UNIVERSITI PUTRA MALAYSIA

INFLUENCES OF HALAL PRODUCT INTEGRITY AND HALAL INDUSTRY MACRO-ENVIRONMENTS ON MARKETING PROGRAM ADAPTATION AND EXPORT PERFORMANCE AMONG MALAYSIAN EXPORT FIRMS

HAZLINDA HASSAN

FEP 2003 16
INFLUENCES OF *HALAL* PRODUCT INTEGRITY AND *HALAL* INDUSTRY MACRO-ENVIRONMENTS ON MARKETING PROGRAM ADAPTATION AND EXPORT PERFORMANCE AMONG MALAYSIAN EXPORT FIRMS

By

HAZLINDA HASSAN

Thesis Submitted to the Graduate School of Management, Universiti Putra Malaysia, in Fulfilment of the Requirements for the Degree of Doctor of Philosophy

December 2013
DEDICATION

To my parents,
Zawiah Mohd Salleh
Hassan Shaibi
INFLUENCES OF *HALAL* PRODUCT INTEGRITY AND *HALAL* INDUSTRY MACRO-ENVIRONMENTS ON MARKETING PROGRAM ADAPTATION AND EXPORT PERFORMANCE AMONG MALAYSIAN EXPORT FIRMS

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To successfully optimize the enormous opportunities in the global *Halal* market, exporting firms must be prepared to adapt their marketing strategies to reflect the unique circumstances of the market. Accordingly, the main purpose of the study is to explore the influence of product and macro-environmental factors specific to the *Halal* industry on marketing program adaptation and export performance.

Using a mixed methods research approach, semi-structured interviews with 12 selected experts in the *Halal* industry were conducted initially to explore the specific dimensions of *Halal* product integrity and *Halal* industry macro-environments. Later, the questionnaires were distributed to 110 Malaysian *Halal* exporting firms. Based on the survey, the results of Partial Least Squares (PLS) analysis revealed that ethical integrity, *Halal* regulations and support, *Halal* values and attitudes, and *Halal* technological development were significantly and positively related to the decision to adapt the marketing program. Meanwhile, physical integrity and *Halal* economic indicators were
not perceived as important in a firm’s decisions for export marketing adaptation. The study also found a partial role of marketing program adaptation strategy in mediating the influence of ethical integrity on export performance, and also the influence of Halal regulations and support on export performance.

The results are useful to public export agencies and exporting firms in designing appropriate strategies to improve export performance of Halal products. The findings suggested that firms wishing to achieve superior export performance should assess carefully the diverse expectations of ethical integrity among product categories and market segments, understand various regulations concerning Halal products and trades, and be responsive toward government support. Firms should also be aware of the unique conditions of the Halal industry’s macro-environments in a country so as to perform the appropriate adaptation for each marketing program.

The study has filled a gap in the literature by empirically establishing the influence of product and macro-environmental factors of the Halal industry on marketing program adaptation and export performance, and adding a single industry value to the existing body of knowledge. The study has also advanced the knowledge of the export marketing field by integrating Islamic marketing principles into the current research framework.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

PENGARUH INTEGRITI PRODUK HALAL DAN PERSEKITARAN MAKRO INDUSTRI HALAL TERHADAP STRATEGI ADAPTASI PROGRAM PEMASARAN DAN PRESTASI EKSPORT DALAM KALANGAN FIRMA PENGEKSPORT DI MALAYSIA

Oleh
HAZLINDA HASSAN

Disember 2013

Pengerusi : Profesor Madya Jamil Bojei, PhD
Fakulti : Ekonomi dan Pengurusan

Untuk mengoptimumumkan dengan jayanya peluang yang besar dalam pasaran Halal global, firma pengeksport mestilah bersedia untuk mengadaptasi strategi pemasaran mereka bagi menggambarkan situasi unik pasaran tersebut. Seterusnya, objektif utama kajian ini adalah untuk meninjau pengaruh faktor produk dan persekitaran makro yang khusus kepada industri Halal terhadap adaptasi program pemasaran dan prestasi eksport.

