Islamic branding as a tool for customer retention: antecedents and consequences of Islamic brand loyalty

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Abstract: The main purpose of this paper is to analyse the effects of the characteristics of Halal products and the corporate image on Islamic brand loyalty. The relationship between Islamic brand loyalty and customer retention was further researched using survey data of 189 randomly selected Muslim customers of Halal products in Malaysia. The findings confirmed a positive significant relationship between Islamic product characteristics and the corporate image on Islamic brand loyalty. A positive relationship between Islamic product characteristics and Islamic brand loyalty on customer retention was also found. However, the paper didn’t find any significant relationship between the corporate image and customer retention, in contrast with the earlier findings.

Keywords: Islamic brand loyalty; corporate image; Halal product characteristics; customer retention.

1 Introduction

Islamic brand loyalty has attracted the attention of a lot of marketing scholars in recent years (Alserhan 2010a, 2010b; Omar and Ali, 2010). An existing brand will fulfil its intention if it continuously creates new ideas and attractive choices for customers. Islamic brand loyalty, in general, refers to the repetition of buying a specific Halal product during a given period of time (one year for example). Researchers habitually use a particular brand’s purchase frequency as a means to measure brand loyalty (Jahanshahi et al., 2011). Tepeci (1999) believes that, as familiarity with the brand escalates over time, the current customers begin to develop a sense of brand loyalty. Islamic brand loyalty can be a source of competitive advantage for firms because loyal Muslim customers perceived a unique and special value in the brand that no alternative brand can provide them (Chaudhuri and Holbrook, 2001). So, it’s important to know which factors can increase the number of Muslim loyal customers and what will be the consequence of having loyal customers (Belhadj and Merdaoui, 2017). In doing so, this paper researched the role of corporate image and Islamic products characteristics on Islamic brand loyalty with special reference to Malaysia. Furthermore, the paper also studied the effects of Islamic brand loyalty on customers’ retention.
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The importance of customer retention has been highlighted by many businesses and marketing researchers (Singh, 2006). Customers’ retention, nowadays, is more preferred for the companies compared to the customer’s acquisition as there are several benefits the company achieves for retaining the existing customers. For instance, the company has to invest less and also take less time to retain current customers than acquiring new ones. Besides, customer retention offers a strong customer’s base within the organisation, but the customers who engaged for the first time within the organisation might not purchase for the second time. Tamer et al. (1993) argued that when customers make repeat purchases of a product and service, they become loyal and remain with the company for longer period of time.

In today’s business environment, the main organisational strategy is to make the customers loyal to the company for a longer period of time (Asadollahi et al., 2011). As we know, customers are the main asset for every organisation and it is crucial for every firm to develop a good customer’s retention to maintain a sustained business within such challenging business environment. The organisations used different ways and strategies to retain their customers in the long-term (Asadollahi et al., 2011; Khan, 2013). One of the ways to make the customers stick to them is corporate image (or organisational reputation) (Rust et al., 1995). Corporate image is what the customers think about a specific organisation. Generally, customers assume that the company with a high corporate image within the market has some unique product or services. Companies, in recent days, are highly aware to improve the exclusive individuality of the organisation in several ways, like developing products with unique features, and improving product packaging.

Another important factor for having loyal customers and increasing customer retention is the product characteristics (Verhoef, 2003; Wang et al., 2011). When customers obtain quality products, they feel more satisfaction and are willingly interested to remain in touch with the company. Therefore, product characteristics have potential to increase the loyalty of customers and their retention when customers perceive the products as desirable.

2 Literature review and hypotheses development

2.1 Corporate image and Islamic brand loyalty

Brand loyalty, in general, is one of the main sources of achieving competitive advantages (Fetscherin et al., 2014). Omar and Ali (2010) believe that brand loyalty brings higher revenue for the company and improves the overall market shares of the organisation. In the first hypothesis, we predicted a positive relationship between corporate image and brand loyalty. Corporate image is defined as the overall perception of the customers of a particular organisation (Andreassen and Lindestad, 1998). Moreover, corporate image may be used as a heuristic for judging the quality of the products they are offering (Dawar and Parker, 1994). To improve the corporate image of the company, it is very essential to elevate the customer’s awareness about the product and service of the company (Huntgeburth, 2015). Mudambi et al. (1997) demonstrated that the aspects of corporate image such as ‘being world class’, ‘technical leadership’ and ‘global presence’ have a positive influence on the perceptions of customer brand value. Customers have a
positive impression and become more trustworthy toward those companies who have a strong corporate image (Chen and Dubinsky, 2003). Furthermore, corporate image is more likely to have a strong influence on the perceptions of customer's value towards product brands (de Quevedo-Puente et al., 2007).

