation of result

Based on SEM outputs, Table 5 summarises the result for the hypothesis interpretation.

**Table 5** Hypothesis testing result

		<i>C.R.</i>	<i>P value</i>	<i>Interpretation</i>
H1	Religiosity → Preference	6.942	0.000	Significant. Hypothesis accepted.
H2	Perception → Preference	8.625	0.000	Significant. Hypothesis accepted.

*Source:* AMOS

The data analysis showed that Islamic religiosity and brand perception influenced the brand preference towards halal cosmetics.

The Previous research conducted by Mansor et al. (2015) found that religiosity and perception were measures of preference toward Islamic branding. The result of their study suggested that religiosity and perception had significant effects on consumer brand preference toward Islamic branding. Similarly, Jalil and Rahman (2014) concluded that perception influenced preference toward Islamic branding, so the hypothesis is in accordance with the results of their study.

All dimensions of religiosity are also significantly influencing Muslims' brand preference. The finding is also supported by previous journals, such as El-Menouar (2014).

## 5 Conclusions and recommendation

This research aimed to analyse the factors influencing preference toward halal cosmetics. After conducting the analysis the results were as follows: Islamic religiosity positively influenced *halal* cosmetics preference. The C.R value of Islamic religiosity was 6.942 and the P value was 0.00 or less than 0.05, which indicated that the Islamic religiosity significantly influenced *halal* brand preference. Meanwhile, brand perception positively influenced *halal* cosmetics preference. The C.R value of brand perception was 8.625 and the P value was 0.00 or less than 0.05, which indicated that the brand perception significantly influenced *halal* brand preference. Based on the result, the most influential

factor of customer preference towards *halal* cosmetics was brand perception. Although respondents' (degree of) religiosity is one of important factors to consider, the result of this study confirms that brand perception in regards to product quality, package design, overall functions and benefits, etc. play a greater role in the preference of and selection for *halal* cosmetics. Therefore, the key to win competition in the cosmetic market, *halal* business practitioners are suggested to use a combination of religious symbol matched with better utility and quality as the symbol already suggests. As this research only incorporates female Muslim respondents, further research in this area may also incorporate male respondents who are also subjects to various *halal* products in the market.

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