

## Strategic Logistics on Halal Products

Siti Maemunah<sup>1</sup>, Baehaki Syakbani<sup>2</sup>

<sup>1</sup>Program Pasca Sarjana Institut Transportasi dan Logistik Trisakti

<sup>2</sup>Sekolah Tinggi Ilmu Ekonomi AMM

### **Abstract**

*This study introduces a new conceptual framework related to the logistics strategy of halal products on customer loyalty. The provision of halal products must be carried out in a Muslim country, namely Indonesia. Products that provide halal certification for these products are LPPOM MUI Indonesia Halal Products, LPPOM MUI, 2020. This methodological study was built and developed from several previous studies. This research is a quantitative research with SEM. This finding is the importance of halal product logistics strategy and product quality will influence consumer behaviour. Consumer behaviour is related to customer satisfaction and customer loyalty. The logistics strategy of halal products, namely products such as food, beverages, medicines and cosmetic ingredients, requires a good management system, quality will get consumer satisfaction and loyalty in consuming halal products. The implication of this research is the logistics strategy of halal products is not only from product quality to make consumers satisfied. Consumers will be satisfied in terms of distribution, storage, marketing, and overall sales. Halal product logistics strategy meets consumer and market desires. Strategies to create customer loyalty. The originality of the research is a logistics strategy for halal products that gives birth to customer satisfaction and loyalty. This study provides an important reference for Islamic companies, branding and marketing.*

**Keywords:** *Consumer behaviour, product quality, strategic logistics, customer satisfaction and customer loyalty.*

### **INTRODUCTION**

Indonesia has a very large Muslim majority so that not only food and drink but all products are required to be halal (Berry, 2011, p. 3) Halal is defined as all products and food prepared following a series of Islamic laws and regulations. Products and food should be halal and clean (Purchase et al, 2014) meaning halal or permitted by the lawgiver (Allah) covering all aspects of human life including: food, lifestyle, and services. Halal products are not only in food but include all food products, medicines and cosmetics (Ab Talib and Johan, 2012). The halal industry consists of food, non-food such as pharmaceuticals and cosmetics as well as services (logistics, banking and tourism) (Pahim et al., 2012; Aziz and Chok, 2013).

The theory of planned behavior explains that consumer behavior is influenced by consumer attitudes (Jaffar et al., 2013) such as consumer knowledge about the product, whether the product is halal certified which is recognized by the government. The Government of Indonesia and International accept new strategies regarding marketing (Ng et al., 2014). Marketing has a new strategy, namely the Indonesia Marketing Association (IMA) 2019 explaining nine marketing trends (Arafah, 2019). The first is to establish artificial intelligence-based customer relationship management to get more customers. The second is to build optimal market integration both online and offline. The third is intrapreneurs for startup businesses. Fourth is digital payments.

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<sup>1</sup> Penulis koresponden. unacsy2015@gmail.com

Fifth is the competitive halal industry market. Sixth is the popularity of the product. Seventh is social impact business. Eight is focused on tourism. The ninth is implementing Industry 4.0 in integrated marketing.

The integrated marketing of the world's food industry and food technology products does not implement a halal certification system (Charity, ML 2017) this raises concerns in Muslim-majority Indonesia that in the face of free trade at regional, international and global levels, food products and other products contain or are contaminated illegal elements. In processing, storage, handling, and packing techniques, preservatives that are harmful to health are often used or additives containing haram elements which are prohibited in Islam.

The issue of product halal certification and marking in the international trade system has received good attention in order to provide protection for Muslim consumers around the world, as well as a strategy to face the challenges of globalization with the enactment of the free market system in ASEAN-AFTA, NAFTA, the European Economic Community, and the Trade Organization. International (World Trade Organization) (Charity, ML 2017). Even the halal lifestyle is currently sweeping the world. Not only countries with a majority Muslim population, but also countries with a non-Muslim majority population. Global-scale companies are also currently implementing a halal system (Ni'am, 2015: Charity, ML (2017). For example, Japan Airlines, Singapore Airlines, Qantas, America Airlines, which provide halal menus (Moslem meal). Halal symptoms are also penetrated America, Australia, Japan, China, India, and Latin American countries.

The phenomenon and problem that occurs is that several studies and several leading marketing journals explain the scarcity and debate of literature and issues related to religion (El-Bassiouny, 2016). Although searches in the food industry are growing in popularity. Little research explains how individuals and organizations understand this, researching in the growing halal food industry. Therefore, this study contributes to the literature related to consumer behavior, logistics strategy, customer satisfaction and customer loyalty in using halal products.

