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Halal Industry : Key Challenges and Opportunities

Elasrag, Hussein

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Halal Industry : Key Challenges and Opportunities

Hussein Elasrag

The global halal market has emerged as a new growth sector in the global economy and is creating a strong presence in developed countries. The most promising halal markets are the fast-growing economies of the Asia, Middle East, Europe and the Americas. With a growing consumer base, and increasing growth in many parts of the world, the industry is set to become a competitive force in world international trade. The halal industry has now expanded well beyond the food sector further widening the economic potentials for halal. This paper will help to deepen understanding of the concept of Halal so as to familiarize non-Muslims about Halal principles and products.

I. Introduction

It must first be stated that the Islamic dietary and consumption system is different and unique compared to other ethnic dietary systems. The world community has now begun to understand the importance of the Muslims requirement for food and other consumption known as halal. The market for certified halal food and products is growing robustly, both domestically and internationally. Although the term halal has never attracted as much attention as in recent times, today, wherever there are Muslim consumers whose tastes and preferences are governed by halal rules on food specification, a halal food market exists. Every Muslim must ensure that what they eat comes from a halal source. This does not mean only to check the ingredients per se, but also to ensure that the whole process is in accordance with Shariah principles.(Zakaria 2008)

Halal is an Arabic word meaning lawful and permitted. This Halal concept comes from the Holy Quran which it uses to describe objects and actions. Islam is a natural way of life and encompasses the concept of an economic system based on human cooperation and brotherhood, which is based on the consultation and dietary laws for all humanity. Halal consists of anything that is free from any component that Muslims are prohibited from consuming. This can be classified as 'pork free' in its physical existence, including food substances such as gelatine, enzymes, lecithin and glycerine as well additives such as flavourings and colouring.(Zakaria 2008, Hj Hassan 2013)

Halal is a Quranic term that means permitted, allowed, lawful or legal. Its opposite is haram (forbidden, unlawful or illegal). According to Shari'ah, all issues concerning Halal or Haram and even all disputes should be referred to Quran and Sunnah. Halal and Haram are universal terms that apply to all aspects of human life whether is related to his ibadat or muamalat or mua'sharah. Halal may be defined as an act, object or conduct over which the individual has freedom of choice and

its exercise does not carry either a reward or a punishment. Halal may have been identified by explicit evidence in the Shari'ah or by reference to the presumption of permissibility (ibahah). At the global level, the Food and Agriculture Organisation of the United Nations has prepared general guidelines for use of the term halal to be adopted by member countries. (Ager, Abdullah et al.)

Basic principles for Halal products are:(Malboobi and Malboobi 2012)

1. Being Halal or Haram products is the function of being lawful or unlawful with respect to Divine orders.
2. Assigning Halal or Haram depends on being beneficial or harmful, respectively.
3. In the context of the above concepts, assigned orders in Shariah are both fixed and variable rules based on the state of subjects on specific times and places.
4. Orders in Shariah are ranked based on the degree of being beneficial or harmful while the best choice is preferred whenever it is necessary.
5. Some controls and governing regulations such as "La zihar" (no harm to human), Haraj (the existence of serious threat and/or constraints), and urgency rules occasionally disapprove the orders.

Therefore, especially Muslims are responsible to embrace of this order more than anyone. This is a faith issue for them. Due to it is a faith issue of Muslims, non-Muslims can never deal with Halal and Tayyib standardization and certification. No one can abuse this for their commercial and ideology. Non-Muslims can never be involved in Halal and Tayyib certification as they can't be an imam at the mosque in prayers.

It is thus important for the world community, both Muslim and non-Muslim, to recognize the potential of the Halal industry. This is because delving into an emerging billion dollar industry such as the Halal industry could help to further develop the economy just as it would serve to solve some of the long standing problems faced by the Muslim

community. There are reasons why the Halal industry is important to world's growth as a multi racial society. Many Muslims and non Muslims consumers still do not understand the spirit of Syariah governing these products. Halal principles are not confined to the strictly religious, but involve health, cleanliness and safety. This book will help to deepen understanding of the concept of Halal so as to familiarize non-Muslims about Halal principles and products.

II. The Halal Economy and The Market Opportunity of the Muslim World

The global halal industry is estimated to be worth around USD2.3 trillion (excluding Islamic finance). Growing at an estimated annual rate of 20%, the industry is valued at about USD560 billion a year. Thus, making it one of the fastest growing consumer segments in the world. The global halal market of 1.8 billion Muslims is no longer confined to food and food related products. The halal industry has now expanded beyond the food sector to include pharmaceuticals, cosmetics, health products, toiletries and medical devices as well as service sector components such as logistics, marketing, print and electronic media, packaging, branding, and financing.(Fleishman Hillard Majlis 2011, Dar, Azmi et al. 2013)

In recent years, with the increase in the number of affluent Muslims, the halal industry has expanded further into lifestyle offerings including halal travel and hospitality services as well as fashion. This development has been triggered by the change in the mind set of Muslim consumers as well as ethical consumer trends worldwide.

The halal market is non-exclusive to Muslims, and has gained increasing acceptance among non-Muslim consumers who associate halal with ethical consumerism. As such, the values promoted by halal - social responsibility, stewardship of the earth, economic and social justice, animal welfare and ethical investment - have gathered interest beyond

its religious compliance. The popularity of, and demand for, halal certified products among non-Muslim consumers have been on the rise as more consumers are looking for high quality, safe and ethical products.

No longer a mere religious obligation or observance for Muslims, halal (which means “lawful” or “allowable”) has become a powerful market force, becoming increasingly a world-wide market phenomenon for both Muslims and non-Muslims alike. The appendage of “Halal” to a product is not just a guarantee that the product is permitted for Muslims, but it has also become a global symbol for quality assurance and lifestyle choice. This is evident by the participation and involvement of non-Muslim countries and organisations where halal is fast emerging as the standard of choice. Many Western countries have recognised the emerging global trend in consumerism towards halal products and services, and are now racing to gain a footing in the halal industry. (Dar, Azmi et al. 2013)