The corporate brand image is the reflection of the customer’s mind on a particular brand. When the company is able to create a strong effect on the consumer’s mind, the corporate image of the company is considered strong within the business environment. Previous studies found that corporate image can increase the customer satisfaction in different industries (Nguyen and Leblanc, 2001; Storbacka et al., 1994; Wallin and Lindestad, 1998). As we know, higher satisfied customers are more loyal customers as well (Jahanshahi et al., 2011). Therefore, we hypothesise that:

H1 There is a positive and significant relationship between corporate image and Islamic brand loyalty.

2.2 Halal product characteristics and Islamic brand loyalty

In the second hypothesis, we predicted a positive relationship between Halal product characteristics and Islamic brand loyalty. Marketing researchers believe that product characteristics are the literally influential factor for any tangible and intangible products that could create a strong impact on customer’s perception (Bredahl et al., 1998). Products characteristics in general included product price, promotion, design cost, quality, packaging, lifetime, standardisation, operating cost, and so on (Salustri, 2005). Fetscherin et al. (2014) claimed that product characteristics can be an important source of customer’s satisfaction. When customers receive a quality product from a specific brand, they will purchase the brand in the future. For Muslim customers, it is important the way a company produces its products (Oukil, 2016). The whole process should adhere to Islamic law or being Halal. That’s way we believe: if the product characteristics comply with the Islamic law, it will increase the level of loyalty among Muslims customers. Thus, we hypothesise that:

H2 There is a positive and significant relationship between Halal product characteristics and Islamic brand loyalty.

2.3 Corporate image and customer retention

Khan (2013) stated customer’s retention as the ultimate goal of every organisation. Molapo and Mukwada (2011) believe that customer retention is crucial for the long-term performance of companies. The key strategy of retaining customers is to make them truly satisfied. Martenson (2007) claimed that the corporate image strongly influenced on the customers’ purchasing tendency and satisfaction. A good level of the corporate image is the indicator of having unique and special products (Cronin et al., 2000), in our case, of having multiple types of Halal products. Companies in recent days are highly aware of developing the inimitable qualities of the organisation in several ways, such as developing products with exceptional features, improving product packaging, and considering religious restrictions.

In general, customers who build up a positive mental diagram of a given brand will have a higher tendency to purchase it (Hartman and Spiro, 2005). Therefore, in the third hypothesis, we predicted a direct and positive relationship between corporate image and
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customer retention. Besides, to improve corporate image of the company, it necessarily needs to elevate the customer’s awareness level for the company products (Huntgeburth, 2015). More positive information of the organisational products creates a good image in the customers’ mind and makes them close with the organisation in the long run. So, corporate brand image could bring numerous benefits for the organisation through the development of a strong relationship with their customers and could help to keep them for a long time. Thus, we hypothesise that:

H3 There is a positive and significant relationship between corporate image and customer retention.

2.4 Product characteristics and customer retention

By considering Halal products characteristics, we can understand why the Muslims buy more of some products but they are not interested in many others. As we know, not all available products in the market are absolutely perfect for everybody. Companies usually try to offer a bunch of products that suits a large number of target consumer’s segment. So, the characteristics of products are thus essential to their success in the market, especially in Muslims context (Heidarzadeh et al., 2011). In the fourth hypothesis, we predicted a positive relationship between Halal product characteristics and customer retention.

Among the several characteristics of a product, Tamer et al. (1993) argued that product promotion is an effective process for the organisations to make the customers get close to them. Furthermore, among product characteristics, product pricing has shown a strong impact on customer’s satisfaction (Fetscherin et al., 2014). In this line of research, Skitmore and Smyth (2007) and Chen and Pearcy (2010) found that a wrong selection of pricing strategy increases the switching tendency of the customers. Another characteristic is product promotions; Tamer et al. (1993) found that product promotion is essential for the companies for attracting large numbers of customers. Customers get motivated with promotional offers and make themselves engaged with the company. One more important product characteristic in the Islamic context is being Halal. If a specific company in Muslim countries offers Halal processed foods and products, it will have more chance of success and keep Muslims customers for longer time in comparison with other competitors. So, we hypothesise that:

H4 There is a positive and significant relationship between Halal product characteristics and customer retention.

