

DEVELOPING INSTRUMENT TO EXAMINE GOLDEN OPPORTUNITY IN HALAL COSMETIC AND PERSONAL CARE INDUSTRY

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Abstract: *The purpose of this article is to describe the development and validation of an instrument to measure golden opportunity that assumes from the element of chance in the theory Porter's Diamond Model. Based on literature and sample development from cosmetic and personal care, 50 respondents were selected that consist of top management (director, managers, and executives) in companies. The data then were analyzed through exploratory factor analysis (EFA). The result from the exploratory factor analysis shown the scale that has been developed in this study yielded excellent validity and reliability estimates. The findings show the world market trends is the dominance factor that influences the golden opportunity in the halal cosmetic and personal care industry in Malaysia. This instrument is important to measure golden opportunity in halal cosmetic and personal care industry. This study developed two-factor loading to measure golden opportunity (unexpected consumer behaviour and world market trends).*

Keywords: *Instrument, golden opportunity, Halal Cosmetic and Personal Care Industry, Unexpected consumer Behaviour, World Market Trends*

Introduction

As the Muslim population grew to become more affluent and well educated, they became more selective in choosing products that they want to purchase and consume. Young Muslim generation becomes ambitious and willing to participate in the consumer culture (Izberk-Bilgin & Nakata, 2016). Muslim consumer becomes more conscious and more demanding on the halal products (Hussin, Hashim, Raja Yusof, & Alias, 2013) to fulfil their Islamic moral obligations. One example of the halal industry that gets attention from the Muslim consumer is the halal cosmetic and personal care product. The last few years have witnessed that the halal cosmetic and personal care industry has become one of the biggest golden opportunity in the halal sector which had created a potential economic impact to Malaysia. Thomson Reuters (2013) reported Malaysia as the third country after Singapore and Egypt, to export Halal Cosmetic and Personal

Care to Organization of Islamic Cooperation (OIC) country. Moreover, the growth of this industry is also supported by Tech Navio's (2014) that highlighted on the global and personal care market to grow at Compound Annual Growth Rate (CAGR) of 13.43 percent over the period of 2013-2018. These business environmental acknowledge that the investment in halal cosmetic and personal care industry is somewhat promising and will be competitive in the global market.

There were many challenges faced by the entrepreneurs of the halal industry even though it gets a welcoming response from consumers and entrepreneurs of the cosmetic and personal care product to receive the golden opportunity to venture into this new industry. Husain et al. (2013) in their study on halal cosmetic and personal care found that there is a current trend amongst manufacturers to obtain the halal certification and documentation by using false halal certificates (Majid, Sabir, & Ashraf, 2015). Majid et al. (2015) also stress in their study this situation shows the ability of entrepreneur cosmetic in Malaysia implement halal logo and marketing strategy can be doubted. The attitude of some of the cosmetic entrepreneurs to compete with each other through this wrong marketing strategy will affect the golden opportunity for the development of this industry in the future. Indirectly it will give the wrong impression to local and global marketers and consumer belief on the quality of the halal products from Malaysia. The important of a halal cosmetic entrepreneur is to protect the quality of the halal product hence it is necessary for the cosmetic industry to understand the consumer awareness, intention, and usage of the halal cosmetic and personal care products whilst it is a golden opportunity to gain more profit (Phuah Kit Teng, 2013). Since the trend of halal cosmetic and personal care still in the process development in Malaysia, an empirical study need to be conducted to identify the element of a golden opportunity in halal cosmetic and personal care industry to enhance the transparency competitiveness among the entrepreneurs.

Golden Opportunity in Halal Cosmetic and Personal Care Industry

The scenario of golden opportunity on halal cosmetic and personal care trend is parallel with the element of chance through Porter's Diamond Model that establish by Michael Porter. Porter (1998) defines chance as the ones that have to do with the circumstances in a country that is largely outside the control of the firm. This is supported by a study by Hamad and Duman (2013) and Jarungkitkul and Sukcharoensin (2016) who stated that chance is an event of which is outside the control of the firm. Although chance is an event which is outside the control of the firm, they are important because they create uncertainty where some will gain competitive position and some might lose (Jarungkitkul & Sukcharoensin, 2016). Additionally, Li, Gao, & Zhao (2016) mention Chance situation will influence the country's international competitiveness. Chance can be significant changes in demand in the local or international, decision taken by foreign government, world financial market, war and exchanges rate (Hamad & Duman, 2013; Jarungkitkul and Sukcharoensin, 2016). The element of chance from Porter's Diamond Model can be assumed as the golden opportunity in the halal cosmetic and personal care industry through unexpected consumer behaviour and world market trend as discussed in subtopic below.

Unexpected consumer behaviour

The unexpected consumer behaviour on halal cosmetic and personal care product increases annually. The consumers become more aware of the products with halal characteristic (Ansari, & Mohammed, 2015; Aoun & Tournois, 2015; Jabar, Wahid, Johar, & Rahman, 2016). This

proves through the analysis based on the previous studies by Hussin et al, (2013), Hashim and Musa(2013, 2015), Daud, Aziz, Baharudin, and Shamsudin (2012), Jabar, Ishak, Johar, and Wahid (2014), Rahim, Shafii, and Shahwan, (2015), Ansari and Mohammed (2015) showed the level of awareness and acceptance consumer positively significant on halal cosmetic and personal care product. Muslim belief on concept halal and haram in Islam religious increases (Majid, Sabir, & Ashraf, 2015; Ahmad, Rahman, & Ab Rahman, 2015) impact form disseminate of halal information in media (Rahim, Shafii, & Shahwan, 2013; Hassali, AL-Tamimi, Dawood, Verma, & Saleem, 2016). Impact from this awareness, Muslim consumer become more knowledgeable (Rezvani, Rahman, Dehkordi & Salehi, 2013; Ahmad, Rahman, & Ab Rahman, 2015; Jabar, Wahid, Johar, & Rahman, 2016) to choose halal cosmetic and personal care product because the product follows the Shariah requirement procedure (Hajipour, Gharache, Hamidizadeh, & Mohammadian, 2015). Based the analyses from previous literature, the unexpected consumer behaviour in this industry has become a golden opportunity for halal cosmetic and personal care growth in the future.