Menggunakan pendekatan kaedah gabungan, temubual separa berstruktur dengan 12 orang pakar dalam industri Halal telah dijalankan pada peringkat awal bagi meninjau dimensi khusus integriti produk Halal dan persekitaran makro industri Halal. Seterusnya, borang soal selidik telah diedarkan kepada 110 buah firma pengeksport Halal Malaysia. Berdasarkan kajian tersebut, hasil analisis Partial Least Squares (PLS) memperlihatkan bahawa integriti etika, peraturan dan sokongan Halal, nilai dan sikap terhadap Halal, serta pembangunan teknologi Halal berkait secara signifikan dan positif
dengan keputusan yang diambil untuk mengadapasi program pemasaran. Sementara itu, integriti fizikal dan penunjuk ekonomi Halal tidak dianggap penting dalam keputusan firma terhadap adaptasi pemasaran ekspor. Kajian ini juga memperakui peranan separa strategi adaptasi program pemasaran sebagai perantara pengaruh integriti etika terhadap prestasi ekspor, dan pengaruh peraturan dan sokongan Halal terhadap prestasi ekspor.

Hasil kajian ini bermanfaat kepada agensi pengeksport awam dan firma pengeksport dalam mereka bentuk strategi yang bersesuaian untuk meningkatkan prestasi ekspor produk Halal. Dapatan kajian menyarankan agar firma yang berhasrat untuk mencapai prestasi ekspor yang cemerlang menilai secara teliti kepelbagaian jangkaan dalam integriti etika dalam kalangan kategori produk dan segmen pasaran, memahami pelbagai peraturan yang berkaitan dengan produk dan perdagangan Halal, dan bertindak secara responsif terhadap sokongan kerajaan. Firma juga perlu berwaspadai dengan keadaan unik persekitaran makro industri Halal sesuatu negara supaya dapat melaksanakan adaptasi yang sesuai bagi setiap program pemasaran.

Kajian ini mengisi lompong ilmu dengan mewujudkan secara empiris pengaruh produk dan faktor persekitaran makro industri Halal terhadap adaptasi program pemasaran dan prestasi ekspor, serta menambah nilai satu lagi industri terhadap ilmu sedia ada. Kajian ini turut meningkatkan ilmu dalam bidang pemasaran ekspor dengan mengintegrasikan prinsip pemasaran Islam ke dalam kerangka penyelidikan semasa.
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I would like also to dedicate my special thanks to all the respondents that participated in the study. I am very fortunate to have been given the opportunity to meet new people and hope to collaborate again with them in the future. Finally, I dedicate this thesis to my late mother Zawiah binti Mohd Salleh, who will always be my inspiration and life force to accomplish my dreams.

UPM July 2014
Hazlinda Hassan
APPROVAL

I certify that a Thesis Examination Committee has met on 5th December 2013 to conduct the final examination of Hazlinda Hassan on her thesis entitled "Influences of Halal Product Integrity And Halal Industry Macro-Environments on Marketing Program Adaptation and Export Performance among Malaysian Export Firms" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.( A) 106] 15 March 1988. The Committee recommends that the student be awarded the Doctor of Philosophy degree.

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On behalf of,
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This is to confirm that:
- the research conducted and the writing of this thesis was under our supervision;
- supervision responsibilities as stated in Rule 41 in Rules 2003 (Revision 2012 – 2013) were adhered to.

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<td>GCC</td>
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<td>Gharar</td>
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<td>Records of the actions and sayings of the Prophet Muhammad (SAW)</td>
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<td>HPI</td>
<td>Halal Product Integrity</td>
</tr>
<tr>
<td>HRS</td>
<td>Halal Regulations and support</td>
</tr>
<tr>
<td>HTD</td>
<td>Halal Technological Development</td>
</tr>
<tr>
<td>Ihsan</td>
<td>Beneficence or goodness</td>
</tr>
<tr>
<td>IMP3</td>
<td>Third Industrial Master Plan</td>
</tr>
<tr>
<td>JAKIM</td>
<td>Department of Islamic Development Malaysia</td>
</tr>
<tr>
<td>MATRADE</td>
<td>Malaysia External Trade Development Corporation</td>
</tr>
<tr>
<td>MIHAS</td>
<td>Malaysia International Halal Showcase</td>
</tr>
<tr>
<td>MITI</td>
<td>Ministry of International Trade and Industry, Malaysia</td>
</tr>
<tr>
<td>MNCs</td>
<td>Multinational Corporations</td>
</tr>
<tr>
<td>MPA</td>
<td>Marketing Program Adaptation</td>
</tr>
<tr>
<td>MS</td>
<td>Market Segments</td>
</tr>
<tr>
<td>PC</td>
<td>Product Categories</td>
</tr>
<tr>
<td>PHY</td>
<td>Physical integrity</td>
</tr>
<tr>
<td>PLS</td>
<td>Partial Least Squares</td>
</tr>
<tr>
<td>Qur’an</td>
<td>The book Muslims believe was revealed by God through the Angel Gabriel to Prophet Muhammad SAW, the Prophet of Islam</td>
</tr>
<tr>
<td>Riba</td>
<td>Interest</td>
</tr>
<tr>
<td>S/A</td>
<td>Standardization/Adaptation</td>
</tr>
<tr>
<td>SAW</td>
<td>Sallallahu ‘Alayhi Wasallam or Peace be upon him</td>
</tr>
<tr>
<td>Shariah / Syara’</td>
<td>Islamic Law</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modeling</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
</tr>
<tr>
<td>SWT</td>
<td>Subhanahu Wa Ta’ala or Glory to Him</td>
</tr>
<tr>
<td>Taqwa</td>
<td>God fearing</td>
</tr>
<tr>
<td>Toyyib / Toyyiban</td>
<td>Good</td>
</tr>
<tr>
<td>WHF</td>
<td>World Halal Forum</td>
</tr>
<tr>
<td>YAB</td>
<td>Yang Amat Berhormat, political dignitary of Malaysia</td>
</tr>
</tbody>
</table>
CHAPTER 1
INTRODUCTION