Previous research is discussing religion in halal food (Armaios et al., 2018) halal food in the modern world. Formation of loyalty to halal food (Marwansyah et al., 2019). Halal food is produced by non-Muslim producers (Lever and Fischer, 2018) regarding halal products. Strategies to increase the competitiveness of companies in halal food in Korea (Bashir et al., 2018). Halal food supply chain system in Western Australia (Purchase et al., 2014).

This study fills the gap from previous studies that examine the variables of consumer behavior (religiosity, perception of usefulness of halal and concern on Halal), product quality, logistics strategy, customer satisfaction on customer loyalty in using halal products.

## **LITERATURE REVIEW**

### **Effect of consumer behaviour on product quality on halal products**

According to Ajzen et al., (2005) explained that consumer behavior is determined by the intention to give birth to behavior intention and influences the attitude to buy halal products. Halal products according to Muslims (Armanios and Ergene 2018) such as consuming halal food such as lamb, chicken, and beef that are slaughtered according to Islamic law. Halal in Islam prohibits the consumption of alcohol, pork and dogs under Islamic law (Farouk et al., 2014). Quality halal products must show the origin of the ingredients in an approved form, taste and clearly marked as must be certified. Quality halal products in the storage of raw materials, transportation, production and proper procedures must avoid being haram. Only quality materials and halal raw materials can produce products and get halal certification (Armanios and Ergene, 2018).

Quality products in halal products, all products including food, sources of containers and food packaging are free from haram ingredients. Halal food manufacturers make and use

approved containers. To attach a halal trademark to a product, product facilities, as well as management and policies must be from a government-approved certification body (Talib et al., 2010).

Members of the World Halal Food Council want to set a single international standard, technological advances can help to know the product is truly halal (Wilson, 2012a). Muslim consumers choose halal products including hygiene aspects. In addition, it stipulates the quality, purity and health benefits of halal products.

*H1: There is a positive influence of consumer behavior on product quality on halal products*

### **Effect of product quality on strategic logistics on halal products**

Competition in the business industry in the increasingly competitive halal product competition requires companies to have a strategy to win the competition (Grant, 2010; Ayah et al, 2015) to gain market advantage and remain successful in front of competitors. The concept of halal is of concern today as consumer demand for quality halal products is increasing drastically as a result of the increasing number of Muslims globally. Thomson Reuters, (2016) by 2030, the Muslim population will increase by about 26.4 percent to 2.2 billion from 1.7 billion in 2014. Furthermore, the growth of the Muslim population signifies a huge market potential. Hence, the halal market will continue to grow due to the dominance of the Muslim population. The world market for halal quality products was valued at US\$1,173tn in 2015, representing about 16.6 percent of the global food industry at that time. As a fast growing food segment, it is estimated to reach US\$1,914tn by 2021 (Ahn, 2014; Thomson Reuters, 2016). Loyal customers are less sensitive to price, so building and maintaining relationships with quality products becomes a logistics strategy to develop a sustainable competitive advantage (Ali et al., 2018, Wake, 2004).

Product quality is the main driver of perceived value and satisfaction. Furthermore, both satisfaction and perceived value are drivers of customer loyalty. The argument for this proposition is that if product quality is an attribute judgment and perceived value is a product experience assessment, then satisfaction is a consequence of product quality and perceived value.

*H2: There is a positive influence of product quality on strategic logistic on halal products*

### **The effect of strategic logistics on customer satisfaction on halal products**

The logistics strategy according to (Wanke, 2004) the concept of providing a halal food supply chain is influenced by several factors. First is the traceability of quality products delivered, second is quality assurance (controlling product quality), third is trust and commitment from service providers. This factor makes a supply chain system that is integrated and transparent in delivery (Yang et al., 2015). In addition, with the quality control of this product, it can guarantee the quality and halal certification of the products being marketed. Strategic logistic is to increase competitive advantage that has competitiveness in the company (Maemunah et al., 2018), can capture opportunities and avoid threats. Competitive advantage is having scarce resources, producing products and business processes and bringing quality profit, low cost innovation in improving company performance. The logistics strategy meets the needs and satisfies consumers and fulfills the market's desires in improving performance (Bapat el al., 2015). The logistics strategy focuses on the market's desire to create customer satisfaction (Maemunah, 2020).

Halal products can be a company strategy in attracting consumers (Tieman, 2017a, Maemunah, 2018) especially consumer trust from Islamic values. Halal products in the company will affect competitiveness, market share, financial performance, consumer trust and loyalty, stakeholders, consumer loyalty, media relations and even license to operate (Musa et al., 2016; Halderen et al., 2016; Hall , 2010). Many multinational companies today measure a company's halal image by conducting a survey on the halal trustworthiness of a brand compared to their competitors. This measure is a contemporary view of Muslim perceptions of brands, based on past corporate images.

