

Tapping the Halal Assurance Market

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The global market for halal is currently valued at about US\$2.3 trillion. How can small and medium practitioners (SMPs) diversify into halal assurance services and grab a piece of this lucrative pie?

The market for traditional accounting services is fast becoming saturated, while regulatory upheavals and the likelihood of the imposition of audit exemption thresholds mean that the playing field isn't necessarily level for everybody, especially for small and medium-sized practitioners (SMPs) catering to small and medium-sized business.

The chorus is getting tired, but repetition doesn't make it any less true. The reality is pressing for SMPs hamstrung by constrained resources and intense competition. Diversify or die.

Or to couch it in more palatable words: diversify your markets and services, preferably into "blue ocean" areas where competition is less strenuous.

One such area is *halal* consultancy. Many accountants - whether practitioners or professional accountants in business - do a doubletake upon hearing this piece of advice. But it's not so farfetched, since the *halal* business pivots on assurance. The primary bread-and-butter business of public practitioners, all along, has been assurance.

Strategically, getting into *halal* assurance makes sense, given bright prospects. Although there are no figures available for the value of *halal* assurance services, one can extrapolate

by looking at the global market for *halal* services and products which was estimated at US\$2.3 trillion (RM7.3 trillion), excluding banking for 2010. Research carried out by the World Halal Federation secretariat found that 67 per cent or approximately US\$1.4 trillion of this market is comprised of food and beverage, reported the *New Straits Times* on 22 June 2010. Pharmaceuticals make up 22 per cent or US\$506 billion and cosmetics and personal care accounts for US\$230 billion.

Quoting media reports in general, Muslims comprise one fifth of the global population, with between 1.4 and 1.8 billion spread across 148 countries worldwide. Islam is also reputedly the fastest-growing religion through birth and conversion. According to *dinarstandard.com*, think-tank Free World Academy projects that the current 24% global Muslim population (1.65 billion; one man out of four), will become 33% in 2050 (2.9 billion; one man out of three), based on UN population data projections and its own analysis. These circumstances, coupled with the growing awareness and acceptance of *halal* by other faiths, has driven the *halal* industry's evolution from one narrowly based on food products into a holistic lifestyle-oriented industry driving demand in other non-food areas like consumer products, Islamic finance, logistics and tourism.





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Recognising the prospects, the Malaysian government has identified *halal* as a strategic theme for the Malaysian economy, and it makes sense for SMPs to try and gain a niche in assurance services for this sunrise sector.

What has been done locally to facilitate the *halal* sector and position Malaysia as a global *halal* hub?

●● One key area where Malaysia excels is in *halal* standard-setting. From the international perspective, Malaysia is recognised for its stringent standards covering the production of *halal* goods, said H. H. Chua, Managing Partner, Cheng & Co, speaking at the recent MIA forum on *Build Your Business: Assessing Options, Building Capabilities, Competing for the Future*. Chua is speaking from invaluable experience; one of Cheng & Co's fourteen services is *halal* consultancy spearheaded by the firm's Halal Consultancy Division, which has enabled the firm to penetrate markets for *halal* assurance as far as China and Indonesia. In fact, Chua had even been recruited to speak at an international training event on *halal* assurance systems organised in 2010 by the influential Lembaga Pengkajian Pangan Obat-obatan dan Kosmetika – Majelis Ulama Indonesia (LPPOM – MUI), which controls access to the lucrative Indonesian market (see accompanying story).

Prime Minister Datuk Seri Najib Tun Razak stressed the importance of developing global *halal* standards at the 7th International Halal Showcase (MIHAS 2010) and 3rd World Halal Research Summit 2010, according to media reports. "This initiative (developing *halal* standards) will ensure that

the Islamic community, no matter where they are, will feel safe and convinced that the food and products they consume are *halal*," he said when opening the summit. Furthermore, Najib said Malaysia was willing and ready to share its expertise, experience and knowledge in developing such standards.

Apart from the familiar JAKIM (Jabatan Kemajuan Islam Malaysia or the Islamic Development Department) *halal* logo frequently seen on food products and at restaurants, Malaysia's suite of global *halal* standards include the Standards on Halal Cosmetics MS 2200:2008 and Standards on Halal Logistics MS 2400:2010, which were launched in 2010. The Halal Cosmetics Standard prescribes practical guidelines for *halal* cosmetics and the personal care industry. The standard for *halal* logistics is a comprehensive standard and reportedly the world's first to address three main components, namely transportation, warehousing and retailing. Apart from standard-setting, other proposed strategies for strengthening Malaysia as a *halal* hub include establishing a global reference centre in *halal* knowledge and related services. The reference centre would include *fatwa* know-how, information on *halal* certification, capacity building, business opportunities and incentives.

