

Does Religious Orientation Matter? Reassessing the Role of Brand Credibility and Customer Loyalty on the Controversial Brand in Emerging Market

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ABSTRACT: This study Indonesia is a country with a Muslim-majority population. Halal labels on products and services, especially on food, become essential things to consider in food consumption. Food products that do not have a halal label will certainly cause consumer doubts and become a controversial brand for Muslim consumers in Indonesia. Controversial brands often have high brand credibility in the community in terms of popularity, but do not have a halal label. This study aims to investigate the role of religious orientation, brand credibility, and customer loyalty to controversial brands of food products. Using survey techniques, data obtained from 170 respondents were processed and analyzed using Structural Equation Modeling (SEM). The analysis showed that customer loyalty was influenced by brand credibility, while brand credibility was formed by the positive influence of trustworthiness and perceived quality. Religious orientation moderated the influence of trustworthiness and perceived quality on brand credibility.

Keywords: Halal, Religious Orientation, Brand Credibility, Customer Loyalty

1 INTRODUCTION

The customer is the central concept that underlies the modern marketing paradigm (Hoekstra et al., 1999). All new marketing activities strive to build relationships with customers by offering superior value and achieving customer satisfaction, which, in turn, builds customer loyalty (Kotler & Armstrong, 2018: 28). Porter (1979) revealed that customers have bargaining power in forming competition in the industrial world. Companies that fail to manage good relationships with customers will be unable to compete in the industrial world, especially in the industrial era 4.0, which prioritizes fast services through the use of technological developments.

Companies are required to be capable of meeting the needs and wants of consumers and ensuring customer satisfaction in order to continue to grow and develop. The performance of the products offered must be able to provide value to consumers following the intended target market. Product performance that fails to meet customer expectations will have a direct or indirect impact on brand credibility and customer loyalty (Alam et al., 2012).

In Indonesia, Muslims, as the majority of its population, can be seen as a business opportunity that can be maximized. In the food product business, marketers should understand the very sensitive and

important norms for the Muslim community regarding consumption, namely halal certification and labels. The halal label will guarantee that food products are fit for consumption and will undoubtedly increase the preferences of Muslim consumers. In this case, religious orientation takes a role in evaluating the products that will be consumed by consumers.

In practice, there are also popular food products in the community but do not yet have a halal label. In this study, product brands with these conditions are categorized as controversial brands. This study replicates the research of Alam et al. (2012) with modifications to the measurement. The research aims to reveal the role of religious orientation, brand credibility, and customer loyalty in the context of food products that do not yet have a halal label, but are popular and widely consumed by the general public, both Muslim and non-Muslim consumers. Researchers only limit the response of Muslim consumers to controversial food products that do not yet have a halal label.

The research model was based on two main theories, namely the Theory of Planned Behavior/TPB (Ajzen, 1991) and Social Identity Theory/SIT (Tajfel & Turner, 1986). TPB is one of the fundamental theories that is widely used in predicting consumer behavior. Customer loyalty as a form of consumer be

behavior in this study was formed by individual evaluations of brand credibility, trustworthiness, and perceived quality. Referring to SIT, consumers try to identify their behavior and environment based on their social class. One of the intended social classes can be formed by religious orientation. Religious orientation in this research model is the identification of consumers in certain social groups to evaluate the controversial brands that they consume.

1.1 Brand Credibility

Brand credibility is a variety of characteristics that shape the integrity of a brand in consumer perception (Alam et al., 2012). The various characteristics referred to brand reliability in showing product performance that matches the reality with the promised features through marketing communications.

Erdem and Swait (2004) stated that trustworthiness is an important dimension that positively influences brand credibility. Referring to Maathuis et al. (2004), trustworthiness shows the extent to which an object is considered as a legitimate source. The perception of customer trustworthiness in the brand context shows the level of customer evaluation that a brand has a willingness to always provide product performance in accordance with what is promised. Trustworthiness in a brand will encourage credibility in the brand (Keller & Aaker, 1992). The higher the customer's trustworthiness in a brand, the higher the brand credibility.

Perceived quality is a customer's perception of brand excellence that has a positive effect on brand credibility (Ng et al., 2013). Customer perceptions about the quality of a product brand serve as a reliable indicator of product performance. Consumer assessment of the overall superiority of a product shows the essence of perceived quality (Zeithaml, 1988), which, in turn, encourages brand credibility (Ng et al., 2013). The better the brand quality perceived by consumers, the higher the brand credibility. Based on the description of brand credibility, the first and second hypotheses are proposed as follows: H1: Trustworthiness has a positive effect on brand credibility.

H2: Perceived quality has a positive effect on brand credibility.

