The Significance of Religious Value and Commitment on Customers’ Satisfaction and Retention for Halal Cosmetics Products in the Malaysian Market

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Abstract: The role of religious branding like Halal is important because it adds value to products and gives meaning to the intention of consumers. Halal branding represents extremely powerful values, however, the possibilities of promoting products on the strength of religious values and commitment are hardly explored. Ample of discussions have recognised a significant relationship between customer satisfaction and retention as it is the hallmark for relationship marketing and gaining sustainable competitive advantage. The objective of this article is to present a conceptual framework to examine the role of religious values and commitment in establishing customer satisfaction for Halal cosmetic products and ultimately achieving customer retention. Discovering the relationship between these variables can assist providers to improve their product offerings and competitive strategies.

Keywords: Halal cosmetics, religious value, religious commitment, customer satisfaction, customer retention

Paper type: Conceptual paper

1. The Halal Industry
According to a newspaper released by Euromonitor, the Muslim population is the second-largest population and fastest growing religion globally in 2015 and is expected to offer more opportunities for companies operating in this market by 2030 when it reaches 26% of the global population (The Halal Journal, 2015). The growth in the number of Muslims worldwide has stimulated peoples’ interest in gaining a better understanding of the Islamic religion and Muslim consumers’ behaviour (Khayruzzaman, 2016).
The Global Islamic Economy 2014 Report introduces a Halal Pharmaceuticals and Cosmetics Indicator to evaluate countries’ health and development of their Halal pharmaceuticals and cosmetics ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator evaluates on relative strengths of the existing ecosystem for development of the sector. Malaysia, Egypt, and Singapore lead this inaugural Halal Pharmaceuticals and Cosmetics Indicator ranking that focuses on health of the Halal pharmaceuticals and cosmetics ecosystem a country has relative to its size and its related social considerations. Malaysia ranks the highest in having the strongest awareness score while having a strong governance. This country is regarded as an important hub for Halal pharmaceuticals and cosmetics with a strong government and industry support. Even though it is a very important hub for Halal pharmaceutical and cosmetic products, Malaysia does not rank as one of the main exporters of products to Organisation of Islamic Cooperation (OIC) countries relative to its size.

As tabulated in Table 1, the contribution from Malaysia’s Halal exports has increased 4.5% from the total export as of December 2015 (Halal Industry Development Corporation, 2015). Halal cosmetics sector is currently worth $26 billion and is expected to grow to $39 billion by 2018 (The Halal Journal, 2014). Besides that, the total export of Malaysia’s Halal cosmetics and personal care was RM 2.3 billion in 2014 (Halal Industry Development, 2015).

<table>
<thead>
<tr>
<th>Year</th>
<th>Halal Export Value (MYR)</th>
<th>Increased percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>23,854,885,327</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>31,990,638,903</td>
<td>+34.1%</td>
</tr>
<tr>
<td>2013</td>
<td>32,842,002,120</td>
<td>+2.7%</td>
</tr>
<tr>
<td>2014</td>
<td>37,691,265,205</td>
<td>+14.8%</td>
</tr>
<tr>
<td>2015</td>
<td>39,397,081,360</td>
<td>+4.5%</td>
</tr>
</tbody>
</table>


There are a few factors that drive the growing potential of the Halal market. Firstly, it has been projected that in the next two decades, the world’s Muslim population will increase tremendously, rising from 1.6 billion in 2010 to 2.2 billion by 2030. It has been forecasted that the total Muslim population will continue to grow approximately twice the growth rate of non-Muslim populations, which is at 1.5% annually (Thomson Reuters, 2014). Secondly, the growing number of young and educated Muslims symbolises a new outlook, which provides the high purchasing power target group for businesses. It has been estimated that the Global Islamic economy value at about USD 3.547 trillion a year and is forecasted to increase to USD 6.447 trillion in 2019 (Thomson Reuters, 2015), comprising of tourism, food and beverages, finance, pharmaceuticals and cosmetics, media and recreation, and fashion as listed in Table 2. Other than the above-mentioned issues, the advent of Muslim population worldwide due to migration and religious conversion will increase the awareness and interest of Halal matters that may lead to growing demand for Halal products. Due to this changing phenomenon, researchers can foresee that the demand and consumption for Halal products will continue to grow and not forgetting its great potential of Halal industry and investment.
Table 2. Global Islamic economy expenditures

