

The Effect of Consumption Value on the Use of Packaged Food Products: A Study of Urban Communities in Lampung Province Using Halal Label As Variable

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Article Info

Volume 83

Page Number: 10084 - 10091

Publication Issue:

March - April 2020

Abstract:

The global market size for halal products is increasing, thus making business opportunities even greater. The level of consumption of halal food and beverage products by the global Muslim community in 2013 reached a value of US \$1.29 billion, which was an increase of 10.8% compared with the previous year. The estimated value in 2019 had increased to US \$2.54 billion, or the equivalent of 21.2% of total world consumption (Indonesian Ministry of Trade, 2015). Indonesia is a country with a Muslim majority population (87%). Indonesia's large Muslim population makes halal lifestyles common. This study aims to prove that consumption value influences the use of packaged food products and Halal labels strengthen the effect of consumption value on the use of packaged food products. The population in this study was people who shopped at the modern market in urban Lampung province in 2019. It is found that the presence of a Halal label was a moderating variable for the functional value and the conditional value. The results of this study showed that consumption values had a statistically significant and positive effect on the use of packaged food products by urban communities in Lampung Province.

Article History

Article Received: 24 July 2019

Revised: 12 September 2019

Accepted: 15 February 2020

Publication: 12 April 2020

Keywords: Halal Label, Consumption Value, Food Products, Urban Communities

I. INTRODUCTION

The world's Muslim population is approximately 1.6 billion people. This means that 25% of the total world population is a Muslim, and presents an opportunity for businesses providing halal products. Currently, consumers of halal products are not only Muslims but also non-Muslims who want to start a healthy lifestyle.

The global market size for halal products is increasing, thus making business opportunities even greater. The level of consumption of halal food and beverage products by the global Muslim community in 2013 reached a value of US \$1.29 billion, which was an increase of 10.8% compared with the previous year. The estimated value in 2019 had increased to US \$2.54 billion, or the equivalent of 21.2% of total world consumption (Indonesian Ministry of Trade, 2015).

Indonesia is a country with a Muslim majority population (87%). Indonesia's large Muslim population makes halal lifestyles common. Islam regulates Muslims' conduct, from the consumption of food and drinks, the use of medicines, cosmetics, and clothing styles, and the economic system. The concept of halal originates from Islam but, of course, can also be adopted by non-Muslims (Ministry of Trade of the Republic of Indonesia, 2015).

Demand is the desire of consumers to buy an item at various price levels for a certain period. Several factors can affect the demand for an item (a) the price of the item itself, (b) the price of other goods, (c) the level of income per capita, (d) the tastes or habits of consumers, (e) the number of residents, (f) estimates of future prices, (h) manufacturers' efforts to increase sales, (Assagaf, 2017). According to Nicholson, a representation which states that the

quantity demanded depends on price, income and preference and is referred to as a demand function. The price in this demand function consists of the price of the item itself and the price of substitute goods, (Nicholson, 2002).

A community's requests for a product will be influenced by the values of the consumers when using or choosing a product. Tao and Guohua (2004) found that there were changes in the consumption patterns of people in urban communities in China exposed to economic development but for rural communities the changes were statistically insignificant.

These findings were reinforced by the studies of Xiotong, Shengliang, and Ilan (2009). They stated that under the influence of traditional Chinese culture and changes in the economic system in urban populations, China has major consumption patterns that are intermittent and influenced by the natural environment.

Sheth, et al (in Ho and Wu, 2012) explained that consumption values consist of functional values, social values, epistemic values, conditional values, and emotional values. Yeo, et al. (2016) studied the purchase motivation for halal cosmetic retail products by Malaysian customers. They investigated functional values, social values, epistemic values, conditional values, and emotional values. It was found that emotional values and functional values affected consumer loyalty when choosing products.

Denys and Mendes (2011) studied consumption values and destination evaluations in making decisions in the United Kingdom. They found that emotional values were the most influential in determining the location of a holiday, followed by epistemic values. Similar results were found by Candan, Unal, and Ercis (2013), who analyzed the relationship between consumption value and the brand loyalty of young people. The study focussed on personal care products and showed that there was a close relationship between consumption value and brand loyalty, especially for social and epistemic values. The total consumption value was found to be a moderating variable in research by Kalafatis,

Ledden, and Mathioudakis (2011).

Indonesia is a country with a majority Muslim population so, of course, it has market potential for halal products from various countries. Halal products should have a special place among Muslim consumers. As subjects in consuming products, they should consider halal food and tayyib as a way of life. For followers who are inspired by the rules, religion can directly influence various aspects of the behavior of choice. Religious values affect consumer behavior, which then influences the consumption choices made by consumers (Mokhlis, 2010).

