STUDY OF PRODUCT QUALITY ASPECTS, PRICES AND HALAL LABELS ON THE PURCHASE DECISION OF HPAI HERBAL PRODUCTS

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Abstract: *For reasons of protecting Indonesian Muslim consumers, the Government has regulated the guarantee of halal products by including Halal Labels on each product packaging. However, only 10% of the products on the market have included the Halal Label. Indonesian society, which is predominantly Muslim and reaches 229 million people, should be a potential market for products labeled Halal. There are a number of companies that specifically only market halal products and make the Halal label and product quality as an underdog factor. This study reveals how the influence of product quality, price and Halal label on consumer decisions to buy HPAI products that specifically market Halal products. Based on the formula Lemeshow, the respondents were determined as 96 people from consumers who use HPAI products in Indonesia. The regression analysis conducted shows that product quality and halal labels each influence purchasing decisions, while price does not have a significant effect. This shows that the strategy for product quality and Halal labels implemented by HPAI is correct, so it needs to be maximized as well as a reference for other Halal product manufacturers in increasing their marketing. Because the level of competition between similar products is not too tight, then the price is not a determining factor in the decision. However, price remains a sensitive factor when the level of competition is already high.*

Keywords: *Product Quality, Price, Halal Label and Purchase Decision.*

1. Introduction

According to World Population Review data, Indonesia's Muslim population in 2021 will reach 229 million or 87.2% of the total population of 273.5 million. This is an opportunity for the marketing of halal products in the midst of the proliferation of circulating products that contain ingredients or components that are haram for Muslims. The certainty of halal products in the Muslim community is a necessity. Products that are needed by the Muslim community must not conflict with the religion, beliefs and culture of the community (Warto & Samsuri, 2020). Based on the Law number 33 of 2014 it is emphasized that the state is obliged to provide protection and guarantees regarding the halalness of products consumed and used by the public. In line with this in the market, there are currently available products labeled as halal, although not all products circulating are guaranteed to be halal. Only products labeled as halal are obtained with certain procedures where the Indonesian Ulema Council through LPPOM MUI issues halal certificates that are guaranteed to be halal. In this case, the Muslim community in

Indonesia has protected their interests to get halal products. However, how people behave in choosing the products to be consumed is very dependent on the community itself.

Facts on the market today are still many products that do not have a halal certificate. The latest data confirms that the number of halal-certified products has only reached 10% or 688,615 products and 90% of the products in circulation are still not guaranteed to be halal (Bisnis.com). This means that the Indonesian people have not been able to freely and immediately obtain products that are guaranteed to be halal. On the other hand, for various reasons, there have been a number of companies that specialize in producing and distributing only halal products. One such company is PT Herba Penawar Alwahida Indonesia (HPAI). This company chooses the multi-level marketing (MLM) marketing channel by carrying the slogan of Halal Network Business (Harahap & Ramadhani, 2019).

Marketing distribution with a tiered network, certain the distribution channel becomes long, because it involves a number of links with the consequence that the profit margin of each product becomes larger so that the final price of the product at the end user becomes relatively high. However, this marketing pattern does not require large promotional costs considering that promotional activities are carried out directly by members involved in the marketing chain. Factors that are highlighted in the marketing activities of this product are quality and halal products. Each member uses these two factors to reach buyers in addition to the opportunity to earn income by becoming a member in the marketing network.

Product and price factors are among the variables that influence consumer purchasing decisions (Schiffman & Kanuk, 2010). A number of previous researchers have proven the theory that product and price variables are variables that influence consumer decisions to buy a product. While brand equity is something that can increase consumer confidence in making purchasing decisions for a product (Aaker, 1991). Halal labels that are highlighted as a symbol of product uniqueness in companies that carry sharia-compliant products in this case carry out the role of brand equity. It is further proven that sharia labels that describe the halalness of products can influence consumer purchasing decisions (Asraf et al., 2017).

This research conducted in West Pasaman Regency, which is predominantly Muslim, to see how far the influence of the halal label, product quality and price on the consumer's decision to buy HPAI products. Considering from the observations that have been made, it turns out that quite a lot of people are buying motives only as product users. Even though they are joined as members, most of them are not active and only as users. Therefore, the respondents who were studied were only those who were motivated by product users so that the desire variable as a member was not included in this study. This study only wants to find out how the influence of halal label, product quality and price on purchasing decisions for HPAI products where marketing activities are carried out with a multi-level marketing system with the product characteristics highlighted are halal and of high quality.

2. Literature Review

Purchasing decision is a decision process made by consumers regarding the product to be purchased (Kotler & Keller, 2017). According to Schifman and Kanuk (2008) the purchase decision is a person's decision where he chooses one of several alternative options available. Whereas, purchasing decision from consumers can be influenced by a person's psychological factors, namely motivation, perception, learning, beliefs and attitudes (Kotler, 2005).