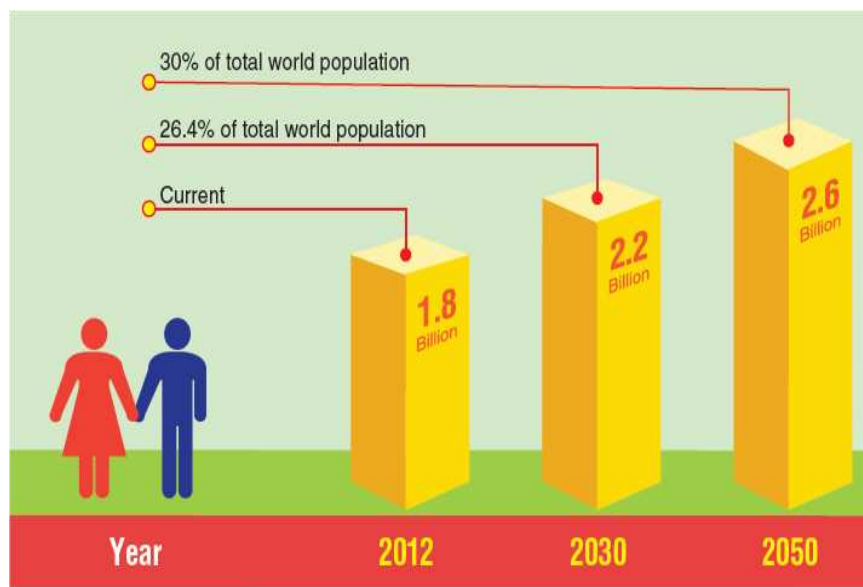
Based on a report from the United Nations, Islam is the 2nd largest religion after Christianity. UN statistics recorded yearly growth of Muslims at 6.4% compared to 1.46% for Christianity. According to the same statistics, 1 in 5 persons in this world is a Muslim by birth or geography. Based on the statistics earlier, Muslims presents a huge global market for halal products and services and since Muslims in general adhere strongly to religious principles and are increasingly particular and sensitive over the halalness of their life style, especially food, the prospect for halal market is enormous. Therefore, to tap into the vast opportunity which the halal industry presents, several aspects concerning the halal concept must be taken into account by all, including non-Muslim businessmen. The following measures present a winning approach for the halal business industry to gain competitive advantage in this promising and lucrative market. (Awang, Abdul-Rahim et al. 2014)

Muslims represent an estimated 23% of the global population or about 1.8 billion consumers with an average growth rate of 3% per annum. (Dar, Azmi et al. 2013)

This market provides huge potential for companies, organizations and others, from the west and from Muslim countries, and is on a steep growth path. The global Muslim population is expected to grow by about 35 percent over the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2030, or 26.4 percent of the world's total projected population of 8.3 billion. By 2050, the Muslim population could grow to 2.6 billion and represent nearly 30 percent of the global projected population.(Fleishman Hillard Majlis 2011)

Also by 2030, 79 countries are expected to hold a million or more Muslim residents, as opposed to the current 72 countries. Although many western business executives may not realize it, a majority of the world's Muslims (more than 60 percent) will continue to live in the Asia Pacific region, while about 20 percent will live in the Middle East and North Africa. Muslims will remain relatively small minorities in Europe and the Americas, but will constitute a growing share of the total population in these regions. To be successful in Asia, as well as the Middle East and North Africa, western companies must learn to understand and address the Muslim market on a large scale.(Fleishman Hillard Majlis 2011)

Figure 1: The World Muslim Population



One demographic factor makes the Muslim market particularly attractive to a variety of companies – it is largely young and part of an

emerging middle class on the road to greater consumption. Islamic doctrine, by and large, is not ascetic and does not discourage trade or consumerism. Likewise, it does not divide the state from religion, which means that Muslims practice their faith hand in hand with the political, social and cultural roles they play in society.

In Islamic majority and minority countries throughout Asia, the Middle East, Africa, and Europe, business activity is escalating, with Islamic trade currently estimated in trillions of dollars.

Companies are coming to understand the great opportunity that the Muslim consumer represents. But addressing this market is not as straightforward as dealing with other billion population consumer markets such as India and China. For a start, the Muslim community is not a single homogeneous group. Muslims live in every country in the world, represent every race and come from every social and economic stratum. And although they share the common thread of their beliefs, they have their own cultural, regional or local nuances, preferences and practices.

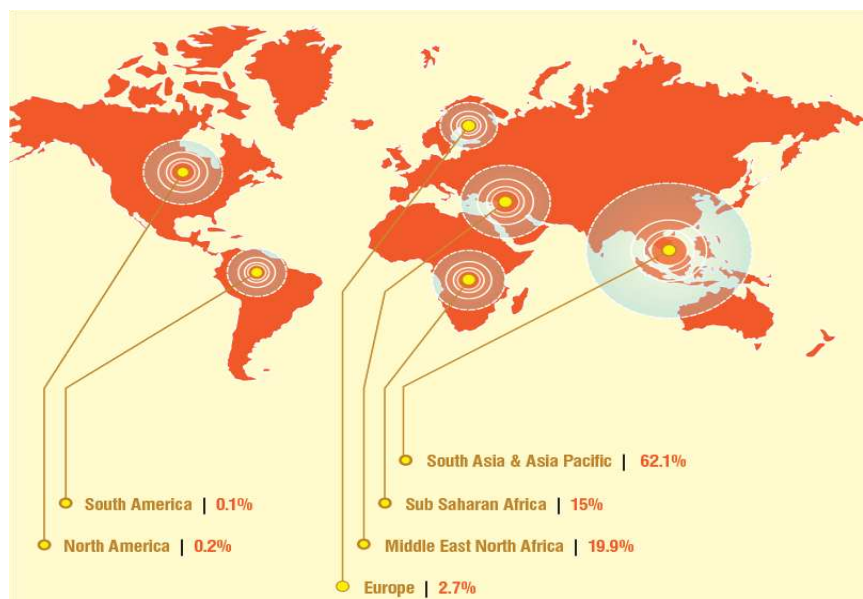
Although Islam is often associated with the Arab world and the Middle East, this region is home to only 20% of the world's Muslim population. This number is expected to grow by more than a third in the next two decades.

Sub-Saharan Africa make up 15% of Muslims worldwide and is projected to grow by nearly 60% in the next two decades. About one-fifth of Muslims live in a country or region where they are the minority. Although Muslims will remain a minority group in Europe and Americas, they will constitute a growing share of the total population.⁵ Europe's Muslim community is expected to increase by nearly a third from 44.1 million in 2010 to 58.2 million in 2030. In the Americas the number of Muslims is expected to double during the same period.

The sizeable and growing Muslim consumer market across the globe will continue to fuel the halal industry's double digit growth, creating a plethora of opportunities in the market for halal products and services.

Increasing awareness of Muslim consumers on their religious obligations has also contributed to the increasing demand for halal products and services. The demographics of Muslims have undergone significant change in recent years. There is now a wave of religious fervour amongst the rising social class of young, highly educated, savvy and affluent Muslims, who embraces an “Islamic contemporary with global lifestyle.” This new generation of Muslims favours Western-style products and aspires to a modern lifestyle as they become more integrated into the global economy as consumers, employees, travellers, investors, manufacturers, retailers and traders. This has created a worldwide demand for mainstream products and services that conform to Islamic values.

Figure 2: Breakdown of World Muslim Population



The diversity of the Muslim consumer can prove to be a challenge to those who view markets as geographies and for whom the concept of an Islamic consciousness operating across market frontiers is alien. Neither can the Muslim economy be as easily defined as other cross-border markets such as the “green economy” or the “pink dollar”.