1.1 Introduction

This chapter begins with a brief description of the research background and highlights current issues of export marketing in the context of the Malaysian Halal industry. The problem statement is then identified and explained, followed by the research objectives and research questions. Following this, the scope and significance of the study are specified. Finally, the organization of the thesis is outlined.

1.2 Background of the study

The development of marketing strategies optimally adjusted for the export market has been vitally important because they may influence the firm’s competitive position and performance in foreign markets. At the international level, a firm basically has the option of either standardizing or adapting the marketing program elements. However, in most cases, both these approaches are combined because the two extreme positions (i.e., total standardization and total adaptation) are impossible to implement strictly. Therefore, selecting between standardization and adaptation is no longer relevant as a firm must pay attention to how these can be combined so as to meet the specific requirements of a target market and consequently, ensure the performance of the firm. In general, the extent of combining standardization/adaptation (S/A) strategy depends greatly on two major factors: (1) the internal factor, which refers to the product, firm, and managerial characteristics, and (2) the external factor, which refers to the industry and export market characteristics at both macro and micro levels (Cavusgil & Kirpalani,
1993; Cavusgil & Zou, 1994; Cooper & Kleinschmidt, 1985; Theodosiou & Leonidou, 2003). Based on this perspective, this study will examine the extent of S/A practice with regard to product and macro-environmental factors pertinent to the Halal industry as both aspects are unique in the industry context. As the research focuses on examining the adaptation practice and export performance among Malaysian Halal exporters, the following sections highlight the issues and gaps present in the field of export marketing strategy and also issues with respect to the Halal industry in both global and Malaysian contexts.

1.2.1 Issues and gaps in the field of export marketing strategy

Marketing strategy in an export context involves the conventional marketing program (i.e., product, price, promotion, and distribution) and, depending on the conditions of a certain market, a certain degree of adaptation of these elements is crucial because such adaptation may influence the firm’s competitive position and performance in a foreign market (Albaum & Tse, 2001). As evidenced by previous empirical research, the role of marketing standardization/adaptation (S/A) strategy in determining a successful export venture has been extensively proven (see Table 3.1 in Chapter Three). However, the extent to which the marketing program elements should be adapted or standardized for a foreign market has been debated for several decades (Griffith, Hu, & Ryans Jr, 2000; Jain, 1989).

While a wealth of empirical research identifying the determinant factors responsible for successful export performance exists, studies that focus on examining the impact of product and environmental factors on the marketing program adaptation and export
performance are quite limited, especially on the full set of four sub-dimensions of the macro-environment (e.g., Hultman, Robson, & Katsikeas, 2009; Johnson & Arunthanes, 1995; Sibanda & Erwee, 2009) and also the unique attributes of the product (e.g., Azar, 2011; Cavusgil & Zou, 1994; Cavusgil, Zou, & Naidu, 1993; Hill & Still, 1984; Koh, 1991; Larimo & Kontkanen, 2008; O’Cass & Julian, 2003; Thirkell & Dau, 1998). Furthermore, only limited studies have examined the mediating effect of marketing program adaptation strategy on the relationships between macro-environmental factors and export performance (e.g., Calantone, Kim, Schmidt, & Cavusgil, 2006; Cavusgil & Zou, 1994; Evans, Mavondo, & Bridson, 2008; Lages & Montgomery, 2001, 2005; Özsomer & Simonin, 2004; Sousa & Bradley, 2008) and also between product factors and export performance. Most studies tend to concentrate exclusively on the analysis of direct relationships among the elements involved in the export marketing phenomenon. Therefore, much more empirical research is needed to focus on the analysis and understanding of the indirect relationships (Calantone et al., 2006; Lages & Montgomery, 2005; Zou & Stan, 1998).