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Getting Started in *Halal*

●● While government can do a lot to create a facilitative macro environment for *halal*, it depends on the private sector to execute at the micro level in order to expand Malaysia's brand in the global *halal* sector. This is where practitioners can come in to help anchor the wider usage of Malaysia's *halal* assurance standards, both in the domestic and foreign markets.

The caveat? Before embarking on a new venture or business direction, practitioners must ensure it fits into their business strategy. While Chua advocates that SMPs must offer more diverse services in order to become a one-stop professional centre for clients, "you mustn't go out of your scope. You must have a business model to guide your actions."

Once you've determined that *halal* assurance might fit into your business scope, it is necessary to build up a knowledge base and ensure the necessary expertise is available on tap. "To offer *halal* services, you must be innovative and creative and willing to learn. All information on the *halal* certification process is available on the websites of MUI (Majelis Ulama Indonesia or the Indonesian Council of Ulama) and

JAKIM," explained Chua. While Cheng & Co operates its own Halal Consultancy Division, they also work closely with officers and professors in *Shariah* law and *halal* from JAKIM and local universities respectively. "Where we can have in-house expertise, we will have it in-house, otherwise it will be external," said Chua.

While knowledge of the *halal* process is crucial, equally critical is the ability to leverage your existing client base. Why? "Because in our industry there are no walk-in customers. The customer already knows you. It is a relationship built on trust." The appropriate target market comprises all food-based companies already in existing client rosters. Chua estimates that the food-based sector is worth in excess of RM500 million annually.

Sceptics might wonder why Chua is freely proffering advice on *halal* assurance and welcoming competition. Chua is pragmatic. "By sharing our knowledge, we open up opportunities for new business and new potentials. Perhaps one of our competitors is approached by a client to provide *halal* assurance but he lacks the expertise. He can come to us for assistance. It's a win-win situation all around." ■

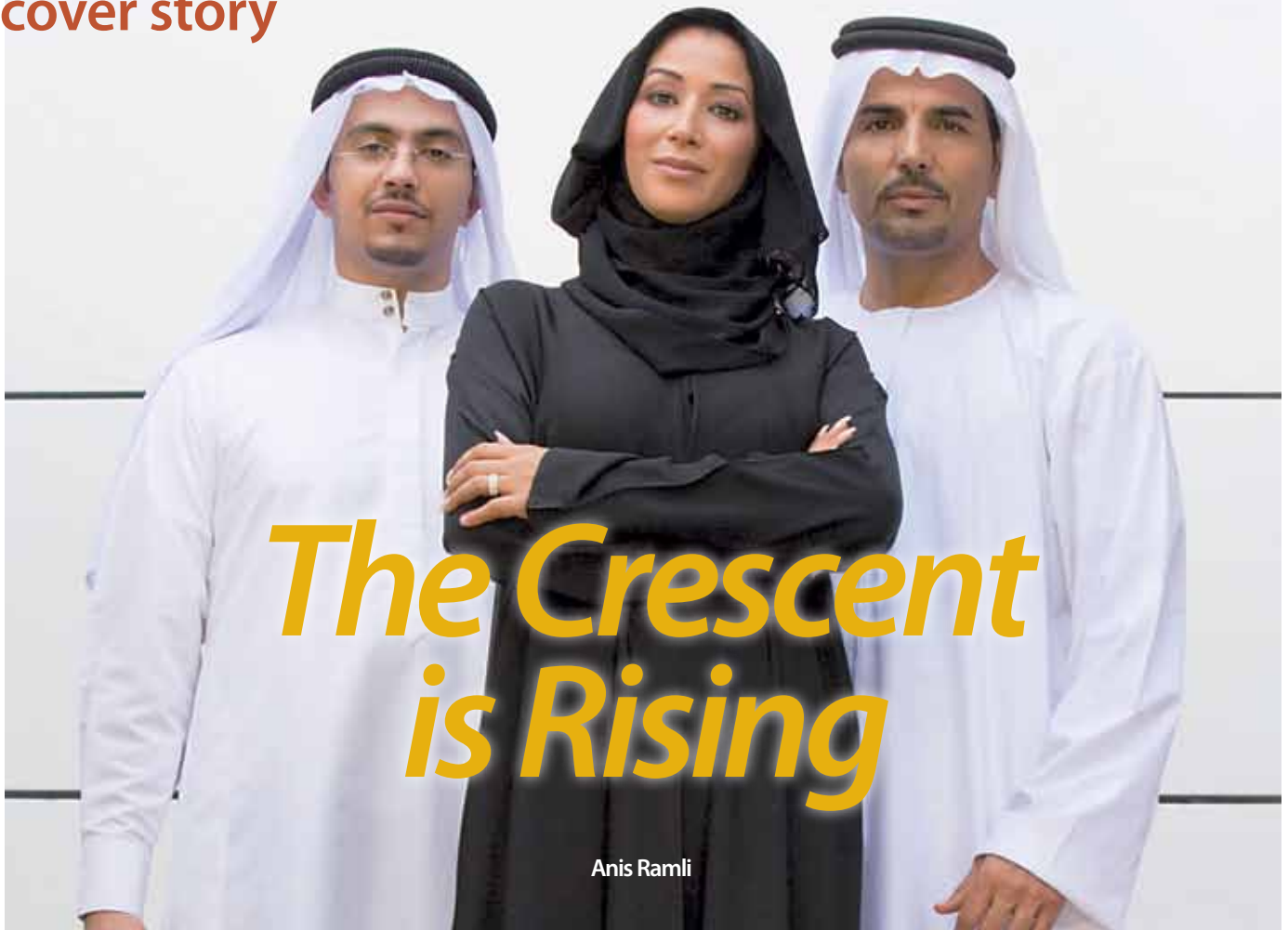
HALAL IN MALAYSIA...

