

# THE POWER OF HALAL LABELING: ITS IMPACT ON BRAND EQUITY AMONG COSMETIC CONSUMERS

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**Abstract:** This study explores the influence of halal labeling on key dimensions of brand equity, including brand loyalty, brand identity, perceived quality, and brand image, within Indonesia's cosmetics industry. The findings reveal that halal labeling significantly impacts brand loyalty, with a p-value of 0.000. Consumers' trust in halal-certified products strengthens their emotional connection to and preference for the brand. Halal labeling also plays a pivotal role in shaping brand identity, positioning the brand within a market segment that aligns with Islamic values. Moreover, the perceived quality of halal-labeled cosmetic products is enhanced, as these products are associated with high hygiene, safety, and ethical production practices, improving consumer satisfaction. Additionally, brand image benefits from halal labeling, with consumers perceiving the brand as ethical and trustworthy. Overall, halal labeling is critical in strengthening brand equity in the cosmetics market targeting Muslim consumers.

**Keywords:** Halal Labeling, Brand Loyalty, Brand Identity, Perceived Quality, Brand Image, Brand Equity, Cosmetic Consumers, Muslim Consumers.

## INTRODUCTION

The global cosmetics industry has experienced exponential growth, driven by evolving consumer preferences and increasing awareness of personal care, beauty, and wellness. In Indonesia, a predominantly Muslim country, the demand for halal cosmetics has become a notable trend. Traditionally associated with food, halal certification has expanded to non-food products, including cosmetics, as Muslim consumers increasingly prioritize products that align with their religious and ethical values (Aziz & Chok, 2013). Halal labeling plays a crucial role, serving as an assurance of religious compliance and a unique marker that shapes consumer perceptions and influences purchasing behavior within the cosmetics market.

Halal labeling has a multidimensional impact on consumer attitudes. First, it significantly influences perceived quality. Consumers often associate halal certification with high safety and

hygiene standards, enhancing their perception of the product's quality (Rios et al., 2014). This perception is particularly relevant in the cosmetics industry, where safety and purity are critical concerns. Positive perceptions of quality contribute to increased consumer satisfaction and confidence, which are fundamental to building brand loyalty. When consumers trust that a product is safe, clean, and of high quality, they are likelier to remain loyal to it, fostering repeat purchases and long-term brand affinity (Nasution & Rossanty, 2018).

In addition to perceived quality, brand identity is another essential factor influenced by halal labeling. Brand identity encapsulates a brand's unique attributes and values that set it apart from competitors. A halal label can serve as a distinguishing characteristic, positioning the brand as one that aligns with Islamic principles. This alignment strengthens emotional connections between the brand and its target market, as consumers see their personal values reflected in the brand's

offerings (Mukhtar & Butt, 2012). A robust brand identity that resonates with consumers' beliefs and lifestyles fosters a more profound, lasting loyalty that extends beyond individual products to the brand.

Moreover, brand image means the public perception and associations attached to a brand are also shaped by halal certification. Products with halal labeling often carry connotations of ethical integrity, safety, and social responsibility, which contribute positively to brand image (Wilson & Liu, 2011). In a market where ethical and sustainable practices are increasingly valued, halal labeling signals quality and responsibility, enhancing the brand's reputation. A positive brand image is vital for consumer confidence, reassuring consumers that they are making responsible choices. This confidence can strengthen brand loyalty by making consumers feel validated in their product selection, ultimately leading them to develop a strong and lasting preference for the brand (Siala, 2013).

The interplay of these factors, perceived quality, brand identity, and brand image, collectively shapes brand loyalty among consumers of halal cosmetics in Indonesia. Understanding this dynamic is essential for companies operating in the cosmetics industry, as brand loyalty represents a competitive advantage that can drive long-term profitability and market stability. By acknowledging the unique role of halal labeling, businesses can tap into the values and expectations of their Muslim consumers, creating products that meet religious standards and align with broader ethical considerations.

This study aims to investigate the influence of halal labeling on brand loyalty among Indonesian cosmetic consumers, with an emphasis on brand identity, perceived quality, and brand image as mediating variables. Exploring these relationships will contribute valuable insights into the Indonesian halal cosmetics market dynamics and provide strategic guidance for businesses looking to attract and retain a loyal customer base in this growing sector. By examining how halal labeling can impact each variable, this research will offer a holistic view of the factors driving loyalty within the context of halal-certified cosmetics.