Apart from that, the review of empirical studies on the research topic has been conducted mainly on multiple industries and only few studies address a single sector in particular (e.g., Abdul Adis & Md. Sidin, 2010; Azar, 2011; Cooper & Kleinschmidt, 1985; Evans et al., 2008; Gabrielsson, Gabrielsson, & Seppälä, 2012; Lee & Griffith, 2004; Mavrogiannis, Bourlakis, Dawson, & Ness, 2008; O’Donnell & Jeong, 2000; Priya & Anthuvan, 2012; Roth, 1995; Shoham, 1996a, 1996b). Single industry studies have increased value in export marketing literature (Silverman, Sengupta, & Castaldi, 2003), especially when such business contexts have distinctive characteristics (Karelakis,
Mattas, & Chryssochoidis, 2008). Furthermore, as Cavusgil (1997, p. 3) indicated “given the diversity of approaches to globalization, it is important for researchers to carry out investigations that target specific industries”.

The idiosyncratic nature of the Halal product and industry has certain implications in the development of export marketing strategy, although no hard evidence for such exists in the literature. The distinct characteristic of the Halal industry is the element of Halal that is embedded in the entire production chain. The concept of Halalan Toyyiban is not only strictly met in the product development, but also is emphasized in logistics, financing, management, marketing, and other aspects of the production chains to maintain the integrity of Halal products. From the Islamic perspective, conventional marketing mix activities must follow Shariah rulings (Al-Buraey, 2007; Al-Burey, 2004; Ali, 2011; Alserhan, 2011; Ibn al-Ukhuwah, 1938). As a Halal product is attached strongly to Islamic values, a product that has been created according to these values demands Islamic treatment that may require certain means and methods in every component of the marketing activities. Thus, product and environmental factors associated with ‘Halal needs’ are expected to play a role in influencing marketing decisions, especially on a global basis.

The impact of Islamic values and the Halal concept, specifically, has been increasingly noticed in marketing literature as evidenced by empirical research in areas such as consumer behavior (e.g., Abd Aziz, Amin, & Isa, 2010; Ahmed, 2008; Ateeq-ur-Rehman & Shabbir, 2010; Bonne & Verbeke, 2006, 2007, 2008; Bonne, Vermeir, Bergeaud-Blackler, & Verbeke, 2006; Bonne, Vermeir, Bergeaud-Blackler, & Verbeke,

Thus, the influence of Halal values can also be anticipated in the context of international marketing issues. As indicated by Prokopec and Kurdy (2011) and Sandıkçı (2011), despite the increasing importance of Muslim consumers worldwide, very few international marketing issues have been investigated with regard to the peculiarities of the market. Thus, the issues of global marketing strategy such as standardization versus adaptation in Muslim target markets have yet to be tested empirically.
1.2.2 Scenarios and issues of global Halal market

The global Halal market is large, and the size is increasing annually in tandem with the growing Muslim population worldwide and the increased awareness of a responsibility to consume only Halal products (Che Man, Bojei, Abdullah, & Abdul Latif, 2007; Nooh, Nawai, Dali, & Mohammad, 2007). Furthermore, the growing concern of health and safety issues has raised the demand for Halal products among non-Muslim consumers, especially those who are concerned with the cleanliness and wholesomeness of the product (Golnaz et al., 2010). Currently, food products have created the biggest market demand for Halal products. However, there is an increasing trend of Halal-compliance for non-food products such as pharmaceuticals, cosmetics, apparels, as well as services, including finance, logistics, tourism, and marketing. Hanzee and Ramezani (2011) noted that the intention to use Halal products in the world markets is apparent because Muslims highly demand healthy and quality products, which must conform to Shariah requirements. They also highlighted the pressing need for genuine Halal-certified products because this certification has become a global symbol for both quality assurance and lifestyle choice.

By looking at trade figures, the Halal business is estimated to be worth more than USD2.3 trillion annually and the Halal food sector alone is reaching USD700 billion yearly (World Halal Forum, 2013). As shown in Table 1.1, Asian countries are the largest market for Halal food products with the biggest market size, followed by Africa, Europe, North America, Australasia, and Central and South America. The figures indicate that a huge demand for Halal products exists globally and that these products are fast becoming an important category in global food development. Thus, the Halal
market is growing steadily and expanding faster than its mainstream counterparts. *Halal* products are fast becoming well known among worldwide consumers, and the industry is growing rapidly throughout the world, the West in particular, targeting mainly Muslim customers. The growth of the *Halal* market represents a significant demand potential for international companies, not only in Muslim countries but also in non-Muslim countries among which *Halal* observance is on the rise.