Economist Ben Simpfendorfer suggests that the strong cultural and historical links between the Muslim and non-Muslim worlds are starting to come to the fore. He gives the example of China as a country that is addressing the Muslim opportunity. (Fleishman Hillard Majlis 2011)

In his book, “The New Silk Road”, he cites the example of the city of Yiwu where an estimated 200,000 Arab nationals visit the Chinese coastal city every year because it boasts the largest wholesale consumer goods market in China. What sets Yiwu apart is that it has made commerce convenient, particularly for Muslim buyers from the Middle East and beyond. Besides products that appeal to Muslim consumers, Yiwu’s success lies in an open arms approach that the Chinese government has shown to Muslim traders and consumers. A prayer hall for nearly 10,000 worshippers has been constructed by the government, Halal food is easily available, while clerics appointed and subsidized by the government lead prayers – this at a time when governments in the west are questioning minarets on Mosques (Switzerland) or public prayer gatherings (France).(Fleishman Hillard Majlis 2011)

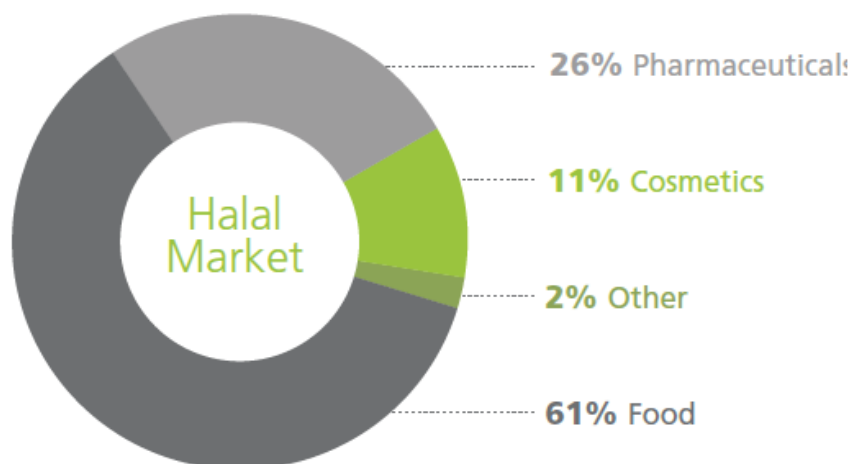
For brands that find ways to embrace and engage the Muslim consumer, the rewards are rich. And smart, compelling communications will play a critical role in targeting a consumer market that already represents nearly a quarter of humanity.

Much has already been written about Islamic finance and the Halal opportunity, and in more depth than we cover. Our purpose in this report is to flag up the development of the opportunity, highlight where the greatest potential lies and analyze the communications and reputation issues that companies need to be aware of.

While the market has many facets and niche segments, understanding the umbrella term “Halal” is fundamental to approaching this market.

The largest opportunity within the Halal market is undoubtedly food, which is also where the greatest challenge lies. Indeed, the term Halal has become synonymous, in some Muslim minority countries, with food and is almost universally associated with the ritual slaughter (or Zabiah) of animals. This has narrowed the discourse around Halal, limiting the focus of many organisations and contributing to misunderstandings and reputational issues.(Fleishman Hillard Majlis 2011)

Figure 3: Segments of the Halal Market



In the view of some non-Muslims, Halal goes against general sensibilities by requiring all blood to be extracted from meat (in much the same way as Kosher food). Thus, Halal, to some audiences, has become a negative word. But, given the size of the market and the relative ease with which food can be 'converted' to Halal, some companies have quietly introduced 'Halal by stealth'. But this has only exacerbated the problem and, in the view of this report, held back the wider availability and acceptance of Halal products.

Modern day living is largely influenced by science and technology and subsequently this has impacted the halal aspect of daily activities. It is human nature to desire everything that is good in life in the form of clothing, food, housing, interaction with fellow human beings and healthy environment. In Islam, anything which is halal brings goodness and prosperity for mankind is not detrimental to life and in effect, it elevates man to a higher level in this world.

On the other hand, something which is haram is perceived as physically and spiritually impure, inferior and defective, traits which are naturally repulsive to mankind. Anything haram constitutes harmful elements which affect man's psychology and his physical well-being. Research which integrates the halal concept with science focuses on universal benefits, the natural disposition of man, health, cleanliness and quality. The halal concept encapsulates the universal nature of Islam. Thus, scientific research relating to the halal concept is commendable.(Awang, Abdul-Rahim et al. 2014)

Respect the beliefs of others: Non-Muslim food manufactures must be aware of and respect Muslims beliefs and principles regarding halal which include food, clothing, financial transaction and others. It is part of a belief system and moral code of conduct integral to the daily living of Muslims. Therefore, it would be unwise and detrimental for the manufactures to purposely challenge the Muslims by introducing non-halal elements into the food, clothing and services claimed to be halal, since this will erode the confidence of the consumers and consequently decrease the integrity of these products and pose a challenge to the growth of this market.(Awang, Abdul-Rahim et al. 2014)

III. Segments of the Halal Market

It must first be stated that the Islamic dietary and consumption system is different and unique compared to other ethnic dietary systems. The world community has now begun to understand the importance of the Muslims requirement for food and other consumption known as halal. The market for certified halal food and products is growing robustly, both domestically and internationally. Although the term halal has never attracted as much attention as in recent times, today, wherever there are Muslim consumers whose tastes and preferences are governed by halal rules on food specification, a halal food market exists. Every Muslim must ensure that what they eat comes from a halal source. This does not mean only to check the ingredients per se, but also to ensure that the whole process is in accordance with Shariah principles.(Zakaria 2008)

Food

Driven by growing demand, the Halal food market continues to build its momentum across the global food supply chain. The State of the Global Islamic Economy Report 2015/16 estimates that Market size and profile — Global Muslim consumer spending on food & beverage at \$1,128 billion (17% of global expenditure):

The Report estimates global Muslim spending on food and beverages (F&B) to be \$1,128 billion in 2014. The total global F&B spending during the same period is estimated to be \$6,755 billion in 2014, making the Muslim food market 16.7% of global expenditure.

Comparatively, this is a 4.3% increase from 2013 Muslim F&B expenditure that was \$1,081 billion (reflecting the adjusted projections methodology). The Muslim Food expenditure is expected to grow to \$1,585 billion market by 2020 and will account for 16.9% of global expenditure. This equates to a 2014-20 CAGR growth of 5.8%.

