

## The Importance of Halal Product Label to Building Customer Trust

Emi Widya Yusuf<sup>\*1</sup>, Rita Komaladewi<sup>2</sup>, Yuyus Suryana Sudarma<sup>3</sup>

<sup>1,2,3</sup>Department of Management and Business, Faculty of Economics and Business, University of Padjadjaran, Indonesia

### Abstract

The survey, conducted by the Research Institute for Food, Drugs and Cosmetics –The Council of Indonesian Ulama (MUI) shows that there are still some consumers who pay less attention to the existence of the halal label on cosmetics products, whereas it indicates the halal status of a product. The better understanding of the religion makes Muslim consumers selective in choosing the product to be consumed. This study is aimed at determining the effect of the *halal* product label of Mustika Ratu cosmetic products on consumer trust in Bandung City. The research sample consists of 115 female Muslims in Bandung who actively use MustikaRatu cosmetic products. The sampling technique in this study is purposive sampling. The data collection was conducted using questionnaires. The data analysis in this research is descriptive and verification analysis using Partial Least Square (PLS) approach with Smart-PLS 3.0. The results of this study illustrate that the *halal* product label has a positive and significant effect on consumer trust. It is proven from the finding of this research that the existence of *halal* product label in green and round shape with the writings of *halal* in Arabic and the Council of Indonesian Ulama, attached to the packaging, affects customer trust.

Keywords: *halal* product label; consumer trust; cosmetic products

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Correspondence\*:  
Faculty of Economics and Business, University of Padjadjaran, Indonesia  
Jalam Dipatiukur 35 Bandung, West Java 40132, Indonesia  
E-mail: ritakomaladewi@yahoo.com

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## Pendahuluan

The development of technology indirectly affects the changes in lifestyle and needs of society, which become more diverse. One of the needs of women is a beauty product (cosmetics) to support their appearance. Indonesia has 760 cosmetic industries spread in various regions. According to the Chairperson of the Indonesian Cosmetics Company Association, in 2016, the main problem in the cosmetic market in Indonesia was the flourishing imported products, both illegal and legal. Imported cosmetic products have more demand than local products. The market share of the imported products in the Indonesian cosmetic market is more than 70%, while the national or local industry is 30% (Kemenperin.go.id, 2013). This phenomenon occurs because the consumers in Indonesia tend to prefer and consume products from abroad (Binus\_University, 2016).

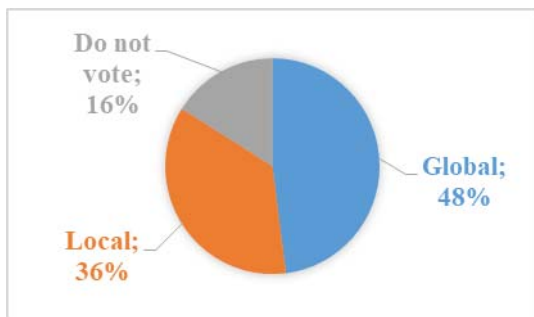


Figure 1. Preferences for Cosmetic Brand among Indonesian Consumers

Source: databoks.katadata.co.id (2016)

Over time, some Indonesian women, especially Muslims ones, began to choose certain cosmetic products selectively. Today, there are many factors considered by Muslim women in choosing cosmetic products, among them, are the benefits and safety of the products. Indonesia is a Muslim majority country so that the security in this aspect is the 'halal-ness' of the product. Suadi (2016) quoted, Islamic laws clearly define what is lawful and unlawful. So, the *halal* aspect of a product is

something is critical because if it is declared *halal*, it is permitted and justified to be consumed and does not contain forbidden elements as stated in the Quran. The awareness of Muslim women about *halal* cosmetic products can be seen since the emergence of manufacturers of *halal* cosmetic products. This presence is beneficial for consumers who began selectively choosing the cosmetic product and gives more value to the producers so the public will trust their products. As the world largest Muslim country, the demand of Indonesian people for *halal*-labeled products is relatively high. However, in reality, consumer perceptions differ in choosing cosmetic products. Some consumers stated that the existence of the halal label in a product is vital, but some of them are not concerned with it.

