

## The Influences of Halal Integrity on Product Adaptation Strategy for Global Trade

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**Abstract:** The integrity of halal product is highly demanded by Muslim consumers worldwide. As there is no unified understanding on the halal concept that meets universal standard, some countries may place different concern on the level of halal integrity. Markets with high sensitivity on halal issues might demand high level of halal integrity to be integrated in the product. This scenario might force the exporting firms to adapt its marketing strategy so as to meet their expectation of halal qualities and also to secure its halalness from any potential risk of cross-contaminations. Based on pilot survey with 51 halal exporters, the study found that there is a significance influence of halal integrity on product adaptation strategy. However, there is no significance difference on mean scores for halal integrity and product adaptation strategy among product categories and market segments. The findings have given some thoughts on the development of export marketing strategy in the context of halal industry.

**Key words:** Halal integrity, halal product, Islamic values, product adaptation strategy, market, Malaysia

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### INTRODUCTION

There are no unified standard of halal concept due to various level of awareness and understanding of the concept across the globe. As a result, the integrity of halal product is being perceived differently among markets. For example in European market besides meeting the physical halalness of the product, Muslim consumers also expect the ethical values to be incorporated in the product (Irfan, 2010). The importance of halal integrity in relation to product category is also being perceived differently by consumers worldwide. Research conducted by the World Halal Forum in few selected halal market regions (i.e., Europe, Middle East and Asia), thousands of Muslim consumers have shown their opinions on what products they thought should be considered halal (Sofi, 2010). Based on this study, Muslims generally have the highest awareness level on halal meat and meat-based products (94-98%) followed by processed food (40-64%), pharmaceuticals (24-30%) and cosmetics and personal care (18-22%).

This indicates that the meat and meat based products is perceived to have high level of exposures to Shariah principles which demand greater level of halal integrity during slaughtering of animals, production, processing, etc., as compared to other product categories. According to Sungkar and Hashim (2009), halal markets are not

similar to other markets everywhere as it is fragmented by ethnicity, location, income, awareness and understanding towards halal and a few other determinants. Therefore, product adaptability in each target market needs to be considered seriously as one-size-fits-all strategy simply cannot work in every market. Thus, the purposes of this study are to investigate the influences of halal integrity on product adaptation strategy and to investigate the main differences of halal integrity and product adaptation strategy among product categories and market segments. It is hoped that by understanding the force of halal integrity in influencing the product adaptation strategy decision will contribute to the body of knowledge and industry practice in their efforts to improve marketing effectiveness of halal products in foreign market through the development of product that is closely adapted to export market specificity.

### Literature review

**Underlying dimensions of halal integrity:** The aspect of halalness or a term as halal integrity in this study is one of the main and unique attributes of halal product. In relation to others, halal product is being produced in accordance with religious requirements based on halalan tayyiban (permissible according to Islamic law principles as well as good quality for health) concept. The concept requires the product to meet the vital elements of halal and tayyib

that is good and high quality for human consumption. From Islamic point of view, the concept of halal is holistic which is not only focusing on the physical attributes of the product but also emphasizing the moral conduct involves in the entire production chains. As evidence in Quranic verses:

Eat of the good things (tayyib) and do right  
(Al-Quran, 23:51)

Based on this verse, the word tayyib, translated as good, pure, wholesome, healthy, well, nutritious, etc., means pure both in the physical and the moral sense. Based on a Prophet tradition, the Prophet said:

Allah the Almighty is good and accepts only that  
which is good (Muslim, 1991)

This tradition explains the importance of taking care the aspect of halal and tayyib in every facet of human life in order to be blessed by God, Allah. Apart from that, the principle of permissibility of things explained by Al-Qaradawi (2002), describes that everything is created by Allah is permissible to Muslim except what has been stated in the Quranic verses and the Prophet traditions. The aspect of permissibility in this principle is not only limited to the things and objects being used or consumed but also includes all human actions and behaviors.