Based on total food consumption, the top countries with Muslim food consumption are Indonesia (\$158 billion), Turkey (\$110 billion), Pakistan (\$100.5 billion), and Iran (\$59 billion) based on 2014 estimates. Comparatively, the collective global Muslim F&B market is larger than the F&B consumption of the top geographical markets in 2014, such as China (\$797.8 billion), United States (\$741.2 billion), Japan (\$367.3 billion) and India (\$335.7 billion). Geographically 16% of Muslim food consumption is in non-OIC member countries. A testament to this sector's strength is that the success of the Halal food market remains constant across different cultures and continents. In Malaysia, Nestle Malaysia and its Halal Centre of Excellence have become the biggest producers of Halal products in the world. In the United States of America, Saffron Road with its Halal and organic produce has become

the model of success for both Muslim and non Muslim aspiring entrepreneurs. From Asia to America, the Halal food sector is becoming a major source of growth in both the Islamic and wider global economy. Of course, there are challenges as well. There is a continuing struggle for Halal food standards and accreditation, with more education required of such topics in OIC countries. The recent ban on Halal and Kosher slaughter in Denmark along with scare stories about Halal food in the media reflect a current attitude prevalent in Europe and increasingly in the United States that is suspicious of Muslim and Islamic customs and rituals in the public square. Engaging and overcoming these challenges will be pivotal to the future success of the Halal food sector.(Thomson Reuters and Dinar Standard 2016)

The halal marketplace is emerging as one of the most profitable and influential market arenas in the world food business today. The halal food market has grown strongly over the past decade and is now worth an estimated USD667 million. Halal food represents close to 20% of the entire global food industry. With expected increases in both population and income of halal consumers, and coupled with the expected increase in demand for food by more than 70% by 2050, the future demand for halal food is strong.

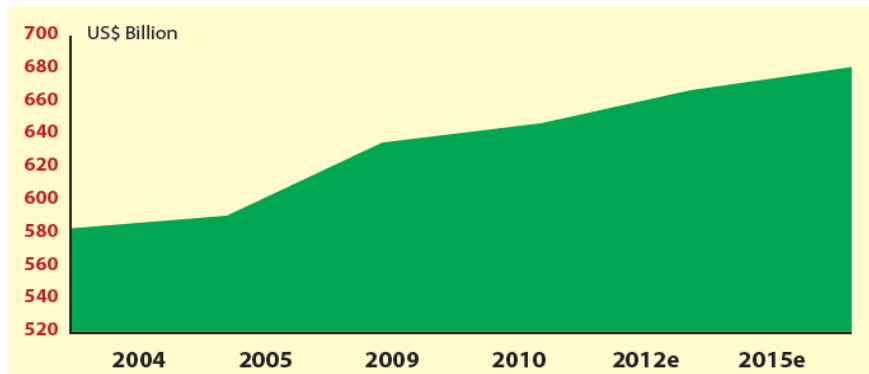
Many food economists posit that the halal food industry will become a major market force in the near future based on four prevalent trends. Firstly, Islam is now the fastest growing religion in the world thus fuelling a global demand for halal products. The annual growth in consumption of halal food is estimated at 16%. Secondly, the increasing trend of consuming halal food products for ethical and safety reasons by non-Muslim consumers. In the UK, for example, there are over 2 million Muslims, yet there are 6 million consumers of halal meat.⁸ In the Netherlands, non-Muslim Dutch consumers have shown marked interest in halal food where total demand is estimated to reach about USD3 billion on an annual basis.⁹ These two factors combined have made halal products mainstream consumer goods. Third is the rising halal consumer power as a market force in tandem with the growth of the Muslim population and their rising disposable income. Finally, there

is greater awareness among Muslims on the need and necessity to consume only halal food. A good example of such increasing consumer awareness is the rapid rise in annual sales of halal food throughout Russia and the growing demand for halal products between 30% and 40% annually.

Until a decade ago, halal food products were offered in traditional corner shops and neighbourhood butchers. The halal market has witnessed a universal shift in the demand and supply chains of halal food products. They are increasingly made available in Western-style grocery stores including supermarkets and hypermarket chains. In many western countries, supermarkets and food producers are starting to reach out to Muslim consumers by offering a wider selection of halal food products. Halal food is becoming an increasing part of the Western diet and has become a multi-billion dollar global industry involving multinationals like Tesco, Unilever and Nestlé who have aggressively expanded their halal-certified product lines. To date, Nestle is the biggest food manufacturer in the halal sector with annual sales of more than USD5 billion. Halal food accounts for about 35% of Nestle's global sales.

From a market perspective, the traditional major target markets remain in Asia and the Middle East. However, halal markets in the UK, Europe and the USA will see their roles in the development of the halal market significantly enhanced as they are markets that play defining roles in other markets around the world. It will bring halal into the global mainstream. As the dynamics within the Muslim world change and globalisation trends continue to shape consumers' tastes, habit and spending patterns across the world; it is highly likely that the developing halal markets will have increasingly influential roles in the established markets of the Middle East and Asia particularly by influencing global corporate halal strategies.

Figure 4: Growth of the Global Halal Food Market (2004 – 2015)



It is not surprising that the biggest halal food manufacturers and exporters are located in non-Muslims countries like the US, Brazil, Argentina, Australia and China. Because of the traditional nature of the market, it is estimated that multinationals from these countries control 90% of the global halal market. In Malaysia, for example, Muslim consumers spent an average 14% of their food budget on meat. 60% of the halal meat is imported from India, Australia and New Zealand. Other Muslim countries including Saudi Arabia, Algeria and Egypt also import meat from non-Muslim countries to meet their local consumption demand. Countries like Brazil, Argentina, New Zealand and Australia have established themselves as market leaders in the export of halal meat and poultry.

Halal food products are not confined to meat and poultry, including other food items such as confectionary, canned and frozen food, dairy produce, bakery products, organic food, beverages and herbal products. The evolving lifestyle and increase in purchasing powers of Muslims means that there is widespread demand for prepared convenience foods as well as packaged foodstuff that still conform to Islamic dietary laws. Another growing sector of foods is comprised of substitutes for products that traditionally contain non-halal (haram) ingredients such as pork gelatine or alcohol. These products, which include yogurt, biscuits, and chocolates, are now being modified so that they can be marketed as halal.

Global Halal Food : Key Challenges and Opportunities

Challenges (Thomson Reuters and Dinar Standard 2016)

↘↘ There is ongoing confusion surrounding Halal standards, primarily because they are being produced by so many different government-linked organizations; private organizations and independent Halal certification bodies (HCB's); national standards bodies, regional bodies such as ASEAN, GSO and the EU; and international bodies such as the SMIIC/OIC initiative. The challenge for manufacturers is to determine which standard will actually provide market access, and in too many cases multiple certificates are necessary for exporters.

↘↘ The absence of any viable international schemes to accredit Halal certification bodies (HCBs) has long been a problem for the Halal industry. The majority of Halal food is being produced in Non-Muslim majority countries, and is certified by independent HCB's that operate with little regulatory oversight. Current accreditation initiatives, such as being developed by SMIIC, GSO and ESMA are all moves in the right direction, more coordination between the accreditation bodies is needed to avoid unnecessary duplication or competition.

↘↘ Difficulty in obtaining Shariah-compliant funding. Companies wishing to scale or to vertically integrate their supply chain face challenges in obtaining shariah-compliant funding.

Opportunities (Thomson Reuters and Dinar Standard 2016)

↘ OIC countries that have expertise in Halal food processes have an opportunity to develop partnerships with non-OIC countries eager to strengthen their Halal capabilities. Countries such as China, South Korea and South Africa are already partnering with Malaysia and the UAE to develop their Halal capabilities.

