

COMPETITIVE ADVANTAGE THROUGH HALAL PRODUCTS AND BRAND IMAGE

Lintang Fitri¹, Diva Lailatul², Septi Elistian³

^{1,2,3}Univerity Wahid Hasyim

Corresponding email: akasihfitri353@gmail.com

Received: November, 14, 2022

Revised: Desember, 20, 2022

Accepted: Februari, 5, 2023

Abstract. Currently, Small, Micro and Medium Enterprises (MSMEs) are experiencing weaknesses, this makes business actors unable to survive more than 5 years, this is due to minimal support from the government, lack of access to capital and technology, and challenges to the global economy that continue to increase. This study aims to find out what causes MSME actors to fail to compete with other MSME actors, besides that this research also discusses the strategies used in an effort to overcome the weaknesses of MSMEs in Indonesia. This study also aims to study the effect of halal products on brand image, perceived quality, and product purchase intention. The importance of Brand Image lies in its ability to influence consumer preferences, purchase decisions, and brand loyalty. Consumers who have a positive perception of a brand tend to be more inclined to choose it and maintain loyalty to the brand. Brand image aims to create better relationships with consumers and achieve competitive advantage in the market. Brand Image is a concept that involves perceptions, associations, and images formed in the minds of consumers regarding a brand or brands. This is the mental picture that consumers have about the brand, including the attributes, characteristics. Data was collected from 41 respondents using an online survey. The results of the study show that halal certification has a significant positive effect on brand image. In addition, consumer trust was also found as a mediator between halal products and other response variables. This research shows that halal products can increase consumer trust and product brand image, so that manufacturers can use halal products as a tool to differentiate their products from competitors and gain competitive advantage in an increasingly competitive market.

Keywords: Halal Products; Brand Image; Competitive Advantage

INTRODUCTION

Indonesia has one of the world's largest Muslim populations. As a Muslim-majority country, halal is the main parameter in selecting and consuming products. Law Number 33 of 2014 Concerning Halal Product Guarantee (HPG) in article 4 states that products that enter, circulate and trade in Indonesia must be halal certified. The demand for halal products continues to increase. With a population of 3 billion Muslims, the halal industry is one of the fastest growing businesses. This industry includes sectors such as finance, tourism, services, transportation and food.

Global public awareness about halal food is increasing due to the migration of people living in non-Muslim countries to Muslim countries. This evidence shows that the acceptance of Muslims and non-Muslims to halal certification is an opportunity for halal food SMEs to compete globally (Hendijani Fard & Seyyed Amiri, 2018). Thus, halal food SMEs must apply strategies and approaches in order to perform well and sustainably. The huge potential for the halal culinary market is of course very attractive to industry players, including Indonesian SMEs. Moreover, Indonesia is a country with the largest Muslim population in the world, making it a potential market for halal products. With these opportunities, Indonesian SMEs must be able to become major players in the domestic market. SMEs still have a low level of entrepreneurship in innovating, inadequate levels of expertise, limited networks, minimal connectivity in utilizing markets and limited access to finance for SMEs.

MSMEs (Micro, Small and Medium Enterprises) in Indonesia have weakened since the New Order era. At that time, the government was more encouraging industrialization and economic modernization which benefited large companies. This makes it more difficult for small businesses to grow due to the lack of support and access to capital and technology. After the Reformation in the 2000s, the Government of Indonesia made several efforts to strengthen MSMEs. Among these efforts include providing various training and mentoring programs, reducing the cost of business ownership, increasing access to domestic and international markets, and making various policies that benefit SMEs.

However, the Covid-19 pandemic has hampered the progress that has been made by Umkm. Many small businesses experience many problems including decreased demand, late payments, increased costs of business ownership, business closures, and so on. This has resulted in some umkm experiencing difficulties in surviving and even having to end it. Overall, the weakening of MSMEs in Indonesia is caused by a variety of complex factors, including minimal support from the government, lack of access to capital and technology, and challenges to the global economy that continue to increase. However, there are still many efforts that can be made to strengthen and maintain the sustainability of Micro, Small and Medium Enterprises in Indonesia so that they can become important economic resources for the country.

