CONCEPTUAL FRAMEWORK OF FACTORS IN HALAL BAKERY CUSTOMER LOYALTY

RAZALI IDRIS¹, NUR AISYAH HANIN RAZALI², NURUL AQILAH ABDUL RAHMAN³, IRWAN IBRAHIM⁴, ABDUL RAHMAN S SENATHIRAJAH⁵, ABDUL KHBIR RAHMAT⁶

¹Arshad Ayub Graduate Business School, Universiti Teknologi MARA, Malaysia zalideris@gmail.com
²Arshad Ayub Graduate Business School, Universiti Teknologi MARA, Malaysia nuraihazali@gmail.com
³Arshad Ayub Graduate Business School, Universiti Teknologi MARA, Malaysia aqilahrahman@live.com.my
⁴Lecturer, Department of Corporate Communication, Malaysia Institute of Transport (MITRANS), Universiti Teknologi Mara, Malaysia E-mail: irwan623@uitm.edu.my ORCID: 0000-0002-0887-2394
⁵Lecturer, Department of Business and Communication, Faculty of Business and Communications, INTI International University, Malaysia E-mail: araham.senathirajah@newinti.edu.my ORCID: 0000-0001-6044-9051
⁶Lecturer, Department of Research, Malaysia Institute of Transport (MITRANS), Universiti Teknologi Mara, Malaysia E-mail: abdulkhabir@uitm.edu.my ORCID: 0000-0001-9990-3549

Corresponding author: irwan623@uitm.edu.my

1. INTRODUCTION

Preparing and serving halal and toyyib food is a responsibility shared by Malaysian vendors. It appears to be a growing awareness of the importance of ensuring the halal status of food consumed in Muslim society. Malaysian Muslim customer are increasingly concerned with the uncertain status of food products, especially those that prepared by non-Muslim vendors. Non-Muslim vendors may not understand the concept of halal and haram, thus this situation exposes consumers to foods containing syubhah (doubtful) or haram substances. Hence, Malaysia’s halal authority and government have stressed the need for manufacturers and business owners to adopt halal certification (Mohd, 2019). The consumption of halal bakery and halal bakery related products is increasing in the last 10 years in Malaysia; thus, the assurance of halal is needed as the largest community in Malaysia. Evidence was shown that level of wheat consumption in Malaysia increase by 67%, from 1.15 million metric ton to 1.7 million metric ton (cite). According to the average rate of consumption of processed wheat products such as bread, it was reported to be increase to 6.5 million metric ton a year by the year 2030. In 2020, Malaysia imports RM1.46 billion worth of wheat and is the world’s 38th largest importer of the commodity and the foodstuff is also the country’s 109th most imported product (cite the sun). The bakery products are classified into 4 groups which is bread, cake, pastry, and cookies. The announcement of halal certified bakery products will enable the Muslim community to choose which products are halal guaranteed (Apriyantono, 2015). Hence, as a business owner, customer satisfaction is the main key for the customer loyalty which is the important role in keeping the business on going. The purpose of this research is to study factors that influence customer loyalty towards halal bakery.

2. BACKGROUND OF STUDY

Customer loyalty is crucial for holding onto the market share that has been gained and, in some situations, for the long-term viability of the company. Loyalty is a crucial marketing technique that business owner employ to attract customers at the same time. In addition, customer loyalty becoming an organization prioritization for strategic marketing strategy. The assumption and execution of the loyalty approach by business owner help to increase the likelihood of a customers to purchase the goods offered (Fernandes, & Moreira, 2019). Furthermore, consumer loyalty has a substantial beneficial impact on profitability and offers long-term benefits to organizations in order to sustain their competitiveness.
Customer loyalty is the outcome of the customer's perception of the offer (product, service, brand, etc.), which results in a good attitude (cognitive, trusting, and emotional) and a favourable attitude toward the organisation (repeated purchases, additional purchases, high consumption intensity, etc) (Linina & Zvirgzdina, 2020).