*H3: There is a positive influence of strategic logistic on customer satisfaction on halal products*

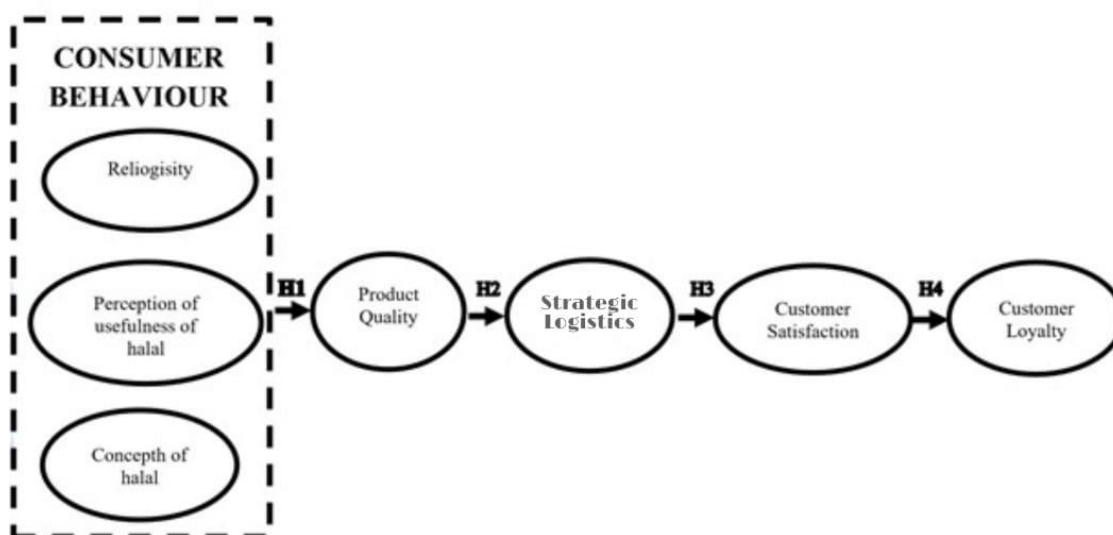
### **The effect of customer satisfaction on customer loyalty on halal products**

The perception of Islamic consumers in buying and using halal products is that Islam is the second largest religion in the world, with 1.8 billion followers in the world (Hackett and McClendon, 2017). Muslims are required to eat and use halal products according to the Al-Quran (Muslim holy book) and Sunnah (practices of the Prophet Muhammad) (Al Jallad, 2008; Eum, 2013). All Muslims are aware of the importance of halal food, leading to the expansion of the world halal food and product industry. With the Qur'an calling for food not only halal but also Toyyib (good). Halal and haram products are based on the sovereignty of Allah (Subhanahu Wa Ta'ala, SWT) Bashir et al., (2018).

Customer satisfaction (Fornell et al., 1996) shows that product quality positively affects customer satisfaction and loyalty. Customer satisfaction can maintain competitiveness (Maemunah, 2020). According to Fu et al., 2018; Jen et al., (2011) confirm that both value and product quality significantly affect satisfaction measures that impact on loyalty. This study shows that the determinants of the formation of this loyalty are the quality of halal products that create customer satisfaction, then create customer loyalty.

*H4: There is a positive effect of customer satisfaction on customer loyalty on halal products.*

**Figure 1. Conceptual framework**



## **METHOD**

This study uses quantitative methods using primary data obtained by using questionnaires distributed to respondents through surveys. The survey data explains the picture based on the perception of respondents' responses. Furthermore, hypothesis testing was conducted to test the effect of consumer behaviour, logistics strategy, customer satisfaction on customer loyalty in using halal products. The analysis used in this research is quantitative with SEM (Structural Equation Modeling).

The Likert scale is used to measure attitudes, opinions and understanding of a person/group towards events and social phenomena that occur. In this study, respondents were asked to give it based on a 5-point Likert scale starting with "strongly disagree" number 1 (one), "disagree" numbered 2 (two), "enough" was numbered 3 (three), "agree". " is given a number of 4 (four), to "strongly agree" is given a number of 5 (five). The Likert scale is also a method for measuring attitudes by giving statements of agreement and disagreement with certain subjects, objects, or events.