Malaysia is the only country in the world where *halal* certification is regulated and carried out by the government authority. The JAKIM logo is accepted locally, regionally and internationally. It is a certification that enjoys credibility and is highly sought-after, so much so that there are cases whereby the JAKIM logo has been counterfeited. There have also been reports that businesses find it cumbersome to get *halal* certification from JAKIM. In response, Minister in the Prime Minister's Department Datuk Seri Jamil Khir Baharom told the *New Straits Times* in July 2010 that: "To us, we cannot even have a 0.00001 per cent probability of something not being *halal*. It is not like gold that can have a small percentage of other elements in it." The NST reported that JAKIM officers had been asked to speed up *halal* certification processing for those who had fulfilled the criteria. There have also been recommendations that JAKIM should certify the certifiers – in a similar fashion to the International Standards Organisation (ISO) in order to expand the pool of qualified *halal* assurance providers and really accelerate the growth of *halal*. Understandably, other assurance providers have stepped in to bridge the gap, and in the market today *halal* logos from the likes of Islamic Food Research Centre (IFRC) - Malaysia and Asia and IFANCA (Islamic Food and Nutrition Council of America) are visible.



AND INDONESIA

Another prospective market with a large Muslim population that can be tapped is Indonesia, despite its stringent requirements for *halal* goods and services. However, there are obstacles. According to the *Jakarta Globe*, MUI plans to make it mandatory that all imported foods labelled *halal* must obtain the council's own *halal* certificate before they can be sold in Indonesia. In other words, *halal* imports must be certified by the Lembaga Pengkajian Pangan Obat-obatan dan Kosmetika – Majelis Ulama Indonesia (LPPOM – MUI). "On the surface, it seems troublesome for entrepreneurs to venture into the Indonesian market given the rigid requirements imposed by the regulatory body," said Chua. However, he believes that the economic pros outweigh the cons. From the economic point of view, Indonesia weathered the global financial crisis relatively smoothly because of its heavy reliance on domestic consumption as the driver of economic growth. The fact that Indonesia is the world's most populous Muslim nation, with Muslims comprising an estimated 86.1 per cent of the total population of 240 million as of January 2010 is another lure. "The effort committed to assure *halal* products could be tremendous, but the market penetration that the certification could elicit is priceless," said Chua. Recently, Chua headed a team from the *halal* consultancy division to assist its China-based clients with the process of obtaining renewal for their MUI certifications. The entire process took about ten days and encompassed factories in various locations in China. The company, Rousselot International, the world's largest manufacturer of gelatine, deals mainly with the manufacturing and trading of photographic, pharmaceutical and edible gelatine.



The Crescent is Rising

Anis Ramli

HALAL TOURISM IS FULFILLING THE PROPHECY OF HEADLONG GROWTH. IF YOU HAVE 1.6 BILLION POTENTIAL CUSTOMERS – AND GROWING – AT YOUR DISPOSAL, MANY OF WHOM ARE EAGER TO TRAVERSE THE GLOBE, HOW WOULD YOU RUSH TO TAP THE MARKET?



