Halal Marketing and Financial Performance: Study in Cosmetic Companies in Indonesia

Cahyani Pratisti¹, Sri Maryati²

¹Institute of Informatics and Business Darmajaya
²Institute of Informatics and Business Darmajaya
cahyanipratisti@darmajaya.ac.id

Abstract

This study aims to prove the empirically relationship between halal marketing (halal labelling and hijabista celebrity endorsement) with financial performance. The independent variable is halal labeling and hijabista celebrity endorse, while the dependent variable is financial performance. This research was conducted in Indonesia, spread across five cities such as: Jakarta, Lampung, Bali, West Sulawesi, and Aceh with samples of PT. Paragon Technology and Innovation and PT. Sari Ayu., Tbk. Survey methods and 51 questionnaires used in this research. The result shows that halal labelling has no effect on financial performance, while hijabista celebrity endorse has an effect on financial performance.

Keywords: halal labeling, hijabista celebrity endorse, and financial performance

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1. **INTRODUCTION**

The trend of Islamic lifestyle is still growing (Janmohammed, 2017). This trend grows from 2010-2011 an increase of 20%, 2014-2015 with a growth range (20% - 100%) to use Wardah cosmetics according to Euromonitor International in Cosmetics Paris 2016, and increased by 30% at 2018, when muslim consumers only choose food products that are in accordance with Islamic demands such as: meat, milk, and other processed products (Endah, 2014), but now it has expanded to clothing, cosmetics, real estate, restaurants, hotels, Islamic banking, then to integrated Islamic schools (Salehudin & Lutfi, 2012). The high growth of Islam in the world and its young adherents, as well as the increasing purchasing power of young moslem consumers has become a new wave affecting the business world (Janmohammed, 2017).

In Indonesia, one of the cosmetic pioneers who concerned about the halality of its products is Wardah (PT. Paragon Technology and Innovation). Wardah cosmetics brands have a massive segment and until now they have been able to influence most of the cosmetic trends. That could be seen from the emergence of halal labelled cosmetic products in Indonesia. The emergence of the hijabista community also helped catapult the name Wardah as the first halal cosmetics in Indonesia. According to Jan & Kalthom (2015) hijabista means a moslem women with scarves (hijab) for fashion. Moslem fashion is continuously becoming a recent interest in the fashion line to show them the new way to wear hijab. It could strengthen women moslem identity and self-image as a fashionable women moslem (Banister & Hogs, 2004 in Jan & Kalthom (2015). Another aspect that reinforces why the market of halal product came from Mathew, Raudah & Nurazizah (2012) who found that the current halal concept is not only for moslem consumers but also for non-moslem consumers such as vegetarian or animal lovers. Non-moslem consumers are potential new markets that were not previously calculated for halal products. Based on the findings of Salyova, et.al, (2015), marketing orientation can make a better profit in economic and financial performance. In this case, a marketing strategy in the form of halal marketing was thought to increases sales (Abdullah, Hamali & Abdullah, 2015; Suindrawati, 2015).

This study was a replication of Spillan, Parnell & Virzi (2011) research. The difference in previous research lies in the independent variable. In a previous study, Spillan, Parnell & Virzi (2011) conducted a study that links corporate strategy with performance but has not used a specific concept of strategy. Through this study, researchers tried to direct marketing strategies with halal marketing concept. Several studies related to halal marketing have been conducted, including (Salindal, 2015; Malik & Khan (2016); Widana, et.al. (2015); Salleh (2016); Ali & Al-Aali (2015). A little research has examined halal marketing in Indonesia and the study has not yet linked the halal marketing strategy (halal labelling and hijabista celebrity endorse) to see the financial performance.
Halal marketing is one of the consumer preferences for deciding to buy a product, because through the halal concept consumers could get trust in products that are hygienic, quality, and safe (Ambali & Bakar, 2014). Although (Endah, 2014); (Mohezar, Zailani & Zainuddin, 2016); (Khan & Azam, 2016) have linked the halal concept to product selection, but previous studies have not yet linked company performance. When consumers have more trust in a product, it will provide more opportunities for the company to be able to increase its profitability through customer loyalty, in this case the belief in hygiene, safety, and quality (Ambali & Bakar, 2014). Marketing ability is an effective way of determining organizational performance (Nourl, et al., 2015), especially if more business is done by optimizing the company's strategy to increases customer loyalty. Based on that statement, some of the problems that this research wants to answer are: a). Is halal marketing using halal labeling affecting the company's financial performance? b). Does halal marketing use hijabista celebrity endorse affect the company's financial performance?