<table>
<thead>
<tr>
<th>Sector</th>
<th>2013 Global Muslim Spending USD (billion)</th>
<th>2019 Forecasted Global Muslim Spending USD (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>140</td>
<td>238</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>1292</td>
<td>2537</td>
</tr>
<tr>
<td>Finance</td>
<td>1618</td>
<td>2808</td>
</tr>
<tr>
<td>Pharmaceutical and cosmetics</td>
<td>46</td>
<td>79</td>
</tr>
<tr>
<td>Media and recreation</td>
<td>185</td>
<td>301</td>
</tr>
<tr>
<td>Fashion (clothing and footwear)</td>
<td>266</td>
<td>484</td>
</tr>
<tr>
<td></td>
<td><strong>3547</strong></td>
<td><strong>6447</strong></td>
</tr>
</tbody>
</table>


2. Challenges in Halal Cosmetics Industry

Halal requirement in cosmetics is driven by ingredients that are in many cases not Halal (have pork or pork by-products) and this is a concern to many Muslim customers. Nevertheless, Halal cosmetics marketers need to acknowledge that there is a wide diversity in awareness and adoption of Halal cosmetics within the core Muslim customers globally. Most Muslim-majority countries are unaware of or not concerned about Halal certification of cosmetics products because they assume the government has verified it. Only a smaller but growing segment of Muslims are conscious of the Halal certification need for cosmetics and seek alternatives. Nonetheless, most are not well-informed on what to look for.

One of the root causes causing a lack in Halal certified cosmetics products was too few Muslim entrepreneurs applied for Halal certification i.e. only 28% while only 11% of companies registered with the government’s Halal Industry Development Corporation to export their products are Muslim companies and the rest are non-Muslim companies (Malay Mail Online, 2016).

In comparison to the Halal food category, the development of the Halal lifestyle category is comparatively slow and still in the infant stage of capturing the eye of consumers. Two major factors are attributed to the slow development. First, consumption of Halal cosmetics do not have the same urgency as food. Second, both Muslims and multinationals learned late that Halal extends beyond food whereby normal daily activities can also be Islamised and classified as Halal (Alserhan, 2010). Some research have shown that approximately 20% of Muslim consumers do not look for Halal certifications when purchasing a product and that majority of consumers will buy products that do not have the logo if there are no alternatives (Othman, 2006).

Besides that, the time it takes to get Halal-certified could be long, with each new product needing to be certified, which delays new product launches and in turn sales and profitability of a company. This scenario may also make Non-Muslims to shy away from products that carry a Halal logo especially in the west due to perception issues.

To date, there is no comprehensive research published that shows a detailed analysis of religious values and customer satisfaction towards Halal cosmetics products in Malaysia. Other researches of consumer behaviour on Halal cosmetics products have focused on the current practices of production and consumption of Halal cosmetic products (Husain et al., 2012), factors influencing the purchasing intention of Halal cosmetics products (Hussin et al., 2013; Baig and Baig, 2013; Rezvani et al., 2013), and Halal assurance system requirements and documentation in cosmetics industry (Mohd Salleh and Hussin, 2013). Hence, this research intends to fill in the gap.
3. Literature Review

A. Halal cosmetics
Muslims’ life revolves around the concept of Halal, which is the universal manifestation providing guidance not only on the types of food and drinks to be consumed, but also on daily life matters. Halal is essential as it provides a sense of security to assure the usage or consumption of Muslims is Syariah compliant.

Cosmetics and personal care products are used daily by many people regardless of their age and races. Halal cosmetic products reflect those that are Sharia compliant whereby no haram (prohibited) ingredients are used, exploitation of labour or environment are permitted, and the products are not harmful or intended for harmful use (Alam and Sayuti, 2011; Sharina et al., 2012; Alam et al., 2012).