Some writers argue that a sign of a brand's popularity among customers is consistent purchase patterns, and they link brand loyalty to this phenomenon (Othman et al. 2020). The national socio-cultural profile, according to Kliestikova et al. (2019), is also said to influence the priority of the components on the brand value source, while Kadekova et al. (2020). illustrate the significance of corporate social responsibility activities and their effect on brand value.

A. BACKGROUND OF BREAD INDUSTRY

Malaysia's bread industry started out as a small-scale business, but it has grown and is now a medium-scale business. It grew very quickly, and bread became well-known and popular in Malaysia. Bread products in Malaysia have also been put into the same category as rice and noodle substitutes that people need. Bread has been chosen as a good source of nutrition, especially because it is made with wholegrain or whole meal, which is high in fibre. Malaysia's bread market is worth between RM470 million and RM500 million, and it controls a big chunk of the market (62%). Even though it grows by 4% every year, it is still smaller than the bread industries in Singapore and Thailand (Statista, 2022).

Malaysia's bakery and cereals market was led by bread and rolls, which made up 57.2% of the market. In Malaysia, Gardenia is the biggest player in the bread business. It controls between 40% and 45% of the market and can make 32,000 loaves per hour, which is the most in the region. Its products are sold in more than 20,000 stores all over peninsular Malaysia, and they also sell them in other countries like Singapore and the Philippines. But in East Malaysia, Gardenia is run by subsidiaries of JWPK Holdings Berhad that only make and sell things in East Malaysia.

According to Global Data (2022) the Malaysia bakery and cereals market size was valued at $1.18 billion in 2021. The market is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 2% during the forecast period. The Malaysia bakery and cereals market report provides insights on high growth markets to target, trends in the usage of packaging materials, types and closures category level distribution data and companies market shares.

The after effect of pandemic as a SME’s business is chaotic. Especially in Malaysia, bread is falls under dessert and pastries group. It is not considered as staple food like in Türkiye. However, the acceptance of different type of traditional bread is in positive for halal bakery during the pandemic. Whereby, in those times, they are operated 100% online based and only able to serve the markets around the Selangor Area. Many halal bakery started with close friends and relative as their pioneer customers. Thus, the aim of this research is to analysed the factors that affecting the customer loyalty in halal bakery in Selangor Malaysia.

3. STATEMENT OF PROBLEM

Due to the fierce competition in the food and beverages (F&B) industry, most businesses today are having a hard time keeping customers. In order to deal with the problem, they have come up with a lot of marketing plans to try to keep customers. In relation to the topic, this study has brought up a number of problems with the factors that influence customer loyalty in the F&B industry for Manila Bakes, which is important for the study's execution.

Customer loyalty is one of the most important ways to get current customers to buy more of the business's goods or services. It is clear that an entrepreneur's business needs to know and understand how its loyal customers act in order to make a good marketing plan. Even though globalization and
digitalization are getting stronger, "face-to-face" communication is still a key part of effective "enterprise-customer" communication. This is why it is important for businesses to think about its effects.

For an entrepreneur to make a marketing plan that makes sense and fits the market, they need to know how their loyal customers act. In this way, some authors think that the main traits of loyal customers on the market are that they buy more and stay loyal for longer, they don't mind price increases as much, and they tell other customers to buy and use a specific product (Linina & Zvirgzdina, 2020). The same authors define the above traits in terms of things like how word-of-mouth communication doesn't cost anything, how recommendations contain specific information based on consumption, and how communication comes from people you know and trust.

Understanding the elements that contribute to customer loyalty is crucial for gaining and keeping loyal customers. In addition to boosting customer trust, enhancing competitiveness, and giving the company a substantial competitive edge, these aspects can all be evaluated and analysed to better serve the business (Linina & Zvirgzdina, 2020). The absence of appropriate targeted action in relation to loyal consumers is reflected in the fact that only a small number of representatives of small and medium-sized firms in the sphere of trade have built an efficient customer loyalty programme.

