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**JE - 18, Gupta Colony, Khirki Extn,  
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**E- Mail: [info@enrichedpublication.com](mailto:info@enrichedpublication.com)**

**Phone :- +91-8877340707**

# Journal of Marketing Strategy

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# Journal of Marketing Strategy

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# SOCIAL MEDIA MARKETING AND CONSUMER PURCHASE INTENTION – A PHENOMENOLOGICAL STUDY ON WOMEN FASHION APPAREL IN KARACHI

Sanaa Hafeez Sheikh<sup>1</sup>, Sundas Rauf<sup>2</sup>, Ayman Taj<sup>3</sup>, and Asadullah Lakho<sup>4\*</sup>

## ABSTRACT

*This study aims to add to the existing knowledge of the key components of social media marketing and their influence on client buying intent. Following a detailed examination of the relevant literature, six primary criteria (Social influence, Informativeness, Perceived risk, Product Evaluation, Informativeness, and Behavioral Responses) emerged as major predictors of purchase intention. The procedure for the research was inductive, as it required interviewing and observing. This study is exploratory qualitative research based on a phenomenology study. Through in-depth semi-structured interviews, the individual experiences were evaluated to understand how social media marketing affected their purchase intent, leading to a purchase decision. With the participation of interview subjects, novel themes, and connections were built and validated in qualitative research. The target population for this research was females from all walks of life who use social media and indulge in purchasing fashion apparel while following the fashion trends on social networking websites. According to the qualitative-focused interviews, Social Influence, Informativeness, Perceived Risk, Product Evaluation, Informativeness, and Behavioral Responses affected women's fashion apparel purchasing intentions. In conclusion, there is a considerable link between social media advertising and customer purchase intent. The generalizability of the research findings is constrained since this article is qualitative. Furthermore, the social media advertisement's impact on consumer purchase intention only looked at women's fashion apparel in Karachi. This field can be further explored by examining the concept in various cities. This paper presented many aspects that can be verified using a quantitative method. As a result, this study adds to the body of information on factors influencing purchasing intent, which leads to actual purchase decisions.*

**Keywords:** Social Media Marketing; Perceived Risk; Purchase Intention.

## INTRODUCTION

Since the 1970s, technology has advanced; in 1979, UseNet allowed people to connect via a simulated circular. By 1980, Computers for home use were becoming more common, and social media was getting innovative. Internet chat rooms, or Internet Relay Chat (IRCs), were first used in the 1988s, and they continued to be more popular well into the '90s. In 1997, the leading social media website, Six Degrees, was launched. It allowed users to create and upload profiles, develop their social circle, and be friends with other users. In 1999, the first blogging websites developed became more famous, creating a social-media awareness that is still prevalent. From this point onwards, social media started its journey to further acceptance and recognition. Websites including MySpace, Photobucket, Flickr, and LinkedIn became very popular in the beginning years of 2000 and then the advent of YouTube in 2005, a free video sharing website that made it highly convenient and easy to watch as well as upload free online videos. To add to the popularity of social media websites, Facebook and Twitter were accessible to internet users globally, followed by Tumblr, Spotify, and Pinterest, further making it easy for consumers to get linked together and form a global village. To date, we are all surrounded by a network of an increasing number of social networking websites while creating a wellconnected environment and settings allowing various users to connect without even disturbing each other's privacy (Hendricks, 2021).

Consumers are now switching away from conventional and old-fashioned media for up-to-date information searches on social media websites (Mangold & Faulds, 2009). Unlike traditional media, social media encourages people to post, partake in, and generate private, semi-private, and officially released multi-modal content through a network of friends, fans, and users (Yeo et al., 2020). A new beginning of revolutionary, two-way, multidimensional, and peer-to-peer communication has taken over the world of socializing with the help of social media (Berthon, Pitt & Campbell, 2008). Corporations are no longer playing the role of providing exclusive brand communication; instead, social media platforms like Facebook, Twitter, Instagram, and so forth have provided consumers with a break to better and more reliable correspondence (Kautish et al., 2022; Li & Bernoff, 2010). No doubt that the old-fashioned and conventional marketing communication methods that the brand/marketing executives earlier controlled are now run by the customers themselves in new ways. Any web material intended to convince social networking platforms that enable Internet users to browse, share, link, and co-create content is considered social media advertising. Tax, possession, and purchase are the three types of participation in social media ads (Yeo, Tan, Lim, Leong, & Leong, 2020).

Social media has played a substantial role in helping marketers reach their consumers while penetrating the lives of millions of people globally (Thein, 2022; Irshad & Ahmad, 2019). YouTube, Twitter, Facebook, Pinterest, Snapchat, Instagram, etc., come under the social media platforms and have earned high-level recognition from 3.196 billion users globally (Irshad & Ahmad, 2019). Today's consumers devote a significant amount of their time to using social media. In 2019, the average time spent on social media was projected as 144 minutes per day compared to 60 minutes a day in 2012.

In 2019, \$90 billion was spent on social media advertising, showing how marketers pay attention to it. Social media has infiltrated our lives greatly, whether it is the consumer or the marketer. Two or more social media channels have been used by approximately 91% of retailers and 81% of SMEs have used social media to promote their brands (Brandwatch, 2019).

In 2020, 3.88 million people worldwide were using social media, which is almost more than half of the world's population, and it has been increasing every second (Broadbandsearch, 2021).

In this era, (eWoM) has become a very famous and powerful tool for promoting products/services. Consumers are starting to use the gradually growing eWoM (for example, blogs, and vlogs) to share their opinions on products and services. Organizations use eWoM to target customers and spend a significant amount selling their products. eWoM is also an essential tool for building relationships between consumers and organizations.

Social media, including online video networks, social games, community networking, message boards, polls, websites, and microblogs, dominate today's internet society. About 70% of Facebook users regularly participate, and more than 80% of Americans use social networking sites at least once a month. Social media has evolved into a vital medium that closely resembles advertisement and marketing communications in terms of publicity. Internet ad revenue hit \$121 billion in 2014, and it is projected to rise at the highest rate of all media platforms in 2015. Organizations have been advertising on social media sites (such as Facebook) since 2009, and their social media marketing budgets are continuing to expand. Building brand recognition on a platform of 1.39 billion users is essential. However, many advertisers are unsure whether people can see and click on their advertising and if that notice will lead to a buy (Zhang & Mao, 2015).

As mentioned earlier, the essence of conversations on social media sites has evolved dramatically, thanks to a wide variety of users, including families, employers, associates, group organizations, and governments. In commerce, entertainment, politics, and education, social media platforms provide new space and platforms for people to communicate, discover, and perceive new topics. Anybody from anywhere can exchange information, thoughts, products, and services (Yeo et al., 2020).

Social media ads have gotten much attention on social networks. This type of social media-based word of mouth can assist customers in making buying decisions. Customers' sales of goods and services on the Internet are exponentially increasing, according to research. As a result, businesses, organizations, developers, and retailers are beginning to study and consider using social media channels to draw consumers and purchase goods and services while still building strong brand partnerships with customers worldwide (Alalwan et al., 2017).



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Advertisers can pay for social media platforms by displaying ads, endorsing advertising, and sharing behavioral expectations with consumers through different apps and plug-ins on Facebook, Twitter, YouTube, and Instagram. On the other hand, advertisers are most likely to employ an offline involvement or participation approach, in which businesses deliver content to their web followers directly (Yeo et al., 2022). Marketers also use earned social media, which are cases where users engage in content linked to the brand/service through word-of-mouth (WOM) or user-generated content (UGC) (Yeo et al., 2020). UGC is User Generated Content, which can range from images to videos, texts, or even audio, and is uploaded by users on social media websites. It is content or information from the consumers about various products or services or the firms or providers and not created by the marketers themselves. The marketers use them to speak on their behalf, invest in them, portray them as their brand ambassadors, and play the role of social media influencers while socializing on their social networks.

With the advent of social media and Web 2.0, there has been a shift away from product-oriented networks, popular in e-commerce, and into highly customer-oriented platforms. Web 2.0 is the movement that marks the transition from a web where the users were accessing the data (web 1.0) to a web that was more interactive and dynamic. S-commerce is an evolution of ecommerce utilizing Web 2.0 technologies and social media platforms while incorporating the SNS, facilitating the factions to work together (Zhang & Benyoucef, 2016). Therefore scommerce could be described as "a special kind of e-commerce that incorporates interactions in a social environment such as Facebook or Instagram" (Sturiale & Scuderi, 2013).

Today's consumer is surrounded by different types of social media platforms known as ecommerce, and it is rapidly increasing its presence in every area of life and daily routines.

Therefore, it is essential to explore what they feel about social media advertising and how it impacts their purchase intention leading to the actual purchase, especially when it comes to the fashion apparel industry of Karachi, Pakistan.

## Research Gap

Much research has been performed in social media marketing, but there are still research gaps. Marketers are still unclear about how social media impacts consumers' attitudes and purchase decisions, leading to the consumer purchase decision. Another gap is that the impact of eWOM has not been explored on the consumers' purchase intent, along with the effect of other factors that may have played a role in the popularity of social media, like consumer trust in social networking websites, performance expectancy of products presented, hedonic motivation of the consumers, level of interactivity.

## PROBLEM STATEMENT

With the rise in prevalence of social networking and social media platforms, consumers are bombarded with positive eWOM every time they log into a social media website, without even knowing they make purchase decisions which usually end up in actual purchase decisions. It is essential to explore the factors that play a positive role in convincing consumers to take the journey from intention to actual action.

## OBJECTIVES OF THE STUDY

The research Objective that has been developed based on the above discussion is:

- Exploring the relationship between Social Media Marketing and Consumer Purchase Intention regarding women's fashion apparel in Karachi, Pakistan.

This research will help determine the factors that strongly affect a customer's purchase intent by advertising on social media in the women's fashion apparel industry in Karachi, Pakistan.

## **RESEARCH QUESTIONS**

Based on the Research Objective, the following objectives were formulated for this research.

- R1. How does social media advertising impact consumer purchase decisions?*
- R2. What is the impact of eWOM on Consumer Purchase Intention?*
- R3. What is the impact of product evaluation on Consumer Purchase Intention?*
- R4. Which factors play a role in the consumers' purchase intention?*

## **LITERATURE REVIEW**

### **Social Media**

Nowadays, social media is such an integral aspect of daily life, and everything is done online. In the world of social media, the younger generation sets the pace. They are more adept at learning emerging technologies and conventions. For example, the social media network Snapchat has over 100 million members, yet just 14% of them are over 35 years old (Snapchat, 2015). Consumers are subjected to various promotional formats on social media, including banner advertisements, brand accounts, and promoted posts (Irshad & Ahmad, 2019). Social networking is also used as a forum for electronic commerce events and these modes of marketing (Han, Xu, & Chen, 2018). It is widely accepted that social media marketing is rising in popularity and is in developed Western countries and developing Asian countries like Pakistan (SBP, 2018).

### **Social Media Marketing**

Social media marketing uses Social Networking Marketing Sites (SNM) to promote a product or service. Scholars define SNM as "a network of relationships within a group of people, often serving as a conduit for disseminating knowledge, ideas, and power among the participants" (Kempe, Kleinberg, & Tardos, 2003). Many internet SNM platforms allow for online networking, enabling individual channels to share thoughts, activities, events, and interests. Since participants repeat the information on SNM, these

resources serve as word-of-mouth (Zhaveri, 2013). Electronic word-of-mouth marketing (eWOM) promotes and enables consumers' sharing of positive opinions about products/services, businesses, or brands (Jummani & Shaikh, 2019), while also enabling the consumers to send advertising materials to relatives and friends via SNM pages. Because of its cost-effective management, enterprises are embracing viral marketing tactics (Gunawan & Huarng, 2015).

### **Perceived Informativeness**

The significance of social media advertising in foreseeing consumer's perceptions, insights, and reactions cannot be ignored. The increased interest by marketing researchers is thus leading to studies on social media marketing-related topics. Research conducted by Logan et al. (2012) showed that social media and television advertising are influenced by perceived entertainment and informativeness. At the same time, it was also noticed that there is also an association between perceived values and consumer's attitudes towards social media advertising (Logan, et al., 2012). Alalwan et al. (2017) asserted that social-media advertising, with a range amount of informativeness, will become realized as more valuable & well-organized from the shopper's perspective. Things measured, the level of informativeness that occurs in social media website advertisements can allow online shoppers to have improved buying performance & can accordingly raise intention to buy.

### **Theory of Reasoned Action**

The Theory of Reasoned Action suggests that behavioral motive or intention is the primary reason for any specific behavior referring to a person's desire to do something (Ajzen, 205; 1980). In essence, behavioral intention is dictated by attitude and subjective norms, each of which can be the most significant determinant of any given action. While attitude is how a person evaluates favorable or unfavorable actions, the norm is how a person considers what others believe a person should do or the social pressures for performing or not performing an action (Trafimow, 2009). As a knowledge provider, peer contact between buyers has a significant impact on buyers' decision-making (Smith, Menon, & Sivakumar, 2005).

Consumers learn expectations and purchase intentions in SNM environments through written messages sent by peers. Similarly, in terms of technological adoption, subjective norm applies to social conventions in terms of external impact (Bhattacharjee & Sanford, 2006).

### **Viral Marketing**

More frequently than not, customers' buying intentions are highly impacted by word-of-mouth (Kenyon & Sen, 2012). However, this word of mouth is negative or positive. Consumers' electronic word-of-mouth on SNM pages is referred to as viral marketing. It spreads like a virus, taking advantage of

multiplication to reach thousands if not millions, of people (Vilpponen, Winter & Sundqvist, 2006). Research suggests that buzzwords, photographs, videos, and blog articles/reviews are all used by viral marketers (Larsson & Odén, 2011). Viral marketing is cheaper and has a higher response rate while providing an unparalleled chance to link locally and globally (Yang, Liu, & Zhou, 2011).

As a result, businesses use this tactic to disrupt customers online, generating digital "hype" to advertise their products/services. In Social Network Marketing (SNM), people's attitudes toward viral messaging influence their willingness to participate in the process that contributes to buying intent (Camarero & San José, 2011). Viral marketing often necessitates social networking, usually concerning brands, to draw consumers to virtual communities that affect their purchasing decisions (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). Since viral marketing provides online product/service ratings, consumers' risk judgments in buying a product are influenced mainly by the facts and interactions on those pages (Beldad, Jong, & Steehouder, 2010).

### **Product Evaluation**

For the customer to make a purchase decision, he checks the product search process (Horn, 2006) In a search on social networking sites, the customer explores the price of manufactured products, attention to the beauty of manufactured products, specifications based on product performance, product sustainability, country of origin, and country of origin.

The price of a manufactured product often affects customers' buying intentions because the audience is price sensitive (Moskell & Allred, 2013). Price sensitivity affects buyers' willingness to pay for a product by combining their qualities from giving and withdrawing money (Smith & Woodside, 2009). When making purchase decisions, customers also appreciate product performance by measuring additional features as well.

### **Trust**

The previous study directs that buying from an electronic seller relies on purchaser trust in the electronic vendor (Gefen et al., 2003), suggesting that trust in Social Networking Sites (SNS) can raise buyers' purchase intentions. Social networking sites (SNSs) as social market platforms carry purchasers into contact with electronic vendors & offer services for the worth exchange among the parties. On social networking sites (SNS), the purchaser meets advertisements, videos/news pictures, references & likes connected to the e-sellers. In line with the classification of beliefs suggested by McKnight & Chervany, though, trust in social networking sites, like the platform, can cause the purchaser's confidence in the trustworthiness of the contents & electronic vendors' events (McKnight & Chervany, 2001)

Similarly, another researcher suggested that since exchange relationships are impersonal and dependent on the Internet's infrastructure, confidence has become more relevant in ecommerce. Consumers, in particular, face the challenge of purchasing goods or services from unknown merchants via social media. Furthermore, they are unable to see or touch the items. Their level of trust influences consumers' perceptions (Limbu, Wolf, & Lunsford, 2011). Customers would not send personal information, including credit card information, to providers without trust, so privacy and security considerations are a significant obstacle to Internet access (Kim, Xu, & Gupta, 2012)

## **RESEARCH METHODOLOGY**

The procedure for the research was inductive, as it required interviewing and observing. This study is an exploratory qualitative research based on a phenomenology study because this research method helps to understand the individual's personal experiences and perspectives in a particular situation (Lester, 1999).

### **Research Design**

Through in-depth semi-structured interviews, the individual experiences were evaluated to understand how social media marketing affected their purchase intent, leading to a purchase decision (Creswell, 2003). With the participation of interview subjects, novel themes, and connections were built and validated in qualitative research

(Birkinshaw, Brannen, & Tung, 2011).

