HALAL INDUSTRY: ARE THE BUSINESSES FULLY AWAKE?

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Abstract

Nowadays, organisations are involved in intense competition to sell their products and services globally. The current target market covers nearly every country in the world, including Islamic countries. For example, Japan and Australia are putting great effort into catering to a rising number of Muslim clients by increasing their investment and expertise in halal products and services. Their aim is to attract the attention of the growing Muslim population to add a billion by 2050. Halal products include food and beverages, personal care, cosmetics, pharmaceuticals and health products. Meanwhile, halal services comprise areas such as Islamic finance, takaful, travel, education and healthcare. Subsectors such as media, consulting, events, online services, software development, logical services and lab testing can also benefit from the growth of the halal sector as a whole. The authors will attempt to achieve two objectives in this paper: (i) to examine current literature and (ii) to determine the success factors of and issues faced by halal businesses. The Malaysian government’s intention is not only to support the halal industry in terms of complying with regulations set by the authorities and obtaining the relevant certification; the output must also meet international standards to supply consistently high-quality products and services to win customers’ hearts.

Keywords: Halal business, success factors, operations, halal governance

PENDAHULUAN

Muslim consumers are obligated by their religion to only consume products that are halal. According to Islamic teachings, Muslims are obliged to check a product prior to consumption by ensuring that it is halal and to stay away from consumables that are suspected to be non-halal. Therefore, when purchasing products, they look for the halal logo which is certified by the religious authority in Malaysia (Ahasanul Haque et al., 2015). The advantage of being the largest population in Malaysia is that Muslims have few problems purchasing halal products and services since they are readily available and easy to obtain. Nevertheless, there is also a need for the
authority to monitor and enforce standards to ensure the genuineness of halal products and services, particularly when they are made, sold, prepared or provided by non-Muslims (Zakaria, 2008).

ISSUES IN HALAL INDUSTRY

The Conception
The concept of halal can no longer be restricted to simply meaning food that is “pork free” (Abdul Majid et al., 2015). Zakaria (2008) noted that the term “non-halal” covers a multitude of forms such as emulsifiers and other food contents (e.g. gelatine, enzymes, lecithin and glycerine) as well as additives such as stabilisers, flavouring, colouring and breadcrumbs. These contribute to halal food products that have been enhanced with doubtful substances or animal enzymes and may be questionable for consumption under Islamic law. Besides that, due to the difficulty of finding the sources of the goods purchased, Muslim consumers often rely on the ingredients stated on the outer packaging when buying halal items. There are many products available in the market, but the issue is becoming complicated as many ingredients are listed using their scientific terminologies.

It has been observed that the importance of halal products is growing rapidly and initial protests against serving halal products in the west are slowly declining. Though the concept of halal products has been gaining popularity, the majority of non-Muslims are not aware of the actual benefits of halal food products. The emergent theme is that knowledge of halal products should be enhanced in such a way that it better educates consumers about their benefits. Many respondents said they were not aware of the actual difference between halal and non-halal food quality and did not know the halal services available in the market (Muhammad Ayyub, 2015). Every Muslim must ensure that his or her food comes from a halal source in terms of ingredients and that the overall process of making the food is in accordance with Shariah principles (Zakaria, 2008).

The halal concept does not only apply to the slaughtering of animals or prohibition of alcohol food items, but also to sustainability. This should be promoted by encouraging non-Muslims to socially interact with Muslims as well as supporting other factors that might improve non-Muslims' understanding and familiarity with halal principles (Rezai et al., 2012). However, there are non-Muslims who perceive that the halal concept is not fully concerned with animal welfare as they feel that the halal procedure of animal slaughter is inhumane. Many allegations have been made stating that Islamic slaughtering procedures do not treat animals in a humane way. However, other arguments indicate that the Islamic way of slaughtering is one of the best ways of ensuring the animal does not suffer. The authorities need to be sensitive and aware of the rising trends in the halal demand.
Branding and Packaging