LITERATURE REVIEW

A. Halal Products

The Muslim population in the world is currently 24.9% of the total world population or 1.9 billion (Survey Pew Research Report, 2020). In Indonesia, the Muslim population is 87.2% of approximately 273 million people, so Indonesia has one of the largest Muslim populations in the world. Therefore halal people, the market demand for Islamic products is very large, one of which is in consuming Halal food and drinks. In Islamic teachings, a Muslim is taught to consume halal food (QS 2:168 & QS 2:172),

Halal is a quality standard that follows Islamic Sharia law and is used in every activity by Muslims (Manaf Bohari et al., 2013). The word halal itself is taken from the Arabic language, namely *حلال* which means "permitted". While the notion of halal food and drink itself is food and drink that is permitted for consumption according to Islam. Apart from the term halal, there is also the term *toyyiban* that we often hear. *Toyyiban* itself means "good" which means it has good quality and does not damage health. And we as Muslims are required to only consume halal and *toyyiban* food and drink (QS 2:168). Any food and drink that is halal in its content will turn out to be haram if the management process is not carried out in accordance with Islamic law. An example is beef that has not gone through the slaughtering process in accordance with Islamic law. The cow was slaughtered not in the name of Allah SWT. and intended for worship activities other than Allah SWT. If the cow is not slaughtered according to Islamic law, then the meat is unlawful for us to consume.

Besides cows not being properly slaughtered, there are other examples such as grapes. Basically, grapes are a type of fruit that is lawful to eat or drink. But if the wine is processed to make alcoholic liquor, eating the wine is unlawful for us to drink. Intoxicating drinks are clearly forbidden in Islam. Because with intoxicating drinks can lead to other immoral acts. In Islam, halal and haram are clearly defined, and many verses of the Koran and hadith examine them. Halal standards are different from quality standards. Quality is determined by the producer at the request of the consumer, while halal is Allah's decree which cannot be disputed by anyone. Al-Saadi explained surah al-An'am 145: Say, "I did not find in what was revealed to me O [something] that is unlawful for those who eat it unless it is carrion or spilled blood or pork –

because it is unclean – or (those slaughtered) disobedience, dedicated to other than Allah. But whoever is forced [out of necessity], does not want [it] or exceeds [its limits], then surely you Allah is Forgiving, Most Merciful." Allah has ordered the Apostle to explain to His servants that spilling the blood and flesh of pigs is lawful besides carcasses. If someone forbids it, it's a lie because the law of halal and haram is just coming.

Etymologically, halal means things that are permissible and permissible because they are free or not bound by prohibitions. A halal certificate is a written fatwa from the Indonesian Ulema Council (MUI), Indonesian Ulema HaiMajelis, which certifies the halalness of a product in accordance with Islamic law. It is a requirement to obtain permission to include halal labels on product packaging from authorized government agencies. In the Shari'a, Muslims are not allowed to consume certain products because the substances contained or the accompanying processes are not in accordance with the teachings of Shari'a. The word halal comes from Arabic, meaning "to release" and "not to be bound".

H1: if SMEs create products with halal certificates, competitive advantage in a company will be more advanced

B. Brand Image

Brand image is the impression of a brand that appears in the minds of consumers. Brand image recommendations can help consumers in making purchasing decisions (Putu et al., 2015a) Islam is a religion that upholds that humans know each other because humans are social beings who need each other in everyday life. The activity of getting to know each other between a person and the people around him is also stated in surah Al-Hujuraat verse 13. Indeed, the most noble among you in the sight of Allah are you who are the most pious. Indeed, Allah is All-Knowing, All-Knowing." (Surah Al-Hujurat: 13)". Product image is the appearance of the product. In Islam, the appearance of a product must not deceive the customer regarding quantity and quality.

In addition, the Prophet's brand image is also explained in the Qur'an in Surah Al-Qalam verse 4: "And indeed you are people of noble character." This verse explains that the Prophet is noble and perfects human morals. Therefore, trade is carried out with good morals by prioritizing good quality. reflects the decency of the Prophet, in this case (Putu et al., 2015b) reported that brand image has a positive effect on repurchase intention, besides that halal marketing and halal certificates have a positive effect on brand image (Manaf Bohari et al., 2013).