According to the Agency of Central Statistics (BPS) SUSENAS data, consumption plays a very dominant role in the Indonesian economy and is between 46.45% to 50.4% of expenditure per capita (BPS Indonesia, 2015). Average expenditure per capita for food in Lampung Province is shown in Table 1.

Table 1. Average Expenditures and Percentage of Average Expenditures Per-Capita in a Month in the Province of Lampung in 2018, According to Food Type.

Food Type	Average Expenditure (rupiah)	Percentage of Average Expenditure
Rice	57,625	12.31
Tubers	3,752	0.80
Fish / Shrimp / Squid / Shellfish	33,929	7.25
Meal	19,017	4.06
Eggs and Milk	27,623	5.90
Vegetables	52,038	11.12
Nuts	12,972	2.77
Fruit	19,333	4.13
Oil and Coconut	14,913	3.19
Beverage Ingredients	17,410	3.72
Spices	10,313	2.20
Other food	9,949	2.13
Instant Food and Beverage	117,853	25.19
Cigarettes	71,212	15.22

Account/Total	467,940	100
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Source: BPS, 2018

The BPS in the Lampung Province Report for 2018 stated that the average expenditure per-capita is Rp 467,940 / month for food and Rp 381,353 / month for non-food items. The highest average expenditure on food items in Lampung Province was for prepared food and beverages (BPS, 2018).

Preference for Muslim communities is based on the value of consumption held by the community when making consumption choices for products labeled as halal and those products not labeled as halal (Islam and Chandrasekaran, 2016).

Consideration of these previous studies led the authors to become interested in determining the effect of consumption value on the use of food packaging products in urban communities in Lampung Province with a halal label as a moderating variable.

II. LITERATURE REVIEW

Demand is the desire of consumers to buy an item at various price levels over a certain period. Several factors can affect the demand for an item (a) the price of the item itself, (b) the price of other goods, (c) the level of income per capita, (d) tastes or habits of consumers, (e) the number of residents, (f) estimates of future prices, (h) manufacturers' efforts to increase sales (Assagaf, 2017). Demand based on purchasing power consists of effective demand, potential demand, and absolute demand.

The appropriate type of demand for this research is effective demand. Effective demand is the aggregate income (output) that employers expect, including the income they will give to other factors of production, from the amount of work done (Keynes, 2018). Febianti (2014) explains that effective demand is people's demand for an item or service accompanied by purchasing power or ability to pay. In effective demand, a consumer needs the item and can pay for it.

Effective demand is the point on the aggregate demand function that becomes effective because if

taken together with supply conditions, it will be in accordance with the level of work that maximizes employers' expectations of profit (Keynes, 2018). Income distribution is important for effective demand if, all other things being equal, changes in the form of the income distribution function, or the distribution of personal income, cause changes in the aggregate tend to be consumed (Brown, 2004).

Effective demand shows not only the number of people who want or choose to buy, but also their ability to buy goods and services (Joffe, 2017). In this study effective demand was an individual's willingness to buy halal products and have the means to buy these products.

In a study on the demand for counterfeit goods conducted by Cuno, et al., (2011), students' sensitivity to the presence of counterfeit goods did not significantly hinder the purchase of these items. The measurement was based on the quantity demanded of an item, which was a function of income, price, and taste and preferences.

Yildirim and Ceylan Melike's (2007) carried out a comparative assessment of urban and rural household behavior towards fresh red meat consumption in a case study in the eastern part of Turkey. The results showed that there were differences in the amount of meat consumed between rural and urban communities. Income had a significant effect on community meat consumption in both villages and cities.

According to Me-Nope (2014), food demand is determined by factors at the national (aggregate), intermediate, and household (micro) levels. Determinants of aggregate levels of food consumption include population, urbanization, per capita income, and overall lifestyle changes. Intermediate-level determinants include factors such as cultural changes that affect changes in tastes and preferences. Household-level factors include household economic and socio-demographic characteristics such as household composition (size, age, and gender), income level, and geographical location. Demand is determined by factors such as price, consumer income, population, sex, age, and

price of substitute goods (Kouekam, et al., 2018).

Consumption is the end of all production, and when thinking about consumption it is natural to start with the specifications of the agent's preference for different goods (Foellmi, 2005). Sweeney and Soutar (2001) stated that Sheth's model of consumption values is "the best reason to expand the construction of existing value preferences" providing broad coverage of various fields related to values. Consumption value theory explains consumer choice as a function of various consumption values (functional value, social value, and epistemic value), which offer a variety of influence preferences in the consumer's decision making (Norazah and Norbayah, 2015).