## **CONCEPTUAL FRAMEWORK**

### **Halal Labeling**

Halal labeling indicates that a product complies with Islamic dietary and ethical guidelines, assuring Muslim consumers about the product's permissibility. This certification has evolved beyond religious compliance to become a symbol of moral and quality standards, appealing to Muslim and non-Muslim consumers concerned about product quality, safety, and social responsibility (Bonne & Verbeke, 2008). In Indonesia, where most of the population is Muslim, halal labeling is often a deciding factor in consumer purchasing behavior, particularly in cosmetics and food products (Aziz & Chok, 2013). The label not only signifies compliance with religious standards but also reinforces trust and credibility, positioning brands as aligned with consumer values and ethics (Mukhtar & Butt, 2012).

### **Brand Loyalty**

Brand loyalty, a consumer's consistent preference for a particular brand, represents one of the strongest aspects of brand equity. In halal labeling, brand loyalty is reinforced as consumers trust halal-certified brands to meet their ethical and religious standards, making them more likely to remain loyal and make repeat purchases (Nasution & Rossanty, 2018). Consumers tend to view halal labels as a marker of authenticity and credibility, which fosters loyalty through satisfaction and emotional connection to the brand (Mukhtar & Butt, 2012). Halal labeling, therefore, serves as a unique value proposition that strengthens consumer loyalty within the Muslim market.

### **Brand Identity**

Brand identity, which represents the unique characteristics and values that distinguish a brand, is crucial for positioning in a competitive market (Aaker, 1996). Halal labeling enhances brand identity by associating brands with Islamic principles, strengthening the emotional connection with Muslim consumers (Wilson & Liu, 2011). This identification is particularly important in halal-sensitive categories, where consumers seek brands that align with their religious and ethical beliefs. Rios et al. (2014)

found that halal certification is critical in defining brand identity, as it signals that the brand respects and upholds values aligned with its target market's beliefs. This connection allows halal brands to build a strong, culturally resonant identity beyond product features.

### Perceived Quality

Perceived quality, a consumer's assessment of a product's excellence and reliability, is another fundamental dimension of brand equity (Zeithaml, 1988). Halal-labeled products often carry an implicit guarantee of quality, as the certification process includes stringent standards related to purity, safety, and hygiene (Bonne & Verbeke, 2008). In Indonesia's cosmetics market, halal labeling has become synonymous with high-quality standards, with consumers perceiving halal-certified products as safer and ethically produced (Rios et al., 2014). This positive perception of quality, attributed to the rigor of the halal certification process, enhances the brand's reputation and adds to consumer trust and satisfaction, thereby boosting brand loyalty (Nasution & Rossanty, 2018).

### Brand Image

Brand image refers to consumers' associations and perceptions about a brand, including its credibility, trustworthiness, and ethical alignment (Keller, 1993). Halal labeling significantly enhances the brand image by positioning brands as trustworthy and ethical. Consumers often perceive halal-certified brands as more responsible, safe, and aligned with Islamic principles, strengthening the brand's appeal (Siala, 2013). On the other hand, a study by Adrian & Mardhotillah (2023) explains that brand image significantly influences the purchase of halal products.

In a globalized market where ethical concerns are increasingly important, halal labeling offers a competitive edge, creating a positive brand image that appeals to consumers' ethical and social values. Wilson and Liu (2011) highlight that halal branding challenges conventional branding approaches by incorporating a distinct ethical component, appealing to both religious and secular values.

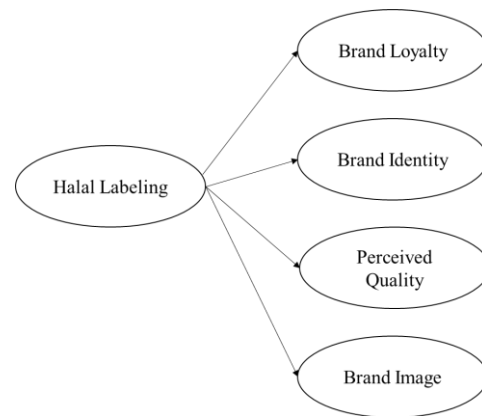


Figure 1. Conceptual framework

## METHODOLOGY

This research employs a quantitative approach to examine the influence of halal labeling on brand equity dimensions like brand loyalty, brand identity, perceived quality, and brand image among cosmetic consumers across Indonesia. A structured survey was developed to collect numerical data for statistical analysis, allowing for identifying relationships between these variables. The study uses a purposive random sampling method to ensure relevant participants, targeting only customers who use halal-labeled cosmetics. This sampling approach combines purposive selection, ensuring participants are familiar with halal-certified cosmetics, with random selection to promote diversity and reduce bias within the chosen group.