This fact is found in a survey conducted by LPPOM MUI, showing that 47% of respondents consider the halal label as one of the aspects considered in buying a product. So, the results of this survey indicate that there are still some consumers who pay less attention to the existence of the halal label, stating the halal status of a product. This difference in perception can occur because of different belief about cosmetic products. In general, cosmetic users do not pay attention to the existence of *halal* label assuming that *halal* is only for something which is eaten (Vargas-Sánchez & Perano, 2018). Even though cosmetics are not consumed like food, they will be absorbed by the body and enter the bloodstream (Okereke *et al.*, 2015).

This research differs from other research since it utilizes the *halal* cosmetic product, whereas most of the previous research focused on *halal* food products. This research on the *halal* label in cosmetic products is conducted because currently, many female Muslims have more awareness about the importance of *halal* products as well as their raw materials.

Based on these phenomena, it is then necessary to conduct research related to how *halal* product label can provide trust in consumers.

### **Halal Product Label**

The label is a simple patch found on a product or an image that is part of the packaging (Kotler & Keller, 2012). The *halal* label is a label informing consumers that a product is genuinely guaranteed regarding its *halal* status, and its ingredients do not contain anything that is forbidden in sharia (Bulan, 2016). So, that product can be safely consumed. If a product does not include a *halal* label on its packaging, it is considered to have not received approval by the Council of Indonesian Ulama (MUI) as an authorized institution for determining the *halal* status of a product. Alternatively, it can be assumed that the *halal* status of that product is still in doubt. According to Government Regulation Number 69 of 1999 that there are four dimensions of *halal* label, namely, (1) picture, (2) writing, (3) combination of picture and writing, and (4) anything attached to the packaging. According to Luthfi & Salehudin (2011), using the Ajzen theory planned behavior, the same people may make a different decision when purchasing different products.

Amarul *et al.* (2019) maintained that products with the *halal* label are the essential attributes of customers, and business actors are mostly already aware about it. Sukesti & Mahdukh (2014) stated that *halal* label and personal religiosity affect customers when making product purchase. Besides, Hasibuan *et al.* (2017) also reported that *halal* label and *halal* awareness affect consumer intention. Terano & Mohamed (2017) researched 207 Muslim respondents in Selangor, Malaysia. The results of their research showed that the *halal* logo on Japanese food products has a significant effect on purchase intention, mediated by consumer trust. Based on those previous

studies, it can be summed up that *halal* label affects repurchase intention.

### **Consumer Trust**

Consumer trust is the knowledge possessed by consumers and the conclusions made about the object, attributes, and benefits of the product (Mowen & Minor, 2002). Trust is a personal or verbal statement describing a person's assessment of something (Schiffman & Kanuk, 2010). The three factors which can form a trust are ability, kindness, and integrity (Wong, 2017). Ability means the ability of sellers to provide, serve, and secure transactions from disruptions, where consumers get satisfaction and security in the transaction process. Kindness means the willingness of the sellers to provide the satisfaction that can benefit both parties where vendors are not only pursuing profits, but are giving attention to the realization of consumers' desires. Kindness can include attention, empathy, trust, and acceptance. Integrity is the sellers' habit of running their business like giving information and quality which can be trusted. Integrity can be loyalty, candor, and reliability.

Romle *et al.* (2016), in their study on 327 students of public universities in Malaysia, showed that trust significantly affects the intention of using *halal* cosmetic products. Farhan & Andriansyah (2016) conducted a study on 234 students of the Indonesian Islamic University (UII), Sunan Kalijaga State Islamic University, Yogyakarta (UIN Yogyakarta) and Muhammadiyah University of Yogyakarta (UMY). Their findings showed a significant influence of trust on Muslim consumer awareness to consume *halal* foods. (Rezai *et al.*, 2012), researching 600 Muslim respondents in Malaysia, showed that the presence of the *halal* logo influences consumer trust in food products. Based on the research results of Upamannyu *et al.* (2015)

studying the newspaper industry, customer trust was found to affect repurchase intention positively. Newspaper readers need trusted content so that they may repurchase the newspaper. Dhiranty *et al.* (2017) stated that several customers were still reluctant to do online shopping because they did not want to share privacy, such as credit card number. Mangkarto (2016) concluded in his study that *halal* label of the KFC brand makes customers in Manado trust this brand, so they did not hesitate to consume the products. Therefore, based on the previous studies outlined earlier, it can be concluded that *halal* label and *halal* certification may build the trust of customers, so they do not hesitate to purchase the products with this *halal* label. Hence, we hypothesize as follows:

H1: *Halal* product label (X) affects consumer trust (Y) in cosmetic products of Mustika Ratu in Bandung.