2.5 Islamic brand loyalty and customer retention

In the fifth hypothesis, we believe that a customer loyal to the brand has a higher intention to stay connected with the company and will buy the company’s products in the future. The customer’s commitment to a specific brand is very important to long-term performance and survival of the producer of that brand. Every company is finding the ways to obtain the customer trust as it is one of the important attributes to develop brand loyalty in consumers (Martenson, 2007). Muslim customers repurchasing tendency flourishes when they trust the brand and believe that the company adheres to the Islamic law in the whole process of production. Ahmed et al. (2014) stated that the main activity of the company is to satisfy the customers to improve their brand loyalty and then make
them engaged with the company. When customers become loyal with the company, they used word-of-mouth advertising to inspire others to consume repetitively.

Omar and Ali (2010) stated that brand loyalty in general increases the company’s revenue in the short term and improves the company’s market share in the long term. When a company is able to develop a strong relationship with the customers by developing brand loyalty in them, they get to gain sustainable advantage within the business environment. Basically, a loyal customer is extremely satisfied with the organisational products and services which make them inspired to get engaged with the company on a regular basis. Rust et al. (1995) also demonstrated that there is a relationship between customer satisfaction and customer retention. Therefore, we hypothesise that:

H5 There is a positive and significant relationship between Islamic brand loyalty and customer retention.

Figure 1 The framework of study

3 Methodology of the study

In this study, the researchers collected the data by using the survey method. The survey was conducted among Muslim customers of Halal Products (such as Halal foie gras, spring rolls, meat, chicken nuggets, ravioli, baby food, lasagne, and pizza) at Selangor in Malaysia during the month of November 2016. The questionnaire consists of twenty-one questions. Among them, the first six questions are used to measure the signified control variables, namely gender, age, education, marital status, profession, monthly income and next fifteen questions are used to measure independent and dependent variables, namely corporate image, Islamic product characteristics, Islamic brand loyalty, and customer retention. The Five-point Likert scale is used as a measurement range for fourteen questions (2–15, section B). The first six questions (demographic related) have been used as close ended questions. SPSS software has been used to analyse the primary data.
### Table 1: The correlation table

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>STD.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>Gender</td>
<td>1.54</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Age</td>
<td>32.5</td>
<td>11.15</td>
<td>0.196</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital status</td>
<td>1.52</td>
<td>0.5</td>
<td>-0.196</td>
<td>0.04</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profession</td>
<td>2.12</td>
<td>0.58</td>
<td>-0.015</td>
<td>-0.103</td>
<td>0.259</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2.69</td>
<td>1.38</td>
<td>0.046</td>
<td>0.068</td>
<td>-0.217</td>
<td>-0.126</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly income</td>
<td>3</td>
<td>1.28</td>
<td>0.03</td>
<td>0.079</td>
<td>0.03</td>
<td>.551**</td>
<td>-0.144</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate image</td>
<td>3.47</td>
<td>1.24</td>
<td>-0.119</td>
<td>-0.038</td>
<td>-0.098</td>
<td>0.027</td>
<td>0.027</td>
<td>0.012</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product characteristics</td>
<td>3.39</td>
<td>1.17</td>
<td>-0.009</td>
<td>-0.054</td>
<td>0.258</td>
<td>0.048</td>
<td>-0.317*</td>
<td>-0.03</td>
<td>-0.145</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>3.54</td>
<td>0.96</td>
<td>-0.102</td>
<td>-0.077</td>
<td>0.099</td>
<td>0.15</td>
<td>-0.540**</td>
<td>.302*</td>
<td>0.247</td>
<td>.528**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Customer retention</td>
<td>3.33</td>
<td>1.13</td>
<td>-0.115</td>
<td>-0.077</td>
<td>0.132</td>
<td>0.234</td>
<td>-0.487**</td>
<td>0.126</td>
<td>-0.119</td>
<td>.472**</td>
<td>.500**</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: **Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).
The population of the study is comprised of all Muslim consumers available at Tesco outlay, Selangor, Malaysia. The questionnaire was handed over individually among the randomly selected respondents. The researchers specifically provided the questionnaire to those Muslim customers who agreed to participate in the study. 189 completed and usable responses were received out of 400 distributed surveys. The response rate was 47%.