Product is anything that can be offered to a market to satisfy a want or need, including

physical goods, services, experiences, events, people, places, property, organizations, information and ideas (Kotler & Keller, 2017). Product attributes are product elements that are considered important by consumers and which are used as the basis for making product purchasing decisions (Tjiptono, 2008). This attribute can stimulate the psychological factors of consumers so that it leads to the birth of behavior and decisions to choose and buy a product.

Price is the size of monetary or other units submitted to obtain ownership rights or use of goods and services so as to lead to consumer satisfaction (Alma, 2018). While the element of the Marketing Mix that generates revenue from the sale of a product is the price (Sofyan, 2014). Prices can influence consumer decisions in making purchases, the higher the price, the lower the purchase decision. On the other hand, if the price is low, the purchase decision will be higher (Kotler & Armstrong, 2012).

Idea of the Halal labels have a purpose to meet the demands of the market (consumers), especially the Muslim community. On the other hand, it is the responsibility of the State to provide products that are in accordance with the demands of the faith of its citizens who are Muslim as a form of protection for citizens. The halal label is a guarantee of the halalness of a product and for Muslims it can influence purchasing decisions for products that have the halal label (Putri & Bulan, 2016).

A number of researchers found that product quality is a variable that affects the purchase of halal products. The decision to purchase Muslim fashion products in the city of Malang is also proven to be influenced by the quality of the products marketed (Alim et al., 2018). Meanwhile, consumers of wardah halal products in the city of Bangkalan, Madura, making purchasing decisions are also influenced by product quality (Habibah & Sumiati, 2016). Tea Racek products which also carry the halal label are also chosen by consumers because of product quality factors (Andriansyah et al., 2016).

Testing of Muslim consumers in the city of Medan in choosing halal products is still quite large due to price considerations (Alfian & Marpaung, 2017). Meanwhile, the purchase of Instant Noodle products that are labeled halal in Lhoksumawe is also influenced by the price factor (Ismaulina et al., 2020). In the city of Bangkalan, Madura, the decision to buy Wardah halal products is still influenced by the price factor (Habibah & Sumiati, 2016).

The Halal Label factor greatly influences the purchasing decisions of Halal restaurant customers in Bandung, but this is mediated by the religiosity variable. It can be said that the religiosity factor is a strong reason why the halal label is a factor that determines the intended purchase decision (Desmayonda & Trenggana, 2019). In the city of Malang, the choice of Muslim fashion products that are claimed to be Islamic or halal products is a factor that influences their purchasing decisions (Alim et al., 2018). Meanwhile, in Kuala Simpang Aceh, sausage purchasing decisions are strongly influenced by the inclusion of the halal label (Putri & Bulan, 2016).

Based on the theories described above about the influence of each variable on product quality, price and halal label as well as support for research results, there is a strong argument for establishing the model in this study as follows:
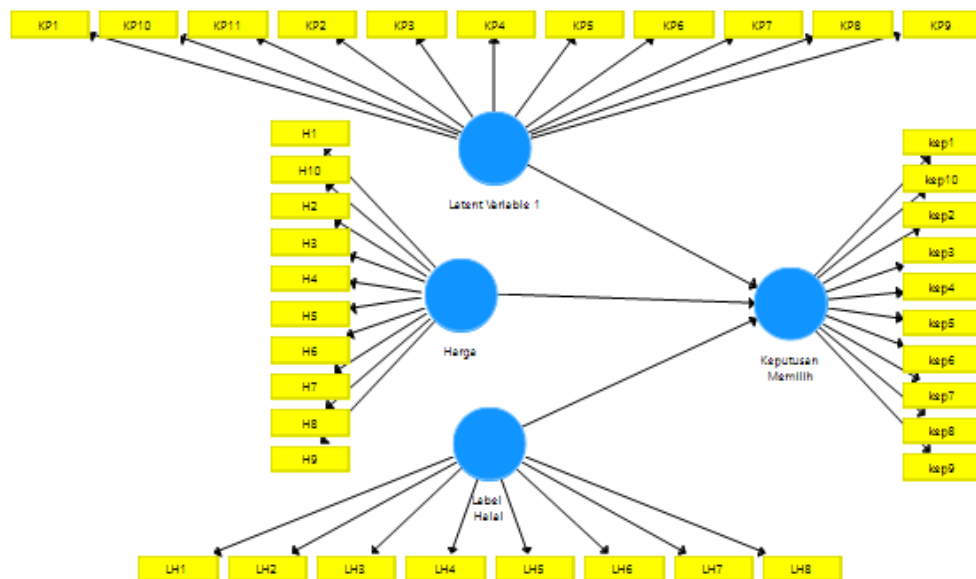
Figure :1 Research Model

From this model, the hypothesis to be proven in this study is: is :

H1 : Product quality is suspected to have a positive and significant effect on purchasing decisions for HPAI products

H2 : Price is suspected to have a positive and significant effect on purchasing decisions for HPAI products.