The categorical model of consumption value theory has five value types: functional, conditional, social, emotional and epistemic (Sheth et.al, 1991).

1. Functional value refers to utilitarian attributes or physical uses of the product that affect consumers' choices.
2. Social values are values that enable individuals to develop close relationships with the community or group. Often, this takes the form of a community group's preferences, and involves an individual's desire to be part of a community group.
3. Emotional value is associated with influencing feelings that are stimulated through the consumption of products or services. Emotional values are not only embedded in the product but also the atmosphere around the product, or the context in which the product is consumed.
4. Epistemic value is associated with customer curiosity or the need to learn and is often seen in the purchase of new products.
5. Conditional values are values that are influenced by situational factors (Sheth et al., 1991).

Government Regulation Number 69 of 1999 concerning Food Labels and Advertisements stated that halal food is food that does not contain elements or ingredients that are haram or prohibited for

consumption by Muslims. It concerns raw food materials, food additives, auxiliary materials and others, including food that is processed through genetic engineering and food irradiation, and whose management is carried out in accordance with Islamic religious law. Indonesia currently has a Law on Halal Product Guarantee (JPH). This law covers products related to food, beverages, medicines, cosmetics, chemical products, biological products, genetic engineering products and consumer goods that are used or utilized by the community. It means that all products of this type that enter, circulate, and trade within the territory of Indonesia must be certified as halal.

The Law of Halal Product Guarantee was approved by President Susilo Bambang Yudhoyono on October 17, 2014, in the form of Law no. 33 of 2014. Halal certificates and labels are not only a form of protection for domestic consumers, who will soon encounter the ASEAN Economic Community (AEC), but also an additional competitive feature for producers and exporters of Indonesian halal products in the international market.

The term halal in daily life is often used for food or drinks that are allowed to be consumed according to Islamic law. Whereas in the broad context the term halal refers to everything be it behavior, activities, or the modes of dress that are permitted by Islamic law (Qardhawi, 2017).

Islamic scholars explain that halal food must meet the following criteria (Wahyuni, 2013):

- a. Vegetable food in the form of plants, seeds, and fruits. As long as it does not endanger the body.
- b. Drinks such as water, milk (from animals whose meat may be eaten), coffee, chocolate.
- c. Animal food consisting of land and water animals. The law for land animals, both wild and tame, is halal, and it is forbidden by the sharia, as well as aquatic animals, in the most valid opinion, it is lawful except that which is dangerous.
- d. It does not consist of or contain ingredients

from animals which, for Muslims, are prohibited according to sharia law 'to eat it or not to be slaughtered according to sharia law.

- e. It does not contain materials that are unclean according to sharia law.
- f. It is not prepared or processed by using materials or equipment that are not free from impurity according to sharia law.
- g. In the process of procurement, processing and storage are not in contact with or close to materials that do not meet points a, b, and c or materials that are unclean according to sharia law.

In summary, the requirements of halal products according to Islam are that they are halal in essence, halal in the way they are obtained, halal during processing, halal in storage, halal in transportation, and halal in its presentation.

The hypotheses for this study were:

H1: Consumption value influences the use of packaged food products

H2: Halal labels strengthen the effect of consumption value on the use of packaged food products.

III. METHODOLOGY AND DATA

This quantitative study used is a survey method. Fink stated that a survey is a system for gathering information from people to describe, compare, or explain knowledge, attitudes, and behaviors (Sekaran and Bougie, 2016). Data collected by using the instrument is the respondent's answer to the statements related to the research variables.

The population in this study was people who shopped at the modern market in urban Lampung province in 2019. The primary research data were collected from the answer scores in the questionnaires, which were completed by the respondents. The questionnaire used a Likert scale with intervals of 1 to 5 and was distributed directly to the respondents, who had been selected based on certain criteria. The respondent was asked to answer the list of questions contained in the questionnaire.

The dependent variable in this study was the use of packaged food products. The independent variables used in the study were the consumption values (functional value, social value, emotional value, epistemic value, and conditional value) and the moderating variable was the presence of halal labels.

Since this study involved five independent variables, one dependent variable, and one moderation variable, moderating regression analysis was used. The analysis tested the effect of an independent variable X on dependent variable Y and whether the variable (XM) influences the relationship between variables X and Y.

IV. EMPIRICAL RESULTS

The validity and reliability of the items in the questionnaire are shown Table 2.