From industry perspectives, the incorporation of the concept from farm to fork in Halal Standard (e.g., MS1500:2009) also gives emphasis on both physical (i.e., object or items used) and ethical aspects (i.e., proper conducts which include the aspects of processing, handling, packaging, labeling, warehousing, transporting, distributing, financing, marketing, selling, etc.). Therefore, the underlying dimensions of halal integrity in this study covers both physical and ethical part of the halal concept (Hazlinda and Jamil, 2011). Based on this study, the halalness, cleanliness, safe, health and nutritious attributes represent the physical integrity that is crucial in ensuring the basic halalness status. Meanwhile, animal welfare organic islamic financing, environmental friendly and fair trade attributes refer to the ethical integrity that ensure the representation of halal status.

**Product adaptation strategy of halal product:** Product adaptation is defined as the degree to which the firms actual and augmented product elements are adapted for export markets to accommodate differences in environmental forces, consumer behavior, usage patterns and competitive situations (Leonidou *et al.*, 2002). A product is a collection of physical, service and symbolic attributes which yield satisfaction or benefits to the user or buyer (Cuyvers *et al.*, 2000; Grossman and Helpman, 1991; Keegan, 1989). Therefore, the adaptation of product

may involves its three major components which are; the physical product core (i.e., design, quality, color, size, style and presentation), the product package (i.e., branding, labels and trademarks) and the auxiliary services (i.e., warranties, spare parts after sales services, user instructions, delivery and installation).

As halal product attached to Islamic values, the development of the product must be guided by the principles of lawfulness, existence, precise determination and purity which the production process must be innocent, beyond suspicion and pure from beginning to end (Ibn Al-Ukhuwah, 1938). Therefore, the development of halal product must hold both of the physical and ethical integrity of the product as required by these principles. According to shariah (Islamic law) rules, the physical integrity of halal product demands the basic requirements of halal and tayyib concept to be met which includes the aspects of halalness, cleanliness, safe, healthy and nutritious. Meanwhile, the ethical integrity of halal product necessitates the incorporation of appropriate business concept such as fair trade, animal welfare, environmental friendly organic and non-riba financing (Islamic finance) which is in line with Islamic business ethics.

In developing halal product for export market, the level of perceived importance of the physical and ethical attributes of halal integrity in particular export market might influence the adaptation of product elements as it requires strict procedures in order to meet the requirements of the market. Adaptation on product features and quality might be essential in meeting the specific attributes of halal integrity since, each halal market may have different expectations of halal qualities. For example, in Europe market, Muslim consumers also expect issues such as animal welfare, biodiversity being ecology friendly and having ethical producers who deal in fair trade and are socially responsible to be taken into account and embodied within the whole production chains (Irfan, 2010).

In branding decisions, adaptation of brand name that associated with halal identity as perceived important in export market is vital so that the issues such as undesirable meanings, pronunciation difficulties or brand similarity to non-halal product should be avoided, since the use of inappropriate name might violate the image of halal. According to Hazair (2007), it becomes tactless for producers to name their products after haram or forbidden foods such as chicken ham, halal beef bacon or alcohol-free beer as it can be misleading to the Muslim community. Halal markets that are sensitive to these issues will and might prefer halal product with proper brand name as they associate halal with divine concept. Packaging for halal product in export market must take

into consideration mainly on material, design and size that fit the halal specificity in export market in ensuring protection for the product from harmful or non-halal materials. Apart from that, designing packaging for halal product must also take into consideration on the design and image that are not stirring the sensitivity of export market on halal issues. The use of packaging material and design must not only be in compliance with shariah by using permissible materials but also ensuring the image use for packaging does not violating the representation of halal concept.