### **Sample Design**

The target population for this research was females from all walks of life who use social media and indulge in purchasing fashion apparel while following the fashion trends on social networking websites. The sampling technique used was Purposive sampling, as this is one of the most common sampling techniques.

### **Data Collection**

An in-depth investigation was conducted to get the required data through in-depth interviews. This is the best tool when the researcher needs to ask open-ended questions from the respondents and requires relatively fewer people for the research than quantitative research (Boyce & Neale, 2006). The preferred way of collecting data was a personal meeting. However, the interviewee could not be approached personally in one case, so a telephonic interview was conducted. The interview process continued till the topic was exhausted no new ideas were being collected and a saturation point was reached.

### **Data Analysis**

The interview recordings were converted into written text, known as transcription, while carefully detaching from the participants' views to minimize the researcher bias through the bracketing technique. Verbatim transcription was executed, which included word-by-word documenting the respondent's answers without any omissions. The transcript was then used for further analysis through coding, sorting, and sifting. Coding was performed by extracting important ideas or terms from the transcript prepared in response to the interview questions. After highlighting these concepts, they were sorted into groups or patterns.

Once sorted into categories or sub-themes, sifting was performed by removing irrelevant and unnecessary information, and finally, themes emerged from the qualitative interviews. The process from coding to categorizing the data into meaningful themes is known as Thematic Content Analysis (Hsieh & Shannon, 2005a). A validity check was also performed by returning to the respondents to verify that the data had been accurately represented and if the essence of the interview was correctly captured.

The final stage of essence extraction or meaning making involved writing up the data analysis in a storyline that others would read conveniently. At this stage, the actual lived experience of the respondents is identified.

### **Trustworthiness**

Trustworthiness in Qualitative research makes it valid and reliable in the same way as precision and accuracy make Quantitative research reliable and valid. The researcher needs to ensure that their research meets a specific criterion proposed by a researcher; it should have credibility, transferability, dependability, and confirmability (Guba, 1981).

Criteria for credibility are the same as internal validity, ensuring that the study measures what it intends to measure. The informants were asked to read the transcripts of their data collection dialogues to check for inaccuracy or mismatch between what they intended to say and recorded.

Member checks were done to verify the research's evolving concepts and interpretations developed throughout the conversations.

The criterion for dependability focuses on reliability so that if the same contextual work is reiterated, following a similar methodology will result in similar outcomes. Dependability was accomplished by providing in-depth information about the methods employed, enabling a future researcher to imitate the work. The complete report of the study includes the research design and its implementation, operational details of data gathering, and respective appraisal of the entire research to make the reader understand the methods and their effectiveness thoroughly.

The confirmability criterion is based on the study's objectivity, but researchers' biases are highly predictable as humans design the questionnaires and tests. Triangulation techniques that could help reduce investigator bias,



are highly predictable as humans design the questionnaires and tests. Triangulation techniques that could help reduce investigator bias, which plays an essential role in the study's objectivity, could not be applied. There was a shortage of time for research; the number of informants was limited to six females only. The researcher posed the same question to the participants in multiple ways to achieve increased confirmability in this study (Guba, 1981)

## FINDINGS

### Demographic Profile of Respondents

A total of 6 interviews were conducted, comprised of females from Karachi, to identify the impact of Social Media Advertising on their purchase intent leading to the actual purchase of fashion apparel. The main criteria for choosing the participants were that they were users of social media, and their age group ranged from 30 – 45 years of age, working as well as homemakers. Out of the 6 participants, only 4 of the interviews were attached to the appendix. The other two did not spend enough time on social media to be suitable participants for the study. Out of the four, two were working females while the other two were homemakers.

### Behavioral Profile of Respondents

Participants were users of Social Media Websites as well as Social Media Networks. Almost all of them relied on social media websites for information regarding fashion trends and updates on fashion apparel in Karachi. They all were users of Facebook, Instagram, Pinterest, and WhatsApp for social networking.

## DATA ANALYSIS

### Thematic Content Analysis

Thematic content analysis analyzes the quality of data sets by classifying them systematically and then coding and identifying patterns and relationships (Hsieh & Shannon, 2005b). The themes that originated from the qualitative interviews were extracted by using the thematic content analysis technique. The steps of analysis included first-order concepts, and second-order themes leading to final themes.

**Table 1** shows instances of data structure from the qualitative phase of the research, which is an important stage in data collection and analysis.

**Table 1.** Demographic Profile of the Participants

Respondents	Age (Years)	Occupation
1	35	Job in a private firm
2	42	Housewife
3	36	Housewife
4	36	H.R. Manager in Private Firm
5	29	Housewife
6	40	University Professor

*Source: Study Analysis*

The data structuring allows the researcher to visually organize and display the data collected from the qualitative interviews and demonstrate how the raw data was extracted, which then emerged into various themes, thus helping in analysis. Table 2 shows examples of the data structured in the research to extract categories and themes from the responses/statements of the interviewees.

The statements in the first column demonstrate the first-order concepts. The second column shows the second-order theme or categories, while the third column shows the enhanced themes that emerged from the concepts.

**Table 2.** Data Structure and Reporting Process

First-Order Concept	Second Order Theme	Refined Themes
<i>If I find something interesting and worth sharing, I definitely would like to share it on my Facebook wall. (Respondent # 1)</i>	Sharing information with friends and family	Social Interaction
<i>I mainly use social media to stay in touch with friends and family. (Respondent # 4)</i>		
<i>If that product is of my interest, I would certainly like to explore more about it by visiting its website. (Respondent # 1)</i>	Increased awareness, Attraction towards special offers Brand remembrance/greater reach than TV	
<i>It's very easy to remember the brands shown on social media as I spend more time on social media compared to watching TV or listening to the Radio. And in my opinion, the reach of SMA is greater than the other traditional mediums as the usage of the Internet and smartphones have increased, (Respondent # 2)</i>	SM is better than traditional media.	Behavioral Responses
<i>I hardly watch TV now, so the only way I watch ads is on social media, especially YouTube. (Respondent # 1)</i>	Brand Recall	
<i>Yes, do visit the website of the products to cross-check</i>	Risk averseness of customers	Perceived Risk
<i>Yes, do visit the website of the products to cross-check the products and their prices. (Respondent # 3)</i>	Risk averseness of customers	Perceived Risk
<i>It gives me an idea of what is trending, and which brand is coming up with something good and unique but instead of buying it online, I would rather visit the outlets, once I shortlist the products. However, I did purchase online last year when we were in total lockdown. (Respondent # 1)</i>	Awareness of fashion trends,  Keep consumers updated.	
<i>I think social media these days plays a major role in guiding the customer about different brands, and any new launches. I think it is the best platform to know what you want and how to get it. There is always someone out there who will tell you what you want to know. (Respondent # 2)</i>	Updated knowledge of current and upcoming brands	
<i>Social media has set new trends in the field of marketing. It is now easy for marketers to promote their products at minimum cost. People can now promote their products without even leaving their houses. (Respondent #6)</i>	Best platform for all sorts of information,  Provides awareness about the product,	Informativeness
<i>Factors that affect my buying intention would be the quality of the product, pricing, social influence, and whether the product is readily available or not. I evaluate brands based on positive comments about the product quality, customer service, and most importantly whether it attracts me or not. (Respondent # 1)</i>	Product availability, Price, Quality, Customer rating, Sales promotion, Physical appearance/product outlook	Product Evaluation
<i>Price, quality, its rating by other people on social media. (Respondent # 2)</i>		

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*I try to see the number of comments on a specific message or communication by the brand company or several people who have commented on it and what they have commented. And also, the level of engagement by Consumers on social media. More people engaging means the brand is either good or very bad, as comments would be positive or negative. Level of engagement is important and their views of course. (Respondent # 1)*

*I usually buy what I like but sometimes it's also a good thing to see what other people think about a specific product. If they think there is some issue with a brand or a specific collection, then I do follow that comment. It is always good to stay informed. And social media is the best place, all you have to do is to know who to follow and whom to ignore. (Respondent # 1)*

*Yes, I do read what other consumers say about a specific brand. You know how important Word of Mouth is!! It is even more important than what the firm says about itself. (Respondent # 6)*

Word of Mouth  
Consumer engagement

Social Influence

---

**Source:** Study Analysis

### Social Interaction

The interview participants suggested that they used social media to interact with their friends and family. Most of the participants mentioned Facebook, Instagram, Pinterest, WhatsApp, and Twitter as their favorite Social Networking Sites.

*"If I find something interesting and worth sharing, I definitely would like to share it on my Facebook wall." (Respondent #1)*

*"I mainly use Social Media to stay in touch with friends and family." (Respondent #4)*

WhatsApp helped them stay in touch with their friends and family any time they wanted and share any information directly with each other. They used Facebook to interact with friends and family and share information with them on a bigger platform as other people could also see what they were sharing. Facebook was also liked for providing information about the recent fashion trends as and when they required.

*"For clothing brands, my favorite is Facebook. There I can see what people say about different products. Every time I need to buy clothes, I try checking out Facebook for people's feedback on a new collection of fashion clothing." (Respondent #2)*

Participants also mentioned that they usually visit their friend's or family's social network pages or virtual communities they participate in, see what they have been doing, and which pages they liked. This means that people use social media sites to interact, but they also watch advertisements posted there while they are interacting. So, it can be said that Social Media Networks provide platforms for people to socialize and marketers to market their products.

### Behavioral Responses

Respondents suggested that Social Media Advertising helped them remember the brands more than any other media platforms. Social media advertising has a greater reach and brand recall, as mentioned by one of the



participants. And when there is brand recall, there are greater chances of purchase intention. Most of the participants answered that they are too busy to watch any T.V. or listen to the radio and social media is the most efficient and up-to-date platform in terms of informativeness and entertainment.

*"It is very easy to remember the brands shown on social media as I spend more time on social media as compared to watching TV or listening to the Radio. And in my opinion, the reach of S.M. is greater than the other traditional mediums as the usage of Internet and smartphones have increased." (Respondent #2)*

*"I hardly watch T.V. now, so the only way I watch ads is on social media especially YouTube." (Respondent #1)*

The findings of the interviews revealed that their purchasing intent had been stimulated after seeing advertisements on social media for a long period. Users who have a positive attitude toward social media advertising are more inclined to interact with brand messaging and seek knowledge about brands, which leads to their desire to acquire branded fashion apparel.

*If that product is of my interest, I would certainly like to explore more about it by visiting its website. (Respondent #1)*

### **Perceived Risk**

Respondents said they visited that product's website to cross-check the price or availability after viewing an advertisement. The advertisements on social media attracted them to the level that they tried visiting the website to confirm the information provided in the advertisement. This response also shows that the consumer is cross-checking, meaning an amount of risk is involved when a customer plans to buy something after seeing it on social media.

*"Yes, I do visit the website of the products to cross-check the products and their prices." (Respondent #3)*

*"I rarely buy clothes online as I always have doubts about the quality of the products." (Respondent #3)*

Almost all respondents said that they visit company websites once they are willing to find out more about their choice or if any product appeals to them. However, two out of six respondents believed that they did visit the company website to cross-check the price, check its availability, and shortlist but would still prefer to purchase it from the outlet after evaluating it physically and not ordering it online.

*"It gives me an idea of what is trending, which brand is coming up with something good and unique, but instead of buying it online, I would rather visit the outlets once I shortlist the products. However, I did purchase online last year when we were in total lockdown." (Respondent #1)*

### **Informativeness**

All the respondents believed that Social Media Advertising was an essential source of information for them. They use it whenever they want to know about the current fashion trends in the fashion apparel industry.

*"It gives me an idea of what is trending, which brand is coming up with something good and unique but instead of buying it online, I would rather visit the outlets, once I shortlist the products. However, I did purchase online last year when we were in total lockdown." (Respondent #1)*

They also said that because of Social Media Advertising, they know about the latest launches of their favorite

brands every time they use social media.

*"I think Social media these days play a major role in guiding the customer about different brands, any new launches. I think it's the best platform to know what you want and how to get it. There is always someone out there who will tell you what you want to know." (Respondent #2)*

Respondents also think that the advertisements placed on social media are usually more linked and relevant to their requirements, interests, and preferences.

*"I would say social media does play a significant role, as whenever we search something on the internet instantly we start to get advertisements regarding those particular products and that gives us a fair opportunity to compare the products of different brands, and certainly all that working might lead to the decision of buying." (Respondent #1)*

Overall, the level of informativeness present in social media advertising may enable customers to engage in better purchasing behavior and, as a result, enhance their intention to purchase. Indeed, social media networks give advertisers additional options and tools for tailoring their advertising and content. As a result, social media advertising has become more helpful and valuable from the customer's standpoint.

### **Product Evaluation**

Most of the respondents evaluated products based on their perceived usefulness, price, quality, availability, etc. All these factors play a positive role in leading the consumer from Awareness through Interest to Desire and Intention of buying that product.

*"It would be the quality of the product, pricing, somewhat social influence, and if the product is readily available or not." (Respondent #1)*

*I evaluate fashion apparel based on its price, quality, its rating by other people on social media. (Respondent #2)*

Sometimes they buy products online that are not available in the outlets in their city, i.e., Karachi, or when the product being advertised on social media is more affordable than the one being sold by the branded outlets. One of the respondents talked about her buying experience from a seller who did not have an outlet but sold her clothes online through Facebook.

The respondent had no other option than to buy from her as the seller offered cheaper but good quality clothes while the respondent was out of time and had to take the risk of buying from that lady as it was a risk worth taking. Sometimes people tend to take the chance when the products being offered are cheaper, unique, or not available in their area/city of residence and the only option they have is to order online.

### **Social Influence**

According to the responses collected from the respondents, it is evident that individuals are concerned about the impressions his or her conduct makes to other individuals. The social influence of other members of a community influences his or her decisions. Other people's comments sometimes shape the behavior of individuals. If a fashion clothing brand has good comments and reviews, other consumers are more likely to read them and act accordingly. Positive comments lead to a greater chance of their purchase intention. At the same time, if there are more negative comments, then fewer people are likely to get attracted, thus leading to purchase intentions and then actually purchase.

*"I try to see the number of comments on a specific message or communication by the brand company or several people who have commented on it and what they have commented. And the level of engagement by the Consumers on social media. More people engaging means the brand is either good or very bad, as comments would be positive or negative. Level of engagement is important and their views of course." (Respondent # 1)*

Consumers do buy according to their needs and choices, but they are primarily concerned about what other people are buying and where. Social influence can be from their friends, family, spouse, colleagues, etc. Some consumers tend to follow their favorite celebrities on their Facebook, Twitter, or Instagram pages, to see what fashion apparel they prefer and what brand pages they have followed or have commented on (Sultan et al., 2015).

*"I usually buy what I like but sometimes it's also a good thing to see what other people think about a specific product. If they think there is some issue with a brand or a specific collection, then I do follow that comment. It is always good to stay informed. And social media is the best place, all you have to do is to know who to follow and whom to ignore." (Respondent # 1)*

*"Yes, I do read what other consumers say about a specific brand. You know how important Word of Mouth is!! It is even more important than what the firm says about itself." (Respondent # 6)*

## DISCUSSION

Researchers in fashion marketing are becoming increasingly interested in social media advertising (Kim & Ko, 2010). The findings revealed that respondents' perceptions of social media advertising (in terms of informativeness, product information, product evaluation, etc.) were critical markers of their overall attitude toward the medium. Users are frequently updated with information about businesses from marketers or friends via social media, a rich information platform. This study found that the level of informativeness present in social media advertising may enable customers to engage in better purchasing behavior and, as a result, enhance their intention to purchase. The value of social media advertisements in forecasting client views and reactions is constantly a source of debate. According to a study, both fun and informativeness have a major influence on the value of social media and television advertisements (Logan, Bright, & Gangadharbatla, 2012)

All participants said that they used social media to communicate and interact with their friends and family. Social networking sites provided a platform where they could also stay updated on the recent fashion trends. It also allowed the consumers to share their perspectives and views on various products being advertised through social media advertising. These findings are consistent with what research suggests that offering knowledge and involvement in a product/service is the most suitable and efficient marketing tactic (Qiu & Benbasat, 2005).