<table>
<thead>
<tr>
<th>Region</th>
<th>Asia</th>
<th>Africa</th>
<th>Europe</th>
<th>North America</th>
<th>Australasia</th>
<th>Central &amp; South America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global <em>Halal</em> Food Size (USD ‘000,000)</td>
<td>418.1</td>
<td>155.9</td>
<td>69.3</td>
<td>15.3</td>
<td>1.6</td>
<td>0.82</td>
</tr>
</tbody>
</table>

Sources: World *Halal* Forum (2011)

Although the industry is booming, some political-legal, economic, socio-cultural, and technological issues have remained unresolved. For instance, legal issues with respect to Global *Halal* Standards have delayed the development of the *Halal* industry due to the disunity of *Halal* standards between (and within) countries. This scenario has significantly impacted industry players, especially firms dealing with the global market. This is because different interpretations of *Halal* requirements regarding animal feed, slaughtering methods, packaging, logistics, and other issues have created problems in meeting individual market demands. Furthermore, with little reciprocal recognition by *Halal* certification bodies worldwide (Sungkar & Hashim, 2009; Wan-Hassan, 2007), international firms have to be more attentive to the specific *Halal* certification recognized in a particular market.
Apart from macro-environmental issues, the religious attributes of Halal products might also require certain modifications of the marketing program elements to meet the integrity aspects of the product. Although Muslims generally agree on the utilization of Halal in their daily lives, the degree of importance with respect to the level of integrity might be different due to the polarization of the Halal concept (Sungkar, 2010) and varying adherence to Islamic values (Temporal, 2011a, 2011b). Furthermore, the Halal-related factors of the product and macro-environment might be vital not only in ensuring aspects of Halalness of the product, but also in securing firm performance in the global market. Therefore, in developing a proper export marketing strategy for Halal products, issues relating to industry context must be well understood. Detailed issues pertaining to product and macro-environment peculiar to the Halal industry are elaborated in Chapter Two.

1.2.3 Scenarios and issues of the Malaysian Halal industry

Malaysia is a multiracial country comprising approximately 60% Muslims. Under the Third Industrial Master Plan (IMP3), Malaysia has the vision to become a Global Halal Hub and play a primary role in exporting Halal products. With enormous potential in the Halal industry, the trading of Halal products in the local and global markets is expected to become a significant contributor to the economic growth of the country (IMP3, 2006-2020). Several initiatives have been taken to capitalize on the growth potential of the global Halal trade. For example, the country is positioning itself as the knowledge center for trade and investment promotion of Halal products and services by designating the Malaysia International Halal Showcase (MIHAS) and the World Halal Forum (WHF) as international avenues for the Halal trade. In addition, the government has established the
Department of Islamic Development Malaysia (JAKIM) to carry out Halal certification and auditing activities, while the Halal Industry Development Corporation (HDC) coordinates the overall development of the industry. The government is also working diligently to leverage Malaysia’s strength in Halal certification and its promotional efforts to capture the Halal market abroad.

Since the Malaysian government announced a policy initiative to penetrate the global Halal market in the late 1990’s, worldwide countries, including both Muslim and non-Muslim, have followed this step. For many countries, penetrating the global Halal market has become a precondition for the development of an export market strategy (Sungkar, 2008a). This can be seen in their aggressiveness in expanding their market share in the global Halal market. In terms of meat-based products, the biggest market share is held by Brazil (10.7%), followed by the United States (6.8%), India (6.0%), Russia (5.3%), and Thailand (5.2%), and, surprisingly, all of them are non-Islamic countries (Meat Trade News Daily, 2010).

Compared to these countries, Malaysia’s contribution to the world Halal food market is relatively small. At the moment, no comprehensive trade statistics on Halal products are available. Nevertheless, the trade statistics of exports of processed food in general are used as a proxy for Malaysia’s general contribution to the global Halal market. It has been reported by the Ministry of International Trade and Industry, Malaysia (MITI), that the years between 2003 and 2012 have shown a moderate annual increase of export value of processed food (less than 20%) except in the years 2007 and 2008 as indicated in Table 1.2. Based on these export values, Malaysia’s market share is less than one
percent compared to its target of capturing five percent of the global market share (Che Man et al., 2007).