Communication and brand development have always been closely related to technology and communication technology of the time. In every era, brands often choose to spread their brand through the mainstream media. Companies want to break through the inherent traditional impression and successfully build their brand image in front of users, which is a big challenge for companies that want to publish on the Internet. The commodity strength of companies is very weak without establishing their own "brand", meaning they have little chance of gaining a competitive advantage, let alone the coveted high profits. Businesses don't have a lot of brand equity, and rapid expansion is difficult. This is due to the rapid growth of internet information.

Brand image is the impression of a brand that appears in the minds of consumers. Brand image recommendations can help consumers in making purchasing decisions (Putu et al., 2015b). The indicators that form the brand image according to (Aaker, 2009) is:

- a. Image maker (Corporate Image) is a group of associations that consumers perceive of companies that make goods or services. These include popularity, credibility, corporate network and the wearer himself.
- b. Product image is a group of associations that consumers perceive as goods or services. Includes product attributes, benefits for consumers, and guarantees.

Brand image refers to the individual characteristics of companies and their products or services in society and the market. From the aspect of expression, brand image can be divided into internal image and external image. Internal image is mainly based on brand product expression and cultural connotation. The external image is built comprehensively through the brand's visual image and brand behavior, which is reflected in the brand reputation displayed by the brand at the market and consumer levels. Brand image design includes basic elements such as logos, fonts, additional graphics, standard colors and product packaging. At the same time, it also covers the basic application parts, such as product design, environmental image design, and website design related to brand affairs.

In ancient China, brand image could only be built through shop placards, commodity logos and people's reputation. With the popularity of newspapers, books and periodicals and the invention of photography technology, early Chinese hand-designed forms such as advertising posters and advertising words have emerged, which also improves brand communication efficiency. Brand visual design the more we have to visualize product information, which is more conducive to brain memory. In ancient China, brand image could only be built through shop placards, commodity logos and people's reputation. With the popularity of newspapers, books and periodicals and the invention of photography technology, early Chinese hand-designed forms such as advertising posters and advertising words have emerged, which also improves brand communication efficiency. Brand visual design the more we have to visualize product information, which is more conducive to brain memory. Islamic brand image is a form of brand image in the minds of consumers by using Islamic names. This research is a causal research, which aims to analyze the relationship and influence of two or more phenomena through hypothesis testing.

H2: if SMEs create a more attractive brand image, competitive advantage in a company will be more advanced

A. Competitive Advantage

Competitive advantage or competitive advantage is the ability or capability possessed by a business or business in obtaining higher profits than its competitors which are obtained through characteristics and resources with better performance. A company is said to have a competitive advantage if it can generate and maintain more profit than its competitors. Competitive advantage is the concept of competitive advantage which is not only understood by looking at a company as a whole, but from the various different activities carried out by the company in innovating products, producing, marketing, delivering and supporting its products to be better than its closest competitors. Competitive advantage is a condition where the company can create a good defensive position over its competitors. Competitive advantage can be achieved by companies in competing with other companies, where companies implement strategies and products that have different values in competition. Competitive advantage is something that allows a company to obtain higher profits compared to the average advantage obtained by competitors in the industry. Competitive advantage comes from the company's

ability to maintain the superiority of its resources and capabilities. According to Kotler and Armstrong (2008), the main objectives of a competitive advantage strategy are as follows:

1. Forming an appropriate positioning. The company tries to show a separate image or image of the company to customers or target markets.
2. Maintain customer/loyalty. Loyal customers are wealth for the future, which if managed properly can provide a company with a good lifetime stream of income.
3. Get new market share. Companies try to gain and expand market share by using their respective competitive strategies to reach the widest possible market.
4. Maximize sales. The process of maximizing profit depends on the effectiveness of its competitive strategy, but it also depends on all existing systems within the company and other functional units.
5. Creating effective business performance. Companies must create effective business performance, so that their business can be managed strategically, namely by defining: customer groups to be served, customer needs to be met, and technology to be used to meet those needs.