The level of customer satisfaction depends a lot more on their needs, expectations, and past experiences. It is a perception category where service quality can be measured and observed directly (Vasenska, 2018). Certain authors classify the factors, influencing customer loyalty, into three categories: those related to the company and its products or services (such as quality, price, and loyalty programmes), those related to the growth of relationships (such as previous experience and confidence in the company), and those related to the characteristics of the buyers themselves (Isoraite, 2016).

Vilkaitė-Vaitone & Skackauskiene (2020) have a broader view of the factors that influence customer loyalty. They put them into three groups: customer factors (age, gender, income, socioeconomic status, and switching costs); service provider factors (quality, price, working hours, service life-cycle, service culture, reputation, location, marketing, assortment, innovativeness, payment options, supporting services, personnel qualifications, service personalization, and service provider environment); and environment factors (competitiveness, economic well-being, social support) (Kadekova et al. 2020).

Evidently, knowledge, analysis, and evaluation of the elements influencing customer loyalty are crucial for the execution of business activities relating to the retention of loyal consumers and the acquisition of new ones. Determining the strength of the impact of these factors, their interaction, the conditions created by their manifestation, and the many ways of combining them aids in determining the behaviour of businesses toward their most loyal customers. Hence, this study will look into the above attributes to ensure all relevant aspects of the field is considered.

4. RESEARCH OBJECTIVE AND QUESTION

The objectives of this research are as follows:

RO 1: To determine the strengths, weaknesses, opportunities and threats of Malaysia bakery industry
RO 2: To determine the factors that influence customers’ loyalty for Malaysia bakery industry
RO 3: To recommend strategies to enhance customer loyalty for Malaysia bakery industry

The questions of this research are as follows:

RQ1: What are the strengths, weaknesses, opportunities and threats of Malaysia bakery industry?
RQ2: What are the factors influencing customers’ loyalty for Malaysia bakery industry?
RQ3: What are the strategies that can be employed by Malaysia bakery industry that can enhance customer loyalty?
5. SCOPE OF STUDY

The scope of the study is limited to the customers of bakery in Selangor, Malaysia. In accordance, the study will focus on factors such as Trust, Commitment, Communication, Customer Satisfaction and Halal Certification. All the data will be collected by giving out the questionnaire in google form. The respondents were limited to only those customers of Selangor’s bakery outlet. Selangor was chosen as the location for the area of distribution since it is located close to the study area of the researcher. For the purposes of this study, not all customers in Malaysia will be questioned; nonetheless, it is considered that the participants of the online questionnaires are representative of those who buy halal bakery products.

6. SIGNIFICANCE OF STUDY

A. TO THE ORGANIZATION

This study will help Malaysia bakery companies improve their service marketing strategies. This is because the information from the study will help them choose and design the right service marketing strategies to increase sales and meet their sales goals. By finding out prominent factors that could influence customer loyalty, marketing and research team as well development can pay more attention to those factors and make changes to their current products or strategies.

B. TO THE INDUSTRY

This study focuses on the elements that influence consumer loyalty, which can be relevant to the overall food and beverage industry and may also be valuable to business practitioners. This is due to the fact that the guidelines contain a variety of approaches that can be utilized to enhance the essential aspects of the food and beverage sector. This exemplifies the responsibility that the industry has for the community; rather than merely putting on a show to promote its company, it should also strive to add value to the lives of the people.

C. TO THE RESEARCHER

Furthermore, this study might be used as a reference by other scholars who are interested in this topic. Knowledge gained from this study can be applied to the development of effective service marketing strategies and the execution of Research and Development by individual organizations, and can inform the work of future researchers that focus on the elements that influence customer loyalty. The information gathered from the sources consulted can be used as a starting point for a literature study in the future.

7. LIMITATION OF STUDY

The study is limited to the selected industry and selected case study. It will focus on the factors affecting customer loyalty that is listed only. This study will not focus on the economic factors of the selected company such as its capital, profit, loss and etc. It will only look into the aspect of the company’s customer loyalty and its supporting factors.