It is evident from this research that individuals are concerned about the impressions their conduct makes on other individuals. The social influence of other members of a community influences his or her decisions. Other people's comments sometimes shape the behavior of individuals. Because social media provides a platform to many friends or peers, they operate as socialization agents and instantly supply substantial product knowledge and assessments, facilitating education and information. Considering the consumer networking framework, researchers discovered that internet users' opinions toward social media advertising are heavily influenced by socialized characteristics (i.e., peers). According to research, online peer contacts can significantly impact customers and turn others into Internet buyers. (Gershoff, Andrew & Johar, 2006)

Respondents suggested that Social Media Advertising helped them remember the brands more than any other media platforms. And when there is brand recall, there are greater chances of purchase intention. Research supports that brand recollection and purchase intent are positively correlated with mindset regarding advertising. Respondents who had a negative attitude toward online advertising had lower purchase intention than those who had a favorable response toward online advertising (Mehta, 2000). According to the authors, consumers go through the cognitive phase as an initial response to persuasion attempts, in which they build awareness and

understanding. The emotional stage follows, during which customers may acquire a fondness for, preference for, and conviction for the marketed goods or service. Consumers act on their purchases once they've built their cognitive and emotive responses (Ducoffe, 1996).

A couple of respondents said they visited the product's website to cross-check the price or availability after viewing an advertisement showing that they perceive a level of risk in any particular purchase they want to minimize by visiting the website or the outlet. Supported by research, the researcher suggests that perceived risk is powerful in explaining consumers' behavior considering influences often motivate consumers to avoid mistakes rather than maximize utility in purchasing and expecting a loss (Gunawan & Huarng, 2015). So, the greater the amount of perceived risk, the lesser the chance for the consumer to purchase virally advertised fashion apparel.

Most of the respondents evaluated products advertised on social media based on their perceived usefulness, price, quality, availability, number of positive views or comments, level of engagement by other users, etc. This is supported by a study recommending that comprehensive and up-to-date information covering all aspects of the product like product characteristics, price, discounts, shipping, and availability should be considered in any social media marketing message (Alalwan, 2018).

## CONCLUSION

Researchers and practitioners in the marketing field have been increasingly focused on the associated concerns of social media advertising. As a result, the purpose of this study was to add to our existing knowledge of the key components of social media marketing and their influence on client buy intent. Following a detailed examination of the relevant literature, six primary criteria including social influence, informativeness, perceived risk, product evaluation, informativeness, and behavioral responses, emerged as major predictors of purchase intention. The outcome of the entire research is that there is a considerable link between social media advertising and customer purchase intent when we talk about women's fashion apparel. The purchase intent of the consumers can be altered using different marketing techniques. As we live in an interactive and trust-based advertising era, businesses should focus on increasing their social media advertising budgets to take advantage of changing client patterns in the twenty-first century. With social media phone apps/social media advertising, businesses can stay in touch with their valuable clients.

## LIMITATIONS AND AREA OF FUTURE RESEARCH

In-depth interviews were the only data collection technique used as a survey instrument to explore the impact of social media advertising on women's purchasing intent for fashion apparel. Since this tool is being used to analyze and evaluate market insights, other methods, including the focus groups or a mixture of both, could also have been used to investigate consumer insights about the impact of social media advertising on consumer purchasing intention to actual buying. Due to limited time, only one method for locating the primary participants was used namely purposive sampling; snowballing could also have been used to find additional participants and further improve the study. This study is also limited by the issue of generalization that comes with qualitative research.

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# HALAL PRODUCT MANAGEMENT: FACTORS SHAPING CONSUMER PERCEPTION OF HALAL CHOCOLATES IN KARACHI

Nimra Naveed Shaikh<sup>1</sup>, Waqas Bin Dilshad<sup>2\*</sup>, and Maria Batool<sup>3</sup>

## ABSTRACT

*This study is conducted to find the important aspects that are affecting the determinants of consumer perception toward halal chocolate purchasing in Karachi. This study focuses on the diverse roles of religious knowledge and Islamic dietary laws that were modeled to impact consumer perceptions towards halal chocolate ingredients. One of the most common ingredients is lard. Lard is a common substitute for oil used by food manufacturers in chocolates since it is less expensive. Muslims have become more concerned about halal food items and their ingredients, which motivates them to use halal food products. The study was particularly based on Karachi. The research is based on a quantitative approach. The study was conducted among 345 Muslim consumers. The responses of the participants to self-administered questionnaires have been used for gathering the data. Following that, the data were examined using the statistical software SPSS. The results revealed that Religious Knowledge has a significant positive impact on Consumer perceptions of halal chocolate product purchasing. The rest of the factors, namely Islamic Dietary Laws, do not have any significant effect on Consumer Perception towards halal chocolate purchasing, particularly in Karachi. Although Pakistan is a Muslim country, compared to other Muslim states like Malaysia, there is limited knowledge of Halal ingredients in chocolate products. There is no formal Halal certification issuing body in the country that can identify haram adulterants in chocolate products. The results of this study will have a significant impact on Pakistani food producers and marketers who are looking for new ways to enter the halal chocolate market and enter Muslim markets as suppliers of certified halal chocolates.*

**Keywords:** Consumer Perception; Religious Knowledge; Islamic Dietary Laws; Halal Consumption.

## INTRODUCTION

Increasing concern has developed among Muslims regarding halal food products, their branding, marketing, supply chain, and certifications (Aziz & Vui, 2012; Prakoso et al., 2023). Muslim consumers are also concerned about ingredients, leading to an extended need anticipated for the use of halal food products (Ahmed et al., 2019). It is a religious concern to opt for permissible food items for consumption (Rasdi et al., 2023). Consciousness about halal food is not only limited to the countries of minority Muslims, although it is receiving a drive into the countries of Muslim dominance (Salman & Siddiqui, 2011). Religious commitment has a noteworthy effect on the lives of individuals by determining their values, knowledge, and attitudes. These religious commitments and values influence people's attitudes toward the consumption of food (Hanzaee & Ramezani, 2011). Halal goods, halal confections, and halal food ingredients have received attention from countries that are members of the Organization of Islamic Conference. The availability of halal goods is still insufficient to meet customer expectations. Many Muslims might not even decide how to purchase halal goods (Soesilowati, 2010).

The main issues facing the food products industry—adulteration detection and food authenticity—are of greater importance to consumers and food businesses. The most crucial issue with food authenticity is accurate labeling, however, it is common practice to substitute expensive raw materials with less expensive ones. Lard is a common substitute for oil used by food manufacturers in chocolates since it is less expensive (Aftab et al. 2013). Adulterants of fat consist of two groups' vegetable oils as well as fats. In an analysis of religious concerns, the presence of pork and lard in food products is a serious subject

(Rohman & Che Man, 2010).

The world's favorite snack and beverage is chocolate (Mittal & Ravinder, 2012). Several ingredients, including cocoa press cake, cocoa nib, cocoa butter, cocoa mass, and cocoa powder, as well as permitted optional additives and flavoring agents, are combined to create chocolate. Cocoa margarine proportionate, cocoa spread substitute, and cocoa butter alternate are trans fats typically added to chocolate. For monetary reasons, businesses added lard to their chocolate and chocolate items in developing countries. The potential lard presence in chocolate including chocolate items offered in the marketplace focuses especially on lard adding up to cocoa spread, which is, truth be told, the most vital fixing in chocolate formulation (Che Man et al., 2005).

Additionally, none of the labels for chocolate produced locally specified the trans-fat. There are no regulations on saturated and trans-fat in Pakistan. It's frequently hypothesized that chocolate's high saturated fat content raises cholesterol (Aftab et al., 2013). This study, therefore, seeks to answer the research question: How well can we predict consumer perception from a combination of religious knowledge, and Islamic dietary laws toward purchasing halal chocolates in Karachi?

The current study hence explores customer knowledge of haram adulterations in components in chocolate products that are readily available in markets and identifies certain concerns for the guarantee of halal ingredients used in chocolate products (Che Man et al. 2005; Fadzlillah et al., 2011; Aftab et al. 2013). Much research has been performed in social media marketing, but there are still research gaps. Marketers are still unclear about how social media impacts consumers' attitudes and purchase decisions, leading to the consumer purchase decision.

Another gap is that the impact of eWOM has not been explored on the consumers' purchase intent, along with the effect of other factors that may have played a role in the popularity of social media, like consumer trust in social networking websites, performance expectancy of products presented, hedonic motivation of the consumers, level of interactivity.

## **RESEARCH OBJECTIVE**

The objective of research is to evaluate the impact of religious knowledge, and Islamic dietary laws on consumer perception towards halal chocolates in Karachi, Pakistan.

## **SCOPE OF THE STUDY**

This research study aims to address the knowledge gap about halal chocolates in Karachi, providing a preliminary idea for marketers, food manufacturers, Muslim consumers, academic researchers, and students in Pakistan to recognize the need for halal food certificates (Salman & Siddiqui, 2011). The study highlights Pakistan's lack of awareness about Halal food affirmation and lack of a recognized Halal certificate issuing body, despite its registered NGO,

Halal Development Council, promoting Halal Economy. The study intends to address the lack of knowledge in the food industry regarding ingredients and food laws due to increasing consumer fragmentation.

## LITERATURE REVIEW

This study examines consumers' perceptions of halal chocolates and chocolate components as well as the adulteration of chocolate goods, which is a severe issue in Islam when lard and pork are used as oil substitutes in chocolate compositions. To protect Muslim consumers from fraud intentionally or unintentionally a reliable technique is necessary in halal food products for finding pork and lard adulteration. As per the Food and Drug Administration and the U.S.

Department of Agriculture adulteration to noncompliance to health or safety norms. Haram ingredient adulteration in manufactured food has become common and many cases were reported worldwide (Fadzillillah et al., 2011). The most popular theories to comprehend the halal product acceptance behavior of the religious society are the theory of reasoned action (Khalek, 2014; Ozgen & Kurt, 2013), the theory of planned behavior (Ajzen 1991; Alam & Sayuti, 2011), the technology acceptance model, and the triandis model (Rahim & Junos, 2012).

### Religious Knowledge

The consumer's perception and their level of knowledge and religiosity are different (Said et al., 2014). Religion has an impact on consumer deeds and controls the action plan on halal food utilization. On the other hand, the methodology of food consumption relies on the consumer's force of religious mindfulness. Highly religious individuals are inflexible because they are powerfully dedicated to their beliefs (Kılıç Altun, & Aydemir, 2021). In Islam, the term "religiosity" refers to the commitment to upholding the fundamentals of the faith both practically and conceptually through upholding other people's rights, adhering to Allah's commands, abstaining from wrongdoing, and engaging in prayer (Othman & Hashim, 2010).

Halal is a religious issue. Halal items are Shariah Compliant, with no utilization of haram adulterations. Muslim customers fundamentally comply with Shariah's necessities (Hanzaee & Ramezani, 2011). Religion decides to buy halal food. As a source of information, they assist marketers in developing successful marketing strategies (Prakoso et al., 2023). Muslims concerning halal and haram food were impressively high, they reliably have a high need for halal issues when they buy food (Soesilowati, 2010; Othman & Hashim, 2010).

*H1: Religious knowledge has an insignificant influence on Muslim consumers' perception of halal chocolates.*

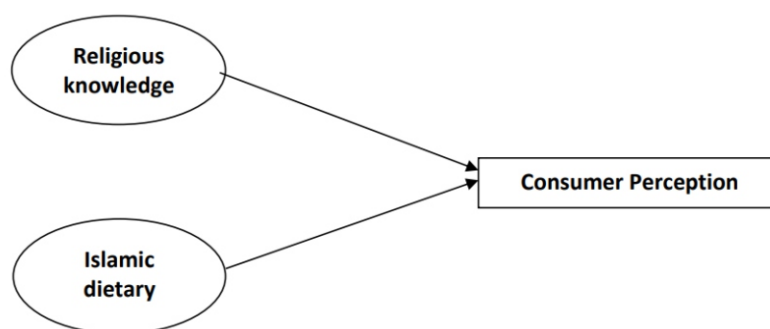
## Islamic Dietary Laws

The adulteration of food items has turned into a typical issue in various countries. Food producers often use lard as an alternative ingredient for oil. The use of lard and pork is a real matter in Islam (Fadzlillah et al., 2011; Rohman & Che Man, 2010). Due to its acceptance as a replacement standard for safety, hygiene, and quality, the idea of halal products is currently gaining worldwide debate (Rasdi et al., 2023). Halal foods and drinks for a Muslim consumer mean that the products have met the Shariah law requirements. Consequently, Muslim and non-Muslim consumers are greatly concerned about what they consume (Farah, 2021). Muslims' responsibilities and the importance of halal awareness in their daily lives must be compliant with Shariah (Ambali & Bakar, 2014). Food consumed by Muslims must meet the general Islamic dietary laws (Bukhari et al., 2022). Halal is resultant of the Arabic word importance permit, legitimate, and allowed (Khalek, 2014). Halal food is reasonable to consume under Islamic law (Teng et al., 2013). In Islam, consuming is seen as an issue of worship, in the same route as a request to Allah and diverse religious exercises. Muslims must ensure that the food they eat is clean and composed on the right path, with the avoidance of things that are denied in Islamic dietary laws (Rahim & Junos, 2012). Due to the reported harmful health effects of trans fatty acids, convenience products chocolate, and pastry were examined (Aftab et al., 2013). Policymakers can adopt consciousness initiative, highlights the need for education concerning the structure of the business and at the time of purchase (Singh & Sharma, 2013) and the effect of variables on customers' observation of halal food items prepared as per Islamic dietary laws (Mutsikiwa & Basera, 2012; Rahim & Junos, 2012).

*H2: Islamic dietary laws have an insignificant influence on Muslim consumers' perception of halal chocolates.*

## CONCEPTUAL FRAMEWORK

The theoretical foundation of this model is the Theory of Reasoned Action (Lada, et al., 2009). The religious construct is based on the model of Delener's of religiosity and consumer decision behavior (Delener, 1994). Prior empirical evidence supports the influence of religion on purchasing goods decisions and other purchasing behaviors (Essoo & Dibb, 2004; Mortimer et al., 2020). Incorporating many constructs that are relevant to Islamic dietary law and practices can help people comprehend how to use Halal food (Othman & Hashim, 2010; Bukhari et al., 2022).



## RESEARCH METHODOLOGY

The research is based on a quantitative approach (Brandimarte, 2011). The research purpose is explanatory. This research aims to analyze the perception of consumers toward halal chocolates in Karachi (Bhattacharjee, 2012). The research is fundamentally explanatory and after instruments have been utilized for information gathering and overviews through survey and theory creating and testing. Regression from a correlational study will be employed. Both dependent and independent variables are present in this study. As evidenced by this study, customers in Karachi have opinions about halal chocolates and chocolate ingredients. The total study will incorporate primary research, and questionnaires are particularly useful in this context. Surveys completed by Muslim consumers, notably in Karachi, focus on young consumers to learn more about their perceptions when purchasing chocolates and chocolaterelated products as well as their awareness of halal. By using a questionnaire regarding age, gender, education, income, and occupation, a sample of Muslim chocolate consumers was chosen. Because they are more likely to be interested in chocolate-related products and because their opinions can be applied generally, young consumers are good candidates for the study. There were 345 respondents in the sample. On a five-point Likert scale, "1" denoted strongly disagree, and "5" denoted strongly approve, all responses were totaled. The distribution of the questionnaire was done by convenience sampling. Following a pilot study, 345 Muslim customers were used as the study's sample. All the data were combined, and SPSS was used to strengthen the dependability of all the data (Tabachnick & Fidell, 2007). Three industry experts who work for the target company also approved the survey tool. Regression analysis using dependent and independent variables will be employed in this investigation. Descriptive statistics, exploratory analysis, Pearson correlation, and regression analysis are then used to analyze the acquired data.

## Composition of the Data

### Measures

Structured and unstructured questions were included in the study instrument's systematic design. Five

significant constructs that were obtained from a literature review were included in the questionnaire's design; (a) Consumer Perception towards Halal Chocolates, the study used seven items adapted from (Salman & Siddiqui, 2011; Widodo, 2013). The internal consistency coefficient of the measuring scale (i.e., Cronbach Alpha) was 0.657. (b) Religious Knowledge, an example of this construct is "I believe in basic tenets of Islam (such as Touheed)" (Salman & Siddiqui, 2011). The internal consistency coefficient of the measuring scale (i.e., Cronbach Alpha) was 0.534; (c) Islamic Dietary Laws, sample items are "Muslims have to follow a set of dietary laws as ascribed by their religion" (Salman & Siddiqui, 2011). The measuring scale's internal consistency coefficient, or Cronbach Alpha, was 0.544. On a five-point Likert scale, "1" denotes strongly disagree, and "5" denotes strongly agree, all replies are scored. The survey also contained information about each respondent's education, age, gender, income, and occupation from their profiles.

## DATA ANALYSIS

To determine the underlying structure for the items of the factors determining determinants of consumer attitude towards the halal chocolates questionnaire, exploratory factor analysis was carried out. Five factors were asked for based on the proposed equation: Consumer perception towards halal Chocolates, Religious Knowledge, and Islamic Dietary laws. The KMO significance value of the predictor variable is 0.739 which shows 73.9 % of inconsistency. Moreover, a significant result of Bartlett's Test of Sphericity ( $p < 0.05$ ) indicates that the matrix is not an identity matrix (Adil & Fatima, 2013).