World Market Trends

Renewal in the politics and economics leading to greater trade liberalization has opened the doors to market generated promising Islamic market segment (Aoun & Tournois, 2015). The emergence of Islamic marketing against the promotion of a product that familiar for the Muslim consumer or producer product (Dean, 2014). This situation shows that the halal market has the potential to dominate the global market (Hashim & Musa, 2013). In line with this, Halal cosmetic and personal care is one of product that gets attention and become world market trends today. This prove by Aoun and Tournois (2015) highlighted in their study, currently, the trend of Halal Cosmetic and Personal Care are not only popular in Middle Eastern countries but is slowly entering the European and North American Markets. Impacted from the demand on halal cosmetic and personal care product assist the fastest growing market segment (Swidi, Abdullah, Wie, Mohamad Ghozali, Asma, Abdul Wahid, 2010); Hashim & Musa, 2016). Based on the analysis from the previous literature, the world market trend of halal cosmetic and personal care spell promising and has a bright market. The world market trend can be assumed as a golden opportunity for the halal industry to grow rapidly.

Method

There are 12 items developed for the whole 12 items of the proposed golden opportunity. Each item employed 7 points Likert scale that anchors of ‘strongly disagree (1) to strongly agree (7)’. The survey was conducted toward 50 respondents from 50 top management as a representative of the company that deals with the cosmetic and personal care product. The number of the respondents is appropriate for the exploratory factor analysis (EFA) as recommended by Sapsnas & Zeller (2002). For construct validity, principal component factor analysis (PCA) was performed with rotation varimax on the 12 golden opportunity items to see the output of EFA.

Findings

Prior to the EFA, this study estimated the prerequisite of the data. The data distribution was normal with the value for skewness and kurtosis are $-2.679 < \pm 3.00$, $2.602 < \pm 7.00$, following Kline (2011) rules of thumb. The factor analysis was appropriate for this data with the value of KMO is 0.849 which is above 0.60 with a two-factor solution and Bartlett’s approximate Chi-square of sphericity was significant (441.775, $df = 55$, $p < 0.000$).

In identifying the factors that influenced golden opportunity scale, the result of scree plot showed two factors probably is the most accurate number to be extracted from the data. All communalities are above 50 percent, ranged from 0.663 to 0.805. One item was eliminated sequentially due to the low communalities loading (item 1) less than 0.6. The final result of the analysis indicated 11 items were distributed in the 2-factor extraction. This 2 factor loading explained a total of 73.94% of the variance, exceeding the minimum acceptable target 60% for scale development (Hinkin 1998).

Based on the result of the analysis, this study has themed two dimensions namely world market trends with 5 items, and unexpected consumer behaviour with 6 items. The strongest indicator of golden opportunity scale seems to be world market trends with variance explained by the value of 57.11% and followed by unexpected consumer behaviour 16.83%.

The golden opportunity scales show high reliabilities with the value of Cronbach's Alpha of 0.921. Meanwhile, the value of Cronbach's Alpha factor loading were 0.898 for world market trend and 0.928 for unexpected consumer behaviour. The factor loading of each item can be seen as follow.

Table 4.1: *EFA Result: Golden Opportunity*

Codes	Items	Factor Loading	
		World market trends	Unexpected consumer behaviour
UCB2	Consumer's belief on halal product quality		0.847
UCB3	Consumer's awareness on the halal product based on Muslim religious beliefs		0.807
UCB4	Consumer feels secured with the halal ingredients in halal products.		0.735
UCB5	Consumer's trust that the product follows shariah principles		0.828
UCB6	Consumer is more knowledgeable on the need to choose Muslim friendly products.		0.816
WMT7	The promising market segment on halal industry	0.850	
WMT8	The increase in promoting the importance of halal industry	0.798	
WMT9	The positive tendency of halal industry growth	0.833	
WMT10	The market opportunity for halal industry	0.849	
WMT11	The potential development of halal industry today	0.821	
WMT12	The global phenomena of halal industry	0.803	
	Eigenvalue	6.282	1.852
	Variance Explained	57.110	16.835
	Cronbach's Alpa factor loading	0.898	0.928

*In this questionnaire, halal product refers to specifically cosmetic and personal care product.

The golden opportunity scale showed a good variability and high reliabilities. There has two-factor loading renamed as world market trends and unexpected consumer behaviour.

Conclusion

From the analysis above, it is shown that Malaysia's cosmetic and personal care companies are more appreciative of the golden opportunity in halal cosmetic and personal care industry. When the dominant factor in the world market trends and unexpected consumer behaviour valid in this study, the further actual study can be conducted drawing more samples from the respondent. Furthermore, the level of significance between golden chance and competitiveness capability or performance in the halal cosmetic and personal care industry can be measured in the future study by using this measurement.

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