

# ***Halal* Certification: an international marketing issues and challenges**

by

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## **Abstract**

Marketing of products and services in the Muslim countries presents a very challenging task to multinational companies (MNC) due to the difference in political, economy and socio-cultural aspects. At the same time, MNC could not “avoid” targeting Muslim countries as their source of expansion as these countries represent almost 20% of the world’s population. Furthermore, this figure is expected to increase to 30% by 2025. One of the most important concepts in Islam is the concept of *halal*, which means “permissible.” *Halal* covers the aspects of slaughtering, storage, display, preparation, hygiene and sanitation. It covers food as well as non-food category of products. Given the speed of trade globalization, the advancement in science and technology, and the on-going initiatives to simplify manufacturing processes, it is essential that the *halal* concept be fully understood by marketers. This paper discusses the marketing challenges in dealing with the *halal* issue. It makes reference to Malaysia’s *halal* certification policy and procedure as the country has set itself to become the major player in providing *halal* products and services. This complements well with Malaysia’s role as the Chairman of the 57-nation Organization of Islamic Conference (OIC) and its vision to become the global halal hub

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# ***Halal* Certification: an international marketing issues and challenges**

## **1.0 INTRODUCTION**

In the Muslim majority, Malaysia, the concept of *halal* is an absolute key to consumption. Muslim consumers nowadays are faced with a broad selection of products and services. On top of that, each product category offers many different brands – either locally named or internationally recognized ones. Some of the local brands appear to capture their own niches by projecting themselves as “Islamic” brands via their creative packaging and labeling works. This also indirectly signals to their primary target – the Muslim consumers - the *halal* status of their products. On the service side, similar efforts are being done in the banking and in the insurance sectors.

The above scenario describes the situation faced by the Malaysian consumers as they go through their daily chores in consumer goods purchasing. There are many choices of brands and each brand is fighting each other for shelf space in order to get the attention of their target consumers.

Besides the products and the brands available in the retail outlets, the Malaysian consumers are also offered various direct selling brand alternatives such as those in the personal care and cosmetic categories. Among the direct selling companies offering such products include international names such as Amway, Avon, Cosway and Nutrimetics. The flux of international brands into the country is thought to be the result of a widespread use of the Internet and the e-commerce facility by the Malaysian consumers.

Manufacturers and marketers use *halal* certification and logo as a way to inform and to reassure their target consumers that their products are *halal* and *shariah-compliant*. In general, the Muslim consumers in Malaysia look for the authentic *halal* certification issued by the Malaysia’s Department of Islamic Development (JAKIM) which is under the purview of the Ministry in the Prime Minister’s Department. This certification

granted the companies the use of *halal* logo for printing on their products' packaging or for the display at the company's premise.

Given the speed of trade globalization, the advancement in science and technology, the continuous change in products' formulation, and the on-going initiatives to simplify manufacturing processes, it is essential that the *halal* concept be fully understood especially by the marketers of consumer goods be it for food or for non-food product categories. This is important because as the consumers become more religious or *halal*-conscious, they will be looking for products that not only satisfy their needs but also give them "peace of mind."

## **2.0 LITERATURE REVIEW**

### **2.1 Religion and Marketing**

Religion is a system of beliefs and practices by which group of people interprets and responds to what they feel is supernatural and sacred (Johnstone, 1975). Most religion prescribes or prohibits certain behavior including consumption behavior. Schiffman and Kanuk (1997) assert that members of different religious groups are likely to make purchase decisions influenced by their religious identity. Such a phenomenon is widely acknowledged in international business and marketing textbooks.

### **2.2 The *Halal* Logo**

As the Muslim consumers become more knowledgeable of their religion, it is inevitable that they will be more particular on the type of products and services that they consume or use. In addition, as consumers become increasingly more sophisticated in dietary and health-related issues, the relevance of informative labeling and the belief in the right to be adequately informed will strengthen.

The introduction of *halal* logo by the Malaysia's Department of Islamic Development (JAKIM) has generated more awareness among the Muslim of the importance of consuming products or engaging in services that follow Islamic guidelines and principles. See Exhibit 1 for details regarding *halal* definition.

*Halal* logo also signals which food outlets are permissible to be patronage by the Muslim. As a result, the logo provides an avenue for the manufacturers to indicate to their target consumers that their products meet the Islamic standard. This definitely will create significant advantage to the particular manufacturers versus its competitors that do not have *halal* certification.

The usage of *halal* logo has so far been skewed towards food products as the term *halal* is better known amongst the Muslims and non-Muslims as being "food that is permissible to be consumed." The logo has not been used much in other category of products. As for the service sector such as in the banking and insurance products, the more appropriate term for *halal* would be Islamic-compliant or *syariah*-compliant.

### **3.0 METHODOLOGY**

In investigating the impact of *halal* phenomenon to the consumers and the companies in Malaysia, the author employs a combination of qualitative and quantitative research methodologies.

Several personal interviews were conducted among the managers in the consumer products companies – food as well as non-food category. In the service side, managers in the banking as well as in the insurance sectors were also interviewed. To add to this, face-to-face interviews were also conducted among consumers attending *halal*- or Islamic-related theme exhibitions. In addition, the author conducted a focus group study to assess, in-depth, the level of understanding of the *halal* concept among the Muslim consumers.

Quantitatively, a survey method using questionnaire was employed to gauge the factors influencing consumers purchase decision. A total of 1000 questionnaires were conveniently distributed to Malaysian consumers in this regards.