Table 1.2: Summary of Malaysia’s exports of processed food from 2004 -2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Export value (RM’000)</th>
<th>Changes (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>6,517.1</td>
<td>na</td>
</tr>
<tr>
<td>2004</td>
<td>6,054.0</td>
<td>-7.1</td>
</tr>
<tr>
<td>2005</td>
<td>6,947.3</td>
<td>14.8</td>
</tr>
<tr>
<td>2006</td>
<td>6,764.3</td>
<td>-2.6</td>
</tr>
<tr>
<td>2007</td>
<td>8,670.4</td>
<td>28.2</td>
</tr>
<tr>
<td>2008</td>
<td>12,154.6</td>
<td>40.2</td>
</tr>
<tr>
<td>2009</td>
<td>10,745.7</td>
<td>-11.6</td>
</tr>
<tr>
<td>2010</td>
<td>11,995.9</td>
<td>11.6</td>
</tr>
<tr>
<td>2011</td>
<td>13,500.6</td>
<td>11.5</td>
</tr>
<tr>
<td>2012</td>
<td>13,435.0</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

Note: na = Not available

Sources: MITI Report (2004-2012)

In terms of international participation, Malaysia’s involvement in the global Halal food industry is still insignificant compared to Thailand, which is fast emerging as a Halal hub (Patton, 2006). Although Malaysia is ranked in the top ten by the World Competitiveness Scoreboard regarding its competitiveness in the Halal food industry, some weaknesses have been identified that hamper local food firms from performing successfully in the global Halal food market. One of these weaknesses is the lack of legal, social, and cultural knowledge of international consumer markets (Bohari, Hin, & Fuad, 2013). Abdul Latif (2008) also noted that one common issue Malaysian exporters have faced is the ability to comply with importing country requirements, which has given some indication of their marketing adaptability in meeting target market specifications.
Highly regarded as a progressive, modern, and dynamic Islamic country by most Muslim countries, Malaysia possesses an edge in offering a wide range of Halal products and services. With excellent Halal facilities, a well-recognized Halal logo worldwide, and supported by various government policies and assistance in export development (IMP3, 2006-2020), Malaysia has the potential to become a major exporting country for Halal products. However, its export performance in the global Halal food market is still at a moderate level as indicated by the country’s level of involvement in international trade activities. However, this is expected to change in view of the Malaysian government’s aspiration to make the country a global hub for the Halal industry.

1.3 Problem Statement

As evidenced by the rising demand for Halal products worldwide and aggressive competition in the international setting, understanding the important issues of marketing strategy for the global market in the context of the Halal industry is crucial. Similar to other industries, the Halal business has followed the path of progressive globalization of activities and market internationalization. The Halal industry context, however, has important peculiarities that must be explained in meeting the needs and demands of global consumers. The emergence of the Halal market in the global arena also provides tremendous export opportunities, especially for small- and medium-scale food manufacturers. Nevertheless, business environments at international level are highly competitive, requiring exporters to have appropriate strategies before venturing into the overseas markets.
Marketing *Halal* products in an international setting is complex as it involves marketing efforts beyond national borders. With regard to product attributes, Muslim consumers are sensitive to the issue of *Halal*ness in addition to other product quality aspects because authentic *Halal* status is an obligation for every Muslim to fulfill. However, the level of *Halal* integrity may be perceived differently in each target market due to differing meanings of *Halal* among worldwide consumers. According to Sungkar (2010), variations of the *Halal* concept among ethnicities, culture-related groups or countries have influenced the trends and beliefs of Muslims toward certain issues. He also noted that awareness level of the *Halal* concept and what constitutes a *Halal* product is an area in which, a multi-layered understanding and, most importantly, *Shariah* law interpretations must be used comprehensively.

Apart from product characteristics, macro-environmental factors have created serious deterrents for implementing standardized strategies due to differing political-legal, economic, socio-cultural, and technological factors in each country (Katsikeas, Samiee, & Theodosiou, 2006; Theodosiou & Leonidou, 2003). To be able to succeed in a foreign market, firms need to have deep knowledge and full awareness of various aspects and trends in international marketing environments. With regard to the *Halal* industry environment, specific factors closely related to the industry context such as regulations concerning *Halal*, purchasing power of the *Halal* market, values and attitudes toward *Halal*, infrastructure and technological development of *Halal*-compliant facilities, and other *Halal*-related factors in the target market should be considered because they might not only provide significant influence in securing product integrity but also impact the performance of the firms at the international level. Furthermore, Sungkar and Hashim
(2009) indicated that Halal markets are dissimilar to other markets because Halal markets are fragmented by ethnicity, location, income, Halal awareness, and understanding, and other determinants. As Halal products are mainly demanded by Muslim consumers, the heterogeneity also exists among Muslim markets worldwide, and this unique condition must be understood properly so as to prevent international firms from offending or alienating these markets (Sandıkcı, 2011; Sandıkcı & Ger, 2011; Sandıkcı & Rice, 2011).

