YOUNG CONSUMERS’ DISCONFIRMATION OF EXPECTATION AND SATISFACTION WITH SMEs’ HALAL FOOD PRODUCTS IN THE KLANG VALLEY, MALAYSIA

SITI SOLEHA BINTI ABDUL SALAM

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YOUNG CONSUMERS’ DISCONFIRMATION OF EXPECTATION AND SATISFACTION WITH SMEs’ HALAL FOOD PRODUCTS IN THE KLANG VALLEY, MALAYSIA

By

SITI SOLEHA BINTI ABDUL SALAM

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfilment of the Requirements for the Degree of Master of Science

March 2018
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Driven primarily by the growing global Muslim population, the halal industry is expected to become larger in the following years. In tandem with the growth, abundant choices of halal food products are also expected to be available in the market. Therefore, in order to increase the visibility of local halal brands, domestic halal food producers can no longer use their halal status as a competitive advantage. To be able to compete with other brands in the halal marketplace, companies need to revise their strategies and come out with superior products that will be able to meet consumer’s increasing expectation on halal food products. However, previous studies and reports revealed that halal food products produced by small and medium-sized enterprises (SMEs) are still lacking in various aspects. Thus, as a means to improve the products and to meet the changing expectation of Muslim consumer, manufacturers should constantly monitor their consumer’s satisfaction. To date, there is no comprehensive research published that deal with consumer satisfaction towards halal food product in Malaysia neither in general nor segmented into a specific product. Therefore, in order to find out the extent to which consumer expectation had been met, expectancy-disconfirmation theory (EDT) was utilized in this study to examine the discrepancy between consumer expectation and perceived performance on halal food products. Halal confectionery products produced by small and medium-sized enterprises (SMEs) were chosen as the products of analysis. Questionnaires measuring expectation, perceived performance, overall satisfaction and also post-purchase behavioural intention toward SMEs halal confectionery products were administered using convenience sampling within young Muslim consumer in Klang Valley area. A total of 390 usable questionnaire forms were collected and subjected to data analysis. The finding revealed that all the attributes listed experienced negative disconfirmation, which points toward the conclusion that SMEs halal confectionery products were unable to meet their customers’ expectation
especially in attributes related to food safety, labelling, and marketing. This study will extend the understanding of SMEs and related parties on Muslim consumer preferences in halal food products, and subsequently, can help in increasing consumer satisfaction. With the reinforcement, local halal food products are expected to claim stronger brand positioning and later on able to penetrate into the global halal market.

Keywords: Halal, small and medium-sized enterprises (SMEs), consumer satisfaction, consumer expectation, confectionery.
Abstrak tesis yang dikemukan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