2. LITERATURE REVIEW

2.1. Halal Marketing

The definition of halal marketing is very important to distinguish from conventional marketing (Ashmawy, 2015). Understanding of halal marketing is also important for non-moslem marketers who want to know moslem consumers behavior. Jonathan & Liu (2011) explain that halal marketing is more than just marketing something to religious consumers. Halal marketing is the development of conventional marketing with the addition of compliance aspects to Islamic sharia (shariah compliance) and value formation processes for consumers (Salehudin & Mukhlish, 2012). Arham (2012) in Ashmawy (2015) mentions four halal marketing concepts, such as: spiritualistic, ethical, realistic, and humanistic. Those are in accordance with the principle of sustainable marketing (Kotler & Keller, 2012).

2.1.1. Halal Marketing Strategy

Halal marketing follows the example of the prophet Muhammad in trading. The Prophet Muhammad in trading applied the concept of Segmenting and Targeting, Positioning, and Marketing Mix, such as: Product, Price, Place, and Promotion (Salehudin & Mukhlish, 2012).

2.1.2. Halal Labeling

Label is a part of a product that conveys information about products and sellers. Label can be part of the package, or it can also be an etiquette (identification) attached to the product. Stanton et al. (1994) in Tjiptono (2001) divided three kinds of labels, into: brand label, descriptive label, and label grade. The word halal comes from Arabic which means to release or not to be bound. This
means that halal products are products that are free or unbound from things that prohibit them.

Based on Government Regulation no. 69 of 1999 concerning halal labels and food advertisements states that labels are any information about product, included pictures, font, combinations of both, or other forms included in food, put in, pasted on, or a part of packaged food.

**2.1.3. Hijabista Celebrity Endorse**

Shimp (2003) defines hijabista celebrity endorse as an attempt to use artists who use scarves (hijab) as advertising stars in both print, social, and television media. The attraction of a hijabista celebrity endorse that has many fans has quite a strong influence on consumers. Royan (2004) states the hijabista celebrity endorser that delivers the message will receive greater attention and be easily remembered. Four elements that can be used as indicators of the hijabista celebrity endorser, such as: visibility, credibility, attraction, and power.

**2.2. Financial Performance**

According to Wheelen & Hunger (2012), financial performance could be measured by the level of sales, market share, and ROI. Financial performance is the company's ability to manage and control company resources (IAI, 2007). Financial performance reflects financial measures, such as profit margin and ROI. Financial performance can be reflected in a financial report that provides an overview of the company's finances, consists of: balance sheet, income statement, and other financial statements. Assessing financial performance is critical because it will have consequences on economic decision making and as a basis for planning, implementing, and evaluating strategies. This can be reflected from the targets measured from sales, profitability, ROI or ROE (Goentoro, 2016).