Adaptation on labeling might also be necessary to fulfill the relevant information in accordance with halal expectation based on a clear indication provided on the label. Markets with high expectation on halal integrity may require further details on halal-related information to be disclosed on the product label which may include the type of feed used such as grain, grass, anti-biotic free or animal by product, etc., type of stunning used, electrical, captive bolt, non-stun, etc., slaughter method such as by hand or mechanical and details of the body that issued the halal certificate. Apart from that, the selection of well-recognized halal logo also must be taken into consideration with regards to the perceived importance on the halal integrity in target market since, the credible halal logo will give indication on the authentic status of halalness. Currently, there are hundreds of listed certification bodies that implement various halal standards and also very little mutual recognition exists between them (Sungkar and Hoshim, 2009). Therefore, the selection of recognized halal logo in export market is critical and imperative so as to gain consumer confidence and also to secure their performance in target market.

## MATERIALS AND METHODS

**Questionnaire design:** The questionnaire was designed to measure exporters perception on the degree of physical and ethical integrity is perceived important in export market by using 5-point differential scale anchored from very low to very high. There are six items in a set of questions on physical integrity and five items on ethical integrity. The items are adopted from Hazlinda and Jamil (2011) study which have been explored based on Quranic verses, Prophet traditions, halal-related publications and interview responses.

Meanwhile, product adaptation strategy consists of 10 items which measures the degree of adaptation of product elements as compared to domestic market by using 5-point differential scale anchored from No adaptation to Substantial adaptation. The items are adapted from Lages and Lages (2003) and Lages *et al.*

(2008) and also generated from interview responses so as to summit to industry context. Before the questionnaire is distributed to the actual respondents, the questionnaire was pre-tested to check on its reliability and validity.

**Data collection:** About 51 respondents have volunteered to participate in the pilot study which has been conducted via face to face during MIHAS exhibition from 6-9 April 2011. Only person with good knowledge of the company's export marketing practices of halal certified product is qualified to complete the survey.

**Data analysis:** The unit of analysis of the study is the main export ventures which refer to the selected product or product line that has been exported to the selected export country. The product-market venture level analysis is used in order to associate marketing mix adaptation more precisely with its antecedents and outcomes since, simultaneous use of different products and markets will lead to inaccurate measures (Lages *et al.*, 2008). Statistical analyses have been used to address the study purposes which include descriptive, correlation and one-way ANOVA.

## RESULTS AND DISCUSSION

**Main export ventures profiles:** The profile of main export ventures involves in this study is shown in Table 1. The product or product line investigated covers both food and non food product categories. The highest product categories obtained for non-meat based food products (35.3%) followed by beverages (21.6%), healthcare and pharmaceuticals (17.6%), meat and meat based food products (11.8%), halal ingredients (9.8%) and cosmetics and skincare (3.9%). Meanwhile, five major halal market segments obtained in the study which lead by Asia (51%), followed by Middle East-Africa (29.4%), Europe (9.8%), America (5.9%) and Australasia (3.9%).

Table 1: Main export ventures profiles

Parameters	Frequency (%)
<b>Product category</b>	
Meat and meat based food products	6 (11.8)
Non-meat based food products	18 (35.3)
Beverages	11 (21.6)
Halal ingredients	5 (9.8)
Cosmetics and skincare	2 (3.9)
Healthcare and pharmaceuticals	9 (17.6)
Total	51 (100.0)
<b>Market segment</b>	
Asia	26 (51.0)
Middle East-Africa	15 (29.4)
Europe	5 (9.8)
America	3 (5.9)
Australasia	2 (3.9)
Total	51 (100.0)

**The influences of physical and ethical integrity on product adaptation strategy:** A series of Pearson correlations has been performed to determine the association between physical and ethical integrity on product adaptation strategy. Preliminary analyses were performed to ensure no violation of the assumptions of normality and linearity.

As shown in Table 2, moderate linear relationship was found to exist between physical integrity on product adaptation strategy ( $r = 0.380$ ,  $p = 0.006$ ) and high linear relationship was found to exist between ethical integrity on product adaptation strategy ( $r = 0.664$ ,  $p = 0.000$ ) based on Green *et al.* (1997) criteria on the strength of relationship ( $<0.1$  = No correlation,  $0.1-0.29$  = Small correlation,  $0.30-0.50$  = Moderate correlation and  $>0.50$  = High correlation). The positive correlation coefficient of 0.380 and 0.664 indicate that the ethical integrity give greater impact towards the degree of product adaptation as compared to physical integrity.

