



# Risk assessment of halal products and services: Implication for tourism industry



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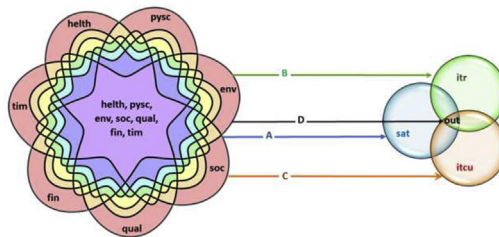
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## HIGHLIGHTS

- We explore causal models to formulate high and low desired responses of halal consumers.
- We investigate the effects of different risk types associated with halal items on the outcomes of the models.
- We identify the necessary risk conditions for achieving desired responses from halal consumers.
- We use complexity theory to explain the complexity of halal consumers' behavior.
- We provide guidelines for addressing the risks associated with halal items.

## GRAPHICAL ABSTRACT



Note: sat stands for satisfaction, itr is intention to recommend, itcu: continued intention to use, out: expected outcomes, helth: health risk, ppsc: psychological risk, env: environmental risk, soc: social risk, qual: quality risk, fin: financial risk, tim: time loss risk.

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## ABSTRACT

This empirical study entailed proposing conceptual models for investigating customers' satisfaction, their intention to recommend, and their continued intention to purchase and consume halal products and services. Complexity theory was used to support the developed models. The study applied a symmetrical analysis to investigate the risk factors that are sufficient for affecting the desired outcomes. An asymmetrical approach was used to explore the causal configurations that lead to both high and low outcomes scores. A necessary condition analysis was performed to identify the risk conditions required to achieve the expected outcomes. The models were tested using data collected on the perceptions of patrons at international halal restaurants in Malaysia. According to the results, the heterogeneous interactions of risk conditions support complexity theory. Policy implications for the status of the tourism industry and the Muslim world are discussed at the end of the paper.

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## 1. Introduction

Demands for halal products and services have increased with the development of tourism and the geographical mobility of tourists. The provision of halal items for travelers from the world's 52 Muslim countries would provide a competitive advantage for destinations targeting this segment of tourism (Henderson, 2016;

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Ryan, 2016). The halal market is recognized as a global market that is worth US\$580 billion a year. Previous research identified that “the Halal food industry [is] pegged to grow at a rate of 7 percent annually” (Shah Alam & Mohamed Sayuti, 2011, p. 9). The supply of halal products and services (hereafter halal items) has created new opportunities for the expansion of the hospitality and tourism industry. Non-Muslim tourists—especially those who are seeking a health-conscious lifestyle and those who are socially aware of other cultures and societies—also purchase halal items, which makes this niche market a flourishing sector of the tourism industry (Stephenson, 2014).

In many circumstances, such as online shopping, customers perceive several types of risk (Tieman, 2011; Wilson & Liu, 2010). Similarly, in the purchase of halal items, several complex religious, cultural, and social factors must be taken into account. As Tieman (2011) concluded, the supply of halal items, based on the consumer's perception, is a complex matter because of the variety of Islamic cultures, Islamic schools of thought, local *fatwas*, and local customs. This complexity increases in multicultural societies, such as Malaysia, where there are diverse religions and ethnicities. In other words, individuals might perceive low levels of risk in the purchase and consumption of halal items in countries where there is a Muslim majority, such as Saudi Arabia and Pakistan. These major Muslim countries are not as religiously and ethnically diverse as Malaysia is (Muhammad, Isa, & Kifli, 2009), because their legal systems are entirely based on *Shariah* (i.e., Islamic law) (Jafari & Scott, 2014).

The association between perceived risk, attitude, and the behavioral responses of customers has been identified in the tourism literature (e.g., Olya & Altinay, 2016; Quintal, Lee, & Soutar, 2010; Reisinger & Mavondo, 2005; Tangeland, Vennesland, & Nybakk, 2013; Tavitiyaman & Qu, 2013; Yüksel & Yüksel, 2007) and the marketing literature (e.g., Belanche, Casaló, & Guinaliú, 2012; Currás-Pérez, Ruiz-Mafé, & Sanz-Blas, 2013; Lu, Hsu, & Hsu, 2005; Mitchell & Greatorex, 1993; Park, Lennon, & Stoel, 2005; Rogers & Gould, 2015). The ability to manage the potential risk of using a product or service was found to boost the customer's trust, satisfaction, and loyalty, which ensures the profitability of a business (Aldas-Manzano, Ruiz-mafé, Sanz-Blas, & Lassala-Navarre, 2011). Several scholars have modeled the attitudes and behavior of halal consumers in a global market of 1.6 billion people (Jafari & Scott, 2014; Tieman, 2011; Wilson & Liu, 2010). Considering the complexity of the halal phenomenon, it is worthwhile to assess the risks in the purchase and consumption of halal items. This empirical study was intended to fill this gap in the research by answering the following questions: What risk factors (i.e., sufficient conditions) affect the positive attitudes and behavioral intentions of halal consumers? What pattern of risks offers causal configurations that are sufficient to indicate desirable attitudes, undesirable attitudes, and behavioral intentions of halal consumers? What type of risks are necessary conditions for achieving the desired responses of halal consumers?