H3 : Halal label is suspected to have a positive and significant effect on purchasing decisions for HPAI products.

3. Research Method

This study uses the associative method to see how the variables of product quality, price and halal label influence the consumer's decision to purchase HPAI products. Associative methodis a method that aims to determine the causal relationship between a variable and other variables through a test with statistical calculations (Sugiyono, 2017).

The population in this study are HPAI consumers and members who are not active in the sense of being HPAI members for the purpose of only buying their products. Because the population is unknown, the number of samples is determined by a non-probability technique where the respondents are taken based on incidentals to HPAI consumers.The number of samples is determined using the Lemeshow formula, which is 96 people (Stanley Lemeshow et al., 1997)

Primary data collection uses a questionnaire containing statements related to the identity of the respondents, product quality variables, prices, halal labels and purchasing decisions. Quantitative measurement of variables was carried out using a Likert scale consisting of 5 weights. The number 1 represents the answer strongly disagrees, 2 represents the answer

disagrees, 3 represents a neutral attitude, 4 represents the answer agrees and 5 represents the answer strongly agrees. Data processing and analysis techniques using Smart-PLS 3.2.8.

The concept of product quality in this study is the quality of the products distributed by PT Herba Penawar Alwahida Indonesia (HPAI), while price is the end user price that must be paid by the end consumer. Halal label is a halal symbol affixed to each product unit which is intended as a feature that strengthens the brand as well as to convince consumers that the products marketed by HPAI are guaranteed halal. Purchasing decisions are the process by which consumers make decisions to buy HPAI products.

4. Results and Discussion

4.1. Results

Data that has been collected, processed and analyzed according to the purpose of this study using the Smart PLS application. The tests carried out include *Evaluation of Measurement Model* and Evaluation of Structural Models. The following figure shows the conditions after testing.
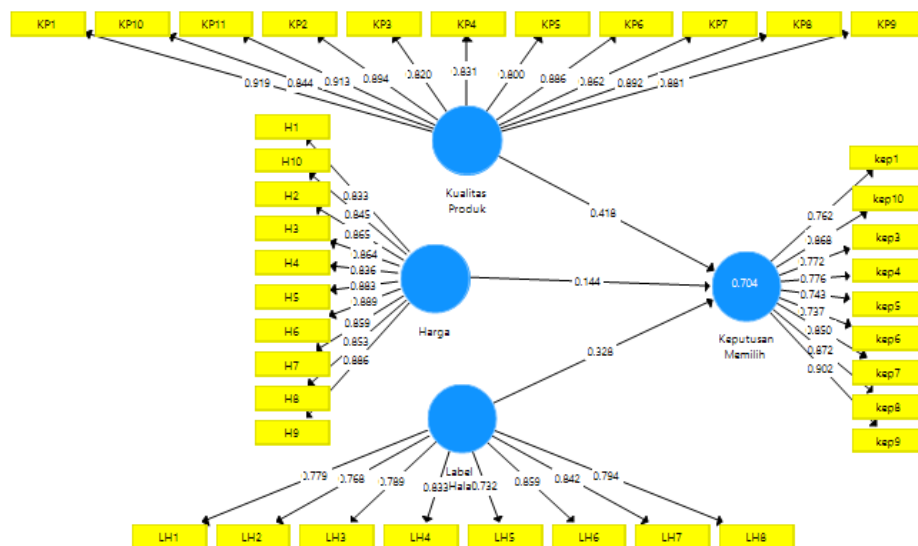
Source: Processed data (2021)
Figure :2 Test Results with Smart PLS

Evaluation of Measurement Model

Evaluation of Measurement Model consists of Convergent Validity and Discriminant Validity. Convergent Validity consists of Loading Factor and Average Variance Extracted (AVE). While Discriminant Validity consists of Fornerll Larcker Criterion or HTMT and Cross Loading.

From the tests carried out for the loading factor value with a cut off value of 0,7, several invalid latent variables have been eliminated and must be discarded so that only the valid ones are used in measuring the variables of this study. While the value of Average Variance Extracted (AVE) with a cut off of 0.5 shows that all are above the cut off value.

Discriminant Validity as seen from the Fornel Larcker and Cross Loading values shows that both Fornel Larcker and Cross Loading have shown results that meet the requirements of the discriminant validity test.

As for Composite Reliability and Cronbach's Alpha with a cut off of 0.7, all values from both types of tests showed reliable values. Meanwhile, the Collinearity Statistics (VIF) which looks at the Inner VIF Values does not show any collinearity problems.