**The mean difference of physical and ethical integrity among product categories and market segments:** A one-way ANOVA between groups analysis of variance was performed to investigate the mean difference on physical and ethical integrity among product categories and market segments. The mean scores obtained is shown in Table 3 which highlights the product categories and market segments that associate with high mean score on physical and ethical integrity. The highest mean scores

Table 2: Correlation between physical and ethical integrity on product adaptation strategy

PRDX	PRDX	PHYX	ETHX
Pearson correlation	1.000	0.380**	0.664**
Sig. (2-tailed)	-	0.006	0.000
Sum of squares and cross-products	38.852	12.073	28.266
Covariance	0.777	0.241	0.565
N	51.000	51.000	51.000

\*\*Correlation is significant at the 0.01 level (2-tailed)

Table 3: Results of mean difference of physical and ethical integrity among group variables

Parameters	Mean (Physical)	Mean (Ethical)
<b>Product category</b>		
Meat and meat based products	4.5000	3.9333
Non meat based products	4.4352	3.6667
Beverages	4.2273	3.2182
Halal ingredients	4.2000	3.7600
Cosmetics and skincare	4.8333	3.6000
Healthcare and pharmaceuticals	4.6111	4.3111
Significant	$p = 0.7760$	$p = 0.2430$
Eta squared	$\eta^2 = 0.0520$	$\eta^2 = 0.1350$
<b>Market segment</b>		
Asia	4.3077	3.5385
Middle East-Africa	4.5333	3.8933
Europe	4.5333	4.3600
America	4.3889	3.7333
Australasia	4.8333	3.2000
Significant	$p = 0.7890$	$p = 0.3930$
Eta squared	$\eta^2 = 0.0360$	$\eta^2 = 0.0840$

for physical integrity were obtained from cosmetics and skincare product category ( $M = 4.8333$ ) and from Australasia market segment ( $M = 4.8333$ ).

Meanwhile, healthcare and pharmaceuticals product category ( $M = 4.3331$ ) and Europe market segment ( $M = 4.3600$ ) have shown the highest mean score on ethical integrity. However, the ANOVA test revealed that there is no significant difference in the mean physical ( $p = 0.776$ ) and mean ethical ( $p = 0.243$ ) among product categories. There was also no significant difference in the mean difference physical ( $p = 0.789$ ) and mean ethical ( $p = 0.393$ ) among market segments.

Comparing the Eta-squared value obtained to Cohen (1988) criteria ( $0.01$  = Small effect,  $0.06$  = Moderate effect and  $0.14$  = Large effect), it is very obvious that the effect size of 0.052 and 0.036 for were small which suggests that the mean difference of the physical integrity among product categories and market segments was not obvious. Meanwhile, the effect size of 0.084 and 0.135 were moderate which suggests that the mean difference of the ethical integrity was quite obvious among market segments and among product categories.

**The mean differences of product adaptation strategy among product categories and market segments:** As shown in Table 4, the highest mean scores for product adaptation strategy were obtained from healthcare and pharmaceuticals product category ( $M = 4.0333$ ) and from Europe market segment ( $M = 3.7400$ ). However, the ANOVA test revealed that there is no significant difference in the mean product adaptation strategy among product categories ( $p = 0.436$ ) and also among market segments ( $p = 0.914$ ). Comparing the Eta-squared value obtained to Cohen (1988) criteria ( $0.01$  = Small effect,  $0.06$  = Moderate effect and  $0.14$  = Large effect), it is very obvious that the effect size 0.021 were small which

Table 4: Results of mean difference of Product Adaptation Strategy (PAS) among group variables