**2.3. Effect of Halal Marketing on Financial Performance**

According to the planned of behavior theory, a person has a tendency for behavior through subjective norms, attitudes, and self-control (Kassim, et al., 2017). In general, planned behavior theory is a theory of intention determination. This theory is often used in the marketing field to predict consumer intentions to buy products (Ajzen, 2011). Consumer intention for a product can have an impact on customer loyalty which will affect the company's profitability. According to Goentoro (2016), the main elements of strategy implementation are programs, budgets, and procedures. The effectiveness of strategy implementation depends on strategies that can be realized with organizational performance. Halal marketing is part of the company's strategy that is expected to attract consumers who ultimately can improve company performance. Whereas according to Chintagunta & Lee (2011), consumer intention in buying a product can be used to predict performance and influence organizational performance. So that through halal marketing strategies companies can increase their sales. The results of sales are a reflection of the
company's performance that can be measured from the financial side. Based on the description above, it can be concluded the hypothesis that:

\[ H_{1a}: \text{Halal marketing using halal labeling affects the company's financial performance.} \]

Hijibista Celebrity endorse is a person who wear scraft (hijab) utilizing an artist, entertain, athlete, public figure that is known to many people for their success in their respective fields. Hijabista Celebrity is also used as the right tools to represent the targeted market segment. The selection of hijabista celebrity endorsers must be adjusted with the character you want to build from the product advertised because of using hijabista celebrity endorser, making a brand able to connect with a unique identity and personality that is carried by celebrities (Setiawaty, 2015). According to Arifin, in Lapera (2013) the celebrity endorse can affect the company's performance, one of which is the growth of market share. Based on the description above, it could be concluded the hypothesis that:

\[ H_{1b}: \text{Halal marketing using hijabista celebrity endorser influences the company's financial performance.} \]

![Figure 1. Research Framework](image)

3. METHODOLOGY

This quantitative research uses an instrument in the form of a questionnaire. But before give questionnaire, to decrease the biased, researcher do interview about willingness and performance indicator that used. The population in this study was Manager or Supervisor in PT. Paragon Technology and Innovation and PT. Sari Ayu, Tbk. Five major cities were chosen representing Indonesia, such as: Lampung, Jakarta, Aceh, Bali and West Sulawesi. Sample selection chosen by purposive sampling method with criteria: Women aged 18-35 years, have worked...
for 2 years, as a Manager or Supervisor in PT Paragon Technology and Innovation and PT. Sari Ayu, Tbk., knows Wardah and Sari Ayu cosmetic products.

3.1. Operational Definition of Variables

Halal marketing is defined as a way to market a product according to Islamic principles, such as: spiritualistic, ethical, realistic, and humanistic (Arham, 2012). The halal marketing instruments in this study were adopted from Shaari & Arifin (2010) for halal labelling and Royan (2014) for hijabista celebrity endorse using the likert scale 1-5.

Purwanto & Juliiani (2017) states that financial performance can be calculated used several ratio analysis; liquidity, solvency, profitability, and adequacy of operations. The profitability ratio is measured by ROI, ROE, and gross profit margin (Purwanto & Juliiani, 2017). In this study the construct of corporate financial performance is measured by adopting research from Salyova et.al. 2015 using the Likert scale 1-5.

3.2. Data Analysis Technique

Before data analysis is carried out, the validity test is first carried out. Validity test is done by making a correlation between the scores of the questions with the construct score or variable. Reliability testing is done by looking at alpha score. If the Alpha score > 0.60 then it is reliable, if Alpha <0.60 is not reliable. The normality test is done by looking at the significance value of the Kolmogorov-Smirnov (K-S) test. Data is normally distributed if the K-S test value is greater than sig> 0.05 (Ghozali, 2006). The hypothesis in this study was tested by F test, t test, and $R^2$.

4. RESULT AND DISCUSSION

4.1. Research Result

This study uses 51 data from several Wardah offices (PT. Paragon Technology and Innovation) and Sari Ayu (PT Sari Ayu Tbk.) in Lampung, Jakarta, Aceh, Bali and West Sulawesi. Data about respondents can be seen in the following table:

<table>
<thead>
<tr>
<th>No</th>
<th>Location</th>
<th>Position</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wardah Lampung (MBK)</td>
<td>Marketing</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manager/Operation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manager</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supervisor</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Sari Ayu Lampung (MBK)</td>
<td>Head of Branch</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supervisor</td>
<td>3</td>
</tr>
</tbody>
</table>
Validity test shows that halal labelling variables, hijabista celebrity endorses, and financial performance variables are valid because they have corrected-item total correlation above 0.2759 (r table at n-2). Reliability test also shows that the three variables are reliable with Cronbach Alpha values above 0.70, which are 0.884 for Halal labelling, 0.764 for hijabista celebrity endorsement, and 0.841 for financial performance.