H3 : if the Halal Product and Brand Image have very high quality then it will increase Competitive Advantage

B. SME description

Small and Medium Enterprises or abbreviated UKM is a type of business that plays an important role in increasing the economic growth of a country. In Indonesia, SMEs have a major contribution to the economy. This type of business is run by individuals or business entities that are not subsidiaries or branches of large companies. According to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, small businesses are defined as productive economic activities that stand alone. UKM is not a subsidiary or branch of a medium or large class company. The economy of a country depends on the efforts made by its people. Government assistance is very meaningful for SMEs so they can upgrade to become big companies.

C. MSMEs

According to the Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), MSME is a form of productive economic enterprise that stands alone, operates in various business sectors and fulfills several criteria, namely:

- a. Micro businesses have assets of a maximum of IDR 50,000,000 (fifty million rupiah), excluding land and buildings for business premises.
- b. Small businesses have assets of more than IDR 50,000,000 (fifty million rupiah) to IDR 500,000,000 (five hundred million rupiah), excluding land and buildings for business premises.
- c. Medium businesses have assets of more than Rp. 500,000,000.- (five hundred million rupiahs) to Rp. 10,000,000,000.- (ten billion rupiahs), excluding land and buildings for business premises.

According to Muhamad Nasir, MSMEs are all small businesses that are built with small capital or their own capital, with a relatively small business scope, but have a large contribution to the national economy. According to Kasmir, MSME is a form of small-scale business run by one or several people to meet their needs with limited capital. According to Rusdianto Effendi, MSME is a type of business activity that focuses on production, distribution and services with

a limited business scale. According to Siti Hajar Ismail, MSMEs are types of small businesses that are owned, managed and run by a person or group that operates in various economic sectors, including trade, manufacturing and services.

In general, MSMEs are small businesses that are owned, managed and run by one or several people with limited capital and make a major contribution to the national economy. MSMEs (Micro, Small and Medium Enterprises) in Indonesia have weakened since the New Order era. At that time, the government was more encouraging industrialization and economic modernization which benefited large companies. This makes it more difficult for small businesses to grow due to the lack of support and access to capital and technology. After the Reformation in the 2000s, the Government of Indonesia made several efforts to strengthen MSMEs. Among these efforts include providing various training and mentoring programs, reducing the cost of business ownership, increasing access to domestic and international markets,

However, the Covid-19 pandemic has hampered the progress that has been made by Umkm. Many small businesses experience many problems including decreased demand, late payments, increased costs of business ownership, business closures, and so on. This has resulted in some umkm experiencing difficulties in surviving and even having to end it. Overall, the weakening of MSMEs in Indonesia is caused by a variety of complex factors, including minimal support from the government, lack of access to capital and technology, and challenges to the global economy that continue to increase. However, there are still many efforts that can be made to strengthen and maintain the sustainability of Micro, Small and Medium Enterprises in Indonesia so that they can become important economic resources for the country.

To overcome the weakness of MSMEs in Indonesia, several ways that can be taken include:

- a. Providing support from the government: The government can provide various programs and facilities that make it easier for MSMEs to develop, such as strengthening access to markets and capital, providing assistance and training, and reducing regulations that burden them.
- b. Increasing access to markets and technology: Providing access to markets and technology is the key to the success of MSMEs. The government and the private sector need to work together to provide access to both physical and online markets.
- c. Increasing access to capital: MSMEs need access to capital to develop. The government can provide various loan programs, subsidies and other support that make it easier for SMEs to seek capital.
- d. Strengthening the network of cooperation between small business actors: By strengthening the network of cooperation, MSMEs can help each other and grow together, thereby strengthening their position in the market.
- e. Support for digitization systems: Small businesses must be able to adapt to technological developments. The government must provide infrastructure that facilitates digitalization in strengthening online buying and selling.
- f. Improvement of management capabilities: Strengthening business management capabilities is very important in maintaining and increasing competitiveness. The government can provide assistance and training programs related to business management.