Parameters	Mean (PAS)
<b>Product category</b>	
Meat and meat based products	3.4667
Non meat based products	3.5611
Beverages	3.2000
Halal ingredients	3.8200
Cosmetics and skincare	3.4500
Healthcare and pharmaceuticals	4.0333
Significant	$p = 0.4360$
Eta-squared	$\eta^2 = 0.0990$
<b>Market segment</b>	
Asia	3.6231
Middle East-Africa	3.3933
Europe	3.7400
America	3.7333
Australasia	3.7000
Significant	$p = 0.9140$
Eta-squared	$\eta^2 = 0.0210$

suggests that the mean difference of the product adaptation strategy among market segments was not obvious. Meanwhile, the effect size of 0.099 was moderate which suggests that the mean difference of product adaptation strategy was quite obvious among product categories. The significant influence of halal integrity towards the degree of product adaptation strategy from the findings indicates that the religious aspect of the product (i.e., halalness) has become importance attributes of halal product and also plays a role in influencing the export marketing activities of the product. Since, Muslim consumers worldwide place greatest concern on the halalness status of the product, it can be expected that halal integrity might also give influence towards the performance of the export venture because if the halal status violated, their sales performance also will be affected. Therefore, future study can further examine the influences of halal integrity on securing the export performance.

Based on the results, the ethical integrity give higher impact on product adaptation strategy since, it requires extra efforts in meeting the additional attributes of the product. Physical integrity gives small impact because the attributes are basic requirements of halal and usually have been developed as standard product. Conversely, ethical attributes are normally developed upon request by export clients. Therefore, it requires higher degree of adaptation. Though there is no significance mean difference obtained between physical and ethical integrity among product categories and market segments, the highest mean scores obtained for particular product category and market segment have given some notes on the value of halal integrity. The highest mean scores of physical and ethical integrity on cosmetics, skincare, healthcare and pharmaceuticals products indicate that there is an increasing demand towards halal value on these product categories which before greatly demanded by food products. For the market segments, Australasia and Europe have shown highest mean score on physical and ethical integrity, respectively which indicate both markets give strong emphasis on halal integrity. Indicated by Irfan (2010), Muslim consumers from Europe highly demand the ethical aspects of the product which similar to the study findings since countries from this market segment are well known with high ethical quality standards. Based on the findings, the degree of product adaptation is found higher in healthcare and pharmaceuticals product and in Europe market which indicate that the exporting firms have reserve more efforts in modifying the product for these product category and market segment. Healthcare and pharmaceuticals products usually require strict quality standard, especially for

countries from Europe market segments. Therefore, higher degree of adaptation is necessary in order to meet their standards. The insignificant differences of product adaptation strategy among product categories and market segments indicate that there is a lack of emphasis on differentiating the degree of adaptation on product elements according to these groups among Malaysian Halal exporters. The similar degree of adaptation given to all product categories and market segments might give implications towards their performance of export ventures. Therefore, future study should further examine the impact of the strategy used towards export performance so as to measure their effectiveness in meeting the objective and strategic goals of the firm.

The extent of product adaptation strategy is in accordance with the level of physical and ethical integrity as perceived important in export market is subjected to empirical testing within the industry. The sample size ( $N = 51$ ) can be considered small and therefore, it is recommended that in future the subject matter be explored further with a much larger sample to permit generalization of the results. A large sample would assist future researchers to make use of other strong data analysis tools.

## CONCLUSION

It is imperative that research should also be carried out to discover the force of these dimensions (physical and ethical integrity) on the other marketing mix elements (e.g., price, promotion, distribution, etc.,) and also towards export performance either in directional or non-directional manner. By understanding how these dimensions influence the adaptation on each component of marketing program and performance in export venture, the findings may provide a guideline for developing an effective export marketing strategy for halal product which can assist the exporting firms in identifying the critical dimensions of halal attributes to certain product category and market segment, the extent of modifications on each marketing mix elements and the strategies related to improve their export performance. Without strong understanding on the investigated issues, it is difficult to develop appropriate and effective marketing strategy as firms have to compete with international corporations from a wide range of markets that have the capacity to offer the best products in the world.

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