Despite the increasing importance of the Halal market and Muslim consumers worldwide, few international marketing issues have been investigated with respect to the peculiarities of the market such as international marketing strategies having Islamic roots and considering Muslim consumers’ needs and requirements (Baligh, 1998), and also the issues of global marketing strategies (standardization versus adaptation) in Muslim target markets (Prokopec & Kurdy, 2011). According to Sungkar and Hashim (2009), a one-size-fits-all strategy simply cannot work as each Halal market has a unique condition. Based on this scenario, firms that wish to export their products to the global Halal market should pursue an adaptation strategy so as to meet specific demands of the market. Therefore, this study explores how marketing programs might be adapted for the international Halal markets in response to the various needs and requirements of Muslim consumers worldwide.

Malaysia aims to be the global center for Halal food production by 2010 and play a major role in exporting Halal products (IMP3, 2006-2020). To secure performance in the export market, firms involved in exporting Halal products must have an in-depth
understanding of the unique features inherent in the Halal industry so as to develop a proper and effective marketing strategy in each export market. However, studies examining export marketing strategy in the Halal industry context have received little attention in the academic literature, especially with regard to the issue of standardization/adaptation. With inadequate literature exploring the industry context, no clear guidelines for international marketers are available to determine the critical factors associated with Halal products and industry environments for an effective export marketing strategy, the appropriate degree of marketing program adaptation of a particular export market, and the performance outcomes associated with the strategy used.

With the lack of legal, social, and cultural knowledge of international consumer marketplaces (Bohari et al., 2013) and marketing adaptability among Malaysian Halal exporters (Abdul Latif, 2008), a greater understanding of the influence of product and macro-environmental factors specific to the Halal industry on the marketing program adaptation strategy is worthy of investigation. In view of this need, this study seeks to fill the gap by exploring the specific dimensions of Halal product integrity and Halal industry macro-environments and examine their influence on marketing program adaptation and export performance, which can be useful in creating systematic guidelines for Malaysian Halal exporters. The Islamic perspective will be integrated in this study in order to establish empirically the impact of the religious aspect of Halal products on strategy and performance within the field of export marketing.
1.4 Research Objectives (RO) and Research Questions (RQ)

The general objective of the study is to explore the peculiarities of Halal Product Integrity (HPI) and Halal Industry Macro-environments (HIM) and examine their influence on Marketing Program Adaptation (MPA) and Export Performance (EP). Mixed Methods Research (MMR) with the selection of Exploratory Sequential Design (ESD) is employed to address the research objectives as the study involves both qualitative and quantitative research questions. There are multiple perspectives in writing research questions in MMR because the exploration of the specific nature and form of MMR questions is still in its infancy (e.g., Creswell & Plano Clark, 2007; Tashakkori & Creswell, 2007). Despite the diversity in formatting the MMR questions in the current literature, the qualitative and quantitative research questions were written separately and sequentially so as to address the aims of the study. In this study, the qualitative research questions were formed initially because the researcher sought to explore and understand the underlying dimensions of Halal product integrity (HPI) and Halal industry macro-environments (HIM) in the export marketing context. This leads to the following objectives and questions:

RO1: To identify the unique dimensions of HPI and HIM.

- RQ1: What are the underlying dimensions of HPI?
- RQ2: What are the underlying dimensions of HIM?

RO2: To identify the MPA elements that have been influenced by HPI.

- RQ3: What are the MPA elements that have been influenced by HPI?
Subsequently, quantitative research questions were developed to test the influence of Halal product integrity (HPI) and Halal Industry Macro-environments (HIM) on Marketing Program Adaptation (MPA) and Export Performance (EP) through statistical analysis. The specific objectives and questions are the following:

RO3: To investigate the influence of HPI and HIM on MPA.
   - RQ4: Does HPI have a significant influence on MPA?
   - RQ5: Does HIM have a significant influence on MPA?

RO4: To examine the influence of HPI and HIM on EP through MPA.
   - RQ6: Does HPI have a significant influence on EP through MPA?
   - RQ7: Does HIM have a significant influence on EP through MPA?