### Research Method

The method used in this research is descriptive and verification method. The descriptive method aims to describe a situation, event, condition, and other activities. While the verification method

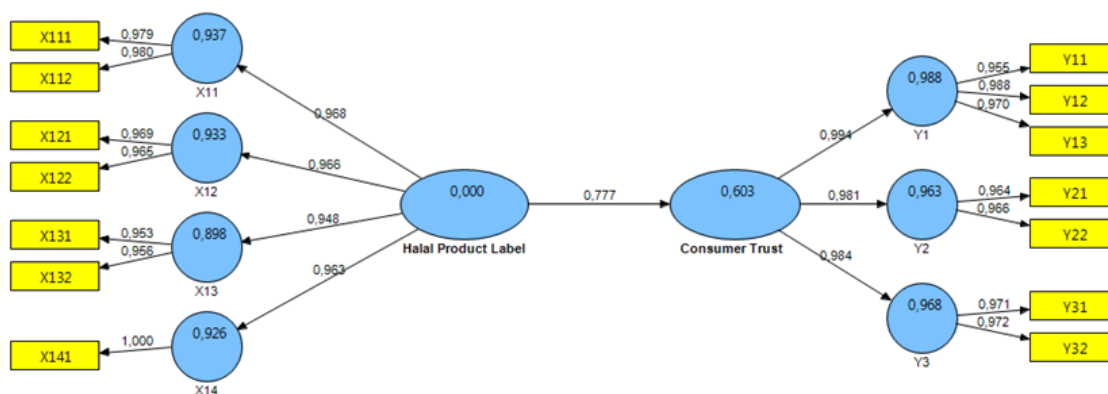
used is partial least squares (PLS), and this method aims to test a hypothesis of descriptive research through statistical calculations. So, the results obtained will indicate whether the hypothesis is accepted or rejected. In this study, the number of samples is 115 female Muslims. They were interviewed using questionnaires when they were purchasing Mustika Ratu products in Bandung. The first variable in this study is *halal* product label consisting of four dimensions, namely logo, writing, a combination of logo and writing, and the explanation on the packaging. While the second variable in this study is customer trust consisting of three dimensions, namely, ability, benevolence, and integrity. The sampling technique used in this study was purposive sampling.

### Result and Discussions

#### Partial Least Square Analysis of *halal* Product Label (X) on Consumer Trust (Y).

The verification analysis in the partial least square includes the evaluation of the outer model and the evaluation of the inner model, processed using the SmartPLS 3.0 application.

Figure 2. Path coefficient of the influence of *halal* product label (X) on consumer trust (Y)



Source: Outer results of Partial Least Square Output

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It is known that all the values of the loading factor are above 0.5. So, each dimension and indicator are declared valid to measure the variable of *halal* product label (X) and consumer trust (Y). In the variable of *halal* product label (X), image (X1) is the most valid dimension, explaining or representing the variable of the *halal* product label, and color (X12) is the most valid indicator explaining the dimension of the image, followed by the quality indicator (X11). The R<sup>2</sup> value of 0.937 shows that the dimension of the image can explain the indicator with a percentage of 93.7%. Whereas in the variable consumer trust (Y), ability (Y1) is the most valid dimension to explain the variable of consumer trust. Consumer service (Y12) is the most valid indicator for describing the dimension of ability, followed by the indicator of transaction security (Y13) and product provision (Y11). The R<sup>2</sup> value of 0.988 shows that the dimension of

ability can explain the indicators with a percentage of 98.8%.