We tested the multicollinearity problem by calculating the variance inflation factors (VIF) for all variables of study (Tabachnick and Fidell, 2007). The highest VIF was 1.217, which is quite below the conventional level of 5. So, in our study, collinearity is not a significant problem. Furthermore, we used a time trend extrapolation test (Armstrong and Overton, 1977) to know the non-response bias. In the marketing survey, it is assumed that late respondents are more similar to non-respondents than to early respondents. In doing so, we compared the early respondents (first 25%) with the late respondents (late 25%). None of these tests provided evidence that our data are subject to non-response bias. Finally, before the distribution of survey, we reordered and mixed the items that were intended to measure a certain variable with the items that were intended to measure other variables (Jahanshahi et al., 2017; Zhao et al., 2013).

The average age of respondents was around 32.5 years (S.D. = 11.15). As we can see in Table 1, 28.80% of respondents completed under-graduation and most of them were female with 53.80%. 51.90% of the respondents were married. 42.30% of the respondents belonged to the income range between 1000 to 1500 USD (S.D. = 1.28) per month.

3.1 Measurement

The response option for all the items range from 1 = highly disagreed to 5 = highly agreed. Five-point Likert scale (with 1 = highly disagreed, 2 = disagreed, 3 = neutral, 4 = agreed, 5 = highly agreed) is used as a measurement range. The researchers used four items to measure the corporate image. The Cronbach’s alpha coefficient was 0.93. The questionnaire used three items to measure product characteristics. The alpha was 0.85. Five items were used to measure Islamic brand loyalty. The Cronbach’s alpha was 0.92. There were three items to evaluate customer retention. The Cronbach’s alpha for customer retention was recorded to be 0.87. The means, standard deviations, and correlations among all variables of study appear in Table 1. As we can see in the table, the overall pattern of correlations shows that these correlations are below 0.80 (Hair et al., 1998), a threshold that may indicate bias problems.

4 Results

The exploratory factor analysis (EFA) showed that the items are grouped following the theory (Kaiser Meyer Olkin (KMO) = 0.779; Bartlett’s = 0.000) and our data were appropriate to examine the research objectives. Following the recommendations of Anderson and Gerbing (1988), we used the confirmatory factor analysis (CFA) to establish convergent validity. Accordingly, we want to know whether all scale items used in the study loaded on their hypothesised construct factors significantly. The result provided evidence of convergent validity for our measurement scales. Hierarchical linear regression was used to test the hypotheses of the study. As we can see in model 1 in Table 2, in the first step the control variables were entered and the Islamic brand loyalty was included as a dependent variable. In the first step, we found a negative relationship
between customers education and the Islamic brand loyalty ($\beta = -0.351$, $p < 0.001$). In order to test H1 and H2, in the model 2 Table 2, corporate image and product characteristics were entered as independent variables and Islamic brand loyalty as dependent variable. We addressed hypothesis 1 that predicts the positive and significant relationship between corporate image and Islamic brand loyalty. In line with our prediction, the results of the linear regression analysis (see Table 2, model 2) indicates that the relationship between corporate image and Islamic brand loyalty is positive and significant ($\beta = 0.240$, $p < 0.01$). Therefore, hypothesis 1 is fully accepted.

Our second hypothesis elucidated that there is a positive and significant relationship between Halal product characteristics and Islamic brand loyalty. As it can be brought forward from Table 2 Model 2, the relationship between Halal product characteristics and Islamic brand loyalty is positive and significant ($\beta = 0.389$, $p < 0.001$). Thus, Hypothesis 2 is also fully supported.