In these ways, it can help MSMEs in overcoming various problems that arise and strengthen their performance so that they can survive in market competition and grow into successful business people.

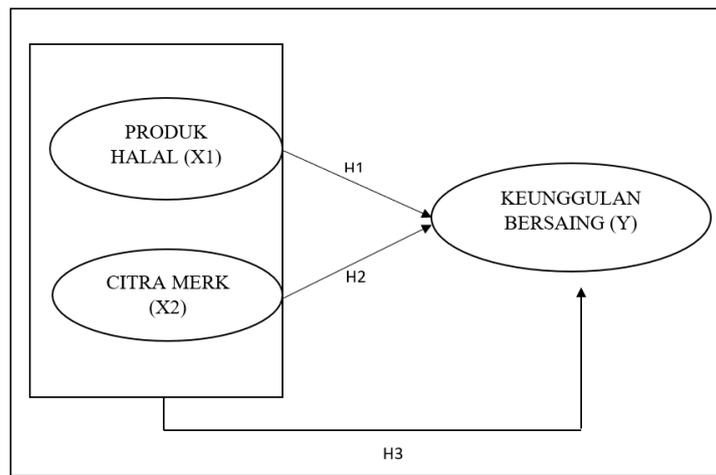
FRAMEWORK OF MIND

Mindset

H1: if SMEs create products with halal certificates, competitive advantage in a company will be more advanced

H2: if SMEs create a more attractive brand image, competitive advantage in a company will be more advanced

H3: if Halal Products and Brand Image have very high quality then it will increase Competitive Advantage in SMEs



RESEARCH METHODS

The flow of research stages starts from preliminary studies, literature review, methods to data collection and processing and analysis to be carried out to answer the formulation of this research problem. This research consists of 2 stages, namely; 1. The first stage is to carry out a preliminary study in the form of information about the problem to be studied collected from scientific journals, previous research, so as to produce a state of the art which will identify the determination of the research variables to the research model. 2. The second stage is to collect data in the form of a questionnaire with cross-sectional observation time, which will be distributed to MSMEs by random sampling method from the required sample

DISCUSSION RESULT

- Halal certification gives confidence to Muslim consumers that the product meets halal standards set by the competent authority
- In a competitive market, having halal products can be a significant differentiating factor. Muslim consumers who care about product halalness will tend to choose halal products over alternatives whose halal status is unclear.
- By entering the halal market, companies can respond to the growing global demand for halal products. A positive brand image can increase consumer confidence, strengthen loyalty, and influence consumer perceptions of the company as a whole.
- In order to optimize the potential for competitive advantage through halal products and brand image, companies need to ensure that their products meet legal halal standards, maintain product quality, commit to social responsibility, and consistently build a positive brand image through proper marketing.

CONCLUSION

In this study, this type of research was used with a quantitative approach, which means that data was collected from 41 respondents by distributing questionnaires. The results showed that halal products did not have a significant positive effect. Other than that, consumer trust was also found as a mediator between halal products and other response variables. This research shows that halal products can increase consumer trust and product brand image, so that manufacturers can use halal products as a tool to differentiate their products from competitors and gain competitive advantage in an increasingly competitive market.

REFERENCES

- Aaker, D. (2009). Aaker's Brand Equity model Type of model: Brand model (structure model). www.eurib.org
- Hendijani Fard, M., & Seyyed Amiri, N. (2018). The effect of entrepreneurial marketing on halal food SMEs performance. *Journal of Islamic Marketing*, 9(3), 598–620. <https://doi.org/10.1108/JIMA-12-2016-0097>
- Manaf Bohari, A., Wei Hin, C., & Fuad, N. (2013). An analysis on the competitiveness of the halal food industry in Malaysia: an approach to SWOT and ICT strategy.
- Putu, N., Karlina, N., Ketut, N., Se, S., Si, M., Economics, F., & Business, D. (2015a). Influence of Brand Image and Product Quality on Product Purchase Decisions PT. Works of Pak Oles Tokcer Denpasar. 4(6), 1610–1623.