1.2 Customer Loyalty

Customer loyalty refers to the commitment held by customers to repurchase or re-subscribe a product or service consistently in the future (Oliver, 1999). In marketing reality, consumers tend to choose brands

with high credibility compared to brands with low credibility. Sweeney et al. (1999) revealed that good brand credibility would encourage consumers to be loyal to the brand. That is, the higher the brand credibility, the higher the customer loyalty. Thus, the third hypothesis is proposed as follows:

H3: Brand credibility has a positive effect on customer loyalty.

1.3 Religious Orientation

Simply, religious orientation means religious values that underlie a person's thoughts, concerns, or tendencies. Religious orientation can influence customer preferences and even purchase decisions (Alam et al., 2012). Consumers will tend to assess brand credibility based on religious orientation considerations. Religious orientation is also used as a consideration in repurchasing a brand, in addition to other considerations. Referring to the development of the hypothesis in the previous description regarding the formation of brand credibility and customer loyalty, the religious orientation acts as a moderator of these relationships. Thus, the hypotheses stating the role of moderating religious orientation are proposed as follows:

H4: Religious orientation moderates the effect of trustworthiness on brand credibility.

H5: Religious orientation moderates the effect of perceived quality on brand credibility.

H6: Religious orientation moderates the effect of brand credibility on customer loyalty

2 RESEARCH METHODS

Researchers conducted a construct causal research in order to achieve the research objectives. Research variables were identified in a causal relationship based on theory (Zikmund et al., 2013: 54) to explain the empirical phenomena under study (Cooper & Schindler, 2011: 141). The variables of trustworthiness, perceived quality, and brand credibility acted as cause variables. The customer loyalty variable acted as an effect variable and religious orientation as a moderating variable.

All research variables were measured by adapting Alam et al. (2012) research, except for religious orientation variable. The religious orientation variable was measured by adapting Alam et al. (2012) and Darvyri et al. (2014) researches. Measurement of all research variables used a 5-point Likert scale with a range of 1 (strongly disagree) to 5 (strongly agree). The research respondents were 170 people obtained

through purposive sampling techniques. Purposive sampling technique allows researchers to obtain a sample of respondents that is in accordance with the criteria set by researchers (Cozby & Bates, 2012: 152). Research respondents were selected based on several criteria, namely aged minimum 18 years old, possessed a minimum education level of high school, Muslim, and having knowledge about food products that do not yet have a halal label but still consume them.

The research data were processed and analyzed with SEM techniques to test the research hypothesis. Referring to Anderson and Gerbing (1988), SEM analysis techniques are carried out in two stages, namely measurement models and structural models. The role of moderation in SEM techniques testing used the model proposed by Ping (1995).

3 RESULT AND DISCUSSION

The running model of final measurement that contains all valid measurement items is shown in Table 1. Goodness-of-Fit (GoF) measurement model shows good model criteria ($\chi^2 / df = 1.793$, RMSEA = 0.069, TLI = 0.884, and CFI = 0.894). The measurement model shows the measurement construction of the variables used in the study. Simply stated, the measurement model shows the validity and reliability of measuring the research variables. The validity of a variable measurement item is indicated by the value of the minimum standardized factor loading (λ) or the Average Variance Extracted (AVE) value of 0.5 (Hair et al., 2010: 709). Good research variable reliability is indicated by the value of Construct Reliability (CR) of at least 0.7 (Hair et al., 2010: 710). Based on the results of the measurement models in Table 1, the minimum λ value obtained was 0.515, and the minimum CR value was 0.815, meaning that the construction of the measurement of research variables has met the criteria of good validity and reliability, therefore it can be continued to the hypothesis testing stage through the running structural model.

Table 1. Results of measurement models

Variable	Std. factor loading (λ)	AVE	CR
Trustworthiness (TW)			
TW1	0.783		
TW2	0.707		
TW3	0.773		
TW4	0.766	0.586	0.919
TW5	0.806		
TW6	0.724		
TW7	0.749		

TW8	0.811		
Perceived quality (PQ)			
PQ1	0.734		
PQ2	0.797	0.582	0.847
PQ3	0.773		
PQ4	0.745		
Brand credibility (BC)			
BC1	0.555		
BC2	0.791		
BC3	0.822	0.553	0.895
BC4	0.730		
BC5	0.784		
BC6	0.781		
BC7	0.708		
Customer loyalty (CL)			
CL1	0.699		
CL2	0.805		
CL3	0.782		
CL4	0.754	0.554	0.908
CL5	0.794		
CL6	0.692		
CL7	0.685		
CL8	0.733		
Religious orientation (RO)			
RO3	0.515		
RO4	0.635		
RO5	0.619	0.475	0.815
RO6	0.839		
RO7	0.788		

GoF at the structural stage of the research model has met the criteria of good fit ($\chi^2 / df = 1.786$, RMSEA = 0.068, TLI = 0.885, and CFI = 0.895), so it is worth to be interpreted further. The results of hypotheses testing in the structural model are shown in Figure 1 and Table 2 below.