### Population and Sample

The population of this study is all SMEs in Indonesia that sell halal products. Halal labels are obtained and issued by the central MUI or the Province. Food, beverage, drug and cosmetic products produced by the company are then investigated by LPPOM MUI. The criteria for this research population are SMEs have a workforce of 5-19 people for small businesses. Medium-sized businesses are 20-99 people with assets of 50 million -500 million rupiah for small businesses. Medium business with assets of 500 million rupiah to 5 billion rupiah.

Respondents from this study were directors, managers and decision makers. The data used in this study is primary in the form of perceptions from the president director, manager through a questionnaire via google form.

The number of samples using the provisions proposed by Hair et al., (2010). Number of indicators  $37 \times 5 = 185$ . Anticipating that the questionnaires were not returned, a sample size of 225 was determined. All 225 data collected could be analyzed.

### Research Instrument Testing Validity test

The validity test gets the level of truth from each statement in the questionnaire. If the instrument can measure precisely, then the instrument can be called valid. Each instrument is correlated with the total score to be able to test the validity (Sugiyono, 2012). Test the validity using SPSS for Windows V.18.0 with the Pearson Product Moment correlation technique at a significance level of 0.05. A valid instrument must have an item with a correlation price (r) greater than 0.30 (Sugiyono, 2012) or the significance of the correlation must be below = 0.05 (Santoso, 2004).

Based on the results of the validity test, all items on that dimension have a value  $> 0.5$ . This indicates that all statement items or indicators of each variable used in this study are valid.

### Reliability Test

To find out to what extent a measuring instrument is reliable and consistent if it is carried out twice or more measuring the same group using the same measuring instrument, a reliability test is used. The Cronbach Alpha test is used to test the reliability level of each variable. The statement will be reliable if the Cronbach Alpha value is  $> 0.6$  (Ghozali, 2011).

The results of the reliability test show Cronbach's Alpha 0.6 which indicates a reliable result. From the table above, it can be concluded that the variables show reliable results with the value of Cronbach's Alpha 0.6. The results of the reliability test confirm that the data and research instruments are reliable to be used in further estimation.

### Results

The results of the hypothesis  $H_1$  consumer behavior affect product quality in halal products with a t-value of 4.06 (t-value 1.96) meaning that the hypothesis is accepted. Consumer behavior towards product quality such as quality food, which is healthy, safe, or hygienic and halal (Ahmed et al., 2018).

Hypothesis  $H_2$  product quality affects the strategic logistics of halal products with a t-value of 3.03 (t-value 1.96) meaning that the hypothesis is accepted. Product quality that has a Halal certificate, trademark, stamp or logo has been strictly and extensively checked by the Islamic Halal institution (Ab Thalib et al., 2016). Halal product quality is related to strategic logistics in planning, meeting needs, storage, service to consumption to meet consumer needs.

The  $H_3$  strategic logistics hypothesis on customer satisfaction in halal products with a t-value of 2.05 (t-value 1.96) means that the hypothesis is accepted. Strategic logistics is that all consumer needs from food, medicine, cosmetics to consumers who already have a halal logo are related to customer satisfaction.

Hypothesis H<sub>4</sub> customer satisfaction on customer loyalty on halal products with a t-value of 3.90 (t-value 1.96) means that the hypothesis is accepted. Customer satisfaction is measured by loyalty to the number of products purchased. Truly loyal customers consume for reasons of cost and convenience. The second approach is attitude, which measures customer tendencies regarding halal products. Halal products satisfy customers so that it affects customer loyalty (Ha and Jang, 2010). Halal products are measured by loyalty attitudes not only from purchase intentions (Hidayat et al., 2015) but also from the desire, commitment and behavior of consumers to acquire and spend more halal products.

### Discussion

Changes in consumption patterns, as well as religious, socio-economic and cultural values related to the globalization of halal products, Islamic marketing perspective. Recently, there has been an increase in the consumption of halal food and products. This shows an increasing trend of dependence on halal products not only in Muslim countries such as Middle Eastern countries, but also in the United States, Britain, Korea, Singapore and Japan.

### CONCLUSION

The world's attention to halal products is increasing. Halal certification and marketing on the behavior of Muslim consumers and companies, as well as socio-economic perspectives. This study recommends the logistics strategy of halal products on customer loyalty so that consumer behavior in Indonesia becomes a major player in the halal industry. Adopting a logistics strategy in decision making can strengthen halal products on consumer behavior, not only focusing on Muslim consumers but non-Muslim consumers. The logistics strategy is considered potential and very competitive to increase customer satisfaction and customer loyalty to consumers who consume halal products.

Halal products can satisfy customers so that it affects customer loyalty. Halal products are measured not only from loyalty, namely attitude, but also from the intention to buy, commit and get and use more halal products.

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