The study sample consists of 455 consumers from different regions in Indonesia, which provides a robust and generalizable basis for analysis, as it offers adequate statistical power to uncover significant relationships between the study variables. Data collection was conducted through an online questionnaire, which included Likert-scale items to measure perceptions of brand loyalty, brand identity, perceived quality, and brand image related to halal labeling.

For data analysis, the study utilizes Structural Equation Modeling - Partial Least Squares (SEM-PLS), a statistical method well-suited for examining complex relationships among multiple variables. SEM-PLS is particularly beneficial for this research as it allows for the analysis of latent constructs and yields reliable results even with moderate

sample sizes. This technique also supports a predictive framework, making it ideal for testing hypotheses about halal labeling's influence on brand equity dimensions. Within SEM-PLS, measurement and structural models are assessed separately to validate relationships between constructs, enabling a comprehensive understanding of both the direct and indirect effects of halal labeling on brand equity. This approach thus provides valuable insights into how halal labeling shapes consumer perceptions and loyalty in the Indonesian cosmetics market.

## RESULTS AND DISCUSSION

### Results

#### 1. Convergent Validity

Convergent validity refers to the degree to which multiple indicators of a single construct correlate, suggesting they measure the same underlying concept (Fornell & Larcker, 1981). A construct exhibits high convergent validity if the indicators associated with it have strong correlations, typically assessed using the Average Variance Extracted (AVE), where an AVE value of 0.5 or higher indicates that more than 50% of the variance in the construct is explained by its indicators (Hair et al., 2014). This measure ensures that the items intended to represent a construct are closely related, supporting the construct's internal consistency.

Table 1 Convergent Validity

Variable	Indicator	Outer Loading
Halal Labeling	HL1	0.742
	HL2	0.841
	HL3	0.891
	HL4	0.791
	HL5	0.700
Brand Loyalty	BL1	0.841
	BL2	0.791
	BL3	0.851
	BL4	0.841
Brand Identity	BID1	0.800
	BID2	0.941
	BID3	0.841
	BID4	0.798
	BID5	0.800

Variable	Indicator	Outer Loading
Perceived Quality	PQ1	0.741
	PQ2	0.891
	PQ3	0.814
	PQ4	0.800
	PQ5	0.814
Brand Image	BI1	0.841
	BI2	0.791
	BI3	0.810
	BI4	0.701
	BI5	0.841

#### 2. Composite Reliability and Cronbach's Alpha

Composite reliability is a measure of internal consistency for latent constructs, which assesses the reliability of a set of indicators and their shared variance in measuring the same construct (Fornell & Larcker, 1981). Unlike Cronbach's alpha, which assumes all indicators contribute equally to the construct, composite reliability considers the varying contributions of each item and is, therefore often viewed as a more accurate measure of reliability in structural equation modeling. Composite reliability values above 0.7 are generally acceptable, indicating that the indicators consistently represent the construct (Hair et al., 2014). And, Cronbach's alpha is a widely used reliability coefficient that measures the internal consistency of a set of items within a construct, assessing how well the items work together to measure a concept (Cronbach, 1951). Higher Cronbach's alpha values, typically above 0.7, indicate greater internal consistency, meaning the items are closely related as a group. Although commonly used, Cronbach's alpha assumes equal reliability among items and can underestimate reliability when item contributions vary, making it less suitable than composite reliability in cases with unequal item contributions (Hair et al., 2014).

Table 2. Composite Reliability and Cronbach's Alpha

Variable	Cronbach's Alpha	Composite Reliability
Halal Labeling	0.742	0.841

Variable	Cronbach's Alpha	Composite Reliability
Brand Loyalty	0.852	0.900
Brand Identity	0.842	0.941
Perceived Quality	0.801	0.941
Brand Image	0.784	0.891

### 3. Testing Hypothesis

To verify the study findings, hypothesis testing involves testing a direct effect. The subsequent results are the outcomes derived from testing the hypotheses:

Table 3. Hypothesis

Variable	Original Sample (o)	P-Values
Halal Labeling on Brand Loyalty	0.852	0.000
Halal Labeling on Brand Identity	0.704	0.000
Halal Labeling on Perceived Quality	0.781	0.001
Halal Labeling on Brand Image	0.681	0.000

## Discussion

### Halal Labeling and Brand Loyalty

This study's results explain that halal labeling's influence on brand loyalty has a p-value of 0.000.