8. DEFINITION OF TERMS

a. Customer Loyalty - Fostering loyal customers is crucial to long-term success. The question of how to increase customer loyalty has recently emerged as a major focus for business leaders, industry experts, and academics (Keiningham et al., 2007; Singh et al., 2022)

b. Trust - Defines trust as “the belief in or reliance on the honesty, goodness, character, power, or capacity of another person or entity” Farhan and Zalzalah (2022)

c. Commitment - Commitment to regularly repurchase or patronise a favoured product or service in the future, resulting in repeated purchases of the same brand or brand set, notwithstanding the potential for situational effects and marketing efforts to induce switching behaviour - (Abdullah, 2017).

d. Communication - Loyal customers may be created and maintained by honesty, consistency, and timely communication (Nekmahmud et al., 2022)

e. Customer Satisfaction - Customer satisfaction is argued to be an important factor in gaining and keeping repeat business (Masoud, 2020)

f. Halal Certification - Malaysian Halal Certification is an official document stating the Halal status of products and/or services. Applicable scope includes consumer goods, cosmetic,
9. LITERATURE REVIEW

a. Customer Loyalty

For any business, fostering loyal customers is crucial to long-term success. The question of how to increase customer loyalty has recently emerged as a major focus for business leaders, industry experts, and academics (Amer et al., 2019, Singh et al., 2022). The fact that this problem motivates consumers to make purchases makes it crucial. Those businesses and organizations that are able to keep their customers coming back enjoy a significant competitive edge. Retaining current customers, according to Anderson and Narus (2004), is more valuable to a business than trying to lure in new ones to make up for those that leave (Din et al., 2022). Many service providers, in response to increasingly competitive and congested marketplaces, have shifted their focus from acquiring new clients to retaining their current clientele (Cho & Janda, 2022).

Owners of eating establishments would do well to familiarize themselves with the factors diners consider when making a restaurant choice. Kotler et al. (2011) stated that consumers want for businesses to provide “a collection of benefits” that may be tailored to meet their specific requirements. Marketers often think of all-inclusive restaurant packages, in which food and drink are simply a part. Customers will use a wider variety of factors in making restaurant selections if they see these services as part of a whole (Luong & Hussey, 2022, Amer et al., 2019). As a result, it is crucial for businesses in the hospitality industry to have an awareness of the factors that encourage customers to return for a second or third meal (Freitas & Candido, 2020). Insight into these aspects will allow the restaurant to meet patrons’ expectations and discourage their departure, resulting in a bountiful financial return. Several studies have looked into what makes customers return to a specific eatery.

b. Trust

Trust is recognized as one of the most important aspects of relationship marketing, and the incorporation of trust as a core element in a relationship interaction has been extensively studied in marketing literature. Trust is defined by Wicaksono et al. (2022) as the commitment to contract on certain terms in whom one has confidence. Farhan and Zalzalah (2022) defines trust as “the belief in or reliance on the honesty, goodness, character, power, or capacity of another person or entity.” In the business environment, describe trust as the firm’s conviction that another company would take acts that will result in favourable results for the firm and will not take unanticipated actions that will result in bad consequences. It is also described as the readiness to rely on a counterpart in one whom has confidence.”

Several scholars suggest that trust is vital to the establishment, growth, and maintenance of long-term partnerships between suppliers and customers (Simanjuntak & Kusumaningrum, 2022, Ibrahim et al., 2019). In the service industry, trust is viewed as a crucial factor in the formation of productive connections (Maqsood et al., 2022). Some scholars believe trust as crucial in a marketing connection, but some considered it a precondition for the success of relationship marketing (Omar et al., 2022). When a high degree of trust exists, one side feels certain that the other is dedicated to mutual success. Nguyen et al. (2021) contend that commitment and trust are “keys” to collaborative decision - making that are crucial to the development of inter-firm relationships. Moreover, a number of empirical research have demonstrated that the trust component positively affects corporate performance (Roy et al. 2020) and customer loyalty (Raduzzi, 2019, Ibrahim et al., 2020). Frydman and Moliner (2022) emphasize the significance of loyalty and cooperation in relationships, stating, “...with absence of trust and commitment, there can be no partnership.” In the relationship literature, trust and commitment are typically discussed together, with very few researchers considering one without the other.