Previous research has indicated that marketers and managers need to take into account branding and packaging when introducing new products, especially for Muslim markets. It must first be stated that the Islamic dietary and consumption system is different and unique compared to other ethnic dietary systems (Zakaria, 2008). The key trends in fostering the growth of developed packaged food markets are convenience, functionality and indulgence. The real value of packaging is that the package is an integral part of products today (Ahmed et al., 2005). Ingredient branding also plays a central role in the Muslim psyche as a means by which authenticity and heritage are evaluated. This is most evident in single-issue politics groups calling for a boycott of certain brands and the emergence of subsequent copycat boycott brands (Wilson and Liu, 2011). This has serious implications for international companies operating in food, cosmetics and pharmaceutical products (Mukhtar and Butt, 2012). However, the prevalent issue in Malaysia today is the misuse of the halal label - specifically the act of labelling non-halal products as halal - which has irked many Muslims in the country. This difficulty in determining a product’s halal status has made Malaysian Muslims dependent on the country’s authority body. Muslims consider food and products that bear the halal label or logo as being fit for consumption according to Islam and prepared in compliance with Islamic rules and guidelines (Zakaria, 2008).

A study conducted by Awan et al. (2015) showed that marketers should first acknowledge the fact that halal food marketing campaigns must be designed in a manner that influences the personal and societal perception and religious beliefs of the consumers. On the other hand, producers must be alert to the fact that customers are knowledgeable and assume that they check the products’ quality features and health value before consumption. Therefore, the overall marketing efforts should not solely focus on product packaging such as halal logos and certifications, but also on the quality of the product itself.

The Halal Governance

In a multi-racial and culturally diverse society, understanding the needs of each culture is important so as to promote a harmonious and tolerant society. Different countries will use different acts, regulations or guidelines, but it is still necessary to consistently follow international practices with allowance for some modifications to best suit local circumstances. Otherwise, their food products will not entirely fulfill the market requirements, which would then make it difficult to enter the global market (Abdul Talib and Mohd. Ali, 2009; Noordin et al., 2009).

The halal certificate and logo not only provides Muslims with a guarantee that what they consume or use is compliant with Islamic laws; it also encourages manufacturers to meet the halal standards. The issue of food safety is becoming more complex in line with the advancements of food technology. Trading food without certification and providing false documentation are among the contributing factors
Initially, the idea of using the halal logo was aimed at helping Muslim consumers be sure of their product selection. The only halal logo that is permitted by the Department of Islamic Development Malaysia (JAKIM) is the one that features the word “Malaysia” (Abdul Majid et al., 2015). The main challenges in its governance were lack of enforcement by JAKIM, lack of assistance given to the halal certification body by the related authority, lack of collaboration among the halal certification authorities and the slow process of issuing the halal certification and logo (Shahidan et al., 2005).

Abdul Talib and Abdul Hamid (2014) suggested that the government, religious authorities, municipal councils, industry players and individuals need to work together when it comes to halal certification. The government’s efforts in developing the halal logistics industry and ultimately the halal market do not focus on industry practitioners. Higher education in Malaysia has also been given the support to be part of and eventually contribute toward the betterment of the halal industry. Halal research institutions from local universities such as the Halal Product Research Institute (Universiti Putra Malaysia), International Institute for Halal Research and Training (International Islamic University Malaysia), Institute of Halal Research and Management (Universiti Sains Islam Malaysia), Malaysia Institute of Transport and Faculty of Business Management (Universiti Teknologi MARA) and Universiti Tun Abdul Razak are some of the established halal logistics research centres in Malaysia. It was noted by the respondents that many scholars, researchers, university faculty members and university students conducted visits and organised seminars and dialogue sessions with industry experts from the halal and logistics fields. Besides that, various international conferences and conventions have also been held in Malaysia such as the World Halal Forum.