**Table 1.** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.739
Bartlett's Test of Sphericity	Approx. Chi-Square	968.1486
	Df	120
	Sig.	0.000

*Source: Study Analysis*

After applying exploratory factor analysis, the estimation of alpha for Consumer perception towards halal Chocolates was 65.7%, for Religious Knowledge the alpha value was 53.4%. The alpha value for Islamic Dietary laws was 54.4%. Factor results represent the independent variables' correctness of the data. The foremost factor "Consumer perception towards halal Chocolates" has an eigenvalue is 2.022, the other factor "Islamic Dietary Laws" also has an eigenvalue is 1.513 and the factor "Religious Knowledge" has an eigenvalue is 1.472. Table 2 presents the things and component loadings for the rotated components.



**Table 2.** Rotated Component Matrix

	Component					
	Alpha	1	2	3	4	5
CP3	0.657			.771		
CP4				.764		
CP2				.678		
CP1				.521		
IDL4	0.544				.796	
IDL3					.758	
RN2	0.534					.832
RN3						.699
Eigenvalue		2.441	2.169	2.022	1.513	1.472
% of Variance Explained		15.259	13.553	12.640	9.454	9.199
Cumulative % of Variance Explained		15.259	28.812	41.452	50.906	60.105

**Source:** Study Analysis

### Regression Analysis

The survey was dispersed among 345 Muslim consumers of chocolate in Karachi. The regression analysis is the examination process for the estimation of the relations between the independent and dependent variables (Armstrong, Scott, 2012). Table 3 shows means, norm deviations, and inter-correlations for Consumer perception towards halal Chocolate and its predictors Religious Knowledge, and Islamic Dietary laws.

**Table 3.** Means, Norm Deviations, and Inter-correlations for Consumer Perception and Predictor Variables (N = 252)

	Mean	Std. Deviation	CP	RN	IDL
<b>CP</b>	3.9296	0.62624	1		
<b>RN</b>	4.1587	0.59931	.238**	1	
<b>IDL</b>	4.5179	0.5977	.155*	.228**	1

Table 4. Shows the outcome of hypothesis testing through instantaneous regression analysis for predicting Consumer perception towards halal Chocolates. The combination of variables considerably predicted over 10.3% of the total variance in predicting Consumer perception towards halal Chocolates  $F(4; 246) = 8.140$ ;  $p < 0.001$ ), with two variables which significantly predicted Consumer perception towards halal Chocolates except for Islamic Dietary Laws. In addition, the issue of multicollinearity is not shown among indicators because the variance inflation factor (VIF) esteem for every indicator is less than 10 (Adil and Fatima, 2013). The coefficients of parameter estimates suggest that 'Religious Knowledge' (0.183;  $p < 0.05$ ) reflects a statistically significant impact on Consumer perception towards

halal Chocolate. Thus, their respective hypotheses (H1) were supported respectively. On the converse, 'Islamic Dietary Laws' (0.063;  $p < 0.05$ ) have shown a statistically insignificant impact in predicting Consumer perception towards halal Chocolates thus, H2 was not supported.

**Table 4.** Hypothesis Testing for Consumer Perception through Norm Regression Analysis

HYP	Predictors	B	SE	T-Stat	Sig.	VIF	Remarks
	(Constant)	1.842	0.4	4.606	0		
H1	RN	0.183	0.066	2.768	0.006*	1.119	Supported
H2	IDL	0.063	0.066	0.948	0.344	1.105	Not Supported

*F (5,304) = 27.9, ( $p < 0.001$ ); AdjR<sub>2</sub> = 0.303 \* $p < 0.05$*

The estimations of  $\beta$  in the above table demonstrate that all values are positive. The Sig value of Religious Knowledge is 0.006 which is satisfactory in a 99% confidence interval. The sig value for Islamic Dietary laws is 0.344 which is greater than 0.05. The regression analysis shows that the above hypothesis is accepted. Religious Knowledge and Islamic Dietary laws have a significant impact on consumers' perception of halal chocolates.

## DISCUSSION

The word "Haram" in Arabic implies forbidden. Jurists have categorically declared the following objects to be "Haram" considering the Holy Qur'an and Sunnah (Prakoso et al., 2023). Most animals that are reptiles and insects, animal diglycerides, glycerides, glycerol/glycerin, hormones, lipase, monoglycerides, phospholipid, bacon, blood, carnivorous animals, collagen, dead animals, enzymes, ethanol, ethyl alcohol, wine and spirits, emulsifiers, fatty acids, gelatin, and halal animals are not slaughtered by Islamic law. Food additives, including emulsifiers, raising agents, preservatives, coloring, and gelling agents—all of which are governed by the alphabet 'E'—are found in processed foods. Some of these are derived from non-Zabiha or haram animals, like Khanzeer, while others are made from animal origin but are not produced in any Islamic nation. These 'Haram additives must be avoided at all costs, e.g., 'Haram additives are E120, E160a, E471, E472 [a-e], E473, E474, E475, E476, E477, E478, E542, E570, E572, E631, E635, E640, and E920 (Kılıç Altun, & Aydemir, 2021).

For the benefit of international corporations, Pakistan manufactures a wide variety of goods. It has been determined that their original product line is haram. This casts doubt on their local goods. Because the animal source cannot be confirmed to be a Halal animal and an authorized Zabiha, these goods must be classified as haram. Many international Islamic organizations have confirmed that fat is a common food that comes from pigs. The key is that they are not using their original concentrate in Pakistan, which is something we can say with certainty. Research has shown that pig fats are an ingredient in several products made by multinational corporations, including toothpaste, shaving cream, chewing gum, chocolate, candies, biscuits, cornflakes, toffees, canned foods, and fruit tins. (Rasyid, 2022; Yener, 2022).



Muslims are required to abide by the rules established by our faith, which serve as a guide for Muslims. All religious groups maintain that since it has a connection to pigs, food that contains it should not be consumed since it will enter human bodies. If we eat halal food, we will go to heaven; however, if we eat haram food, we will go to hell. Nobody should take the laws governing halal and haram diets lightly; they are a serious problem.

The results revealed that Islamic dietary laws do not have any significant influence on consumer perceptions towards halal chocolates in Karachi. The reason is that there is limited knowledge and awareness of Halal ingredients, particularly in chocolate products. There is no formal Halal certification issuing body in the country that can identify haram adulterants in chocolate products. It's important to create awareness among Muslim consumers related to adulterants that could be utilized and make the product haram. The Islamic dietary laws must be communicated by brands as it creates understanding between the brands and the consumers.

## **CONCLUSION AND LIMITATION**

In conclusion, Religious Knowledge has a significant positive impact on consumers' perception of halal chocolates. The rest of the factors namely Islamic Dietary laws do not have any significant influence on Consumer Perception towards halal chocolates in Karachi. As a product attribute in Islam, halal is focused on the nature, cause, and the preparing technique for the food (Osman et al., 2014). Religious learning is the best rule to focus on food utilization. The contamination of pig sources in food items is forbidden in Islam. On the other hand, information backs the way that a staunch believer and a very dedicated Muslim may not be aware of the way that whatever food is accessible in Pakistan is halal certified or not (Khan et al., 2019). Consequently, items that contain lard must be expressed in food labeling and a logo must be applied on halal items (Kawata et al., 2018).

Muslim scientists ought to have the urge to investigate the detection techniques for food adulteration (Fadzlillah et al. 2011). Marketers need to emphasize halal branding more to increase halal awareness (Wilson, & Liu, 2010). Customers frequently believe that all manufactured food is halal, which may be one of the reasons halal awareness is not linked to food consumption. To ensure that consumers are satisfied with halal food products, policymakers should keep an eye on all food producers. The present study incorporates certain limits. It is limited to a small sample size. This study's restricted funding prevented it from evaluating the larger context of customer perceptions of halal chocolates. As one of the most popular confectionery items in the country, chocolate, it is crucial to educate consumers about its halal status and the relevance of its ingredients as well as to research consumer perception. The sample is too small to be generalized because it is restricted to young Muslim consumers, chocolate aficionados, and research students. We selected for this research a wide range of Muslim consumers in Pakistan but questionnaires cannot be filled by them so this is the limitation to make research restricted and questionnaires will be filled in Karachi only.

## MANAGERIAL IMPLICATIONS

Companies should follow the procedures for producing products following the standards for quality and halal to safeguard the interests of consumers. It is possible to convey information about or raise awareness for halal-quality products through communication channels. Customers should make it a habit to check the ingredients for the product's quality. It aids businesses in understanding their clients' wants and tailoring their strategies accordingly

## RECOMMENDATIONS

Future exploration may be gathering information from different zones with bigger examples to have a more exhaustive study. The region chosen for the study is Karachi. The result assembled may for the most part be restricted keeping in mind the end goal to enhance the outer legitimacy of the instrument, geographical diversity. The study needs to be designed to enhance consumer awareness regarding halal and haram ingredients and create awareness about halal in the life of Muslims and their obligations to be Shariah compliant.

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# CIRCULAR FASHION: VALUES, RISKS, AND ITS EFFECTS ON PURCHASING HABITS OF CONSUMERS

Syed Asad Hussain<sup>1</sup>, Muhammad Furquan Saleem<sup>2\*</sup>, and Yasir Ali Soomro<sup>3</sup>

## ABSTRACT

*The fashion industry is renowned for its significant environmental and social impact, prompting a growing interest in circular fashion as a potential solution. Circular fashion aims to minimize waste and maximize resource efficiency throughout the entire fashion lifecycle. As the concept gains traction, it becomes essential to investigate how consumers perceive and engage in a circular fashion, as well as the factors that influence their purchasing habits. This research article presents an in-depth exploration of the values associated with circular fashion, the perceived risks, and the effects of these factors on the purchasing habits of consumers. The study adopted a mixed-methods approach, combining quantitative surveys and qualitative interviews to obtain a comprehensive understanding of consumer attitudes and behaviors. The quantitative component involves the administration of a structured questionnaire to a diverse sample of fashion consumers across different age groups and socioeconomic backgrounds. The questionnaire assesses various dimensions, including awareness and understanding of circular fashion, perceived values (e.g., sustainability, ethical production), perceived risks (e.g., limited choices, higher costs), and actual purchasing behaviors. Statistical analyses, such as regression modeling and factor analysis, were conducted to identify significant associations and patterns in the data. In the qualitative component, semi-structured interviews were conducted with a subset of participants to explore their beliefs, motivations, and barriers concerning circular fashion. Thematic analysis was applied to extract recurring themes and generate rich qualitative findings. The findings shed light on factors that drive or hinder consumers' engagement with circular fashion and provide practical implications for industry stakeholders seeking to promote more sustainable practices.*

**Keywords:** Circular Fashion; Sustainability; Consumer Behavior; Purchasing Habits; Values; Perceived Risks.

## INTRODUCTION

For ages, the fashion industry has followed a linear economy system in which they make the product use it and throw it away. This linear approach of fashion industries has unfavorable aftereffects, such as a decline in the economy, damage to human society, and an unsettling vision of the society and surroundings, such as soil, water, sources of energy utilization, and overall environmental tactics. It was all affecting the entire process of climatological systems throughout the entire operation of manufacturing, utilization, and selling (Kim; Jung; Lee, 2021). The reason behind this excessive situation is. Consumers are being approached by several fast fashion-retailing companies towards rapidly acquiring products of textiles, which demands a high rate of squandering in the textile industry (Bianchi & Birtwistle, 2012). Due to the need for higher rates and greater opportunities in the natural environment, consumers were negatively affected by these problems. Concerning the thought of consumer's perceptions of this domain, sustainable fashion ideas and economy combine the idea of circular fashion. A fast bend that reduces waste and environmental pollution can be described as a circular economy. This can be done by recovering waste and lowering resource consumption (Stahel, 2016). With keeping in mind, the importance of circular fashion, brands that focus on sustainability and organic products are becoming more popular, attracting consumers who are interested in recycling and an environment-friendly lifestyle.

This research is on the influence of consumer value, which is a perceptive expression of the most

fundamental wants and goals that consumers want to achieve. The fundamental basis for human behavior regarding purchasing is consumption value. Hence, the constitutional meaning of consumption value would be a wide thought why consumers go for specific products or certain brands and also the reason segmentation of the market is crucial. Consumers' perceived values are emotional values, social and environmental values. Along with consumer buying significance, this research revolves around risk perception for the consumers, which explains customer's choice is a total risk to the buying process. Perceived risks can be divided into financial, functional, and aesthetic risks (Blackwell, Miniard & Engel, 2006).

Earlier, companies were following the linear economy system, which was causing pollution and wastage and affecting the environment severely. Now everyone is looking forward to the circular fashion economy and restructuring their organizations to achieve a circular economy system. The problem would arise as to how the consumers would react to this change or what attitude toward circular fashion involves the risks that consumers may feel if they adapt to this change. Another problem arises how would the buying behavior of the consumers change if the industry is moving from linear to circular (Kim, Jung, & Lee, 2021).

The awareness any consumer possesses, and the interest of the consumers, are considered to be a major factor and barriers in a circular fashion. For any sustainable economically friendly item, consumers may refuse to pay a higher price. In this regard, the purpose of this study is to investigate the influence of circular fashion implementation on consumers' buying behavior after analyzing the consumer's attitudes, values, and risk perceptions and to create awareness.

As the linear system in the fashion industry is considered to be non-friendly to the environment, and the main purpose of this study is to observe the values and the risks obtained by the consumer's buying habits connected to circular fashion, this study will mostly benefit the organizations who are willing to restructure from linear to circular fashion system. Understanding the consumer's attitudes and opinions regarding this change will be the first step to moving forward with this concept. As research, we can always predict sustainable behavior through the awareness consumers have and the approaches used by consumers (Chan, 1999; Fraj & Martinez, 2006). This research will create an impact on the consumers to understand the perceived values, risks, and opportunities arising from this economic change. This study is also significant in comparing the differences between attitudes, preferences, and choices consumers may have by type. This would enhance awareness among the consumers towards the upcycling process and particularly sustainable fashion. From the organizational perspective, this study will help fashion companies formulate such strategies, which provide suggestions and eventually help in sales increase for circular fashion products. This study will help organizations to analyze emotional value, social, and environmental values and create a positive impact on consumers. Meanwhile, they can minimize financial, functional, and aesthetic risks.



## RESEARCH QUESTIONS

**RQ1:** *What are the effects of consumers' perceived values on consumers' behavior towards circular fashion?*

**RQ2:** *What are the effects of consumers' perceived risks on consumer behavior towards circular fashion?*

**RQ3:** *What could be the effect of consumers' positive approach to a product in a circular fashion system on purchase objectives?*

## LITERATURE REVIEW

Along with technological advancement, the fashion and textile industry has also been contributing to pollution and that is why it is being criticized because of the effects of its waste on the environment (Wagner & Heinzl, 2020). The style industry is viewed as the most contaminating and unjustifiable venture through an unsettling impact on the climate, like the utilization of energy, water, and soil and distinctive frameworks in the period of the entire course of creation, selling, and utilization (Leal et al., 2019). The business of fashion is answerable for eight to ten percent of worldwide emissions of carbon (4 to 5 billion tons each year), approximately twenty percent of pollution of wasted water (each year 79 trillion liters), and approximately 35 percent of pollution of marine plastic (190,000 tons each year), generating approximately 92 million tons of waste material yearly (Niinimäki et al., 2020).

Much more dreadful, the development of quick style is quickly escalating toward natural catastrophe by expanding clothing utilization. Furthermore, the typical number of times a clothing piece is used before it is disposed of has declined (Holmes, 2016). As indicated by the Boston Consulting Group (BCG) and Global Fashion Agenda (GFA), worldwide clothing and footwear utilization would go from 62 million tons in 2015 to 102 million tons in 2030 at an increasing rate of 3.4% annually (Kerr & Landry, 2017). Anyhow, the rate at which textile waste is recycled is only 12 percent. If it stays at this rate, it is expected that the fashion industry will be responsible for about 25% of the emission of carbon globally by 2050 (UNEP, 2018).

Since there has been an increase in awareness about environmental issues, green consumption is not a choice anymore, instead, it has become a necessity. Specifically, people who fall under the category of Generation Z and Millennials, who by the way have previously appeared as the main consumers, are demonstrating green consumption behavior (Kim, Jung, & Lee, 2021).