Table 2. The Test of Validity and Reliability

Variable	Item	Corrected Item-Total Correlation	Description	Cronbach's Alpha	Value
Functional Value	NFU 1	0.366	Valid	0.752	Reliable
	NFU 2	0.268	Valid		
	NFU 3	0.609	Valid		
	NFU 4	0.428	Valid		
	NFU 5	0.549	Valid		
	NFU 6	0.588	Valid		
	NFU 7	0.553	Valid		
Social Value	NSO 1	0.528	Valid	0.784	Reliable
	NSO 2	0.373	Valid		
	NSO 3	0.413	Valid		

	NSO 4	0.551	Valid		
	NSO 5	0.642	Valid		
	NSO 6	0.556	Valid		
	NSO 7	0.611	Valid		
	NSO 7	0.611	Valid		
Epistemic Value	NEP 1	0.473	Valid	0.794	Reliable
	NEP 2	0.561	Valid		
	NEP 3	0.698	Valid		
	NEP 4	0.554	Valid		
	NEP 5	0.616	Valid		
Conditional Value	NKO 1	0.496	Valid	0.681	Reliable
	NKO 2	0.609	Valid		
	NKO 3	0.504	Valid		
	NKO 4	0.336	Valid		
	NKO 5	0.292	Valid		
Emotional Value	NEM 1	0.484	Valid	0.812	Reliable
	NEM 2	0.525	Valid		
	NEM 3	0.650	Valid		
	NEM 4	0.627	Valid		
	NEM 5	0.488	Valid		
	NEM 6	0.632	Valid		
	NEM 7	0.609	Valid		
Use of Food Packaged Products	PPM 1	0.641	Valid	0.805	Reliable
	PPM 2	0.602	Valid		
	PPM 3	0.651	Valid		

	PPM 4	0.651	Valid		
	PPM 5	0.441	Valid		
Use of Food Packaged Products	LH1	0.393	Valid	0.652	Reliable
	LH2	0.475	Valid		
	LH3	0.372	Valid		
	LH4	0.491	Valid		

Table 2 shows that all items in the questionnaire had a corrected item-total Correlation value > 0.196 and hence were valid. Similarly, all research variables had Cronbach Alpha values > 0.600 and hence were reliable.

Table 3. Research Result

Variable	Coefficient	Account	Significance
LH → PPM	1.305	2.331	0.021
NFU → PPM	1.781	2.771	0.006
NFU*LH → PPM	-0.409	2.467	0.015
NSO → PPM	0.326	1.007	0.316
NSO*LH → PPM	-0.088	1.008	0.315
NEP → PPM	0.056	0.235	0.815
NEP*LH → PPM	0.028	0.442	0.659
NKO → PPM	-1.054	2.031	0.044
NKO*LH → PPM	0.314	2.336	0.021
NEM → PPM	0.821	1.336	0.184
NEM*LH → PPM	-0.161	0.997	0.321
R Square = 0.403		Adjusted R Square = 0.348	
F _{account} = 7.357		Significance = 0.000	

The results of the regression analysis gave an adjusted R2 value of 0.348, meaning that 34.80% of

the variation in the use of packaged food products was explained by the variation of the independent variables functional value, social value, emotional value, epistemic value, and conditional value, and the presence of a halal label as a moderating variable. These findings mean that 65.20% of the variation was the result other variables outside the model used in this study.

It was found that $NFU * LH \rightarrow PPM$ and $NKO * LH \rightarrow PPM$ were statistically significant as they both had significance values < 0.05 . It was concluded that the presence of a halal label was a moderating variable for the functional value and the conditional value. The other variables had significance values > 0.05 and it was concluded that the presence of a halal label was not a moderating variable for these variables.

The results of this study showed that consumption values had a statistically significant and positive effect on the use of packaged food products by urban communities in Lampung Province. Consumption value consists of five variables: functional, social, epistemic, conditional and emotional values, and these variables had a significant positive effect on the use of packaged food products. This means that if the value of consumption increases, the use of packaged food products by urban communities in Lampung Province will also increase.

These results are consistent with research by Goh, Suki, and Fam (2014), which found that functional value, emotional value, epistemic value, conditional value, and social value together influence the consumer's decisions. Consumption value in the form of functional value, epistemic value and emotional value showed a positive effect which means that if these three indicators increase, the use of halal labeled products will also increase. Consumption values are the best reason to expand the construction of existing values giving a broad scope of various fields related to value.

V. CONCLUSIONS AND MANAGERIAL IMPLICATIONS AND LIMITATIONS

The use of packaged food products was explained by the variation of the independent variables of consumption value (functional value, social value, emotional value, epistemic value, and conditional value) and the presence of halal labels as a moderating variable. It was found that 34.80% of the variation was explained these five independent variables. A halal label was a moderating variable for functional value and conditional value, but not the other three variables.

Conflicts of Interest: The authors declare no conflict of interest.

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