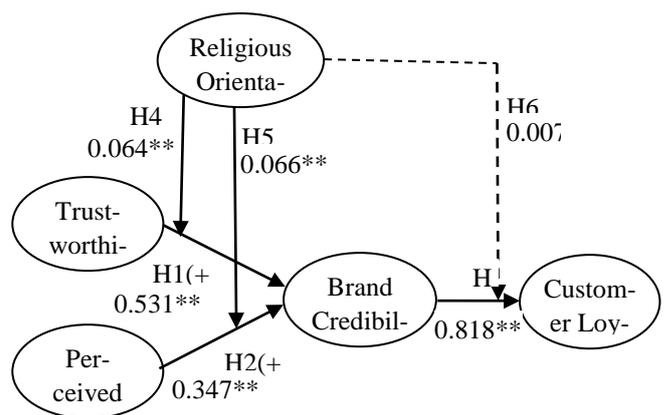


Figure 1. Results of structural model testing $***p \leq 0.001$. The number shown shows the standardized estimate value. Dotted lines indicate insignificant paths.

Referring to the results of the hypothesis testing in the structural model shown in Figure 1 and Table 2, all research hypotheses were supported by empirical data, except for the role of moderating religious

orientation in the effect of brand credibility on customer loyalty (H6).

Table 2. Summary of the results of the research hypothesis test

Relationship between variable	Std. estimate (β)	Critical ratio (C.R.)	p	Remarks
TW \rightarrow BC	0.531	6.185	***	H1 supported
PQ \rightarrow BC	0.347	3.982	***	H2 supported
BC \rightarrow CL	0.818	7.399	***	H3 supported
<u>RO Moderation.</u>				
TW \rightarrow BC	0.064	5.525	***	H4 supported
PQ \rightarrow BC	0.066	6.504	***	H5 supported
BC \rightarrow CL	0.007	0.561	0.575	H6 not supported

*** $p \leq 0.001$. CL = Customer loyalty; BC = Brand credibility; TW = Trust-worthiness; PQ = Perceived quality; RO = Religious orientation.

Trustworthiness and perceived quality had a positive effect on the formation of brand credibility. Trustworthiness had a positive influence on brand credibility ($\beta = 0.531$, $p \leq 0.001$), higher than the influence of perceived quality ($\beta = 0.347$, $p \leq 0.001$), H1 and H2 are supported. This is consistent with the arguments of Erdem and Swait (2004) that trustworthiness is the most critical dimension that influences brand credibility.

In H3, the positive influence of brand credibility on customer loyalty is also supported by empirical data ($\beta = 0.818$, $p \leq 0.001$). The role of religious orientation moderation in H4 ($\beta = 0.064$, $p \leq 0.001$) and H5 ($\beta = 0.066$, $p \leq 0.001$) are also supported by empirical data. Supporting the role of moderation on H4 and H5 with a positive standardized estimate (β) shows that moderating religious orientation reinforces the positive influence of trustworthiness variable on brand credibility (H4), and perceived quality variable on brand credibility (H5). The religious orientation of the consumer becomes a consideration in evaluating brand credibility so that it plays a role in strengthening the influence of trustworthiness and perceived quality on brand credibility, which is in line with Alam et al. (2012). However, the role of religious orientation is not apparent in the influence of brand credibility on customer loyalty. Customers tend to be loyal to a brand because it is driven by evaluating high brand credibility (H3), without considering a meaningful religious orientation

4 CONCLUSIONS

The results of the study explained that customer loyalty is positively influenced by brand credibility. Products that have high brand credibility will encourage the creation of customer loyalty, without considering a meaningful religious orientation from consumers.

Furthermore, trustworthiness, perceived quality, and religious orientation play a role in establishing brand credibility. Brand credibility is directly affected by trustworthiness and perceived quality by moderating religious orientation. Consumer religious orientation will strengthen the direct influence of trustworthiness and perceived quality on the formation of brand credibility. In order to increase brand credibility, marketers need to consider efforts that can improve consumers' sense of religious orientation, for example, halal labeling. In the context of industry 4.0, the positive efforts of these marketers can be communicated quickly through various social media. Giving halal labels on products can be immediately known and appreciated positively by consumers. An excellent religious orientation will strengthen the influence of variable trustworthiness and perceived quality on brand credibility. High brand credibility is ultimately expected to create customer loyalty, which will provide profits for business people.

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