The circular economy's ascent has advanced better sustainable ideas, including the adoption of reusing procedures to increase the worth of the material and the wastage of plastic (Wagner, & Heinzl, 2020). There is an immense chance to reuse fashion attire and display it in the market in a usable structure with the assistance of a circular fashion framework. In this manner, the apparel can be utilized at its most in its usable structure by sharing and recirculation (Stål & Corvellec, 2018). Circular fashion is associated

with the method involved with planning, obtaining, delivering, and giving the items in the most valuable structure, and from that point forward, when it becomes of no use to people, safely disposing of it in a way that the environment is not harmed (Brismar, 2017).

### **Consumer Perceived Values**

In search of valuable products, consumers engage in consumption activities, and this could be the only likely reason for this as valuing and giving importance to any product is the simple currency of all human activities (Mittal & Sheth, 2001). As per marketing, the most essential desires and needs that consumers may want to take advantage for which was based on the perception and value that has been created. In other words, the importance of consuming any product is based on human behavior related to purchasing and an essential relationship with marketing. In terms of marketing, perceived value refers to an exchange between what the consumer gets and what he or she gives up in return (Servera-Francés, & Piqueras-Tomás, 2019). Kim, Jung, and Lee (2021) divided consumer perceived value into distinct categories: emotional, social, and environmental values.

### **Emotional Values**

Emotional Value indicates the Realization of changes in positive emotions that consumers may feel when they use any product such as pleasure or good feelings, it is the connection between the perception and emotional state of the consumer when they buy and use any product. Moreover, this emotional value that consumers will generate will play a hugely influential role in building a positive attitude toward circular fashion products. This will help the consumers by making them emotionally connected with environmental protection after using environmentally friendly clothes.

Emotional value can be defined as buyers' foremost sentiments or potentially affective positions, stirring the utilization of goods or services (Sheth, Newman, & Gross, 1991; Sweeney & Soutar, 2001). This literature shows that the needs of the psychological brain can be viewed using sensations of solace and delight. Sangroya and Nayak (2017) demonstrated that buyers' mental and emotional necessities are the main indicators of one's demeanor concerning eco-friendly items and the social aim to buy these items. Moreover, a vast number of studies show that people who are more concerned regarding environmental factors are more likely to buy products or services that are eco-friendly (For example Ozaki & Sevastyanova, 2011; Sangroya & Nayak, 2017). Woo and Kim (2019) in their research proposed that there was a positive significant correlation between green product purchase intention and emotional value. Researchers likewise proposed that even though shoppers do not purposefully seek after the value of consumer emotions through the consumption of products, consumption based on positive values can prompt positive feelings at the psyche level (Sheth, Newman, & Gross, 1991; Sweeney & Soutar, 2001; Sangroya & Nayak, 2017). Hence based on the previous research, it can be hypothesized that emotional

values are significantly associated with circular fashion.

### **Social Values**

The need to use any product or service is raised in any consumer's mind due to a relation between a product and social groups can be described as the social value of circular fashion (Hasbullah, Sulaiman, & Mas'od, 2020). It is the recognition and self-image value of being socially recognized that will enhance the encouragement from society to improve the social image of products by the fulfillment level of social needs. This association with any particular social group affects the actions of green consumers. Which experience the change in their lives.

Social Value comprises the societal picture, articulation in character, and communication ideas, besides this value is connected with interaction among people separated after individuals related by separate acknowledgment through picking services and products (Sangroya & Nayak, 2017; Sweeney & Soutar, 2001). O'Cass and Frost (2002) stated that communal worth could empower purchasers to foster a behavior toward precise items, prompting their ways of behaving; they further expressed that social worth creates customer perspectives to keep up the relations with others. Social value stands as the apparent value related through a specific group, or obvious utility that emerges after the relationship amongst the product/service besides directly or adversely generalized segment, financial, and social ethnic groups (Sheth, Newman, & Gross, 1991). In simple disputes, social value in terms of circular fashion is the concept of being standard by people besides getting validations and compliments from others because of the image of the product or the consumers' satisfaction regarding their social requirements. If consumers consider that circular fashion products are harmless to the environment and are limited edition, and that they will leave a good impact on their social circle, the consumer will get increased social value from using that product. On the other hand, if the consumer thinks that they will not receive compliments or the circular fashion item will not make them look good in their social circle since it is made of waste and people might consider the product as old and unsanitary, then the consumer will receive low social value from it. Woo and Kim (2009) uncovered that individuals who generally follow social values are probably going to partake in the consumption of green or eco-friendly products because an eco-friendly mentality is usually shaped by social connections.

### **Environmental Value**

The acceptance of the natural environment of the earth and how human beings relate to it is known as the environmental value (Stern; Kalof, 1995). Environmental value and circular fashion are somehow related to each other in such a way that it affects the consumption of circular fashion products because the companies producing circular fashion products prevent the use of unused raw material which many other fashion product companies are doing.

bulletins.

™ 85% nos. of respondent is ready to buy research in progress bulletin if library provides it.

™ 51.1% of the respondents are preferred to buy the bulletin at cost price.

### **Abstract of Articles**

™ A total of 56.6% of the respondents said that abstract of articles help them a lot in pursuing their research work more easily.

™ 85.29 nos. of research scholar are willing to buy the abstract of articles related to their research topic if library provides it

™ 66.7% of research scholar prefers the cost price for buying the abstract.

### **Full Text Documents**

™ Analysis of the study reveals that a majority of the research scholars 89.4% prefer full text documents related to their research study.

™ All the respondents 100% are ready to buy the copy of full text of the relevant documents if library provides it.

™ 55.27% of respondents are prefers cost price for buying the copy of the full text documents.

### **Current Awareness Bulletin**

™ A total of 72.3% of respondent reveals that Current Awareness Bulletin related to their research study can fulfill their needs and it is a valuable information product for their research study.

™ Majority, i.e., 70.7%, of the respondents are ready to buy the Current Awareness Bulletin if library provides it and if it provides the specific area of research.

™ 50.1% of research scholar are prefers the cost price for buying the Current Awareness Bulletin.

### **Other Findings**

™ 81.23% of the respondents preferred print formats for buying the information products.

™ 65% of the scholars prefer personal communication for giving information about the information products/services.

™ A majority of the respondents 74.28 % feels that marketing of library information product and services beneficial to the users and it also increases the importance of the library in research.

### **Conclusion**

In this information ages marketing of library and information products/services have become very necessary and important for variety of users and their growing expectations. Libraries should adopt the

Circular fashion companies promote the use of recycled products and recycled raw materials used in production through sustainable supply chain management.

Environmental value represents a conviction about the earth and nature and people's relation with it (Stern et al., 1995). Individuals who have huge environmental value live and foster their existence as per their surroundings. Consequently, they think that far from fulfilling our own material needs, we ought to look for congruence among nature and people (Thompson & Barton, 1994). Environmental value plays a significant role in impacting consumption associated with circular fashion because, in contrast to other fashion products, the objective of circular fashion is to encourage people to use recycled products and discourage them from using virgin products via a closed-loop supply chain. Various researchers have reasoned the circularity in items (Michaud, & Llerena, 2011; Mugge, Jockin, & Bocken, 2017) and the presence which has been recycled (Magnier, & Schoormans, 2017; Steenis et al., 2017) decidedly affect people's apparent environmental value. In this manner, Woo, and Kim (2009) recommended that if the perceived environmental value is higher, people's attitudes toward circular fashion items will also be stronger. The results of their study further showed that concerning secondhand clothing, environmental values had a positive impact on consumer attitudes towards products.

### **Consumers Perceived Risks**

Before making purchase decision consumers sometimes feel anxiety about the use of the product, whether the product purchased would fulfill their needs, or if there would be any consequences that occurred unexpectedly after using the products. This is the realization of the risk consumers may feel (Kim., Jung, & Lee. 2021). Consumers find it difficult to make a buying decision as they face problems between the desire to buy the product and the loss that could be incurred after purchasing.

Bauer (1960) introduced the perceived risk which is different from objective risk. Perceived risk represents the perceived unease fullness or tension that a consumer experiences while making a purchase. The anxiety takes place with the consequences that might take place after the product has been purchased and used (Cox, & Rich 1964; Taylor, 1974). Roselius (1971) characterized the risk involved in the purchase behavior of consumers as perceived risk, stating that when an individual wants to purchase an item, he or she is faced with a dilemma between the loss associated with after purchase and the consumer's wish to purchase it. Numerous research has been carried out on the perceived risk in the apparel and clothing field. Koyama et al. (1990) reviewed members on the apparent dangers related to attire items and recognized five uneasiness factors: nervousness about quality/execution, tension about digressing from fashion standards, anxiety, and concerns about looking nice in fashion, uneasiness about being up-to-date, and nervousness about being excessively conspicuous. Contrasted with previous research on perceived risk, the mentioned five factors of anxiety are distinct categories of perceived risk about fashion (Kawakita, 2014). In relationship to the risks perceived by circular clothing, Park, and

Choo (2015) led qualitative research to develop the dimensional perceived risks of fashion clothing products that are recycled, and gave 5 dimensions of perceived risk named, aesthetic risk, social risk, sanitary risk, economic risk, and performance risk. In the current study, we considered 3 out of 5 dimensions identified by Park and Choo (2015) i.e., financial (economic), functional (performance), and aesthetic risks.

### **Financial Risk**

When the consumer purchases a circular fashion product, it might have a chance they could face loss in investment or extra cost incurred in repairing or replacement in case of any problem, this is the point where consumers realize the financial risk. Considering these financial risks, consumers feel that these products related to circular fashion would be costly as compared to the normal products of fashion.

Financial risk can be well-defined as the risk of investment loss or increased cost for exchange or repairing of the bought product when there is an issue (Horton, 1976; An, 2000). Customers thinking of purchasing an item for circular fashion may also observe financial risk. They might consider that products of circular fashion will have higher prices in contrast to usual products because they are unable to be produced in mass or bulk quantity or circular clothing products will be sold at excessive costs considering different circumstances. Park and Choo (2015) observed that most buyers had negative discernment that the cost of circular fashion items was excessively costly. Furthermore, Machado et al. (2019) observed that dissimilar to the objective of thrift shops, lately recycled clothing products are sold at excessive costs, which is viewed as a dishonest way of behaving by secondhand store proprietors. Therefore, Kim, Jung, and Lee, (2021) expressed that shoppers see an economic risk while purchasing circular fashion items and may behave negatively toward the items.

### **Functional Risk**

Consumers may feel hesitation and doubt related to the functionality of a product as it was expected to work. This is the realization of the functional risk, or we can say performance risk where consumers may feel the risk that the product that they have acquired will not fulfill the needs as it was functioned for, or it will fail as a product.

Functional, otherwise called performance risk, is the doubt related to the result of an item that does not work as it is supposed to (Horton, 1976; Shim & Bearden, 1982). In general, function risk alludes to the likelihood that the bought item will not function properly, the appropriate services will not be offered properly, or the functional expectations of the product will be faulty (Minshall, Winakor, & Swinney, 1982; Stone, & Grønhaug, 1993; Lim, 2001). Products of circular fashion are quite different from usual products since they undergo the whole procedure of being designed and manufactured from scratch and are sold by reusing disposed materials.



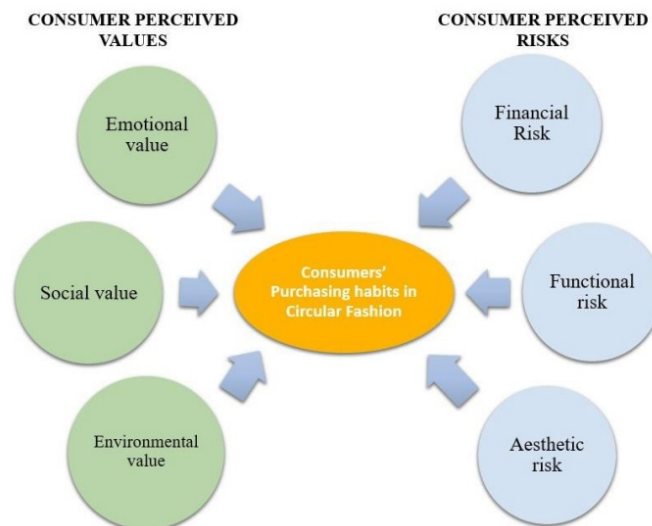
Because circular fashion products are produced using wasted material, it might make people doubtful of the functionality of the product consequently postponing the purchase behavior of consumers. Park and Choo (2015) argued that because of the explicitness of upcycling, buyers might stress that upcycled items will not satisfy the utilitarian requirements of purchasers like ease of use, viability, usability, and durability.

### **Aesthetic Risk**

Many consumers may feel that the product or service they are buying or consuming will not match their personalities and image they have, this perception can fall under the definition of aesthetic risk. Aesthetically, clothing has a vital role in sustaining the needs of the consumer for a consistent self-portrayed image. Aesthetic risk is supposed to include and consider the consumer's image in buying or previously owned clothes.

Aesthetic is the discernment that the bought item will not remain following the buyer's self-perception. In particular, the aesthetic risk associated with the purchase of apparel incorporates accordance with one image of oneself as well as congruence with other dresses that the buyer has, suggesting that apparel plays a significant part in stylishly fulfilling customers' requirement for a harmonious mental self-image (Park & Kim, 1998). Similarly, the aesthetic risk associated with circular fashion clothing alludes towards dread around whether circular fashion outfits remain finely matched by the additional dress that a shopper has, for example, an absence of variety, whether the item coordinates fine per the buyer's image, maybe there is a bad size acceptable. customers may worry that reused design items are not assorted sufficient in variety, size, and stylishness. They could likewise have worried that handed-down apparel, which has been used by others and disposed of, is outdated. Kim (1991) observed that buyers' perceived aesthetic risk could refer to postponing the purchase or canceling the purchase. In simple words, shoppers could perceive the aesthetic risk of circular fashion clothing items. In this way, they are less inclined to purchase such items. Rausch and Kopplin, (2021) observed that aesthetic risk impacts the buyer's goal and conduct towards recycled or used garments. Yet, then again, Kim, Jung, and Lee (2021) conducted a study that showed that aesthetic risk had no adverse impact on the approach of consumers toward circular fashion products. That is why research concerning aesthetic risk in a circular fashion is not conclusive and requires further research for a better understanding of the impact of perceived aesthetic risk regarding circular fashion.

## CONCEPTUAL MODEL



## HYPOTHESES

- H1:** Emotional value positively impacts consumer purchasing habits in a circular fashion.
- H2:** Social value positively impacts consumer purchasing habits in a circular fashion.
- H3:** Environmental value positively impacts consumer purchasing habits in Circular Fashion.
- H4:** Financial risk value positively impacts consumer purchasing habits in Circular Fashion.
- H5:** Functional risk positively impacts consumer purchasing habits in Circular Fashion
- H6:** Aesthetic risk value positively impacts consumer purchasing habits in Circular Fashion.

## RESEARCH METHODS

The research approach that is being used in the current study is the deductive approach since work is being done on already existing theories and hypotheses are being tested. Another justification for the approach being deductive is that the research is exploring already existing theories, and no new theories are being proposed. Hence, the study is quantitative, and the approach is deductive with explanatory paradigms. The design of the research is correlational research where the impact of independent variables on dependent variables is being tested. Independent variables include consumer-perceived values i.e., emotional values, social values, and environmental values, consumer perceived risks i.e., financial risks, functional risks, and aesthetic risks. Dependent variables include consumer behavior and purchase intentions of consumers concerning circular fashion.

The target population of the current study was consumers acquiring women's clothes, especially women since women are more involved in purchasing or consuming fashionable clothes. The sample size of the study was two hundred. The sampling technique for the research is convenience sampling which means that the data is collected from consumers available conveniently.

## RESULTS AND INTERPRETATION

In this initial analysis, the researcher examined every construct and evaluated every item and variable in the context of a circular fashion. This section also examines how individual constructs take meaning around sustainable fashion products. To follow this, the researcher will be concerned about every process of accounting, appreciation, or assessment of every aspect of the research model framework.

### Measurement Tests

All six constructs that were employed in this study are measured by Likert Scale 1. Strongly agree, 2. Agree, 3. Neutral, 4. Disagree, 5. Strongly disagree and include emotional value (Sweeney and Soutar, 2001), Social Value, Environmental Value (Bhatia & Jain, 2013), Financial Risk (Mieres, Martin, & Gutiérrez, 2006), Functional Risk (Stone, 1993), Aesthetic Risk (Rausch & Kopplin, 2021).

### CFA and Reliability Analysis

In this study, confirmatory factor analysis (CFA) was used to confirm the factors that were used in this research. Before evaluating the hypothetical relationship between each construct, this study conducted a CFA analysis to measure all variables that are based on matrix equations to reduce data on structural factors (Anderson & Gerbing, 1988).