Ireland and Rajabzadeh (2011) found that many Muslim consumers in the United Arab Emirates had expressed great concern that some product categories might not be halal; these fears represented a failure of the system. The test indicates that the consumers have serious concerns about meat-related products in terms of how the animals are slaughtered and the possible use of pig parts in the production process. This supports research by Abdul Majid et al. (2015), who found that the arising halal issues encompassed improper hygienic practice at processing premises and expiration of halal certification. These issues have begun to penetrate the market and are particularly influential in most Islamic countries. The inconsistent manner of slaughtering poultry and meat produces with the rites of Islam and the practice of intermixing products with non-halal materials are issues that often crop up in halal industries. According to Zakaria (2008), it is difficult to verify the halalness of food and other groceries, especially when they are pre-packaged or processed. Apart from higher costs, finding halal sources can be a hassle. Some suppliers also run out of halal meat from time to time and restaurants are then forced to purchase meat that is non-halal in order to keep the business running (Wan Hassan et al., 2009).
However, it quite difficult to handle businesses that are not familiar with Islamic culture. In Australia, for example, some restaurant managers explained that they did not put up the halal sign because they were afraid of being associated with Muslims or reports in the media linking Muslims to acts of terrorism. Given the current political climate, some of the managers stated that non-Muslim customers would be reluctant to enter restaurants displaying the halal sign (Wan Hassan et al., 2009).

Full commitment and involvement of the management and workforce are required in order to apply the system to implement a successful halal market environment. Previous research by Syed Marzuki et al. (2012) revealed that restaurant managers showed much interest and concern in the halal status of their premises. Halal certification is very important to the restaurant industry in Malaysia but the actual implementation of its standards is crucial for the comprehension of those who are unfamiliar with Islamic dietary rules. Halal certification can only be obtained when the food has been verified as nutritious and prepared from permissible ingredients in a clean and hygienic manner (Badruldin et al., 2012). In order to implement a successful halal market environment, the consideration for Muslim countries by focusing on segregation of halal from non-halal is extremely important (Tieman et al., 2013).

Operational inefficiency

According to Noordin et al. (2009), two issues arise in the halal certification system which are operational inefficiency and halal governance. Table 1 shows that the operational inefficiency of the halal certification process is due to two factors: applicants and internal factors.

<table>
<thead>
<tr>
<th>Table 1: Operational inefficiency</th>
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<tr>
<td>Applicants</td>
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<td>Lack of understanding of halal procedures</td>
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<td>Delay in submitting supporting documents</td>
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<td>Delay in making payment of certification fee</td>
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<tr>
<td>Unaware of the acknowledgement that has been sent to them via e-mail</td>
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*Source: Noordin et al. (2009)*
These findings support the issues highlighted by Shahidan et al. (2005). It is suggested that with better understanding, cooperation and training for both parties, the halal certification process can be improved in order to achieve efficiency.

Influencing Factors of Halal Industry’s Success

The Muslim population consists of about 1.6 billion people who are spread across the world. Halal products and services are also gaining increasing acceptability among non-Muslims. Halal market demand refers to the needs and wants resulting from customer and community pressures in the halal industry (Tieman, 2007; Kamaruddin and Jusoff, 2009). Consumer pressure for halal products increases when consumers become more informed (Tieman, 2007; Kamaruddin and Jusoff, 2009). The halal industry has seen considerable growth and development over the years fuelled by escalating awareness of halal products among consumers and product manufacturers (Global Leader, 2008).

Malaysia plans to become a global hub for Islamic halal food by 2010 by using its edge over other Muslim nations in trading, logistics, banking and halal certification. The Malaysian government in its 2006-2010 national economic development plans outlined the creation of a nodal agency to promote the country as a centre for halal foods that meet Islamic dietary requirements and Islam-approved way of slaughtering animals. Moreover, Malaysia’s certification standard for halal food products is widely recognised.