↘↘ An opportunity to develop tracking technology. Verifying supply-chain integrity is a major challenge that comes up when we speak to

experts in this space. One way to overcome this is by developing tracking technology that raw meat and food ingredients to their source. The Brazilian Meat Exporting Industries Association (ABIEC) developed a device called the e-seal that tracks meat cargo passing through their ports.

↘↘ An increased demand for hormone free meat. Regulators differ on whether hormone treated meat is permissible. There is debate among experts on how safe such meat is for human consumption, with concerns of cancer, and other side effects. Following interest from customers on hormones, the UAE supermarket chain Spinneys, is the first to sell hormone free meat.

↘↘ Halal food has the opportunity to be the global standard for safe, wholesome, humane food if producers fully adhered to the concept of Halal and Tayyib as in the tenets of Islam. There is an increased global demand for organic and natural food which is starting to appear among Muslim consumers, especially the younger millennial generation. While it may involve the higher cost of producing farm-raised, organic-fed meat, versus of the cheaper options many Muslims may look for; despite these challenges, this is a long term goal Muslim producers should strive to achieve. Included in this is the potential of developing premier quality innovative Halal brands for this new generation of Muslim consumers. Just as organic was a fringe market 10 years ago, but is now found in mainstream supermarkets, and just like made-in-Japan in the 50's was synonymous with low quality, but with the combined efforts of Japanese manufacturer, backed by national support, it now stands for the highest quality.

↘↘ Develop premium organic product lines. There is an increased global demand for organic and natural food. This heightened interest is also starting to appear among Muslim consumers, especially the younger millennial generation.

↘↘ Develop strong brands. There is much room for improvement in the branding of even popular brands. Product quality, marketing messaging, packaging and overall communication can be greatly

enhanced. This provides an opportunity for either existing brands to step up their game as well as for new players to differentiate through powerful branding.

↘↘ Investment opportunities in Halal food value chain integration. Many companies in the Halal food market are small and fragmented. Financing vertical integration of the supply chain, from slaughterhouses to distributors is an investment opportunity that should provide lucrative returns for the investors as well as develop strong companies in this space.

Pharmaceutical and health products

Pharmaceutical and health products are also large growth areas in the global halal industry. Demand for halal pharmaceutical, generic medicinal, wellness and healthcare products are estimated to be about USD555 billion in Muslim-majority countries. The main concern among Muslims is the use of non-compliant substances such as animal derivatives and animal-based gelatines in these products. The global market growth for pharmaceuticals increased by 4% in 2009 to a value that exceeded USD820 billion, offering vast potential opportunities for the halal pharmaceutical industry to tap into. The rising healthcare costs also provide the halal market with a key differentiation factor in the supply of generic pharmaceuticals.

pharmaceutical ingredients and product integrity analytical methodology. In the move to strengthen the integrity within the manufacturing and servicing of medicines and health supplements, Malaysia introduced a new standard for halal pharmaceuticals. "The Malaysian Standard MS2424:2010 (P): Halal Pharmaceuticals General Guidelines" addresses the entire pharmaceutical industry's supply chain from processing to handling, packaging, labelling, distribution, storage and display of medicines and health supplements.

Cosmetics

Growth in the halal cosmetics market is mirrored by a growth in consumer knowledge about the ingredients used and product awareness, fuelled by social networks.¹³ The global halal cosmetic industry is estimated at USD13 billion with an annual growth rate of 12%.¹⁴ At present the halal cosmetic market constitutes 11% of the total global halal industry. The emerging halal cosmetic and personal care market is seen by analysts as next in line for growth after the lucrative halal food sector. The main driver for this huge demand in halal cosmetics and beauty products stems from the demographic of young, religiously conscious, and dynamic professional Muslim population. In the scope of halal cosmetics, the concept covers critical aspects of production such as halal ingredients and usage of permissible substances which must be manufactured, stored, packaged and delivered in conformity with Shari requirements. Interestingly, halal cosmetics has also gained momentum amongst modern consumers who are eco-ethical conscious and are willing to pay a premium for organic, natural and earthy cosmetics products to suit their modern lifestyle.

The market for halal cosmetics is booming in the Middle East and Asia. Across the Middle East, halal cosmetics are registering a 12% annual growth reaching USD12 billion in total value of cosmetic related sales. Markets in Asia, particularly Malaysia and Indonesia as well as Europe, have seen a surge in interest in halal cosmetics. In Malaysia, halal cosmetics contribute 10% – 20% of the local cosmetics market. However, the global cosmetics industry is dominated, and to a certain degree monopolised, by non-Muslims companies. This poses serious challenges to the issue of halal ingredients in cosmetic products manufactured by the companies.

Although Muslims are generally allowed to consume haram (forbidden) products in life threatening situations, the demand for pharmaceuticals that adhere to Muslim rules is growing.¹¹ The increasing global demand in halal pharmaceuticals is in tandem with the growing interest and concerns of Muslims concerning the halal status of pharmaceuticals. Many of them are challenging the industry on the origins of the ingredients of these products and whether they are compliant with an Islamic lifestyle. Halal pharmaceutical products should not only be free from haram constituents, but they should also be tayyib which is a term given to goods and products which meet quality standards. In general, tayyib refers to products that are clean, pure and produced based on standard processes and procedures. Thus, a pharmaceutical product should not only be halal, but should also be judged clean according to Shari'a law.

However, the halal pharmaceutical market is plagued with the lack of global halal standards on Many cosmetic products contain alcohol which is deemed as haram, and animal sourced components considered impure by Islam. Growing concerns about animal-derived ingredients such as gelatine and collagen in cosmetic products are fuelling demand from both Muslim and non-Muslims consumers. The halal label on cosmetics and beauty products appeal to consumers seeking integrity and authenticity in their cosmetic and personal care products. Although the concept of halal cosmetics is very new to the Muslim world, there is a growing demand especially from conscientious consumers who are becoming more selective in their choice of personal care items, and consciously choosing to spend money on cosmetics and beauty products that fit in with their religious and cultural requirements.

Halal cosmetics have developed far beyond a novelty. Capitalising on the burgeoning halal cosmetic market, a number of cosmetic companies are beginning to develop this niche market by producing halal-certified product lines that contain no animal ingredients, and not tested on animals to meet the growing demand of consumers who simply want more assurance that the cosmetics they are using are

healthy and sustainably sourced. A challenge to further develop this niche halal sector is on how to best integrate halal cosmetics into the framework of the global beauty industry. Active collaboration with key parallel interest groups such as organic, vegan, ethical and environmental rights may be key to further strengthen the value of halal cosmetic products in the global market.

Pharmaceuticals and Cosmetics Sector : Key Challenges and Opportunities

Challenges (Thomson Reuters and Dinar Standard 2016)

↘↘ Rapid developments in synthetic biology in the future are causing concern — i.e. from microorganisms and plants of the future that have been genetically engineered to the extreme to contain large parts, and potentially complete, edited/synthetic genomes (in other words man-made designer microorganisms and plants). This will not only impact antibiotics but also future food produced from such 'synthetic' organisms. Though this is for the future, authorities are already looking into how to regulate such developments.