#### **4.0 PRELIMINARY FINDINGS**

Some of the preliminary findings from this research indicated that there are many issues and challenges on the *halal* subject.

##### **4.1 The Issues**

Some of the issues include: 1) the inconsistency of definition of *halal* on the aspect of slaughtering of animal; 2) the introduction of *halal* logo by individual firms; 3) the use of Arabic-sounded or Islamic-signaled brand names; 4) the rampant display of Quranic verses (or the use of Arabic characters) by food operators to indirectly signal that the premise is operated by Muslim and that it offers *halal* foods; and 5) the lack of enforcement by the authorities with regards to the misuse of *halal* logos.

##### **4.2 The Challenges**

In Malaysia, one of the main challenges to the government is in the area of enforcement. The lack of enforcement by the Department of Islamic Development's (JAKIM) personnel in monitoring the usage of certified *halal* logo has caused the public to question the validity on some of the products or services claiming to be *halal*.

Among the government ministries, there seem to be lack of assistance given to JAKIM by the Ministry of Domestic Trade and Consumer Affairs. The latter tend to focus on their own problems – those that not necessarily relate to *halal* products. JAKIM personnel lacked “enforcement” characters. It is thought that only with strict enforcement that the *halal* logo will be seen more “authoritative”.

In addition, the lack of collaboration amongst the world's *halal*-certification authorities has created “doubts” amongst the Muslim consumers on the authenticity of the *halal* certification process.

The speed of issuing *halal* logo is another challenge facing JAKIM. Currently JAKIM does not have a full-pledge research and development (or technical) unit which is able to process each *halal* application promptly. JAKIM or its state-subsiary (note that each Malaysian state has its own Department of Religious Affairs) would need to get assistance from a third party to commission lab testing and analysis as well as to do an on-site inspection. This third-party normally involves food technologists, chemists or experts from local universities.

To the Muslim consumers, products which carry *halal* logo have more meaning and are more important than those carrying ISO or similar certification. *Halal* is more “wholesome.” When it involves cleaning, it not only follows standard cleaning processes. *Halal* products and machineries to produce them have to be “ritually clean” as well.

The consumer groups such as Consumer Association of Penang (CAP) and the Muslim Consumer Association (MCA) should demand manufacturers, importers or traders to use *halal* logo on their products so as to give consumers “peace of mind.” The groups should fight for an act to be passed in the Parliament to this effect.

As for the manufacturers, they are to be told that *halal* certification would not negatively impact their businesses. As the advance in the research and technology has created a lot of new products using scientifically-based ingredients, it makes it more important for the products to carry *halal* logo. To the layman, they would not be able to read or even understand the meaning of scientific ingredients listed on the product's packaging. As a result, they might not be picking up the product from the shelf as not knowing the ingredients of the product create doubts in their minds. However if the products were to carry *halal* logo, they would not have doubt over the items.

### 4.3 *Halal* – a winning proposition

*Halal* should create a “win-win” situation to all parties – the government, the public and the manufacturers. These opportunity however can only be realized if each party manages to identify the challenges facing them and find the most feasible ways to address those challenges. No party should be thinking of “making money” from the widespread use of this logo as it is every party’s responsibility to let the consumers know the inside-out of their offerings.

In the survey designed to identify the factors influencing consumers’ choice of products, 891 out of a total 1000 respondents indicated that *halal* logo did play a role in their purchase decision.

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### **Exhibit 1 : Definition of Halal**

The halal guidelines compiled by the Malaysia's Department of Islamic Development (Jabatan Kemajuan Islam Malaysia or JAKIM), the country's central Islamic authority, are based on Quranic interpretations by the Maliki, Hambali, Syafie and Hanafi sects. In a *hadith*, the Prophet Muhammad said: "*Halal* (lawful) is clear and *haram* (prohibited) is clear; in between these two are certain things which are suspect or *shubha*. Many people may not know whether those items are halal or haram. (but) whosoever leaves them, is innocent towards his religion and his conscience...Anyone who gets involved in any of these suspected items, may fall into the unlawful and prohibited."

Under JAKIM's guidelines, halal is defined as food not made of, or containing parts of animal origin which Islamic law forbids to be consumed. Food is halal if it does not contain or come into contact with anything regarded as filth e.g. carrion, alcohol, pork, blood, faeces, urine. It must also be prepared , processed or manufactured using equipment untainted by anything unclean.

**The slaughter:** The slaughter of animals must be performed by a Muslim of sound mind and maturity, who fully understands the fundamentals and conditions related to this activity. The animal must be alive at the time of the slaughter and must be among those which Muslims are allowed to eat. The slaughter must be done with a sharp device – but not something made out of bones, nails or teeth – and the animals's respiratory tract, oesophagus and jugular vein must be severed.

**Storage, display and preparation:** Processed food is halal if it is not made up of or does not contain parts or by-products of animals which Muslims are forbidden to consume. It should not made up of or does not contain parts or by-products of animals which Muslims are forbidden to consume. It should not contain what the law terms as filth, and should be prepared , processed and manufactured using untainted equipment. In preparation, processing and storage, halal food should not come into contact with or be in close proximity to that which is not halal.

**Hygiene and sanitation:** The premises for manufacturing, preparing and selling food and drinks must be clean and free of elements which may cause infestation or flies, rats, cockroaches, lizards and other such pests. Factory workers must be healthy, and wear clean, protective clothing to avoid contamination. Equipment used must be washed frequently to ensure cleanliness. Washroom facilities must also be clean.