The value of an original sample of 0.777 shows that the *halal* product label (X) has a positive effect on the consumer trust (Y) and the value of 0.603 shows that the contribution of the product label variable to consumer trust is 60.3%. While the remaining 39.7% is influenced by other factors outside this research. Subsequently, the outer model would be tested covering discriminant validity, the average variance extracted, composite reliability, and Cronbach alpha.

### Discriminant Validity

Discriminant validity aims to test the validity of an indicator where the correlation between constructs and indicators must be higher than the correlation between indicators with other constructs.

Table 1. Discriminant Validity (Cross Loading)

	X1	X2	X3	X4	Y1	Y2	Y3
X11	<b>0.979</b>	0.886	0.857	0.864	0.696	0.679	0.674
X12	<b>0.980</b>	0.947	0.855	0.871	0.815	0.776	0,786
X21	0.951	<b>0.969</b>	0.870	0.890	0.830	0.784	0.792
X22	0.857	<b>0.965</b>	0.775	0.878	0.782	0.738	0.782
X31	0.811	0.785	<b>0.953</b>	0.894	0.625	0.628	0.568
X32	0.857	0.840	<b>0.956</b>	0.896	0.647	0.637	0.591
X41	0.885	0.914	0.937	1,000	0.717	0.713	0.683
Y11	0.782	0.810	0.715	0.740	<b>0.955</b>	0.927	0.937
Y12	0.737	0.816	0.616	0.689	<b>0.989</b>	0.958	0.964
Y13	0.731	0.805	0.611	0.661	<b>0.970</b>	0.925	0,925
Y21	0.690	0.738	0.611	0.672	0.907	<b>0.964</b>	0.906
Y22	0.745	0.782	0.668	0.704	0.955	<b>0.966</b>	0.918
Y31	0.679	0.766	0.522	0.604	0.930	0.912	<b>0.971</b>
Y32	0.771	0.815	0.658	0.722	0.955	0.925	<b>0.972</b>

Source: Processed data (2018)

The cross-loading value in table 1 shows that if the correlation of each construct with the indicator is higher than the correlation of indicators with other constructs, the construct predicts the indicator in its block better than other indicators.

**Average Variance Extracted, Composite Reliability and Cronbach Alpha**

The test for average variance extracted, composite reliability, and Cronbach Alpha aims to test the reliability of a construct.

Table 2 shows that all constructs have a value of AVE of more than 0.5, indicating that all constructs have good reliability. Table 4 also shows that all constructs have a value of composite reliability of more than 0.7, showing that all constructs have good reliability. Also, the values of Cronbach

Alpha of all constructs are above 0.7, indicating that all constructs are reliable.

Based on figure 3, the value of the t-statistic of each indicator is significant in measuring the dimensions or variables of the *halal* product label and consumer trust because the values of t-statistics are larger than t-table (> 1.96). In the variable of *halal* product label (X), ‘attached to the packaging’ (X4) is the most significant dimension influencing the variable of the *halal* product label, and the product label location (X41) is the single indicator for measuring the dimension ‘attached to the packaging’. This fact is supported by the fact that the location of the *halal* product label on the packaging of Mustika Ratu products is already right, i.e., at the front of the packaging. So, the consumers can easily find the *halal* label of Mustika Ratu products. This logo shows that the product uses *halal* and guaranteed ingredients.

Table 2. Average Variance Extracted, Composite Reliability and Cronbach Alpha

Variable	Average Variance Extracted(AVE)	Composite Reliability	Cronbach Alpha	Conclusion
<i>Halal</i> Product Label (X)	0.917	0.987	0.985	Valid
Consumer Trust (Y)	0.872	0.980	0.975	Valid

Source: processed data (2018)