KETIDAKAKURAN HARAPAN DAN KEPUASAN PENGGUNA BELIA TERHADAP PRODUK MAKANAN HALAL PKS DI LEMBAH KLANG, MALAYSIA

Oleh

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Mac 2018

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Didorong terutamanya oleh populasi Muslim global yang semakin berkembang, industri halal dijangka menjadi lebih besar pada tahun-tahun berikutnya. Sejajar dengan pertumbuhan itu, banyak pilihan produk makanan halal juga dijangka akan berada di pasaran. Oleh itu, untuk meningkatkan keterlihatan jenama halal tempatan, pengeluar makanan halal domestik tidak boleh lagi hanya menggunakan status halal mereka sebagai kelebihan daya saing. Untuk dapat bersaing dengan jenama lain di pasaran halal, syarikat perlu menyemak semula strategi mereka dan mengeluarkan produk unggul yang akan dapat memenuhi harapan pengguna yang semakin meningkat ke atas produk makanan halal. Walau bagaimanapun, kajian dan laporan terdahulu menunjukkan bahawa produk makanan halal yang dihasilkan oleh perusahaan kecil dan sederhana (PKS) masih lemah dari pelbagai aspek. Oleh itu, dengan matlamat untuk menambah baik produk mereka dan memenuhi harapan pengguna yang sentiasa berubah-ubah, pengeluar harus sentiasa memantau kepuasan pelanggan mereka. Sehingga kini, tidak ada lagi penyelidikan menyeluruh yang diterbitkan mengenai kepuasan pengguna terhadap produk makanan halal di Malaysia secara umum mahupun yang tertumpu kepada produk tertentu. Oleh itu, untuk mengetahui sejauh mana harapan pengguna telah dipenuhi, teori ketidakakuran harapan (EDT) telah digunakan dalam kajian ini untuk mengkaji perbezaan di antara harapan pengguna dan prestasi yang dirasakan ada pada produk makanan halal. Produksi konfeksi halal yang dihasilkan oleh perusahaan kecil dan sederhana (PKS) dipilih sebagai produk untuk dianalisis. Soal selidik mengkaji harapan, prestasi yang dirasakan, kepuasan secara keseluruhan dan juga niat tingkah laku pasca pembelian ke atas produk-produk konfeksi halal PKS diedarkan menggunakan teknik persampelan mudah kepada pengguna Islam muda di kawasan Lembah Klang. Sejumlah 390 borang soal selidik yang boleh digunakan telah dikumpulkan dan tertakluk kepada analisis data. Hasil kajian menunjukkan bahawa semua ciri-ciri
yang disenaraikan mengalami ketidakakuran negatif, yang menunjukkan bahawa produk PKS halal tidak dapat memenuhi harapan pelanggan mereka terutamanya dalam ciri-ciri yang berkaitan dengan keselamatan makanan, pelabelan, dan pemasaran. Kajian ini telah memperluaskan pemahaman PKS dan pihak berkaitan mengenai keinginan pengguna Islam dalam produk makanan halal, dan seterusnya dapat membantu dalam meningkatkan kepuasan pengguna. Dengan pemerkasaan ini, produk makanan halal tempatan dijangka akan mendapat kedudukan jenama yang lebih kukuh dan seterusnya dapat menembusi pasaran halal global.

Kata kunci: Halal, Perusahaan Kecil dan Sederhana (PKS), kepuasan pengguna, harapan pelanggan, konfeksi
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I certify that a Thesis Examination Committee has met on 13 March 2018 to conduct the final examination of Siti Soleha binti Abdul Salam on her thesis entitled "Young Consumers' Disconfirmation of Expectation and Satisfaction with SMEs' Halal Food Products in the Klang Valley, Malaysia" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

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Signature: ______________________
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<td>Variance Inflation Rate</td>
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CHAPTER 1

INTRODUCTION

The purpose of this chapter is to outline the main idea and problems being studied, and points out its importance. The chapter starts with the background of the study, which discusses broader scope related to halal industry and consumer trends. The rest of the chapter consists of the problem statement, research questions, research objectives, significance of the study, scope of the study and organization of the thesis.

1.1 Background of the Study

Over the years, the halal market has seen considerable growth accelerated by the growing demand for halal products and services from more than 1.6 billion of Muslims around the globe. Aside from driven by the growing Muslim population, the development of the halal industry is also fuelled by the increasing awareness in consuming halal product, economic growth and increase in disposable income among Muslim population (Farouk, 2013; Abdul, Ismail, Hashim, & Johari, 2009a). Currently, the value of the global halal market is estimated at USD2.3 trillion (RM8.9 trillion) annually with halal food market alone estimated to be worth USD693 billion (RM2.68 billion). Meanwhile, the demand for halal food in Malaysia is estimated at RM1.7 billion, making it one of the highest potential sectors to be explored (The Star Online, 2016).

In Malaysia, Muslim consumers are blessed with gastronomic paradise and abundance of imported and locally made packaged food products to choose from. However, religion still plays the most important part in food decision making (Bonne, Vermeir, Bergeaud-Blackler, & Verbeke, 2007; Dindyal, 2003) and halal logo is used as one of the cues for Muslim in making a product choice. The halal authority which is the Department of Islamic Development Malaysia (JAKIM) will award halal certification to companies and products that are following the halal standard and were already inspected in terms of the preparation, slaughtering, cleaning, processing, handling, storing, transportation and management practices (Mohamad & Backhouse, 2014). The product will then bear a halal logo of the authority to signify that the product has been recognized as halal.