RO5: To determine the influence of MPA strategy on EP.
   - RQ8: Does MPA strategy used on product, price, promotion, and distribution have a significant influence on EP of Halal product ventures?

RO6: To investigate the marketing adaptation practice of Halal product ventures among product categories (PC) and market segments (MS).
   - RQ9: To what degree is the HPI perceived as important among PC and MS?
   - RQ10: To what degree is the HIM perceived as important among PC and MS?
   - RQ11: To what degree is the MPA performed among PC and MS?
   - RQ12: Is the degree of HPI perceived differently among PC and MS?
• RQ13: Is the degree of HIM perceived differently among PC and MS?
• RQ14: Is the degree of MPA executed differently among PC and MS?

1.5 Scope and Limitations of the study

The study investigated the influence of Halal Product Integrity and Halal Industry Macro-environments on Marketing Program Adaptation and Export Performance. The study was limited to the exploration and examination of the unique characteristics of product and macro-environmental factors pertinent to the Halal industry as both aspects are very closely associated with the concept of Halalan Toyyiban. The study was conducted in two phases that began with qualitative interviews of a few Halal experts from the Mufti Office, Halal Industry Development Corporation (HDC), and Malaysia External Trade Development Corporation (MATRADE); these were then followed by a quantitative survey that involved Malaysian firms (including those in Sabah and Sarawak) that exported specific Halal-certified products to specific export markets. Only the person in charge or having substantial knowledge of company export activities was deemed qualified to answer the survey, which was conducted face-to-face during the Malaysia International Halal Showcase (MIHAS) and Halal Fiesta Malaysia (HALFEST) in 2012.

1.6 Significance of the study

Based on the established goals, the study will contribute significantly to three different groups. Firstly, the study will advance academic researchers in adding single industry value to the existing body of knowledge in the field of export marketing. The
investigation of the *Halal* industry context is expected to identify industry specific idiosyncrasies especially relating to *Halal* product integrity (HPI). The development of scale measurement of HPI based on *Halalan Toyyiban* concept enables the study to establish empirically the influence of religious aspects of the product in determining the degree of marketing program adaptation and performance in export ventures.

Secondly, this study will benefit practitioners in developing proper and effective export marketing strategies, which can assist them in planning more accurate and efficient marketing programs for *Halal* products across the market. This includes assistance such as identifying the: (1) HPI and HIM dimensions critical to MPA strategy, (2) degree and difference of HPI, HIM, and MPA strategy according to product categories and market segments, and finally, (3) strategies to improve export performance.

Ultimately, the findings will assist public policy makers in preparing effective export programs and assistance for global marketers of *Halal* products in accordance with the product requirements as well as industry specifics. With proper aids and guidelines, Malaysia’s aspiration to be a major exporting country of *Halal* products could be realized through well-built marketing strategies developed by Malaysian *Halal* exporters.

### 1.7 Organization of the thesis

To achieve the study objectives, the thesis is divided into eight chapters, each representing a different stage in the research process. Chapter One introduces the potential researchable issues and underlines the objectives, questions, and the
significance of the study. Chapter Two presents the overview and discussions of the *Halal* product and the macro-environment. It also highlights the scenarios and issues of the *Halal* industry from global and Malaysian perspectives. Chapter Three reviews the pertinent literature relating to the research purposes and main concepts under study. Chapter Four develops a research model and forms relevant hypotheses based on the specific research questions. Theories adapted for the research framework, and the operational definitions and measurements of constructs involved in the study are also included in this chapter. Chapter Five focuses specifically on the research design and methodology employed to address all the qualitative and quantitative research questions under study. Chapter Six provides qualitative data analysis and results by identifying underlying dimensions of newly-developed constructs. The results are also discussed critically to address the qualitative research questions. Meanwhile, Chapter Seven provides quantitative data analysis and results by delivering the empirical evidence to answer the hypotheses as well as the remaining quantitative research questions under study. The results are also discussed critically in accordance with relevant theoretical backgrounds. Chapter Eight, the final chapter of the thesis, concludes the findings drawn from both qualitative and quantitative studies. This chapter also highlights the implications of the study for academics, practitioners, and policy makers, and later the study limitations and future research avenues are identified. The disposition of the whole thesis and the main contents for every chapter are illustrated in Figure 1.1.
1.8 Chapter summary

In this chapter, the background of the thesis was explicated through a discussion of the current issues and development of export marketing strategy in the context of the Halal industry. As the objectives, questions, and significance of the study have now been clarified, the next chapter will create a deeper understanding of the research problem by providing a detailed overview of the Halal industry specific to its products and macro-environmental factors.
References


Hadith.