Based on the results of the normality test using the One-Sample Kolmogorov-Smirnov Test the Kolmogorov-Smirnov Z value was 0.763 and Asymp. Sig (2-tailed) 0.606 so that it can be concluded that the data in this study are normally distributed (0.05 <0.606). The results of the statistical test (F test) obtained a significance value of 0.036 or less than 0.05 (0.036 <0.05) so it can be concluded that the model in this study is feasible and can be further tested.

The results of hypothesis testing using the t test or hypothesis test obtained the following results:
1. Halal marketing using halal labeling affects the company's financial performance.

Based on the results of statistical tests, the significance value of the halal labelling variable ($X_1$) is 0.069 ($0.069 > 0.05$) so that it can be concluded that halal marketing using halal labelling does not affect the company's financial performance and **hypothesis 1a was not accepted**.

2. Halal marketing using hijabista celebrity endorse affects the company's financial performance.

Based on the results of statistical tests, the significance value of the hijabista celebrity endorse ($X_2$) variable was 0.042 ($0.042 < 0.05$) so that it could be concluded that halal marketing using hijabista celebrity endorse had an effect on company financial performance and **hypothesis 1b was accepted**.

4.2. Discussion

Labelling provides a special attraction for marketing to offer its products and become part of consumer preferences to make purchasing decisions. Then, consumer interest is able to bring confidence to marketers related to the expected output in the form of profit or profit which ultimately impacts on the company's financial performance as a whole. However, not all moslems understand the halal concept because they assume that when a product has been advertised and is believed to be useful, the product is declared safe, which must be understood to be safe not to mean halal. The results of this study confirm the consumer cynicism of the halal label and are not in line with the Spillan, Parnell, & Virzi (2011) results.

Roll (2006) in Setiawati (2015) states that the use of advertising star in an television advertisement is the right alternative strategy to introduce products to consumers. Hijabista celebrity endorse will be more effective to binding moslem consumers through the Islamic lifestyle icon that halal is a necessity. Hijabista celebrity endorse is an important part of consumers in choosing their products because the hijab is one of the identities of a moslem woman who understands the concept of Islam and lives with the Islamic lifestyle. The results of this study are in line with Spillan, Parnell, & Virzi (2011).

Halal marketing using halal labelling is not influential in Indonesia, because Indonesia has moslem majority. This is different from research conducted in a country where the majority of the population is not moslem like in Europe like Portugal (Carvalho, 2012) and Nigeria (Abdurrahaman et.al, 2018). Hijabista celebrity endorse has an effect because consumers in Indonesia seen characters or advertisement stars and it influences their purchasing decisions on a product, which in the long run will affect the improvement of financial performance.
5. CONCLUSION

Halal marketing using halal labelling does not affect the company's financial performance. Whereas, Halal marketing using hijabista celebrity endorse influences the company's financial performance.

5.1. Managerial Implication

Based on the results of the study, it was found that the company had to increase the hijabista celebrity endorse because it had an effect on improving financial performance. The use of hijabista celebrity endorse can be considered for companies to improve performance, especially those who have not used it so that they can increase public trust as a Muslim identity considering the majority of the Indonesian Muslim population without leaving the quality of the product offered.

5.2. Limitation and Future Study

This study has not presented quantitative financial reports or secondary data as analysis material, because the respondent (supervisor or manager) does not open so that it was only limited to interviews and questionnaire filling. For further research to consider secondary data and the addition of mediating variables to capture financial performance factors using halal marketing, such as consumer satisfaction and purchase interest as mediating variables.

REFERENCE


Government Regulation no. 69 of 1999 concerning Labels and Food Ads.