However, for Muslim consumer nowadays, being certified as halal is not enough. In tandem with the growth of halal sector and the increase of the quality of living in Muslim population, come together the changes in their preferences and standard in halal food selection. Other than that, the broad selection of halal-certified products also makes them becoming more selective and will only choose a product that matches their preferences and standard. The changes in consumer lifestyles, attitude, taste and sociocultural variables like education and income level have resulted a shift
in their preferences towards food (Abdul Latiff, Rezai, Mohamed, & Ayob, 2015; Mohayidin & Kamarulzaman, 2014). Muslim consumers are also becoming more techno-savvy and have access to unlimited information (Said, Hassan, & Musa, 2011), hence becoming smarter, knowledgeable and cautious in their purchase choice and decision. These changes altogether increase the demand for higher quality, healthy, safe, natural, convenience, and even environmentally friendly products that conform to shariah law (Abdul Latiff et al., 2015; Baharuddin, Kassim, Nordin, & Buyong, 2015).

Therefore, in order to be dominant and able to compete with multinational brands and imported products in the halal marketplace, domestic halal food producers can no longer depend on the tagline of ‘shariah-compliant product’. Innovative companies that produce products that are halal and yet superior in many ways possess higher chances of leading the marketplace. As the majority of food producers in Malaysia comprise small and medium enterprises (SME), there is an increasing effort from the government and its agencies to improve SMEs halal products. By 2020, under the Halal Industry Master Plan (HIMP), aside from the target to increase the revenue of halal export, the government also wished to have SMEs listed as major halal exporters (Arif Shah, 2016). Some of the reasons reported to be the causes of low export quantity are unsuitable marketing plan, failure in product rebranding and inability to produce to international standard for example in term of packaging (Malek & Aziz, 2017). Eventually, merely being certified as halal is not enough, in order to become global halal producer, manufacturers must at the same time produce halal products that are consistent with the quality demanded by the market. So, to make sure that SMEs halal food products are export-ready and will be easily embraced by local and international consumer it is imperative to understand the component in need of progress based on consumer demand and need.

Hence, the aim of this study is to answer the question by getting young consumers’ view on SMEs halal food products. Confectionery products produced by halal-certified SMEs were chosen to be the focus of this study. In 2016, the sales value of manufactured chocolate products and sugar confectionery in Malaysia was estimated to be at RM1.39 billion (Statista, 2016). Meanwhile in the snack industries, confectionery category accounted for 38.1% of the overall sales (Manjur, 2016). As urbanization continues to expand in Malaysia, the substantial young population has also influenced the innovation of new confectionery products and provided growth opportunities in the confectionery industry. It is expected that the confectionery market will register marginally higher growth in value terms during 2015-2020 compared to 2010-2015 (Global Data, 2016). However, impulse and indulgence products in Malaysia are mainly dominated by multinational players and consumers in Malaysia are revealed to prefer strongly established confectionery brand names such as Nestlé and Cadbury (Euromonitor, 2013). Therefore, considering the potential and high competition faced by this category from the multinational and also imported brands, this product was chosen to be the focus of this research. Confectionery products were also chosen as it is more subjected to contain high-risk halal ingredients such as the presence of gelatine as gelling and thickening agent (Demirhan, Ulca & Senyuva, 2012) and other food additives such as emulsifier and
colouring. Some issues have also been reported in regard to contamination by porcine DNA in halal confectionery products category (Ghazali, 2014) and also the never-ending rumours spreading in social media network concerning the use of non-halal ingredients in halal confectionery products. Thus, getting consumer responses in this particular sector will be a great contribution to the industry and literature.

1.2 Problem Statement

As reported earlier, over the years, the halal food industry has experienced exponential growth and development due to the increasing demand for halal products. Malaysia, determined to become the world leader in halal industry continues to look for more concrete measures in enhancing the growth of the domestic halal economy and also the exports volume. In line with the goal, it is expected that the industry would be able to produce products that are superior in quality and able to meet consumer expectation. However, recent reports and studies suggested that local halal products especially from the small and medium enterprises (SMEs) still need a lot of improvement and are lacking especially in terms of quality, labelling, packaging (Malek & Aziz, 2017; Achu, 2015; Che Omar, 2013; Mohd Daud, Ramli, Jemahadi, & Razalli, 2011) and popularity (Machfud, Khatib, Haji-Ahmed, & Ahmad Dahlan, 2011).