**Table 1.** CFA, Reliability, and AVE

		Factor Loadings	Cronbach's Alpha	Average Variance Extracted (AVE)
<b>Aesthetic Risk</b>	AR1	0.772	0.891	0.673
	AR2	0.940		
	AR3	0.899		
<b>Environmental Value</b>	EnV1	0.805	0.883	0.681
	EnV2	0.797		
	EnV3	0.845		
	EnV4	0.839		
	EnV5	0.838		
<b>Emotional Value</b>	EV1	0.769	0.803	0.501
	EV2	0.796		
	EV3	0.798		
	EV4	0.793		
	EV5	0.764		
	EV6	0.787		
<b>Financial Risk</b>	FIR1	0.875	0.836	0.675
	FIR2	0.729		
	FIR3	0.929		
<b>Functional Risk</b>	FUR1	0.984	0.739	0.543
	FUR2	0.726		
	FUR3	0.719		

<b>Purchase Behavior</b>	PB1	0.787	0.782	0.605
	PB2	0.730		
	PB3	0.799		
	PB4	0.794		
<b>Social Value</b>	SV1	0.831	0.786	0.608
	SV2	0.793		
	SV3	0.735		
	SV4	0.758		

According to Cronbach's alpha, it can be seen that the value of aesthetic risks, consumer perceived value, emotional value, financial risks, functional risks, purchase behavior, and social value are computed to be 0.89, 0.88, 0.80, 0.83, 0.73, 0.78, 0.78 respectively, thus, it implies that all the constructs fulfill the minimum threshold and considered statistically reliable. Furthermore, it can be seen that AVE was computed to be 0.67, 0.68, 0.50, 0.67, 0.54, 0.60, and 0.60, respectively. Thus, it implies that the construct of aesthetic risks, consumer perceived value, emotional value, financial risks, functional risks, purchase behavior, and social value are found to be valid. Hence, findings revealed that all the constructions of measurements of each variable were found to be valid, reliable, and appropriate for statistical analysis.

## Hypotheses Testing

**Table 2.** Path Coefficient

	Original Sample (O)	Standard Deviation	T Statistics	P Values	Empirical Conclusion
<b>EV -&gt; PB</b>	0.353	0.070	5.046	0.000	Accept
<b>EnV -&gt; PB</b>	0.242	0.073	3.313	0.001	Accept
<b>SV -&gt; PB</b>	0.172	0.067	2.572	0.010	Accept
<b>FIR -&gt; PB</b>	0.224	0.124	1.804	0.071	Reject
<b>FUR -&gt; PB</b>	-0.007	0.091	0.077	0.939	Reject
<b>AR -&gt; PB</b>	0.047	0.090	0.525	0.599	Reject

Overall, the current research model proposes six hypotheses. Circular fashion implicitly predicts sustainable purchase intentions and their values and risks. The results for structural model estimation are depicted in the above Table. There is a positive impact of environmental value, emotional value, and social value on consumer purchasing habits in a circular fashion as the p-value is less than 0.05. However, as per the above results, all variables related to risk are found insignificant and there is no impact of financial risk, functional risk, or aesthetic risks on consumer purchasing habits in a circular fashion.

## DISCUSSION AND CONCLUSION

The textual analysis highlights the purchasing behavior in the fashion industry and observes customer

perceptions about quality and value in the concept of environmental responsibility.

The respondents confirmed the importance of perceived quality, perceived value, and customer satisfaction in the context of increasing customer purchase intention towards sustainable products. The ACSI is a general calculation of customer satisfaction with products, companies, industries, and countries according to various dimensions including CSR, eco-development, and sustainability. The main contribution of the index is that it provides a new measurement system that calculates customers' perceptions of economic performance, environmental performance, social performance, and cultural performance.

It is concluded that to evaluate sustainable performance in fashion companies, customer perceptions of quality and value play a dynamic role in increasing customer satisfaction, and customer satisfaction with sustainability brings more customer equity toward fashion brands or companies, develops stronger customer relationships, and increases purchase intention. The perceptions of performance determine their evaluations of the fashion industry's sustainable performance. These specific measurements reveal the eco-focus of customers, which can help fashion industry practitioners design more effective and pertinent sustainability strategies. This study tested and supported the new measurement system by revealing real customer expectations regarding sustainable fashion product attributes.

There are various implications of this study. This system allowed us to study how consumer satisfaction regarding the sustainability of fashion products transfers to stronger brand equity. This study was also able to show the importance of sustainable development strategies in the fashion industry and to identify directions for the fashion industry to form sustainable, profitable, and competitive strategies. The study results indicate that fashion company managers should accurately calculate how customers perceive each sustainable behavior. The calculation of index scores based on the model and the development of measurement are suggested as future research themes based on this study. Based on the index score, fashion companies can draft detailed strategies on how to develop sustainability to influence profits. Our study is limited in that this study gathered data from only limited respondents, which is insufficient for standardizing fashion sustainability and purchase intentions and the index score. Future studies should extend to other fashion companies, types, markets, and cultures to broaden the measurement system and grading criteria. Future research should study a complete and more detailed sustainability evaluation system in the fashion industry. Involving more perceived values and the associated risk perception in a circular fashion.

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# Resource-based view and sustainable advantage: a framework for SMEs

Sam El Nemara,<sup>a,b</sup> Hani El-Chaarani  
, Ibtihaaj Dandachid and Sylvaine Castellano

<sup>a</sup>Faculty of Business Azm University, Tripoli; <sup>b</sup>Faculty of Business, University of Balamand, Koura, Lebanon; <sup>c</sup>Faculty of Business, Beirut Arab University, Beirut, Lebanon; <sup>d</sup>Department of Languages and Literature, University of Nicosia, Nicosia, Cyprus; <sup>e</sup>EM Normandie Business School, Métis Lab, Paris, France

## ABSTRACT

*As firms struggle to regroup their business efforts after Covid-19, significant focus turns to strategically using their resources to competitively outmanoeuvre their rivals through utilizing their human capital, social capital, and brand reputations in their performance. This research scrutinizes the relationship between the intangible resources of human resources practices, brand reputation and sustainable competitive advantage of SMEs through the lens of the RBV as a tool for strategic marketing management – an underexplored area in marketing research – using SEM model. The analysis of primary data collected from 128 SMEs operating in Lebanon reveals the existence of a positive impact of social capital on competitive advantage and shows that competent human capital has a positive impact on both competitive advantage and reputation of Lebanese SMEs. In addition, findings indicate that reputation leads to enhancing both competitive advantage and performance. Finally, the results show that the competitive advantage has a positive impact on SMEs performance during uncertain periods. These findings provide valuable insights into RBV, supporting the belief that human and social capital resources are key success factors for SMEs during uncertain periods, which can be of great significance for strategic marketing managers to help them strengthen the position of their SMEs in emerging markets during difficult times.*

**KEYWORDS** Resource-Based Theory; Sustainable Advantage; Human Resources; Human Capital; Social Capital; Strategic Marketing; SMEs; Brand Reputation

## Introduction

In view of the economic crisis that has emerged with the outbreak of COVID-19 and spread across the globe, small and medium enterprises (SMEs) can only survive by keeping ahead of competition over a sustainable period of time (Sharma et al., 2022), which brings the allocation and management of an enterprise's resources to the fore. The resource-based review (RBV) proposes that sustained competitive advantage and performance gains stem from the interaction of an enterprise's strategic resources (D'Oria et al., 2021). While the literature abounds with theoretical perspectives of RBV, there is a gap in marketing research that verifies the underlying resource requirements such as human and social capital and their impact on sustainable competitive advantage (SCA) taking into account brand reputation within RBV and competitive advantage on the performance of SMEs. The identification of certain performance variables within RBV such as value, rare, inimitable and the organization can be criteria that are key to RBV-based performance predictions (Chen et al., 2021; Kozlenkova et al., 2014). Strategic marketing managers need to utilize the RBV concept as it can influence the competitive advantage dynamics through an organisation's tangible and intangible resources (Siebers et al., 2013; Zahra, 2021). In addition, as RBV enhances firms' capabilities through competitive advantage, it directs marketers' strategic efforts and their market offering by treating firms as a bundle of resources. Strategic marketers also need to recognize the importance of internal resources and capabilities as their influence on the firms' success should be viewed through an 'inside-out' perspective (Evanschitzky, 2007;

Szymaniec-Mlicka, 2014; Zahra, 2021).

This research aims at investigating the relationship between the intangible resources of human resources practices, brand reputation and sustainable competitive advantage of SMEs through the lens of the RBV as a tool for strategic marketing management. The results of this study can be of great significance for strategic marketing managers to help them strengthen the position of their SMEs in emerging markets during difficult times.

### **Literature review**

This section reviews the literature on the RBV theory and competitive advantage which is key to a firm's superior performance. It further examines human resources in terms of human and social capitals as well as brand reputation within the lens of RBV and competitive advantage. The impact of RBV on marketing capabilities of SMEs during a crisis is also investigated.

### **Resource-based theory**

For an organization to strengthen its position in the market, it needs to capitalize on its strategic resources which not only generate value for the organization but also help it establish and maintain competitive advantages over time (Dubey et al., 2019; Zica et al., 2016). In addition, when one firm can improve the wellbeing for itself in parallel with improving the wellbeing of its stakeholders, it actively practices co-create value (Cassidy & Resnick, 2022; Koskela-Huotari et al., 2016). This notion has emerged from the resourcebased view (hereafter RBV) theory that was originally proposed by Birger Wernerfelt (1984) then remarkably refined by Jay Barney (1991), drawing upon the works of David Ricardo (1817), Philip Selznick (1957), and Edith Penrose (1959). The underpinning theory of RBV is that it puts forward the concept that several organizational resources can impact on improving strategic organizational performance (Barney, 1991; Chatterjee et al., 2022).

In contrast to theories that focus on external factors to leverage a firm's performance, RBV assumes that internal factors, identified as strategic resources, are the fundamental underpinnings that help an organization strategize and outperform its competitors (Davis & Simpson, 2017; Gibson et al., 2021; Nagano, 2020; Theriou et al., 2009). This is mainly due to the notion that an organization can easily control its internal strengths and weaknesses but not external opportunities and threats (Shibin et al., 2020). That is, regardless of the market environment or products and services a firm provides, a firm can be effective, efficient and competitive through its strategic resources and capabilities that distinguish it from its direct competitors (Nagano, 2020; Seddon, 2004) and through its ability to implement and organize these bundles of resources and capabilities in a way that leads to achieving sustained competitive advantage (Malik, 2022).

Indeed, the heterogeneity and unique combination of a firm's tangible and intangible resources allow the

firm to develop strategies that meet the market's demands and lead to higher consumers' utility (Burvill et al., 2018; Chapman et al., 2018; Davis & Simpson, 2017). These resources are perceived as assets, attributes, capabilities, knowledge and processes that firms possess, control and use (Madhani, 2009).

To add to a firm's competitive advantage, these resources should have additional distinctive characteristics; they should be 'valuable, rare, imperfectly imitable and nonsubstitutable' (Ande et al., 2018; Bertheussen, 2021; Burvill et al., 2018) to enable an organization to make strategic choices (Madhani, 2009; Zica et al., 2016). For resources to be valuable, they have to either increase profits or lower costs. Rare resources are those owned by few firms, current and potential competitors, due to high demand and low supply. As for inimitability, it refers to the notion that resources cannot be imitated due to lack of cost, knowledge and energy among other factors (Madhani, 2009; Putra et al., 2021).

As such, RBV puts great emphasis on improving strategic resources correlated with path dependency or historical path (Joyce & Winch, 2004). In short, RBV suggests organizations are able to exploit market opportunities by allocating and investing in their unique, varied, existing resource bundles (Davis & Simpson, 2017; Shams, 2016).

Incorporating several resources into one framework such as RBV can help analyse and evaluate the influences of different market-based resources and capabilities on an enterprise's competitive advantage and performance.

### **Competitive advantage**

Competitive advantage is a key that determines the superior performance of a firm, which is measured by its level of profitability (Porter, 1998; Vorhies & Morgan, 2005) and market share (Hooley et al., 2005). Competitive advantage can be achieved through providing goods and services that are either outstandingly different from the ones in the market or available at a lower cost than other products or through specialization and market segmentation (Kryscynski et al., 2020). Firms that compete on the quality of their services and goods as well as lead time need to focus on delivering their quality services or products in a timely manner (Tarsine & Hummingbird, 1995). That is, a company needs to develop and successfully implement a valuable strategy that is not simultaneously adopted or used by current or potential competitors (Barney, 1991; O'Shannassy, 2008) and that takes increasing market share and customer satisfaction into consideration (Mahdi et al., 2019; Sukaatmadja et al., 2020) to have a competitive advantage. Innovation whether in the form of product innovation, process innovation, or business model innovation also plays a crucial role in increasing a firm's competitive advantage (Distanont & Khongmalai, 2020; Prasetyo & Dzaki, 2020; Quaye & Mensah, 2018). As far as product innovation is concerned, Yasa et al. (2020) claimed that promotional strategy is required not only to introduce the item to the market but also to strengthen the brand. Consequently, the competitive advantage will be higher, leading to increased marketing performance (Quaye & Mensah, 2018), which



entails growth in annual sales and market share in addition to operational profit (Yasa et al., 2020) and customer's satisfaction (Afriyie et al., 2019) among other performance measures. Others, like McWilliams et al. (2011) and Davis and Simpson (2017), discussed through the lens of RBV how corporate social responsibility (CSR), also perceived as responsible innovation (Bel Hadj et al., 2020), can boost a company's competitive advantage. In reviewing some recent empirical studies, Nyuur et al. (2019) reported that, when aligned with an organization's core activities, CSR creates value and increases a firm's competitive advantage.

Competitive advantage can be temporary or sustainable (Barney & Hesterly, 2010; Mahdi et al., 2019). While temporary competitive advantage is the result of high profits that cannot last for long as the advantage gets replicated, SCA is achieved when rivals are not able to duplicate a firm's success. In other terms, SCA is the ability of a firm to generate higher value than its competitors in the product market (Jones et al., 2018; Na et al., 2019).

This ability to sustain and improve competitive advantage requires a firm to possess core competencies and capabilities that act as a catalyst that alters and amends current strategies to adapt to available opportunities (Mahdi et al., 2019). According to Hitt et al. (2010), an enterprise that seeks to have SCA must develop a new competitive advantage before its existing one declines while tolerating a fast-changing environment. As for Jones et al. (2018), they claimed that firms that successfully develop a close relationship capability have SCA due to the premise that these capabilities are often rare and hard to imitate. They further elaborated that, when used effectively, stakeholder relations, which are intangible resources, can be more effective sources of SCA than tangible resources like products. Lastly, for firms to achieve competitive advantage in demanding markets, the following factors need to be addressed: speed of delivery, market share, service and product innovation, improved quality, and selected pricing.

### **Human resources within RBV**

Human resources are conceived as a set of market-based resources; they constitute the channel through which marketing strategies are executed (Hooley et al., 2005). In RBV, the unique skills, competencies, and knowledge of an organization are pertinent to its human resources that are needed to carry out several business processes or activities and help achieve competitive advantages (Ariana et al., 2020; Wright et al., 2001). Particularly, and within RBV, human resources are essential for the effectiveness of the firm (Barney, 1991; Djofack et al., 2021). With the assertion that people are crucial for establishing a firm's success and competitiveness, RBV has had a great impact on strategic human resources management (Gerhart & Feng, 2021). It has called for investing in the development of a firm's higher order capabilities stressing on the importance of tacit and firm-specific knowledge as well as collective shared experiences that existing personnel possess as compared to newly hired ones. This stems from the belief that existing personnel have gained experience working not only within the firm but also with each other,



which allows them to provide uniquely valuable services associated with the operations for which they are responsible. Hence, recruiting and retaining people with high-value, tacit knowledge and skills and managing them effectively so as to maintain their trust and commitment help a firm achieve SCA (Gerhart & Feng, 2021).

In fact, through the lens of the RBV and its implications, human resource management scholars have argued that only a high commitment human resource strategy that creates ‘greater firm-level employee-based resources that are rare and valuable’ can lead to a firm’s competitive advantage (Collins, 2021, p. 331). Accordingly, such a strategy should help build a climate within the firm that stimulates employees in a way that leads to higher levels of innovation, customer service, and operational efficiency. This involves investment in a dynamic capital system that embodies both human capital and social capital (Wright et al., 2001).