↘↘ Many Muslim auditors are not trained in Good Manufacturing Practices (GMP) guidelines, which are important for maintaining quality. The use of Good Manufacturing Practices (GMP) guidelines that correspond with a country's legislation for cosmetics and personal care products have been designed to improve product quality and tractability to protect human life and help ensure that products are pure and healthy (tayyib). It is not just a case of detecting haram ingredients but also the unethical masbooh ingredients (best to avoid) because of damaging effects from them absorbed through the skin or internally with medication. Many Muslim auditors may not be trained in GMP guidelines so may miss potential points of contamination. Ensuring that Halal auditors and technical experts have this training is essential for the

growth of Halal certified personal care and pharmaceuticals.

↘↘ Alcohol which is used in various forms, both for the maintenance of machinery and in the products themselves, is one aspect in Halal standard guidelines that differs between countries. Whether the views can be standardized on this remains to be seen.

↘↘ The use of ingredients in cosmetics that are toxic to the human being may be considered to be Haram in Halal certification as they are not tayyib. For example, some of the ingredients used in skin whitening creams, such as hydroquinone and mercury come under this category. These ingredients are banned in many countries but are still in use in some countries. They are considered toxic inside the body so are also harmful on the outside of the body. They kill the melanin cells that, among other things, can cause cancer.

↘↘ Challenge to get funding for research and development. Horizon 2020 is the biggest EU Research and Innovation program ever with nearly €80 billion of funding available over 7 years (2014 to 2020). The main problem with Horizon 2020 (and other government and European funding schemes) is not that they are very competitive but that they are very thematic — i.e. the call subjects are not 'open'. The topics are decided upon and prioritized by the authorities a good couple of years in advance. When the topics of the calls come out the type of research we intend to do in Halal is not called for and hence we cannot fit our Halal ideas directly to a topic 'on the table'. We need to influence the future calls by invoking some ways to getting the topics important to the Muslim and other faith communities.

Opportunities (Thomson Reuters and Dinar Standard 2016)

↘↘ There are many opportunities to educate both consumers and producers in Muslim countries about the transdermal (skin penetrating) nature of some types of cosmetics. In western countries, there are safety guidelines that require any new types of ingredients in cosmetics, such as nanoparticles, be fully tested to show that they are safe in

humans. In Muslim countries, these safety considerations are secondary to Halal considerations. We tend to look at ingredients from porcine sources as being considered Haram, or Najis (ritually unclean) as they can be washed off the skin. However, safety in humans should also be a consideration in Halal guidelines for cosmetics. New technologies, like nanoparticles being used in creams, face powders, etc., are currently being debated by the European Medicines Agency (EMA) from a safety perspective, but in Muslim countries we are lagging far behind the West. Currently, research on new technologies, materials and their safety in humans is exclusively done by the non-Muslim countries and funded by non-Muslims. This is an excellent opportunity for Muslim scientists and investors to lead and gain expertise in research in these fields to promote and determine the Halal status of these technologies.

↘↘ Opportunity to market Halal cosmetics to non-Muslim consumers. Most Halal cosmetics focus on natural ingredients, eco-friendliness and fair trade. Some are also vegan, so there is an opportunity to market them to non-Muslims. Both UK-based PHB Ethical Beauty and Ecotrail, the Indian company behind the Iba brand, target a wider consumer base with products that are not only Halal certified but also cruelty-free, and free from harsh chemicals and in the case of Iba are organic and free of animal-derived products.

↘↘ Opportunity to resolve the issue of the scarcity of Halal gelatine by working out a practical solution to utilize the relevant parts from sacrificed animals during Hajj. Halal options could also be available from using vegetable derived substitutes. For example, the pharma industry has become fixated with using gelatine for capsule production because it is low cost, cheap and has been used for many years. The market needs educating for more natural alternatives such as alginates, pectins, etc which can be reformulated to offer the same physical properties.

↘↘ There is a need to develop and publish a Halal Pharmacopoeia and other references for industry players to supplement Halal pharmaceutical standards.

↘↘ The five keys to becoming a successful pharmaceutical company

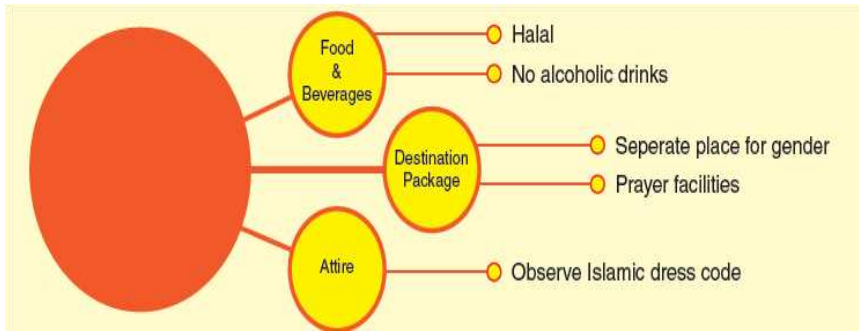
are: Having the best sourcing and manufacturing capabilities; the second is to find the best regulatory team to understand and navigate regulations; the third is deep customer insights; the fourth is for customer insights to lead the core product line; and the fifth is to have a consistent Research and Development (R&D) investment to create new and innovative products.

↘↘ Inter-Islamic country fast track registration of pharmaceutical products in order to expedite and boost the growth of the Halal pharmaceutical industry for the benefit of the Ummah.

Tourism and Travel

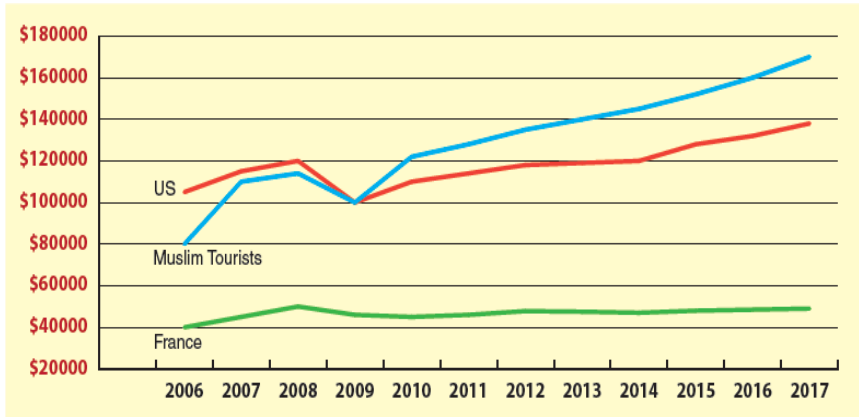
Halal tourism has recently gained popularity, and is now fast becoming a new phenomenon in the general tourism industry. It refers to tourism products that provide hospitality services in accordance with Islamic beliefs and practices. This involves serving halal food, having separate swimming pools, spa and leisure activities for men and women, alcohol free dining areas, prayer facilities, and even women-only beach areas with Islamic swimming etiquette. Traditionally, halal tourism has been commonly associated with pilgrimages hajj and umrah. The growing affluent middle class Muslim consumers, and increase in the degree of interconnectivity which has made traveling a part and parcel of everyday life, are gradually changing the tourism preferences of Muslims from traditional destinations such as Mecca to top holiday destinations and resorts. With Muslim tourist's expenditure expected to rise to more than 13% of the entire global tourism expenditure by 2020, halal tourism has the potential to go mainstream and develop as an integral part of the burgeoning global halal market.(Dar, Azmi et al. 2013)