Government Support

The halal industry is well developed in the manufacturing and agro-based sectors and has gained the support of the Malaysian government in its development. Government support refers to policies, regulations and agencies introduced by the government as well as incentives such as grants, finance, training and consultation (Tieman, 2007). The halal industry sector is one of the major contributors to future economic growth. It is considered an important intermediary role in the trade of halal products or services in all sectors of the economy and has generated a large number of job opportunities. Apart from the products and services offered, the halal industry is greatly dependent on the quality and skills of the people involved in ensuring its success. The role of the government is apparent in the logistics industry as political interventions such as developing key logistics infrastructure will accelerate the industry’s growth and development (Goh and Pinaikul, 1998).

Apart from that, the government’s support comes in the form of promotion, education and supplying employees (Peng and Vellenga, 1993; Gunasekaran and Ngai, 2003). Political and governmental factors can be seen from various efforts such as tax incentives, financial support, certification and guidelines (Ramli, 2006; Muhammad et al., 2009; Tan et al., 2012; Abdul Talib and Abdul Hamid, 2014). In a predominantly Muslim country such as Malaysia, the full support of the government has led to the creation of the Halal Development Corporation (HDC). As one of the
agencies set up under the Ministry of International Trade and Industry (MITI), HDC’s role is to develop awareness on understanding the halal concept (HDC, 2010).

**Market demand**

Halal market demand refers to the needs and wants resulting from customer and community pressures in the halal industry (Tieman, 2007; Kamaruddin and Jusoff, 2009). Consumer pressure for halal products increases when consumers become more informed (Tieman, 2007; Kamaruddin and Jusoff, 2009). Presently, consumer demand in food production has also changed considerably. Along with the national aim to make Malaysia a global halal hub (Habibah, 2011), the industry is gaining in popularity day by day and opening up opportunities to Muslim producers to expand the target market domestically and internationally. Muslims today are more aware of their food consumption (Bonne et al., 2007; Bonne & Verbeke, 2008) and the need for halal-certified products and services does not only matter during the point of purchase or consumption; the whole supply chain, from upstream to downstream, is important (Tieman, 2011). Manufacturers and marketers use halal certification, signified by a halal logo, as a way to inform and reassure their target consumers that their products are halal and Shariah-compliant (Shafie and Othman, 2006).

**Assurance System**

As firms enhance their commitment to a supply chain orientation, there will be an increased need to share halal assurance leading to halal system integration. Higher levels of supply chain complexity and uncertainty lead to greater investments in halal assurance system integration (Premkumar et al., 2005). The implementation of a halal assurance system is essential in order to ensure the effective and efficient production of halal products. Muhammad et al. (2009) described the halal assurance system as being based on the three zeros concept: zero limit (no haram material used in the production), zero defect (no haram product is produced) and zero risk (no disadvantageous risk should be taken by the producer or company). Consequently, the structure for halal assurance systems plays a vital role in integrating the processes that assist the establishment of value within firms and across the supply chain. According to Muhammad et al. (2009), understanding the supply chain and production process is a fundamental step for Muslim producers. The halal value chain consists of feed and farm management, ingredients, manufacturing or processing, logistics, research and development or technology, finance and communication or branding (Noordin et al., 2009).

Halal assurance systems should be organised within the arrangement of the supply chain in order to “fit” its overall strategy (Brewer et al., 2000). Higher levels of supply chain difficulty and uncertainty contribute to greater investments in halal assurance system integration (Premkumar et al., 2005), thus helping the entire chain to produce safe and nutritious food products as justified by Islamic law. Hence, for a company producing halal products, the structure of halal assurance systems plays a
critical role in integrating the processes that facilitate the creation of value within firms and across the supply chain (Bowersox et al., 2006; Porter, 1991). Halal assurance system integration between firms is what enables the entire supply chain to become responsive to end-customer needs, potentially producing products with halal certification as a means to satisfy those needs. Thus, effective halal assurance system investments can create a competitive advantage for a firm within and across the supply chain as a capability for creating value (Bowersox et al., 2006; Bowersox et al., 1999; Foster, 2006).