### Human Capital

Human capital refers to the knowledge base and skills that employees bring to their organizations (Bontis et al., 2000). It is considered as a bundle of exceptional human talents that constitutes a crucial element of intangible resources of a firm. It encompasses skills, abilities, education as well as training, with the last two factors being directly linked to intentional investments leading to increased knowledge applicable either in a large or specific number of firms. Indeed, the education level of the human capital helps increase the ability of a firm to address economic instabilities and adapt to changes (Backman, 2014). In what concerns on-the-job training, it allows employees to increase their productivity by improving old skills or acquiring new ones, through formal and learning by doing activities. Investing in continuous training programs has also a strategic return on investment for a firm (Rashidi & Khanaposhtani, 2017). This is basically due to the notion that firm-specific human capital empowers employees to make decisions that are compatible with the strategies, organizational contexts as well as competitive environment of the firm (Kor & Mahoney, 2005). Furthermore, Martensen and Grønholdt (2006) posited that promoting employees’ personal development and competencies have a great impact on their loyalty. Being loyal, employees become more willing to stand with an organization in times of hardships and work hard to achieve the organization’s goals. Hence, building and maintaining talented and loyal employees are key to an organization’s success (Vuong et al., 2021).

Moreover, a number of studies revealed that employees’ intelligence and skills attained during their years of formal education, specifically higher education, boosted employees’ capabilities not only to produce specialized knowledge but also promote research and innovation, which led to increasing their level of work performance (Becker, 1964; Magoutas et al., 2011). For Florida et al. (2012), the analytical and social intelligence skills of employees allow them to be highly productive; that is why most firms rely heavily on such skills as compared to employees’ physical skills in order to enhance the firms’

productivity.

In addition to the skills they possess, members of the human capital pool display behaviours that either benefit or harm their firm (Campbell & Park, 2016). It is only when they engage individually and collectively in behaviours with positive consequences that they can identify threats, explore opportunities, and devise proactive strategies to cope with any challenges that a firm faces, which can optimize the firm's performance.

Human capital creates a difference in performance across firms, which has been perceived to be a valuable resource (Crook et al., 2011). This leads a firm to not only achieve competitive advantages (Gerhart & Feng, 2021; Shaw, 2021; Wright et al., 2001) but also gain SCAs (Battour et al., 2021). Therefore, determinants of effective human capital are identified as educational level, training level, skills sets, organizational loyalty, intelligence, and punctuality.

### **Social capital**

For a firm to be able to generate a competitive advantage, it needs to be involved in continual innovation that helps improve its performance in a knowledge economy, which requires a contextualized interactive learning process (Chuang et al., 2016). It is through the networking of heterogeneous units that knowledge is created and shared (Longhi, 2014). Social capital consists of establishing a network of trusted work relationships with associated values (Rashidi & Khanaposhtani, 2017) within and beyond the boundaries of a firm to transform and reinforce knowledge (Chen et al., 2018; Chisholm & Nielsen, 2009). In short, trust and collaboration constitute the fundamental principle of social capital (Ekinici, 2012). Within a firm, employees create and share knowledge, collaborate and build trust among themselves (Collins, 2021; Kehoe & Collins, 2017). That is, they get involved in collective learning that enables them to gain the abilities and skills required to assess the potential of new knowledge and incorporate it purposefully within their firm (Pittz & Intindola, 2015). A firm needs also to create and build channels to gain access to external knowledge, in addition to its own knowledge stock (Argote & Ingram, 2000). Sharing knowledge externally revolves around exchanging information and feedback with customers, organizational experts, suppliers and other businesses among other external groups (Campbell & Park, 2016), resulting in efficient, in-depth knowledge exchanges (Gubbins & MacCurtain, 2008). This integration of various sources of knowledge 'can facilitate inhouse knowledge development and explore successful innovation activities for a firm to achieve market domination' (Chen et al., 2018, p. 93). Moreover, knowledge-based resources are usually difficult to imitate, which helps an organization produce an SCA (Liyanage et al., 2009).

Social capital further influences job satisfaction and the motivation level of employees (Baharloo & Naghavi, 2012; Rashidi & Khanaposhtani, 2017). For instance, Özan et al. (2017) carried out a mixed-methods study investigating the impact of social capital elements on job satisfaction of teachers. They

found that communication-social interaction is a significant predictor of job satisfaction levels and revealed that teachers who felt a sense of belonging at the educational firm were more satisfied in their job. Moreover, they expressed that colleagues' and administrators' concern for norms and values have a direct impact on job satisfaction. These findings echo with the results of Jutengren et al. (2020)'s longitudinal study on 250 health-care employees. The study examined the impact of work-group social capital on individuals' work engagement, job satisfaction and job crafting and revealed that social capital has a direct positive predictive effect on both work engagement and job satisfaction, emphasizing the assertion that interpersonal trust and acceptance among work group members lead to increased work engagement and job satisfaction.

When firms rely on social capital to improve the effectiveness of their strategies, they need to resort to the flow of communication, and cooperation among peers, subordinates, and upper-level management for better work control (Hamdoun, 2020; Martensson & Westerberg, 2016). Consequently, the factors for effective social capital are recognized as trust among employees, job satisfaction, and quality of communication in the workplace. Therefore, both human capital and social capital are regarded as critical resources that a firm needs to develop to succeed and boost its competitive advantage (Easmon et al., 2019).

### **Human resources and competitive advantage**

The unique contributions of human resources to the efficiency and effectiveness of a firm play a crucial role in enhancing the firm's performance and competitive position in the market (Boselie & Paauwe, 2009; Browning et al., 2009). Through the inimitable core competencies, tacit knowledge, and dynamic capabilities of its human resources base, a firm can not only compete against a myriad of external factors (Gill & Meyer, 2008) but also generate and sustain a competitive advantage. Indeed, human resources are thought of as a source of sustained competitive advantage by many scholars (Chapman et al., 2018; Mahdi et al., 2019; Prasetyo & Dzaki, 2020). Wright et al. (1994) expounded this notion by stating that when heterogeneity characterizes both the supply of and demand for labour, the attributes of human capitals are normally allocated, work processes embody 'causal ambiguity and social complexity' (p. 309) and firms are distinguished by unique histories as well as employees' and individual managers' experience and intelligence that can be transferred across technologies, human resources become a firm's source of sustained competitive advantage. Along the same lines, Danvila-Del-Valle et al. (2019) asserted in their review of over 900 articles between 1975 and 2016 that there is a great deal of research that indicates that human resources-related assets are crucial not only for considering improvements in any company's performance but also for generating and sustaining competitive advantages. In their study on 227 large and medium-sized manufacturing companies in Yemen using Structural Equation Modelling, Battour et al. (2021) found a positive and direct impact of human resources management

strategies, mainly recruitment strategy, training and development strategy, compensation strategy, performance appraisal strategy, work life quality strategy, and career path planning strategy on SCA. They concluded that SCA can be achieved by ‘attracting qualified human resources with the potential to meet the job requirements and maintaining and developing their skills and abilities’ (Battour et al., 2021, p. 11).

Based on the literature on human resources, the following hypothesis evolved:

**H1:** Human resources positively enhances the competitive advantage of SMEs during uncertain periods such as COVID-19.

This hypothesis can be expanded into sub-hypotheses:

**H1A:** Human capital positively enhances the competitive advantage of SMEs during uncertain periods.

**H1B:** Social capital positively enhances the competitive advantage of SMEs during uncertain periods.

## **Brand reputation**

### **Brand reputation within RBV**

Brand reputation, a subset of marketing resources, is of considerable value for a firm (Capron & Hulland, 1999; Lee & Roh, 2012). It is an intangible resource (Putra et al., 2021) that can become a source of competitive advantage and superior performance (Barney, 1991; Kozlenkova et al., 2014). It impacts the consumers’ choice of products; customers prefer the brand’s products over other competitors’ offerings (Adeosun & Ganiyu, 2013). Reputation also supports the launch of new products with its ability to reduce uncertainty perceived by the consumer (Hooley et al., 2005; Lee & Roh, 2012). It allows access to the best suppliers and to capital markets and investors. A favourable corporate reputation is regarded as a firm’s identity, ethos and values, which needs continuous improvement as a whole (Siebers et al., 2013). It further helps an organization achieve its goals (Hanaysha, 2021). It not only attracts and retains skilled and qualified human capital (Esenyel, 2020) but also creates a sense of belonging and loyalty among the firm’s stakeholders (George et al., 2012; Hooley et al., 2005). The reputation of a brand enhances the effectiveness of advertising and sales promotion, pursuing an even better reputation (Lee & Roh, 2012).

Through the lens of RBV, the reputation of a brand or firm can be seen as a resource capable of generating value for the firm and exhibiting rarity in the market since good reputation is not ascribed to all organizations. Moreover, it cannot be easily imitated or transferred. Indeed, developing a strong brand requires a significant and historic investment in marketing communications, which leads to strong

customers' awareness and attitude toward the brand. It is actually built based on past and present experiences and perceptions of internal as well as external stakeholders about a firm's abilities to satisfy their needs and expectations (Esenyel, 2020; Hanaysha, 2021). It is the result of tacit and know-how practices that a firm uses to create, maintain, and enhance its corporate image. As such, many firms largely focus on enhancing their innovation capabilities to strengthen their reputations (Arbelo et al., 2021) and improve their financial performance through creating satisfied and loyal customers as well as superior market performance in terms of sales volume and market share (Hooley et al., 2005). Certain studies have also revealed a positive impact of a firm's reputation on its financial success (Evanschitzky, 2007). By financial performance, Cochran and Wood (1984) refer to a firm's overall financial health which entails investor and accounting returns. It further conveys a firm's permanence and accessibility for all stakeholders, including consumers, potential employees, and investors (Esenyel, 2020).

Based on the literature, the following hypothesis evolved:

**H2:** Human resources positively enhances the brand reputation of SMEs during uncertain periods such as COVID-19.

This hypothesis can be expanded into sub-hypotheses:

**H2A:** Human capital positively enhances the brand reputation of SMEs during uncertain periods.

**H2B:** Social capital positively enhances the brand reputation of SMEs during uncertain periods.

### **Brand reputation and competitive advantage**

Brand reputation, which is developed over a long period of time (Amis, 2003), strengthens a firm's position as far as other competitors cannot reach a matching kind of fame and esteem. Brand reputation can be considered a firm's asset which can be complex, intrinsic and possesses a high degree of uncertainty for a firm, and most importantly difficult to duplicate (Arbelo et al., 2021). It enables the firm to establish and boost a competitive advantage that is conducive to superior performance (Lee & Roh, 2012). Even more important is the persistence of the reputation that allows a firm to gain a more sustainable advantage (Smith et al., 2013). Many firms have recognized 'the potential benefits of HR brand management' which helps them attract and keep employees and 'induce the brand identity' among them so as to promote the brand reputation (Rashidi & Khanaposhtani, 2017, p. 310). Rashidi and Khanaposhtani (2017) carried out a study to examine the impact of human resources on brand and organization reputation in the insurance industry.

Findings revealed that human resources practices have a positive impact on employees' commitment and satisfaction which in turn have a positive influence on brand and organization reputation. Another study by Sweeney (2007) investigated whether brand image and brand reputation contribute to achieving sustained competitive advantage in the sports apparel industry. Sweeney carried out a comparative case study of three well recognized and strong sports apparel brands in New Zealand, Adidas, Puma, and Canterbury. It was found that Adidas is regarded as the strongest brand due to its stronger existence; it is aligned with quality products as well sponsorship of top teams and athletes. Sweeney also revealed that, unlike brand image, brand reputation holds the characteristics of rarity, inimitability, non-substitutability, and durability and leads to sustained competitive advantage.

For many firms, their competitive positioning will dearly depend upon their market reputation (Hadj et al., 2020; Lai et al., 2010), as a firm's market reputation reassures stakeholders and encourages positive reactions on corporate decision-making. These positive reactions can impact new stockholders to invest and inspire an increase in consumer demand (Hadj et al., 2020; Maden et al., 2012). Therefore, achieving a competitive driven image should be built on consumers' attachment to the products provided so that reputation is strengthened and

gives firms a competitive advantage (Hadj et al., 2020;

Hur et al., 2014). Several studies have revealed that a firm's reputation should be considered its strategic asset because it can provide supportive competitive advantage, which accordingly supports a firm's performance (Arbelo et al., 2021).

Based on the literature, the following hypotheses evolved:

**Brand Reputation on Competitive Advantage**

**H3:** Reputation positively enhances the competitive advantage of SMEs during uncertain periods such as COVID-19.

**Brand Reputation on Performance**

**H4:** Brand reputation has a positive impact on SMEs performance during uncertain periods such as COVID-19.

### **The impact of rbv on marketing capabilities of SMEs during a crisis**

By creating job opportunities and generating income, SMEs play a crucial role in developing the economy of a country (Campbell & Park, 2016; Distanont & Khongmalai, 2020), accounting for more than 90% of businesses in most of the countries worldwide (Katua, 2014). This is in addition to their potential to develop into an industry (Distanont & Khongmalai, 2020). To overcome competitive forces and address market uncertainty and capability gaps which are major risks related to the dynamic market environment (Augustyn & Pheby, 2005), SMEs should allocate and use their resources and capabilities in an efficient and effective way, while considering their position in the market so that they hold a significant edge over their competitors, produce greater value for their enterprises and their shareholders and achieve SCA (El-Chaarani & El-Abiad, 2019; Han et al., 2018; Martin et al., 2020). Regarded as resource-constrained compared to large corporations (Ramon-Jeronimo et al., 2019), SMEs often struggle during times of difficulties and turmoil and need to either cutback on their resources (Wright et al., 2001) or muster them (Gibson et al., 2021). In this context, RBV can offer great insights in terms of the types of resources, including capabilities that enterprises can mostly use and benefit from; they should be valuable, rare, inimitable, and nonsubstitutable and can take the form of tangible and intangible resources.

Encompassing both internal and external attributes required to achieve SCA (Aghazadeh, 2015), marketing capability merges an enterprise's tangible and intangible resources in an integrative process so as to create the consumers' demands and meet their needs, differentiate the enterprise's product relative to competition, and provide superior brand equity (Afriyie et al., 2018; Martin et al., 2020; Nath et al., 2010). As defined by Spanos and Lioukas (2001), marketing capability is the ability to create special relationships with customers and suppliers and integrate them with market knowledge from customers and competitors, management of distribution channels and solid customer base. There are various types of marketing capabilities that affect the competitive advantage of an enterprise and subsequently its performance: inside-out, outside-in, and spanning capabilities. The inside-out marketing capability focuses on the ability of an enterprise to recognize its customers' needs whereas the outside-in capability refers to the enterprises' ability to build relationships with its customers. For the spanning capability, it incorporates both inside-out and outside-in capabilities (Afriyie et al., 2018). As far as RBV is concerned, it takes an inside-out perspective on why enterprises succeed or fail (Srivastava et al., 2001).

Enterprises can exploit value propositions derived from the combination of low cost and marketing differentiation (Martin et al., 2020). Cost leadership makes products and/or services available at the customers' disposal at low prices compared to other competitors and marketing differentiation helps an enterprise develop innovative and distinctive products (Li & Deng, 2017). This combination is recognized as a competitive strategy, which constitutes a pattern of marketing capabilities that support choices to compete for target customers and achieve desired goals (Martin et al., 2020). The decisions of the competitive strategy should be based on careful analysis of the marketplace's requirements; this alignment should be ensured by marketing capabilities (Weerawardena &



Mavondo, 2011).

A considerable body of research supports the premise that there is a strong correlation between marketing capabilities and a firm's performance, be it a large or a small firm (Sukaatmadja et al., 2020; Wang & Kim, 2017). For instance, Nath et al. (2010) found in their study of the archival data of 102 UK-based logistics companies that marketing capability is the key factor for superior financial performance. Moreover, marketing capabilities dominate over operation capabilities, which encompass the process, technology, reliability and quality of the overall operations, with regard to firms with better resource-performance-transformation capabilities. Furthermore, firms with marketing capabilities financially outperform firms that rely on operational capabilities only (Kamboj et al., 2015).

Once built and established, marketing capabilities are hard to imitate. Consequently, marketing capabilities can contribute to a large degree to an enterprise's competitive advantage, which in turn affects its performance.

Based on the literature, the following hypothesis evolved based on competitiveness on performance:

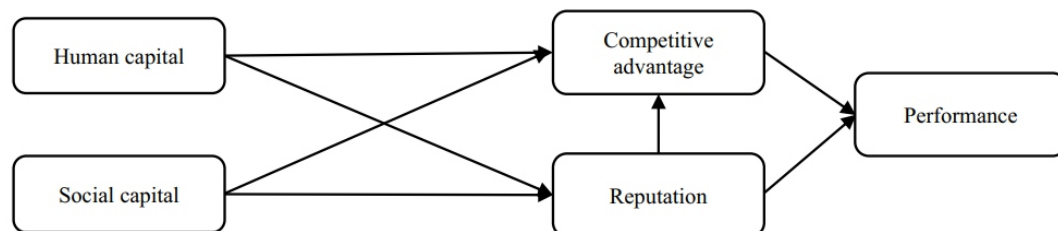
**H5:** Competitiveness has a positive impact on SMEs performance during uncertain periods such as COVID-19.