**Evaluation of Inner Model**

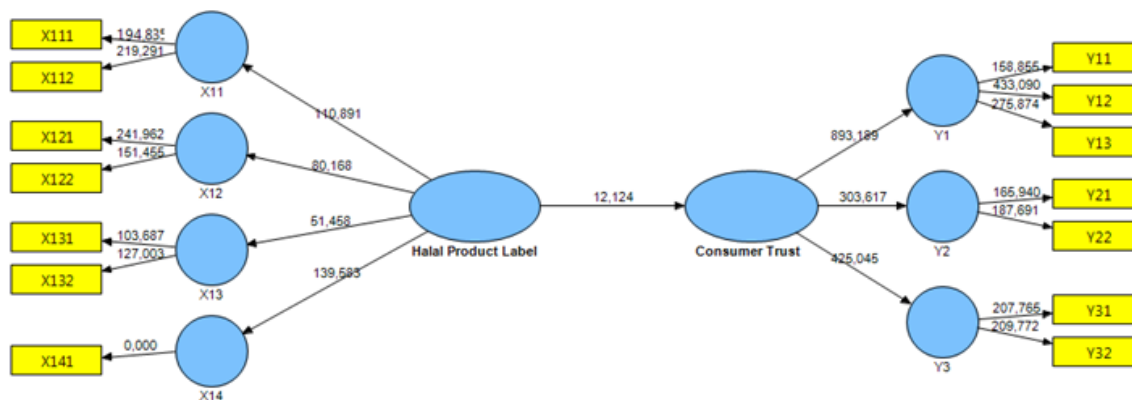


Figure 3. Value of t-statistics for the effect of *Halal* Product Label on Consumer Trust

Source: The output results of the Inner Model in Partial Least Square

Hypothesis Testing

Table 3. Path Coefficients

Variable	t-statistics	t-table	Original	r-squared	H <sub>0</sub>	Conclusion
Effect of <i>halal</i> Product Label (X) on Consumer Trust (Y)	12.124	1.96	0.777	0.603	rejected	Positive and significant

Source: Output results of Partial Least Square (2018)

*Halal* Product Label (X) has a positive and significant effect on consumer trust (Y) because the value of the t-statistic is higher than t-table 1.96, or  $12.124 > 1.96$ , resulting in rejecting H<sub>0</sub> and accepting H<sub>1</sub>. The contribution of the *halal* product label on consumer trust is 0.603 or 60.3 %,so it can be concluded that the better the presence of *halal* product label is, the better the consumer trust in Mustika Ratu cosmetic products becomes. The results of this research are in line with some of the previous studies stating that the *halal* label significantly affects customer trust (Farhan & Andriansyah, 2016; Mangkarto, 2016; Rezai *et al.*, 2012; Romle *et al.*, 2016). The presence of *halal* product label makes the consumers feel peace and secure to use products, causing the consumer trust in Mustika Ratu cosmetic products increase.

The logo of the *halal* product represents the *halal* product itself because it has the largest loading factor (0.937). This score is larger than other dimensions, namely, writing, a combination of logo and writing, as well as the explanation on the packaging. It makes sense because the logo attached to the packaging on the front part is the most visible to the consumers. The green round shape of the *halal* label containing the writing of ‘*halal*’ in Arabic and the writing of ‘The Council of Indonesian Ulama’ attached on product packaging builds customer trust stating that the product is *halal* or permissible to consume. The variable of customer trust shows that the dimension of ability has a

loading factor of 0.988, representing consumer trust more than the dimension of benevolence integrity. In this study, the contribution of the *halal* label on customer trust is substantial, 60.5%.

Conclusion

The conclusion can be drawn that the *halal* product label of Mustika Ratu products positively and significantly affects consumer trust. It means the respondents feel that the combination of image and writing on the *halal* product label is already under the stipulation of the Indonesian Ulama Council. The *halal* logo in green and round shape is found on some products Mustika Ratu. The color on the label is customized with the color of the product packaging such as the brown packaging of Bengkoang creamy mask. Also, there are writings of MUI and the word *halal* in Arabic and Latin letters. These appropriate images and writing make respondents understand that the Indonesian Ulama Council has approved Mustika Ratu products as they contain *halal* ingredients following sharia. The *halal* label can form consumer trust in Mustika Ratu products. The consumers also feel that the company gives proper attention to them during the service process by providing feedback or empathy for any complaints. The company ensures the availability of the customer service officers who can be contacted via telephone and email. Mustika Ratu should keep the *halal* label on its products because

according to our finding, *halal* label positively and significantly affects consumer trust, increasing consumer awareness to use *halal* products. The company also needs to maintain the *halal* ingredients of its products. Further research may add other independent variables and expand the research area to the outside of Bandung city because there is a possibility that the results may differ between respondents in Bandung and other cities.

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