Table 2  Direct relationship between IVs and DV

<table>
<thead>
<tr>
<th>Islamic brand loyalty</th>
<th>Customer retention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
</tr>
<tr>
<td>1 Gender</td>
<td>-.153</td>
</tr>
<tr>
<td>2 Age</td>
<td>-.005</td>
</tr>
<tr>
<td>3 Marital status</td>
<td>-.028</td>
</tr>
<tr>
<td>4 Profession</td>
<td>-.111</td>
</tr>
<tr>
<td>5 Education</td>
<td>-.351***</td>
</tr>
<tr>
<td>6 Monthly income</td>
<td>.204†</td>
</tr>
<tr>
<td>7 Corporate image</td>
<td>.240**</td>
</tr>
<tr>
<td>8 Halal product chara</td>
<td>.398***</td>
</tr>
<tr>
<td>9 Islamic brand loyalty</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.356</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>.271</td>
</tr>
<tr>
<td>F</td>
<td>4.152**</td>
</tr>
</tbody>
</table>

Note: *p < 0.05, **p < 0.01, ***p < 0.001; †p < .10.

The third hypothesis states that there is a positive and significant relationship between corporate image and customer retention. As shown in Table 2 Model 4, the relationship between corporate image and customer retentions are negative but non-significant ($\beta = -0.082$, $p > 0.05$). Hence, hypothesis 3 is rejected. In the fourth hypothesis, we predicted a positive and significant relationship between Halal product characteristics and customer retention. The regression results are summarised in Table 2 model 4; the relationship between Halal product characteristics and customer retentions is found to be positive and significant ($\beta = 0.352$, $p < 0.01$). Consequently, hypothesis 4 is accepted. In the last hypothesis, we assumed that there is a positive and significant relationship between Islamic brand loyalty and customer retention. As it can be brought forward from Table 2 model 5, the relationship between Islamic brand loyalty and customer retention is positive and significant ($\beta = 0.409$, $p < 0.05$), so the last hypothesis is supported. The results are summarised in Figure 2.
5 Conclusions

Due to the high market pressure, the challenge in the business environment is increasing very rapidly and there is a high antagonism perceived among the companies; therefore, a little mistake could ruin the hard-earned attainment for the companies. It is crucial for the organisations to achieve a dynamic customer base to ensure a sustainable and competitive edge for the company. Islamic brand loyalty is the factor that makes the Muslim customers inspired to remain engaged with the company for their lifelong period of time and customers do not switch to other company ever for short fluctuation (Boulanouar, 2015). Islamic brand loyalty has a significant impact on retaining Muslim customers, so its importance for the business organisation is very high (Koku and Jusoh, 2015). Most of the companies invest a lot of money to retain the existing customers to gain a strong customers base.

By surveying 189 Muslim customers at Tesco outlet in Malaysia, the current paper found a positive relationship between corporate image and Islamic brand loyalty, which means that any increase in corporate image improves the Islamic brand loyalty of customers. The relationship between Halal product characteristics and Islamic brand loyalty was positive and significant. With improving Halal product characteristics, such as price, promotions and quality, the companies can make customers more loyal. However, the paper did not find any significant relationship between corporate image and customer retention, which denotes that the customer retention rate would not increase only because of a high corporate image of firms. Nevertheless, the relationship between Halal product characteristics and customer retention is found positive. This means that any change in product characteristics causes a change in customer retention. The results of our study robustly indicate a positive effect of Islamic brand loyalty on customer retention rate of a firm. Therefore, more emphasis on Islamic brand loyalty can enhance sustainable customer retention for the company concerned.

6 Managerial implications

Customer retention is usually considered a key to a company’s success and long-term performance (Hennig-Thurau and Klee, 1997). It’s important to know which factors increase customer retention because customer retention enhances the repeat purchasing behaviour of customers and makes them loyal to the company (Keiningham et al., 2007). In an Islamic context, our paper identified two sources of customer retention which can help managers in different companies. According to our finding, managers in Islamic context should pay high attention to Halal product characteristics. The concept of Halal products is now gaining a worldwide discussion and can be a key factor to reduce the number of Muslim customer defections. Our result highlighted the importance of Islamic Branding in enhancing customer retention (Yusof et al., 2014). The product or service should meet the Sharia-compliant, if managers in Islamic context are looking to retain as many Muslim customers as possible.
7 Research limitations

Like many other studies, the current research has some limitations. The study is based on cross sectional data; future research may test our model by using longitudinal data. It focused only on a single company in the retail industry. Statistical data were also collected from customers of one outlet only. This may decrease the generalisability of our findings to different companies. Further studies could discover the antecedent and consequence of Islamic brand loyalty in different companies and how corporate image, Islamic product characteristics and customer retention may have an impact on it.

References