Figure 5: Aspects of Halal Tourism



The halal tourism market represents 12.3% or USD126.1 billion of the total global outbound tourism market and is growing at 4.8% compared to the global average of 3.8%. In 2011 alone, Muslim travelers spent about USD126 billion.¹⁵ This figure is expected to reach USD419 billion by 2020. The MENA markets represent the largest share of the global Muslim tourist outbound expenditure at 60%. (Dar, Azmi et al. 2013)

Figure 6: Outbound Tourism Expenditure, 2006-2017 (in USD millions)



Halal tourism has flourished in recent years to cater for the needs of Muslim travelers who want to enjoy full holiday services, which at the same time address their religious requirements as well as Islamic customs and culture. A number of countries have already adapted their tourism offers to include facilities and accommodations in accordance with the religious beliefs of Muslim tourists. Favorite destinations have predominantly been Islamic countries such as Malaysia, Turkey and Egypt. In recent years, non-Muslim countries including Australia, Singapore and France have shown strong interest in halal tourism. These destinations are favorite among Muslim travelers as they have halal certification bodies, which make it easier for tourists to find halal certified food outlets while vacationing there. Malaysia, for example,

has been leading the way in the halal tourism industry, and has been successful in attracting Muslim tourists from all over the world, especially Middle Eastern travellers. Recently, Malaysia was ranked first among the top 10 halal friendly holiday destinations in the world. The ranking was based on several factors including availability of halal food, prayer facilities and halal friendly accommodation.

On the other hand Muslim travelers have emerged as an attractive customer segment accounting for an estimated 11 percent of global outbound spend on travel and tourism in 2014, spending \$142 billion in total. Comparatively this is a 6.3% increase from the 2013 Muslim travel expenditure that was \$134 billion (updated based on adjusted methodology). Muslim outbound tourism expenditure is expected to grow to \$233 billion market by 2020. In aggregate, the Muslim travel spending is third largest when compared to largest travel source countries — just after China (\$160 billion) and the United States (\$143 billion.) Top source countries of Muslim tourists based on 2014 expenditure were: Saudi Arabia (\$17.8 billion), United Arab Emirates (\$12.6 billion), Kuwait (\$9.7 billion), Qatar (\$9.5 billion), Indonesia (\$7.6 billion) and Iran (\$7.5 billion). Regionally, Muslim Tourism expenditure was the highest in the following regions: MENA-GCC (\$52 billion), MENA-Other (\$21 billion) and East Asia (\$19 billion) followed by Western Europe

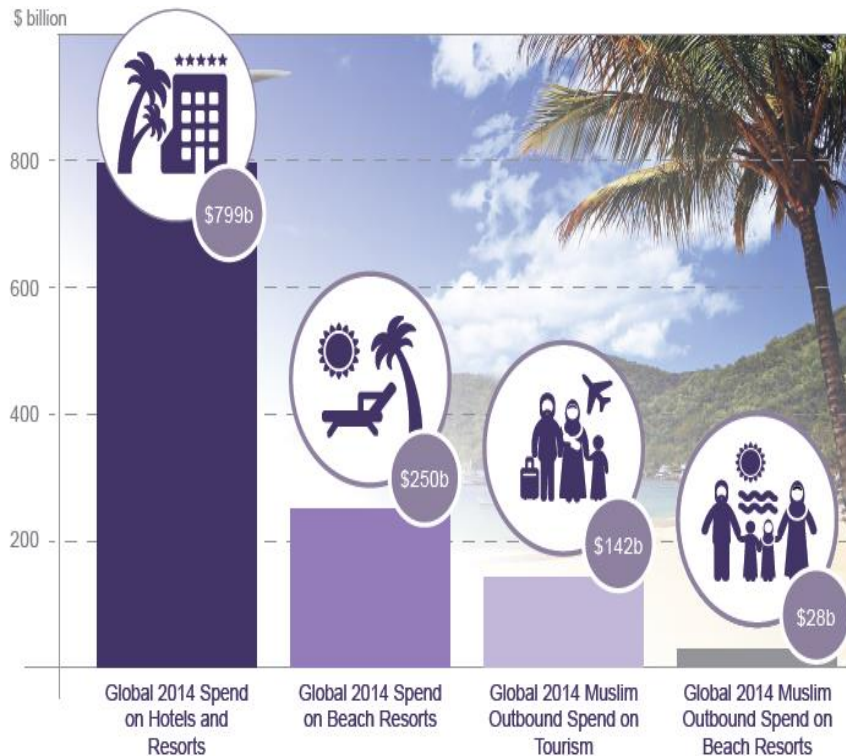
(\$16 billion) and Central Asia (\$10 billion). MENA-GCC represent 37% of the total Muslim travel spend even-though they are only 3% of the global Muslim population.(Thomson Reuters and Dinar Standard 2016)

The global beach resorts market is a high-growth market estimated at \$250 billion in 2014, representing 30 percent of the total hotel and resorts market, and with this share expected to grow going forward:(Salaam Gateway JANUARY 2016)

- The beach resorts landscape has broadened in scope, from primarily targeting price conscious travelers to addressing a diverse array of customer groups, and offering a wide range of price levels, from budget through to luxury.

- With Muslim travelers spending an estimated \$28 billion on beach resorts in 2014, and with significant scope for further specialization in the industry, there has been a growing number of beach resorts primarily targeting Muslim travelers, and fully addressing Muslim lifestyle needs.