The Shariah-compliant firms have the obligation to ensure that their trained staff are aware of and understand the requirements for halal processing of their products and services (HDC, 2010).

**Technology**

According to Mazlan (2005) and Tieman (2010), the use of information technology (IT) is gaining interest in halal logistics, and logistics service providers (LSP) should take this as an opportunity. Besides that, the use of IT in halal logistics is a profitable business (Zailani et al., 2010) and enhances the integrity of halal products and services along the supply chain (Bahrudin et al., 2011; Tan et al., 2012a) as it allows for tracking and tracing services. The constant changes in technology are inevitable and firms must be alert to its influence on their business operation (Mohamed et al., 2010). The use of IT in logistics helps to improve productivity of LSPs, enhance their efficiency level and even help to position a country to become a logistics hub (Piplani et al., 2004; Hazen and Byrd, 2012). This is an indication that use of IT is also vital in halal logistics, so halal LSPs should grab this opportunity as it is gaining interest and is a lucrative business (Mazlan, 2005; Tieman, 2010; Zailani et al., 2010). According to Bahrudin et al. (2011) and Tan et al. (2012), the tracking and tracing activities in halal logistics is part of IT and enhances the integrity of the service provided. Therefore, the applications of IT in Halal logistics benefit both the service providers and consumers. For LSPs, the advantages are greater transparency and better control (Tieman, 2010), while consumers gain more assurance. Firms must be alert to changes in technology too, as it will alter the way they operate their businesses (Mohamed et al., 2010).

**Socio-culture**

As mentioned by Mohamed et al. (2010), social factors have great influence on the demand of a firm’s products and services. Since Muslim consumers are more knowledgeable about their food consumption (Bonne et al., 2007; Bonne and Verbeke, 2008), trust and confidence are crucial aspects of purchasing halal products and services (Abdul et al., 2009). Besides that, the acceptance of halal products and services among Muslims and non-Muslims is due to the perception that halal is a symbol of a healthier lifestyle and cleaner preparation (Ambali and Bakar, 2013; Aziz and Chok, 2013). Moreover, Mohamed et al. (2010) and David (2011) found that
demographic variables such as age, gender, education level, level of religiosity and geographical area play a significant role in deciding social factors. This is because these factors affect the understanding and acceptance of the halal concept (Rezai et al., 2009).

Malaysian consumers are particularly concerned with the halal status of a product or service and whether the halal logo is genuine or not (Shafie & Othman, 2006; Abdul et al., 2009). Furthermore, aside from conforming to Islamic teachings, consumers choose halal products and services due to health reasons (Ambali & Bakar, 2013). Halal products are known to be prepared in a hygienic environment (Aziz and Chok, 2013), making them healthy and safe for consumption or usage (Bonne & Verbeke, 2008). As mentioned earlier in this chapter, the Muslim population’s growth and dominance in the halal market contributes to their increasing acceptance of the concept (MITI, 2006; Adams, 2011).

**Branding**

Branding is an act in which an organisation uses a name, phrase, design, symbol or combination of these to identify its products and distinguish them from those of competitors, while brand name is any word, “device” (design, sound, shape, or colour) or combination of these used to distinguish a seller’s goods or services (Berkowitz, 1997). According to Kotler & Armstrong (2006), a brand is a name, term, sign, symbol, design or a combination of these, that identifies the maker or seller of a product or service. Branding can add value to a product, as consumers view it as an important part of a product.

There are a few reasons why brands are important. Firstly, brands have never been more crucial than they are today. Given the proliferation of products and services in the global marketplace brought about by the ongoing liberalisation in the international trading environment, developments in ICT and rapid changes due to globalisation, consumers today have a wide choice of products and services to choose from. It is thus important that we develop and promote Malaysian brand names to differentiate the country’s products and services in the marketplace (MATRADE, 2004).