Evaluation of Structural Model

The contribution of all independent variables in this study which includes product quality, price and halal label on the dependent variable, namely the decision to purchase HPAI products, shows an R Square value of 0.704 or 70.4%.

Hypothesis test results can be explained by the following table which shows that product quality has a positive and significant effect on purchasing decisions for HPAI products with a regression coefficient value of 0.418 and a significance level of 0.023 (<0.05). In addition, the Halal label also has a positive and significant effect on purchasing decisions for HPAI products with a regression coefficient value of 0.328 and a significance level of 0.016 (<0.05). While the price has no significant effect on purchasing decisions for HPAI products where the significance level reaches 0.335 (> 0.05).

Table 1 : Results of Hypothesis Testing

	Original Sample	T-Statistics	P Values
Price -> Purchasing Decision	0.144	0.965	0.335
Quality of Product -> Purchasing Decision	0.418	2.283	0.023
Halal Label -> Purchasing Decision	0.328	2.419	0.016

Source: Processed data (2021)

Furthermore, to see how well the observations made are seen from Predictive Relevance. From the test, it can be seen that the Q^2 number is 0,442. If the value is above 0, then the observations made are said to be good. Meanwhile, to see the Fit Model seen from the NFI value, it shows the number 0,662 which means the fit level of this research model is 66,2%.

4.2. Discussion

The results of this study revealed that the product quality of the goods marketed by PT. HPAI has a positive and significant effect on consumer purchasing decisions with a coefficient of 0,418 and a significance value of 0,023. This shows that product quality for the herbal products offered is a factor that plays a major role in influencing people to buy this type of product. Herbal products are generally closely related to health so that the quality of the product is the dominant factor for people who buy it because the quality of the product is seen as parallel to the level of efficacy of the product in health solutions.

For Muslim communities who buy herbal products, it turns out that the halal label is also a determining factor in purchasing decisions. The rules of halal and good in the teachings of Islam as a benchmark in consuming products are actually followed by the consumer community of PT. HPAI. This is revealed from the results of this study which shows that the halal label variable

has a positive and significant effect on consumer purchasing decisions with a regression coefficient of 0,328 and a significance value of 0,016.

For consumers of PT. HPAI shows that product quality and halal assurance are the two determining factors in making purchasing decisions. When these two factors have been met, the price factor is no longer a problem as long as the price is still affordable. When compared with other similar products, the products of PT. HPAI is relatively more expensive but still within affordable limits. This price difference, which is even more expensive, does not affect consumer purchasing decisions. This can be seen from the results of the study which showed that the price variable had no significant effect on consumer purchasing decisions where the significance value was at 0,335 or greater than 0,05.

The results of this study have implications that PT. HPAI and manufacturers of similar goods must seriously consider the factors of product quality and halal assurance considering that these two factors are two variables that have a significant effect on consumer purchasing decisions. However, further research still needs to be done to find other variables that have not been studied in this study but also have a significant effect on consumer purchasing decisions. This is because the contribution of all the variables studied here, namely product quality, price and halal label, only amounted to 69,6%, which means that there are still 30,4% of variables that have not been studied which influence the consumer purchasing decisions on PT. HPAI.

5. Conclusion

From the results of this study, it was revealed that product quality had a positive and significant effect on product purchase decisions at PT. HPAI with a regression coefficient of 0,418 and a significance value of 0,023. This shows that in consumer perception, herbal products that are closely related to health problems must really be able to guarantee their quality and efficacy. In addition, the halal label which is a characteristic and symbol of the uniqueness of the products marketed also has a positive and significant influence with a regression coefficient of 0,328 and a significance value of 0,016. This also proves that Muslim consumers feel it is important to ensure that the products they consume are halal. It can also be interpreted that the value of customer religiosity contributes to consumer behavior based on the rules of religious belief that the goods consumed must be halal and good. While the price variable is proven to have no significant effect on purchasing decisions because the main factors that influence consumer decisions for herbal goods based on the results of this study are product quality and halal labels. As far as the price level is still affordable by consumers, it turns out that it is not a problem for consumers to get herbal products.

Suggestion

In order to improve purchase decision of herbal products, the following things need to be considered:
1. Manufacturers of herbal products and halal labels are recommended to maximize product quality factors and further popularize halal labels on each of their products.
2. Given the contribution of the variables studied here in influencing new purchasing decisions of 70.4%, it means that there are still a number of other variables that also influence. For this reason, it is recommended to conduct further research that examines the influence of these other variables which theoretically affect purchasing decisions.

3. To the manufacturer of herbal products are advised to produce halal products and take care of legality so that halal labels can be included on each product.

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