c. Commitment

After trust, commitment appears to be the second most commonly mentioned variable in the relationship marketing literature. It is effective for gauging consumer loyalty and forecast the future repeat purchases (Wicaksono, 2022). Sawicki and Agnew (2020) described relationship commitment as “a persistent desire to continue a valued connection.” Lepojevic and Dukic (2018) noted that devotion was the most prevalent dependent variable included in investigations of buyer-seller relationships.
Commitment eliminates possible ambiguity regarding the future of the connection and is, thus, a crucial mediator in each and every productive relational exchange. It is described as “the desire for continuity demonstrated by the willingness to engage in the connection”. Connection commitment may also be described as “an exchange partner’s belief that a continuing relationship with another is significant enough to justify maximal efforts to sustain it” (Isaac et al., 2019, Johan et al., 2019).

The level of commitment displayed by a person is a strong predictor of their success in achieving their goals and maintaining their connections (Roy, 2020). Many scholars have written extensively on the importance of dedication to a happy couple’s union. Loyal is said to be crucial to the success of relationship marketing and a significant factor in the success of any relationship is the amount of commitment each partner feels toward the union. High-commitment clients should be eager to put in extra work on behalf of a company because of the value they’ve gotten in the past, and the company will continue to reap the rewards of this loyalty (Tegambwage et al., 2022). In the same way that trust influences consumer loyalty positively, commitment may do the same.

d. Communication

Hussain et al. (2018) simply define it as the formal and informal exchange and sharing of crucial and timely knowledge between customers and sellers. On the other hand, keeping in contact with valuable clients, providing quick and good way to deal on services and service changes, and interacting consciously if a delivery problem occurs are all examples of the importance of communication in relationship marketing. Initially, the communicator's job is to increase curiosity, cultivate a preference among consumers (by emphasizing the product's value, performance, and other attributes), and nudge prospective purchasers toward making a purchase (Hasbi et al. 2022, Sundram et al., 2019). During the pre-selling, selling, consuming, and post-consuming phases, there is a fresh perspective on communication systems as an interactive dialogue between the firm and its clients. Communication is a key factor in developing cooperative and trustworthy relationships, according to Othman et al. (2020). Communication plays a crucial role in marketing partnerships by illuminating the motivations and talents of trade partners and laying the groundwork for trust among them.

The value of open lines of communication in healthy relationships is a topic that has been explored by many authors. According to Khan et al., (2022), trustworthiness between sellers and buyers may be affected by how well they are able to communicate with one another. In a similar vein, Chee (2019) state that communication, and especially timely communication, promotes trust by helping to resolve disagreements and match perceptions and expectations. According to Nekmahmud et al. (2022), loyal customers may be created and maintained by honesty, consistency, and timely communication. Communication also has a beneficial and indirect effect on retailer-supplier commitment in the car tire sector, according to research by Hanaysha & Hilman (2018). However, despite the fact that communication is crucial in the establishment of corporate connections, it is almost always presumed or taken for granted, and hence disregarded as an element of relationship growth.

e. Customer Satisfaction

Relationship success has been shown to be highly correlated with levels of both individual and mutual satisfaction. It's connected to having done something before, having faith in someone, making a promise and keeping it. Trust has a direct effect on dedication Huang et al., (2020). They also believe that contentment and degree of reliance play a mediating role in the connection between trust and commitment. To ensure complete customer satisfaction, it's not enough to simply meet their requirements; you must go above and beyond their expectations. Given its importance and its ability to affect other aspects of a relationship, satisfaction is clearly a crucial factor in any meaningful connection. Customer satisfaction is also viewed as an indicative of an individual’s level of pleasure with a given product or service. The concept was further extended by Karaman (2021) who argue that customers are satisfied when a product or service lives up to their expectations. Consumer satisfaction comes from the enjoyment they get from using the product. Customer satisfaction occurs when an individual’s requirement, objective, or desire is met. This means that the experience is a good one.