Secondly, in the world of parity where everything tends to be equal and the world marketplace is a world of commodities, brands differentiate products. The availability of new technologies has enabled companies to easily replicate the products, systems, services and processes of others, generating major strategic problems for businesses in differentiation. Added to this problem is the rapidly decreasing life cycle of products, in some cases now down to a matter of weeks (MATRADE, 2004). On the other hand, halal branding is what defines halal as a cross-over brand that has demonstrated the ability to attract Muslims and non-Muslims alike (Evans, 2004).
FUTURE OF HALAL INDUSTRY

Muslims today are increasingly concerned over whether the products they use are halal (permissible) or haram (not permitted). As a country with a largely Muslim population, Malaysia has established various agencies and authority bodies to preserve the halal status of related products and services. It has also become a hotspot for conventions, seminars and conferences to discuss halal issues on a global platform (Abdul Talib and Abdul Hamid, 2014). Halal certification is one of the methods adopted by many Islamic countries, including Malaysia, to assure consumers of the authenticity of a product’s halal status (Halim and Ahmad, 2014). Thus, the halal industry has become a key player in Malaysia’s economic growth. The government has encouraged the industry’s growth due to the availability of raw materials, infrastructure support and processing technologies to produce and market halal products readily with the vision of becoming an international halal hub (Othman and Wan Hussin, 2009). Besides food-based products, Malaysia is also a leading figure in Islamic banking and finance, a halal-based service with regulations and a framework that obey Islamic law with financial instruments like sukuk to counter interest-based investment. The most well-known institution in Malaysia that promotes halal deposits and transactions is Tabung Haji, which provide a saving service for Muslims to embark on the Hajj (Muhamed et al., 2014).

In the era of globalisation, the halal industry has sparked a halal surge, where halal products need to be globalised due to the rapid growth of the Muslim population throughout the world (Adams, 2011). A study by Hasan and Hamdan (2013) showed that non-Muslims also use halal certification as a quality benchmark. On the other hand, there is the existence of institutional pressure in the halal food industry (Othman et al., 2009).

Now the main question is how businesses react to the halal industry. According to Hunter (2014), many young people see business as a career being contradictory to their religious devotion. and few see entrepreneurship as a way to deepen their faith. This clearly shows that many believe that they cannot bring religion into their daily lives. To them, halal is just a term to show them what is permitted to be consumed but for others who realise its deeper significance, it is an opportunity to expand their businesses even further in the global market.

The halal supply chain is also affected by the change in market demand (Tieman & Che Ghazali, 2013). If businesses do not accept halal integration in their products, the number of suppliers will decrease while the demand from the consumers will increase, thus causing a shortage in supply (Alam & Sayuti, 2011). Hence, it is an indicator that most businesses and producer are focusing on quantity rather than quality. Even though Malaysia is leading in the halal industry, there are still ideas and improvements that can be taken from other countries such as Indonesia, which practises a concept known as spiritual economics with religious piety and spiritual virtue integrated in business (Rudnyckyj, 2009).
CONCLUSION
To conclude, the Malaysian halal industry is on the right track to promote and globalise the halal industry in other countries by setting an example of halal food production, manufacturing and distribution in all sectors. Furthermore, government agencies such as the Department of Islamic Development Malaysia (JAKIM), Halal Development Centre (HDC), Malaysia Productivity Corporation (MPC) and non-government agencies such as Dewan Perniagaan Islam Malaysia (DPIM) play a key role in facilitating the growth of Malaysian halal products and services companies in the international market and enriching the development of its standards worldwide. Therefore, we should refer to the fundamentals of Shariah rules, which emphasise that eating halal food is linked to spiritual development and results in a good mind and soul.

REFERENCES


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