The aim of this empirical study was to advance the theory and methodology of modeling consumer behavior by conducting a risk assessment of halal items in a multicultural society. The outcomes of this study are intended to provide helpful guidelines for both Muslim and non-Muslim tourist destinations to mitigate the types and patterns of risks associated with halal items. The study applied complexity theory as the framework of the research model. The study also used systematic and innovative analytical approaches, including structural equation modeling (SEM), fuzzy set qualitative comparative analysis (fsQCA), and necessary condition analysis (NCA), to investigate significant sufficient risks, sufficient configurations of various risk types, the risks necessary to predict satisfaction, the intention to recommend, and the continued intention

to use halal items. Furthermore, the results of this study provide new insights into the complex configurations of the risk conditions that lead to unexpected altitudinal and behavioral responses (i.e., dissatisfaction, low intention to recommend, and low continued intention to use) of halal consumers. The results also provide evidence of the fit validity of the measurement and research models as well as predictive validity of the proposed configurational model.

## 2. Theoretical background

### 2.1. What do halal and haram mean?

Halal is an Arabic word used in the Quran, and “it is defined as things or actions permitted by the *Shariah* (Islamic law). In other words, Halal is an object or an action which is permitted or lawful to be used or taken, according to the Islamic law” (Ali et al., 2017, p. 527). The opposite of halal is *haram*, which means prohibited, unlawful, or illegal (Ali et al., 2017; Jafari & Scott, 2014). Tieman (2011) stated that *haram* items include the flesh of swine, blood, carrion, and intoxicants that are not fit for consumption. The designation of halal or *haram* must be applied to each object and action. According to *Shariah*, this designation “provides guidance for all aspects of life” (Jafari & Scott, 2014, p. 4). Annabi, Husein, Hassan, and Nasir (2017) reported that to be safe and aware of impurities, individuals must follow the instructions regarding what is halal and *haram* in the Quran and the *Sunnah* (i.e., the prophetic tradition). According to the *Sunnah*, people must consider what is halal and *haram* in order to safeguard their religion and honor (Annabi et al., 2017; Tieman, 2011). According to Tieman (2011), the individual perceives the risk of consumption and avoids products that are doubtful and questionable.

### 2.2. Risks of halal items

The direct contact between halal items and *haram* products carries the potential risk of contamination, which is an important concern and must be avoided by consumers (Tieman, Ghazali, & Van Der Vorst, 2013; Yaacob, Jaafar, & Rahman, 2016). Consumers also perceive the risk of the purchase and consumption of halal items (Tieman, 2011). According to Lu et al. (2005, p. 109), “Consumer researchers define perceived risk as a consumer's perceptions of the uncertainty and adverse consequences associated with buying a product (or service).” Mai (2001, p. 36) stated that “a bad purchase decision could result in risks such as (a) financial risk, (b) performance risk, (c) social risk, (d) physical risk, (e) psychological risk, (f) time-loss risk, and (g) opportunity risk.” Radzi, Saidon, and Ghani (2016) identified major risks in halal food supply management: production risk, purchase price risk, halal compliance risk, demand risk, and procurement risk. Japanese companies in Malaysia have perceived these risks. Fuseini, Wotton, Knowles, and Hadley (2017) highlighted the importance of the safety and health risks of halal food in response to the discovery of *haram* ingredients in the United Kingdom, which caused Muslim consumers a great deal of panic and distress. Halal consumers may perceive environmental risk, quality risk, and health risk because of the possible contamination of halal products and direct contact between, and mixture of, halal products and forbidden *haram* ingredients. Consumers may also perceive psychological risks and social risks due to the doubtful contents of halal items because they have been advised to avoid the consumption of *haram* items in order to safeguard their religion and honor. In addition, Bonne and Verbeke (2006) and Bonne, Vermeir, Bergeaud-Blackler, and Verbeke (2007) reported that because consumers might need to spend increased time and effort in finding, purchasing, and consuming halal items, they would perceive time-loss and financial risks.

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