Halal labeling significantly influences brand loyalty among cosmetic customers, particularly within Muslim markets. When consumers are assured that a cosmetic product is halal-certified, it creates a sense of trust and assurance regarding the product's compliance with Islamic principles (Mukhtar & Butt, 2012). This trust fosters emotional connections with the brand, leading to repeated purchases and a preference for that brand over others. Research indicates that consumers who value halal certification are likely to develop a strong commitment to brands that embody their ethical and religious beliefs, enhancing overall brand loyalty (Nasution & Rossanty, 2018).

The perception that a brand adheres to halal standards makes consumers feel that their purchases align with their values, thus reinforcing their loyalty. This connection is particularly strong in Indonesia, where a

significant portion of the population seeks halal products to fulfill religious and personal ethical standards (Rios et al., 2014).

The results of this study are also in line with research by Quoquab et al. (2020) and Rafdinal et al. (2024), which explains that halal labels can influence brand loyalty.

### Halal Labeling and Brand Identity

This study's results explain that halal labeling's influence on brand identity has a p-value of 0.000.

Halal labeling is crucial in shaping brand identity for cosmetic brands targeting Muslim consumers. A strong halal label positions a brand within a specific market segment, allowing it to communicate its commitment to Islamic values and ethics (Aziz & Chok, 2013). The halal certification signifies compliance with religious guidelines and differentiates a brand from its competitors.

By incorporating halal labeling into their brand identity, companies can create a unique narrative that resonates with consumers' beliefs and preferences (Wilson & Liu, 2011). This alignment with consumer values enhances brand identity, making it more relatable and meaningful. Consequently, a halal label becomes a fundamental aspect of a brand's perception and can significantly influence consumer choices in the competitive cosmetics market.

### Halal Labeling and Perceived Quality

This study's results explain that halal labeling's influence on perceived quality has a p-value of 0.001.

Perceived quality is a crucial determinant of consumer satisfaction and loyalty, and halal labeling positively impacts this perception among cosmetic consumers. Halal certification is often associated with high standards of hygiene, safety, and ethical production practices (Bonne & Verbeke, 2008). As a result, consumers tend to perceive halal-labeled cosmetics as superior in quality compared to non-halal alternatives.

Research shows that consumers associate halal certification with rigorous quality control and ethical considerations, enhancing their overall product evaluation (Rios et al., 2014). This positive perception is particularly relevant in the cosmetics industry, where product safety and ingredient integrity are paramount. When

consumers believe that halal products offer higher quality, their satisfaction increases, leading to a stronger inclination toward brand loyalty.

### **Halal Labeling and Brand Image**

This study's results explain that halal labeling's influence on brand image has a p-value of 0.000.

Halal labeling significantly shapes brand image by influencing consumers' perceptions and associations with a brand. A strong halal certification can enhance a brand's image as ethical, trustworthy, and aligned with consumers' values (Siala, 2013). For many consumers, particularly in predominantly Muslim countries like Indonesia, a halal label signifies not only compliance with religious principles but also a commitment to social responsibility and ethical practices.

Brands that successfully communicate their halal credentials are likely to cultivate a positive brand image that resonates with consumers' moral and cultural values (Mukhtar & Butt, 2012). Wardi (2022) also explained that the halal logo can influence consumer brand image.

This positive brand image is essential for attracting and retaining consumers fostering trust and loyalty. As consumers increasingly prioritize ethical considerations in purchasing, halal labeling becomes a strategic asset for brands aiming to enhance their market position and reputation.

### **CONCLUSION**

The findings of this research highlight the significant impact of halal labeling on brand equity dimensions among cosmetic consumers in Indonesia. Halal labeling enhances brand loyalty by fostering trust and emotional connections, ensuring consumers feel aligned with the ethical and religious standards of halal-certified products. Additionally, halal labeling plays a crucial role in shaping brand identity, allowing brands to distinguish themselves in a competitive market while resonating with consumers' values. Furthermore, the positive influence of halal labeling on perceived quality demonstrates that consumers associate halal certification with higher standards of hygiene, safety, and ethical production practices. Lastly, halal labeling enhances the brand image by positioning brands as ethical and trustworthy,

appealing to consumers' moral and cultural values. Overall, halal labeling is vital in strengthening brand equity for cosmetic brands targeting Muslim consumers.

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