In a past study, it is also revealed that consumer did not associate halal products with quality (Abu Dardak, Habib & Tih, n.d.). A revelation such as above is disquieting, since halal products should be known as a symbol of quality food. This is also contrary to the halalan toyyiban concept that is being recommended to be applied in food manufacturing by the Government, and also most importantly, commanded by the religion as guidance for Muslim consumption. Moreover, as Muslim consumer lifestyle and preferences toward food have undergone several changes in these few years, for a food product, merely being certified as halal is not enough. It is evidenced by the increasing demand in higher quality, healthy, safe and natural product among Muslim consumer (Abdul Latiff et al., 2015; Baharuddin et al., 2015). Since consumer evaluation of product value can lead to emotional response (Chang & Dibb, 2012), not providing the value that customer seeks for may result in dissatisfaction among Muslim consumer.

As a result of the sophisticated and high profile demand from local consumer and expatriates, there is also an increasing trend of imported packaged food products in Malaysia which poses as another competition for SMEs halal food products. The hike is especially noticeable in categories such as ice cream, jams and preserves, confectionery, cheese and sauces, dressings and also condiments (Euromonitor, 2013). This trend might be a threat for local halal products since imported products are often perceived as superior in quality and sometimes sold at almost similar prices, which of course would lead to consumer choosing the imported products for the value for money and the quality it possesses. This trend is especially concerning since most of the imported products do not possess a halal certificate. As an example,
media had recently released a statement by JAKIM on the absence of halal certification for hugely popular imported chocolate brands among Malaysians, which are Daim and Toblerone (Mohd Shahar, 2016). In the same statement, they also advised the consumer to only buy products that bear recognised halal logo, implying that Muslim consumer is still purchasing confectionery products or in general products that do not possess halal certification. A further problem that might arise if halal food manufacturers do not step up their game and upgrade their products is that consumer will opt for well-marketed products with superior quality just by reading the ingredients while ignoring the fact that the products do not possess halal logo (Quantaniah, Noreina, & Nurul, 2013).

Aside from the problems mentioned before, Bohari, Cheng, and Fuad (2013) also pointed out that the halal food industry in Malaysia lacks the ability to identify what consumer wants in terms of taste and preferences in a halal food product. For example, in terms of confectionery product, there is high demand of healthier product range (Malaysian-German Chamber of Commerce and Industry, 2016). However, especially for local confectionary products only few efforts had been made by the manufacturer to come up with a product that is healthier, which left consumers with a limited choice (Euromonitor, 2013). This is very alarming since food manufacturers should know what their consumer wants in order to fulfill the expectation. When expectation is fulfilled it can evokes consumer satisfaction and may leads to positive consequences such as repeat purchase and positive word-of-mouth (Hansen, 2008). In contrast, when consumer wants are not fulfilled, there is a possibility that they will opt for another products, which would translate to monetary losses to the producers.

Other than that, there are also never-ending issues of halal logo authenticity, halal food adulteration (Fadzlillah, Che Man, Jamaludin, Ab. Rahman, & Al-Kahtani, 2011) and usage of unrecognised halal certification on a product (Abdul Majid, Zainal Abidin, Mohd Abd Majid, & Tamby Chik, 2015). Issues related to safety and hygiene violation (Ghazali, 2015; Utusan Online, 2015) have also arise which can be quite upsetting as consumer put their utmost trust in halal-certified products. Altogether, these issues have made it imperative for assessment towards halal food products and investigation on which attributes that do not meet consumer expectation to be done. Thus, the purpose of this study in general is to measure the extent to which the performances of halal food products, in this case SMEs halal confectionery products, have met Muslim consumer expectation. This research acts as an empirical attempt to build a framework that provides a theoretical based knowledge in understanding these issues by assessing consumer expectation, perceived performance and behavioural intention towards the product.