Accordingly, customer satisfaction is argued to be an important factor in gaining and keeping repeat business by Masoud (2020). Also, since happy consumers are more likely to buy, focusing on their happiness is a wise financial move for retaining and attracting new clients. It has been shown through
numerous studies that happy customers are more likely to make repeat purchases. In addition, a larger percentage of the market can be captured if a sizable portion of the consumer base is content. As a result, Csikosova et al., (2018) content that enhancing and preserving a long-term connection with customers requires a focus on customer satisfaction. Additionally, as it can boost customers’ spending, it is said that customer happiness is an investment in retaining current customers and pursuing future customers. Numerous studies have supported the idea that customer happiness is a powerful motivator for repeat business. Furthermore, increasing market share typically results from a large number of delighted consumers.

f. Halal Certification And Consumption Of Halal Food

The food and beverages that have been prepared according to Islamic principles including food safety, hygiene and quality assurance will be recognized for certified halal logo (Ambali & Bakar, 2013). The halal certification for food and beverage is important for Muslims community which provide opportunities for businesses in the halal food industry. Malaysia, as a majority-Muslim country, the demand for halal food products is high in and it is important for food producers to pay more attention on branding and marketing in order to build consumers’ trust and loyalty. Although the standards varied across institutions in the Islamic world, the certification and standards established give Muslim consumers’ confidence in food and beverages consumption (Rezai, Mohamed & Shamsudin, 2012).

In Malaysia, JAKIM or the Department of Islamic Development Malaysia is the sole authority in-charge of halal certification. JAKIM plays a crucial role in ensuring the producers meet the certification guidelines. At present, Malaysia is the only country that has a halal regulatory framework that is controlled and managed by the state. The Malaysian halal standard has earned MS1500: 2004 certification and is regarded a global benchmark for other countries (Rezai et al., 2012). The Halal certification is issued according to three categories of application. The three categories are 1) Product/Consumer Good, 2) Food Premise and 3) Slaughter House/Abattoir. Additionally, the premise inspection in terms of the product processing, handling, storage, equipment and distribution is mandatory procedure before the Halal certificate is approved. The Halal certification will be issued if this basic principle and procedure are complied and revoked if not complied.

g. Customer Satisfaction In Relation To Halal Products

Consumer satisfaction can be defined as a consumer’s feelings of pleasure or discontent subsequent from matching a product’s perceived performance in relation to consumer expectation. A consumer is satisfied only when the actual experiences of the product meet or exceed their expectations, otherwise; he or she will be dissatisfied (Kotler & Keller, 2009). Therefore, consumer satisfaction is a significant indicator to brand loyalty. Companies often used consumer satisfaction index to gauge customer’s acceptance and satisfactory level towards a certain product or service which will eventually improve their profitability. One of the widely used models to measure consumers’ satisfaction of a product/service is the American Customer Satisfaction Index (ACSI). The ACSI measures the quality of goods and services experienced by the customers. A firm’s ACSI represents its customers’ overall assessment of their pre-purchase, purchase, consumption and post consumption experience with the brand, both actual and anticipated (Andersson, 2014). In the context of halal industry, it is plausible that consumer satisfaction is also influenced by similar factors. However, studies on consumer satisfaction on halal product is rather limited to halal banking sector i.e. Islamic banking (Khan et al., 2022), while studies on consumer satisfaction on certified halal food products is so far limited from he perspective of food producers who are applying for halal certification (Badruldin et al., 2012). Therefore, this study aims to provide evidence of consumer satisfaction who did purchase towards certified halal food products in Malaysia.
CONCLUSION

The literature review is a summary of previous research that is relevant to the topic. It includes components that will be applied to the work that is currently being done. In conclusion, this study discusses a number of previous studies that have been conducted in the field of characteristics that influence customer loyalty attributes. These factors include trust, commitment, communication, customer satisfaction and halal certification.

REFERENCES