B. Religious value in halal cosmetics
Religion plays an important role but it differs from person to person. Religion can be described as the habitual expression of an interpretation of life, which deals with ultimate concerns and values (Cloud, 2000). Religion provides people with a structured set of beliefs and values that serve as a code of conduct or guide to behaviour (Delener, 1994). Rules and taboos in the religious traditions may directly influence various aspects of the choice behaviour of its followers. Obvious examples are the importance of fasting and feasting to patterns of food purchases, belief in taboos on clothing styles and activities of women, practices of personal hygiene related to purchases of toiletries and cosmetics, and influences on housing and entertainment patterns. Less obvious is the influence of religion on the consumption of goods and services that are not directly restricted by religious laws (Mokhlis, 2010). Hence, religiosity is considered a deciding factor in influencing individuals’ choice of consuming Halal products and services (Johan et al., 2014).

C. Religious commitment in halal cosmetics
Worthington et al. (2003) defined religious commitment as the degree to which a person adheres to his or her religious values, beliefs, and practices and uses them in daily living. The global markets seek to grasp the principles of a religion since it is a main source of decision-making and relationship (Khraim, 2010; Layton et al., 2011). The different degree of adherence to which individuals become committed to a religion impacts directly on the choice behaviour in the market and obligation to a specific brand (Rindfleisch et al., 2005; Khraim, 2010). Religious people strongly follow their religious principles such as regularly attending weekly worship services, being strictly committed to the religious doctrines, and association of the group; people whose belief in religious tenet is weak feel free to behave in other ways (Mokhlis and Spartks, 2007). Religious commitment extends beyond religion itself, so investigation on the effect of consumers’ religiosity on Halal brand relationship and customer satisfaction and thus retention in the marketplace makes a valuable stream.

D. Customer satisfaction and retention
Kotler and Keller (2006) suggested that customer satisfaction stands for emotional states of pleasure or disappointment that a person may feel due to comparison between his perceptions and expectations of a product's performance. The most widely accepted conceptualisation of customer satisfaction concept is the Expectancy Disconfirmation Theory (Barsky, 1992; Oh and Parks, 1997; McQuitty et al., 2000). The theory was developed by Oliver (1980), who proposed that satisfaction level is a result of the difference between expected and perceived performance. Satisfaction (positive disconfirmation) occurs when a product or service is better than expected. On the other hand, dissatisfaction (negative disconfirmation) occurs if a performance is worse than expected results.
Studies show that customer satisfaction may have direct and indirect impacts on business results. Anderson et al. (1994), Yeung et al. (2002), and Luo and Homburg (2007) concluded that customer satisfaction positively affects business profitability. Majority of studies have investigated the relationship with customer behaviour patterns (Söderlund, 1998; Kandampully and Suhartanto, 2000; Dimitriades, 2006; Olornniwo et al., 2006; Chi and Qu, 2008; Faullant et al., 2008). According to these findings, customer satisfaction increases customer loyalty, influences repurchase intentions, and leads to positive word-of-mouth.

The simple definition by Buttle (2008) on customer retention is that it is the number of customers doing business with a firm at the end of a financial year expressed as a percentage of customers that were active at the beginning of the year. Customer satisfaction and retention are often studied simultaneously because of the complex relationship between the two constructs (Hennig-Thurau and Klee, 1997), and the former is considered as a motivator of the latter.

Every organisation needs to know how to retain their customers, even if they appear to be satisfied. Reichheld (1996) suggests that some unsatisfied customers may choose not to defect, because they do not expect to receive better service or product elsewhere and that some satisfied customers may look for other providers if they believe they can get better service or product elsewhere. Customer satisfaction is viewed an important indicator of customer retention but customer satisfaction is not always an assurance of customer retention (Jones and Sasser, 1995; Reichheld, 1996). The framework in Figure 1 is suggested to test the relationship between these variables.

**Figure 1. Proposed conceptual framework**

<table>
<thead>
<tr>
<th>Religious Value</th>
<th>Customer satisfaction</th>
<th>Customer retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious commitment</td>
<td></td>
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</table>

4. Conclusion and Implication to the Halal Industry

It is crucial for Halal marketers to acknowledge that different levels of religiosity determine the cognitive and behavioural differences in an individual’s purchasing decisions. Companies that can attract and retain customers in this highly competitive and increasingly saturated market stand poised to make considerable gains, and thus customer satisfaction is an important field of study in the growing Halal market.

References