To date, there is no comprehensive research on the state of consumer satisfaction or post-purchase behaviour towards the halal food product in Malaysia being published. Other research on consumer behaviour in halal have focused more on the pre-consumption behaviour like consumer awareness and purchasing decision (Ahmad, Abdul Kadir, & Salehuddin, 2013; Ambali & Bakar, 2013; Borzooei & Asgari, 2013;
The previous research was also commonly done in general and not targeted on any particular product and sector. As the halal industry in Malaysia is becoming bigger, there is a need for research to be done on specific product category to make the result more relevant to be applied by the sector. There is also scarcity in theory-driven research in the field of consumer studies related to halal product and most researches in this field of studies have only used Theory of Planned Behavior as the foundation. Hence, by using the expectancy disconfirmation theory this research intends to fill in the gap and uncover the untapped part in this field of study. Current data on consumer expectation, performance and disconfirmation towards halal food products which were previously unknown will also be uncovered.

1.3 Research Questions

This study attempts to answer the following research questions:

1. What is the perceived disconfirmation between consumer expectation and perceived performance on the attributes of halal food products determinants?
2. What are the fundamental determinants of consumer expectation and perceived performance towards SMEs halal confectionery products?
3. What are the relationships between consumer expectation and perceived performance, and overall satisfaction towards SMEs halal confectionery products?
4. What are the relationships between consumer overall satisfaction and repurchase intention, and word-of-mouth towards SMEs halal confectionery products?

1.4 Research Objectives

The general objective of this study is to examine the extent to which the performances of SMEs halal confectionery products have met young Muslim consumer expectation. The following list comprises the main objective and also the sub-objectives of this research:

1. To examine the disconfirmation between consumer expectation and perceived performance towards SMEs halal confectionery products;
2. To identify the fundamental determinants that influence consumer expectation and perceived performance towards SMEs halal confectionery products;
3. To determine the relationships between consumer expectation and perceived performance, and overall satisfaction towards SMEs halal confectionery products; and
4. To determine the relationship between consumer overall satisfaction and repurchase intention, and word-of-mouth towards SMEs halal confectionery products.
1.5 Significance of the Study

With the competition coming from both local and international brands, there has been a pressing need for the local halal food manufacturing industry to understand what their customer really wants and also to know whether their products conform to consumer expectation. This study is hoped to contribute to the need by providing current data on the extent to which the performances of SMEs halal confectionery products have met Muslim consumer expectation. By using Expectancy Disconfirmation Theory model that has been extended this study offers rich data that includes results on consumer expectation, perceived performance, disconfirmation, and post-purchase behavioural intention towards SMEs halal confectionery products. Thus, this study contributes to the domain of halal food product’s consumer behaviour and marketing research by extending the knowledge and literature that is still scarce and very limited in subject.

As reported in the problem statement, there are already a number of researches published on consumer behaviour with halal products, but there has yet a published empirical study on research related to consumer satisfaction, post-purchase behaviour, or research that specifically evaluates consumer disconfirmation of expectation with halal products. Furthermore, this study will serve as a theoretical model and basis for future studies and parties who are interested in researching satisfaction towards specific halal product aside from confectionery. This study also utilised the dominant and widely accepted theory of consumer satisfaction that is expectancy disconfirmation theory which has not yet being employed in any research related to the halal product. Thus, this research contributed by filling in these research gaps and extending the existing literature on halal product’s consumer behaviour.

Furthermore, this study can assists halal food products especially halal confectionery manufacturers that want to improve their product by indicating the elements that need attention. This will lead to constructive action plans and also help in broadening the manufacturers’ insight on halal food products beyond that of simply obtaining halal certification. Subsequently, with improved products, consumer satisfaction and positive post-purchase behavioural intention such as repurchase intention and positive word-of-mouth can be increased. Alternatively, manufacturers can also use the determinants listed in the instrument of this study to evaluate their products or as a checklist while developing a new product since the instrument is developed by researching satisfaction drivers and critical success factor for a halal food product. Other than manufacturers, SMEs development agencies and government agencies can also get some overviews on the current performance level of SMEs halal products from the viewpoint of the consumer. Through improved understanding of the opinion that consumers have on the products, the agencies would be able to provide more comprehensive sets of advice to SMEs. The determinants that indicated as not meeting the consumer expectation could also possibly be the focus of the next SMEs development plans.
1.6 Scope of the Study

1. This study utilised expectancy disconfirmation theory that was introduced by Oliver (1980) and adopted the model named ‘The Complete Expectation Disconfirmation Model’ he later proposed in 2010. This study then extends the model with satisfaction outcome (word-of-mouth and repurchase intention). The study primarily focused on disconfirmation between consumer expectation and perceived performance with SMEs halal confectionery products, together with analysis on the relationships between the aforementioned variables and overall consumer satisfaction, and subsequent behavioural outcomes.