Figure 7: Muslim and Global Spend on Beach Resorts

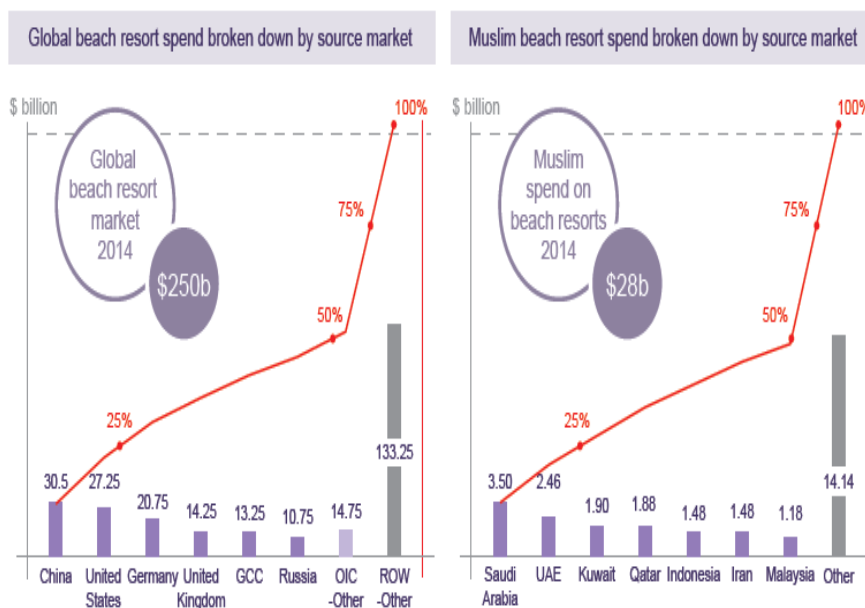


The report by Salaam Gateway has identified 32 Muslim-focused beach resorts in OIC countries addressing the broad range of lifestyle needs of Muslim travelers, as well as over 30 Muslim-friendly resorts:(Salaam Gateway JANUARY 2016)

- In addition to halal food, the absence of alcohol on premises and dedicated prayer spaces, all of these resorts attract Muslim families through providing segregated pools, fitness centers and beaches for women, and tend to compete on price, location and quality of service.
- Turkey is the most established market, with 28 resorts dedicated to Muslim travelers, and includes 3-, 4-, and 5-star resorts:
 - 17 of these resorts offer peak-season family room prices below

- The remaining 11 have peak prices ranging from \$300 up to \$990 per night, with the most expensive being Angel's Marmaris 5-star resort, followed by Piynar Villa Hotel.
- The remaining Muslim-focused resorts are located in Egypt, Jordan, Kuwait, and UAE, with peak-season prices ranging from \$264 up to \$1,348 per night.
- 32 Muslim-friendly resorts were also identified, with 11 in Thailand and five in Maldives, which accommodate Muslim needs, including providing halal food, segregated leisure facilities for women, and offering alcohol-free premises .

Figure 8: key source markets for beach resorts



Tourism and Travel :Key Challenges and Opportunities

Challenges (Thomson Reuters and Dinar Standard 2016)

↘↘ Accommodating both Muslims and non-Muslims at the same destination. This is especially relevant to beach destinations, where Muslims want to avoid gazing at bikini-clad Westerners, while some non-Muslims prefer to party freely without being followed by watchful eyes. One approach to avoid this is designating separate areas for Muslims and others for non-Muslims. The Indonesian island, Lombok does precisely that. To avoid putting off non-Muslim visitors to Lombok, as well as avoid offending Muslim tourists by the skimpy outfits worn by sunbathers, the local government has identified areas that are suited to Muslim guests, where Western tourists need to cover up, whereas, party hotspots in the area, such as the tiny Gili Trawangan island off the West coast of Lombok remain unaffected.

↘↘ Marketing to Muslim travelers without alienating non-Muslims. Hotels and destinations that cater to Muslim tourists certainly do not want to attract the Muslim traveler segment at the expense of other markets, and therefore one dilemma is what their marketing strategy should be. One approach is to market themselves as a family-friendly hotel/destination without using the terms “Muslim” or “Halal”. Al Jawhara, a Dubai-based hotel group is doing just that. In their ads, Jawhara promotes its “unique family oriented hospitality”, despite the fact that the hotel clearly caters to Muslim needs. Another hotel group that successfully accommodates Muslim needs while being inclusive and not branding itself as a Halal hotel is Shaza Hotels. The luxury hotel operator focuses on authentic Arabian hospitality while being values-driven, and therefore appeals to both Muslims and non-Muslims alike.

Another way to avoid the dilemma of marketing to Muslims while non-alienating others, is to market to the Muslim audience through targeted marketing channels, such as Muslim media, local publications in Muslim majority countries, as well as targeted ad campaigns.

↘↘ Raising Financing. Some investors are still reluctant to invest in Muslim-friendly dry hotels and resorts as they fear there will be a loss of revenue in food and beverage. Laurent Voivenel of Hospitality Management Holdings believes that a dry hotel can yield the same profits as one that serves alcohol if the owners focus on banqueting.

↘↘ Being Muslim-friendly/Halal means different things to different people. The travel industry has not agreed on what the terms Halal Holiday or Muslim-friendly resort mean and each player is applying his or her own interpretation of the terms.

↘↘ An opportunity to develop Muslim-friendly resorts. There is a growing demand for Muslim friendly resorts. HalalBooking.com have been marketing Halal-friendly resorts in Turkey for the past 6 years. They started seeing bookings in the millions in 2014 per resort, and hope to reach 10 million per hotel for many of the hotels by the end of 2015 and in 2016. The popularity of these Halal friendly resorts has led the Antalya region, on the Southern coast of Turkey to add five new resorts in 2015, thereby increasing their total number of Halal-friendly resorts to fifteen. According to HalalBooking.com, the margins for all-inclusive Halal-friendly resorts are significantly higher than their mainstream counterparts, given that, alcohol, which is a high cost item, is taken away from the equation, resulting in millions of dollars in profit in one season for an all-inclusive resort. According to HalalBooking.com, more investors are becoming aware of the concept of Halal holidays, and they expect we will start seeing new hotels, resorts and villa complexes appearing in many more countries. An opportunity to target the rising middle class, especially in South East Asia. Many industry players are still targeting wealthy travellers from the GCC. While this makes sense for premium brands. There is a huge opportunity in developing mid-tier products for the mid-market segment. Mr. Laurent Voivenel of Hospitality Management Holdings believes that the long-term sustainability of the tourism industry depends on developing the budget sector that caters to the growing middle class.

↘↘ Opportunity to focus on themes such as voluntourism, eco-tourism, ethical tourism and experiential travel. Travel companies that cater to the Muslim market can differentiate themselves by providing themed trips that tie-in with the growing global trend towards ethical tourism and experiential travel, which are in-line with the teachings of Islam. One Muslim travel company that is involved in voluntourism and socially responsible travel is Holiday Bosnia. A Dubai-based company,

Holiday Bosnia offers philanthropic trips to Bosnia in which travellers interact with the local community and may partake in charitable work, as well as donate to community projects.

At the end , Islamic tourism companies and operators should continue to improve and diversify their products and services, provide more attractive packages that respond to the needs of Muslims worldwide, including the Hajj, Umrah, heritage sites , trade and cultural exhibitions and recreation facilities. As one critic observed, Islamic tourism agencies should do better to present their products, local and International promotions. “ They do not provide a strict timetable for tours, or if they do, it is not adhered to.” Moreover , Governments and the general public everywhere should do their utmost to curb violence and terrorist activities, which paralyses everyday life and are especially damaging to the tourist industry. Government authorities are in the mean time advised to find appropriate strategies that avoid imposition of unnecessary travel restrictions and see Islamic tourism as a harbinger of better understanding among nations.(Kamali 2012)

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