## Research methodology

### Research method

The objective of this research is to reveal the impact of human and social capitals on the competitive advantage and reputation of SMEs during uncertain periods, namely the COVID-19 pandemic period. Thus, five variables were considered namely i-human capital, ii-social capital, iii-competitive advantage, iv-reputation and v-performance.

The Structural Equation Modeling (SEM) was employed due to its capacity to predict the causal pathways between all the variables of the study (independents and



**Figure 1.** Research model.

dependents). The SEM modeling has the advantage to not being influenced by intercorrelations and distribution of variables (Nunnally et al., 1967). Figure 1 presents the research model that aims to test the RBV theory in the case of Lebanese SMEs.

### Measures

One dependent variable (i.e. competitive advantage), two independent variables (i.e. human capital and social capital) and two mediating variables (i.e. competitive advantage, and reputations) were used to reveal the nature of causal pathways and test the research hypotheses. The measurement and definition of variables were taken from previous literature review after making few modifications to be adapted with the characteristics of Lebanese SMEs. All the variables were measures based on a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree.

Human capital (HC) was assessed using six scales defined by Bontis and Serenko (2009), namely educational level (Hc1), skills (HC2), loyalty (HC3), intelligence (HC4), training level (HC5) and punctuality (Hc6).

Social capital (SC) was measured using four scales defined by Akintimehin et al. (2019), namely trust among

employees (Sc1), satisfaction level (SC2), quality of communication between peers (SC3) and quality of communication between subordinates and seniors (Sc4).

Competitive advantage (CA) was measured using five scales defined by Porter (1985), namely, speed of delivery (Ca1), market share (CA2), service and product innovation (Ca3), improved quality (CA4) and pricing (CA5).

Reputation (RE) was assessed using four scales defined by Brown et al. (2006), namely corporate identity (Re1), intended corporate image (RE2), constructed corporate image (RE3) and constructed corporate reputation (Re4).

Performance (PE) was measured through four subjective scales defined by Vrontis et al. (2021) and El-Chaarani et al. (2021), namely return on investment (PE1), return on equity (Pe2), return on assets (PE3) and return on sales (PE4).

### Research sample

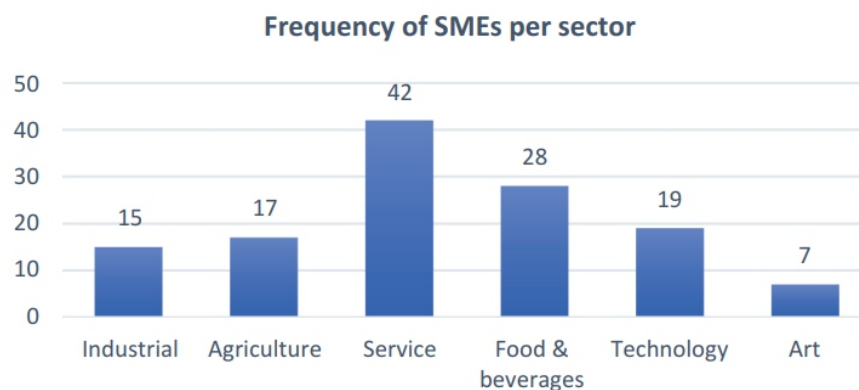
The research data were the population of Lebanese SMEs operating in different sectors.

All the contact details of Lebanese SMEs were collected through the Chamber of Commerce, industry and agriculture during December 2021. During the first month of 2022, 867 SMEs were invited to participate in the study. Only 172 SMEs accepted the invitation and agreed to respond to the distributed questionnaire. Finally, only 57 top-line managers and 71 middle-line managers working in 128 SMEs completed the self-administered questionnaire (Figure 3).

The questionnaire was divided into two different sections. The first section was related to the information of SMEs characteristics and respondents' positions. The second section was related to different dependent, independent and moderator variables namely, human capital, social capital, competitive advantage and reputation.

The majority of SMEs were working in service and food & beverage sectors (Figure 2).

The rest of SMEs were operating in other sectors like agriculture, industrial, technology and arts.



**Figure 2.** Frequency of sample per sector.



**Figure 3.** Hierarchy of respondents within SMEs.

### Results

Table 1 shows the average means and standard deviation of dependent, independent and moderator variables. The

level of SMEs reputation is relative since the average means of corporate identity, intended corporate image, constructed corporate image, and constructed corporate reputation were 2.7338, 3.0282, 2.9756 and 3.0452, respectively. In the same line, the results show that the level of competitive advantage of Lebanese SMEs was low because the average means of competitive constructs ranged from 2.5985 (Improved quality) to 3.1932 (Service and product innovation).

The analysis of human capital constructs reveals that employees in Lebanese SMEs suffered from lack of training. The average mean of training construct was (2.4572), while the average means of other constructs, namely, educational level, skills, intelligence, and punctuality were 3.5343, 3.7215, 3.3721, 3.6431 and 3.2384, respectively.

The level of social capital within Lebanese SMEs was above the average. The means of social capital constructs namely trust among employees, satisfaction level, quality of communication between peers and quality of communication between subordinates and seniors were 3.3431, 3.4631, 3.5345 and 3.7454, respectively.

The performance of Lebanese SMEs during uncertain periods was below the average.

The means of performance variables were below the average. The average means of return on investment, return of equity, return on assets, and return on sales were 2.5715, 2.8595, 2.9733 and 2.4005, respectively.

Table 2 reveals the validity tests and coefficient pathways between dependent, independent and moderator variables. All the validity indices (Cronbach's alpha; CR: Values of composite reliability; CFA: Confirmatory Factor Analysis; AVE: Average Variance Extract; IFI: Incremental Fit-Index; NFI: Fitness of Extracted-Index; NNFI: Non-Normal Fit-Index; RMR:

**Table 1.** Descriptive results.

Variable	Item	Description	Mean	SD
<b>Independent variables</b>				
Human capital (HC)	HC1	Educational level	3.5343	1.2241
	HC2	Skills	3.7215	1.3241
	HC3	Loyalty	3.3721	1.1257
	HC4	Intelligence	3.6431	1.3532
	HC5	Training level	2.4572	1.5345
	HC6	Punctuality	3.2384	1.1225
Social capital (SC)	SC1	Trust among employees	3.3431	1.4774
	SC 2	Satisfaction level	3.4631	0.4246
	SC 3	Quality of communication between peers	3.5345	1.7521
	SC 4	Quality of communication between subordinates and seniors	3.7454	1.3453
<b>Dependent variables</b>				
Reputation (RE)	RE1	Corporate identity	2.7338	0.4256
	RE2	Intended corporate image	3.0282	1.3581
	RE3	Constructed corporate image	2.9756	1.2562
	RE4	Constructed corporate reputation	3.0452	1.5211
<b>Moderator variable</b>				
Competitive advantage (CA)	CA1	Speed of delivery	2.9851	1.2721
	CA2	Market share	3.0874	1.2116
	CA3	Service and product innovation	3.1932	1.6602
	CA4	Improved quality	2.5985	1.5234
	CA5	Pricing	2.6761	1.2401
<b>Performance</b>				
Performance (PE)	PE1	Return on Investment	2.5715	1.4746
	PE2	Return on Equity	2.8595	0.9587
	PE3	Return on Assets	2.9733	1.1126
	PE4	Return on Sales	2.4005	1.4351

Root Mean Square of Residuals; SRMR: Standard Root Mean Square Residual; RMSEA: Root Mean Square of Approximation and Chi-Square) were within the acceptable standards and thresholds.

Table 3 reveals that the existence of human capital has a significant ( $p < 0.05$ ) and positive impact on both reputation and competitive advantage during the COVID-19 pandemic period. The coefficient causal pathway

from human capital on reputation and competitive advantage was +4.7422 and +3.5565, respectively. Thus, both H1A in which ‘Human capital positively enhances the competitive advantage of SMEs during uncertain periods’ and H2A in which ‘Human capital positively enhances the brand reputation of SMEs during uncertain periods’ are supported.

Regarding the impact of social capital existence within SMEs during the COVID-19 pandemic period, the study outcomes show that the coefficient pathways from social capital on competitive advantage was positive (+3.8526) and significant ( $p < 0.05$ ). The study did not support any significant impact of social capital on reputation ( $p > 0.05$ ). Thus, H1B in which ‘Social capital positively enhances the competitive advantage of SMEs during uncertain periods’ is supported and H2B in which ‘Social capital positively enhances the brand reputation of SMEs during uncertain periods’ is not supported.

The results in table 3 also revealed that reputation has a positive impact on SMEs competitive advantage during the COVID-19 pandemic period. The coefficient pathway of reputation on competitive advantage was positive (+3.5741) and significant ( $P < 0.05$ ).

Thus, H3 in which ‘Reputation positively enhances the competitive advantage of SMEs during uncertain periods’ is supported.

**Table 2.** PCA of variables.

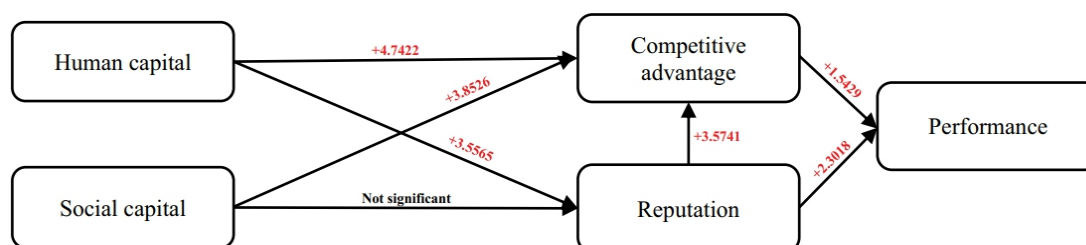
Variable	Loading factor	Eigenvalue	AVE	Cronbach's $\alpha$
Human capital (HC)		2.6941	0.74255	0.8748
HC1	0.7468			
HC2	0.7673			
HC3	0.6572			
HC4	0.6589			
HC5	0.6354			
HC6	0.6039			
Social capital (SC)		1.5722	0.7832	0.8998
SC1	0.7653			
SC 2	0.7672			
SC 3	0.7268			
SC 4	0.6257			
Reputation (RE)		2.6472	0.7984	0.9472
RE1	0.7532			
RE2	0.7377			
RE3	0.6852			
RE4	0.6688			
Competitive advantage (CA)		1.8552	0.7346	0.8736
CA1	0.7335			
CA2	0.6766			
CA3	0.7474			
CA4	0.6588			
CA5	0.6468			
Performance (PE)		2.5731	0.7357	0.84431
PE1	0.7368			
PE2	0.7296			
PE3	0.7468			
PE4	0.6859			
→ → <b>Reliability - Test</b> → →				
Description		Value	Thresholds	
+ (IFI) → Incremental Fit-Index		0.9182	>0.9	
+ (NFI) → Fitness of Extracted-Index		0.9249	>0.9	
+ (NNFI) → Non-Normal Fit-Index		0.9203	>0.9	
+ (SRMR) → Standard Root Mean Square Residual		0.0087	≈0	
+ (RMSEA) → Root Mean Square of Approximation		0.0497	<0.1	
+ (Chi-Square/df) → Absolute Value of the Residuals		2.2601	<3	

**Table 3.** SEM results.

Structural path	Pathway	T-value	P-value	Conclusion
Human capital (HC) →				
Human capital (HC) → Reputation (RE)	0.4105	4.7422***	0.0018	Supported
Human capital (HC) → Competitive advantage (CA)	0.3715	3.5565***	0.0030	Supported
Social capital (SC) →				
Social capital (SC) → Reputation (RE)	0.1301	1.3234	0.1342	Not supported
Social capital (SC) → Competitive advantage (CA)	0.2337	3.8526***	0.0005	Supported
Reputation (RE) →				
Reputation (RE) → Competitive advantage (CA)	0.2019	3.5741***	0.0011	Supported
Performance (PE) →				
Reputation (RE) → Performance (PE)	1.5429	3.5947***	0.0002	Supported
Competitive advantage (CA) → Performance (PE)	2.3018	3.3321***	0.0000	Supported

Note: \*p < 0.05/\*\*p < 0.01/\*\*\*p < 0.001.

Finally, the results of this research as illustrated in Figure 4 reveal that both competitive advantage (CA) and reputation (RE) positively enhance the performance of SMEs during uncertain periods. The coefficient pathway of reputation on performance was positive (+2.3018) and significant (P < 0.05). The coefficient pathway of competitive advantage on

**Figure 4.** Research outcomes.

performance was positive (+2.3018) and significant (P < 0.05). Thus, the following hypotheses in which ‘competitive advantage enhances the performance of SMEs during uncertain periods’ and ‘reputation positively enhances the performance of SMEs during uncertain periods’ are supported.

### Conclusions and recommendations

This study explores the importance of different resources in Lebanese SMEs, namely human and social resources during uncertain periods. The results of this research reveal that both human and social capital are key success factors within SMEs during crisis.

First, human capital leads to enhancing both competitive advantage and reputation. This is evident as this study was able to confirm the importance of how firms need to support and supply their employees as they can be key drivers in the contribution to a firm’s competitive advantage. This is aligned with a number of studies (Battour et al., 2021; Campbell & Park, 2016; Crook et al., 2011; Florida et al., 2012; Gerhart & Feng, 2021; Shaw, 2021; Wright et al., 2001) that emphasised the importance of having human capital with analytical and social intelligence skills to be capable of functioning at high levels to strengthen a firm’s performance and reputation. SMEs need to take this into account by providing the necessary support, training and tools for their employees to act, behave and operate to help their firm distinguish themselves during uncertain times.

Second, social capital leads to improving the competitive advantage. This cannot just happen; SMEs need to establish trust and collaboration with their employees so that employees can create and share new knowledge by collaborating and building trust among themselves, especially that social capital can influence job satisfaction and increase the level of motivation of their employees. This aligns with a number of studies (Baharloo & Naghavi, 2012; Collins, 2021; Ekinci, 2012; Kehoe & Collins, 2017; Pittz & Intindola, 2015; Rashidi & Khanaposhtani,



2017) that social capital helps assess the potential of new knowledge and incorporate it purposefully within their firm.

Third, both competitive advantage and reputation have positive impact on SMEs performance. As many authors rightly point out, reputation is an asset for any firm, and this asset eventually becomes a competitive advantage. This aligns with a numbers of studies (Amis, 2003; Arbelo et al., 2021; Hadj et al., 2020; Lai et al., 2010; Lee & Roh, 2012; Rashidi & Khanaposhtani, 2017; Smith et al., 2013) confirming that when a firm can establish a competitive advantage it rolls into superior performance and its reputation benefits to become a more sustainable advantage over the long term.

### **Theoretical and managerial implications**

This research has a number of theoretical and practical contributions. It first enriches the literature of RBV objectives in different streams. It supports the results and deductions of several studies and theories related to human resources, reputation and competitiveness. That is, it contributes to RBV through classifying human capital, social capital and brand reputation as intangible resources and studying their effect on achieving competitive advantage, and, consequently, improving SMEs performance.

Second, this study provides in-depth understanding of RBV theory during uncertain periods namely, the COVID-19 pandemic period. Though the findings of the study are based on data collected from 128 SMEs operating in Lebanon, the firm-specific resources that it examines are basic components of all SMEs. Hence, it creates a model rooted in RBV that shows the interconnectedness of each of these elements and their influence on SMEs' performance during times of turmoil.

Third, this study does not only succeed to the positive impact of resources within SMEs but also reveal the configuration of interactions between reputation and competitiveness that can lead to improving the performance of SMEs.

As for the managerial implications, this research has an important impact on decisionmaking process within SMEs during crisis. This research shows that managers within Lebanese SMEs must focus on the development and enhancement of their capital resources to ensure their competitive advantage, reputation, performance, and continuity during uncertain periods. SMEs also must provide a full support for their human resources to enhance their satisfaction and motivation during crises.

### **Limitation and further research**

This research paper has several limitations. First, the size of the sample is very limited, only 128 SMEs were considered. Second, the sample is extracted from one country, Lebanon, which could lead to limiting the generalization of results. Third, the study employed subjective variables to measure the SMEs performance which could lead to bias the results. Fourth, the study was executed during limited period, the COVID-19 pandemic period.

For further research, a larger sample size of SMEs should be considered, including those in other countries. Furthermore, a comparison between uncertain and certain periods and stable and unstable economics times should be carried out. Finally, several objective variables could be employed in future research to measure the performance of SMEs.

### **Disclosure statement**

No potential conflict of interest was reported by the author(s).

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