2. The respondent must conform to the pre-determined criteria as follows before being qualified to answer the survey:
   i. Muslim;
   ii. Aged below 40 years old; and
   iii. Has consumed halal confectionery product of SMEs in Malaysia more than once.

3. The study was carried out around Klang Valley area specifically around the vicinity of shopping complex and supermarket.

4. The variables being studied were bounded by the theory and also the objectives of the study. Even though additional variables will expand the findings, it may result in a lengthy survey instrument that might decrease respondent willingness to participate.

5. The products of analysis for this study were halal confectionery products produced by local SMEs manufacturing companies. Confectionery refers to sugary food products and can be divided into two categories which are sugar confectionery and baker’s confectionery. Sugar confectionery includes products such as sweets, gums, lollipops, jellies, candy and chocolates, while baker’s confectionery refers to bakery products such as cakes and pastries (International Food Information Service, 2009). In this study, bakers confectionery is limited to manufactured and packaged bakery products such as sweet biscuits, layer cake and wafer. Figure 1.1 illustrates the examples of the products of analysis and Figure 1.2 illustrates the examples of SMEs halal confectionery products on supermarket shelves.
Figure 1.1: Examples of SMEs Halal Confectionery Products
(From top left: Koko Jelly, Beryl’s Raisin Coated Milk Chocolate, 2 Finger, Football, Hamac Simply Chewy Guava, Rinda Fruit Flavoured Jelly, Kandos Kiddies, Sweetkiss Chocobi, Tango Milk Choc Almond, CocoaLand Cocopie, Big Top, Golbean, Munchy’s Yosss)

Figure 1.2: Examples of SMEs Halal Confectionery Products on Supermarket Shelves
1.7 Organization of the Thesis

This thesis is organised into five chapters. The first chapter provides the introduction to the study topic as well as highlighting the problems and gaps that bring to the development of the research. Research objectives that need to be attained and significance of the study were also explained in this chapter. Chapter 2 reviews the existing literature and theoretical background of the research. Conceptual framework together with proposed hypotheses will also be included. Chapter 3 contains justification and description of the research design and methodology that were used to achieve the stated objectives. Chapter 4 presents the result from the descriptive and inferential statistics selected to be used in this study, as well as discussion on the result in relation to the hypotheses. The final chapter summarizes the main finding of the study, together with the implication of the study on managerial and theoretical perspectives and also recommendation for future studies. Lastly, the chapter will end with conclusion.

1.8 Definition of Key Terms

1. Expectation - Anticipated performance such as quality of a product or level of service (Prinsloo, 2013).


3. Disconfirmation - Discrepancy between consumer expectation and product’s perceived performance (Lee, Johnson, & Gahring, 2008).

4. Negative Disconfirmation - Product has lower performance than expected (Oliver, 2010).

5. Positive Disconfirmation - Product performs above expectation (Oliver, 2010).

6. Consumer Satisfaction – The measurement of how a product from an organization confirms to a requirements set by customer (Hill & Brierley, 2017).

7. Repurchase Intention - Act of an individual in buying product or service from a particular company repeatedly depending on their situation and circumstances (Hellier, Geursen, Carr, & Rickard, 2003).

8. Word-of-mouth - Interpersonal communication among consumers regarding evaluation or experience concerning a commercial service or product (Nyilasy, 2005)
1.9 Summary of Chapter

Halal food product industry has experienced tremendous growth in the recent years due to increasing demand from growing Muslim population. However, the changes in consumer lifestyles, attitude, taste and sociocultural variables and also the abundance of halal products choices in the market have made it challenging for manufacturers to meet the expectation of consumer. Thus, this research aims to examine the extent to which the performance of SMEs halal confectionery products has met Muslim consumer expectation. This chapter had explained the aim, research problems and significance of the study in details. In the next chapter, review of literature related to the topic of this study will be discussed.
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