The brouhaha on *burqas* by President Nicolas Sarkozy's secular government may dissuade Muslims from visiting France, but judging by the relative ease in which one can find *halal* haute French cuisine and cart off equally *halal* salami from one of France's popular supermarket chains, politics may not necessarily reflect what's good for business. And *halal*, as many French businesses are beginning to discover, sells.

But while the French may, for now, be looking only to tap into the €5.5 billion a year spent by the 5 million-strong Muslims living in France, the rest of the world is moving to capture a market where Muslims are hungry for more than just *halal* food.

For Habibah Zaym, France's *halal* food provision is a gesture that came a little too late. Hailing from Qatar, Habibah and her friends, all of whom are veiled, used to delight in shopping at the famed Champs Elysee boulevard, buying high fashion French brands and stocking up on all the season's must-haves. While *halal* food may be common in Paris now, these days Habibah and friends are more likely to shop and holiday in countries where a spectrum of Muslim-friendly services, not just food, is available. "And where I don't fear for the safety of my friends and myself when we go out," she explains.

Hence the birth of *halal* tourism.

The market for *halal* travel encompasses all aspects of the Muslim life, from a family-friendly travel environment, prayer/ablution facilities, separate male-female swimming facilities, and yes, even *halal* food. Like all other *halal* sectors, the world's 1.6 billion-strong Muslim population is pushing the growth of the market for *halal* tourism, estimated to be worth about US\$100 billion. Global Futures and Foresight UK cites Islamic tourism as one of the fastest growing sub-sectors in the tourism market, and projects one per cent of the world GDP will come from this industry alone.

Added to this are the growing Islamophobic sentiments which continue to push affluent Muslims such as Habibah away from their traditional European playgrounds

to other Muslim-majority holiday destinations of the world. According to *Maktoob News*, Gulf-based travel agents are already expecting holiday enquiries to France and London – two of the most popular holiday destinations for Middle Easterners – to drop significantly. In their place, Muslim-majority countries such as Brunei, Malaysia, Indonesia and even Turkey, are looking more attractive and welcoming. The shift is good news for Muslim-friendly countries. Statistics from the World Tourism Organisation put Gulf travel-



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lers' annual leisure expenditure at US\$12 billion annually, and it makes sense that countries are jockeying for a larger slice of this market.

How is Malaysia faring in the battle for tourists? Since 2005, Malaysia has seen an increase in the arrival of Middle Eastern tourists. Over 280,000 arrivals from the Middle East to Malaysia were recorded in 2009, contributing about US\$0.47 billion in revenue to the local economy. Says a Tourism Malaysia representative, "Saudi tourists in particular stay an average of 10.6 nights and spend an average of US\$2,000 per person". It is little wonder then that Malaysia is working hard to further capture this market.



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Kuala Lumpur's shopping mile – the intersecting roads of Jalan Bukit Bintang and Sultan Ismail – has recently seen a surge of Middle Eastern restaurants, shops and even perfumeries. To further make Gulf visitors

feel at home, Kuala Lumpur City Hall dedicated a stretch of road behind Jalan Bukit Bintang as an Arab sanctuary, filled with cafes and eateries serving authentic Middle Eastern garb, including a supermarket and a barber specialising in trimming beards.

Even Phuket is shedding its skin as sin-and-party central in order to capture the lucrative *halal* tourism market. About 35 per cent of Thais living in Phuket are Muslims. Last year, the hospitality authorities in Phuket provided training for the island's hoteliers to familiarise themselves with *halal* production procedures. This follows other initiatives already put in place including the annual 'Halal Food, Hilal Town' festival, which aims not just to boost Middle Eastern tourist arrivals during low season, but to capture the growing number of Muslim travellers from beyond the Arab borders. Thailand in fact is aggressively seeking to upgrade its *halal* food industry and recently set up a Halal Science Centre at the prestigious Chulalongkorn University.

HOSPITALITY OPERATORS RESPOND TO DEMAND FOR HALAL

The impact of *halal* tourism in the industry has also changed the landscape of how hotels operate. The *Shariah*-compliant hotel is a new buzzword in hospitality, with operators offering services that include and even go beyond placing Qurans in bedroom drawers, and providing *qibla* (prayer) direction, prayer rugs and ablution facilities on their premises. Sofyan Hotel in Jakarta is Indonesia's first *Shariah*-compliant hotel, offering an alcohol-free environment and conservative television services. Modestly-dressed female staff serve women-only floors and men service men-only floors. Similarly in Dubai, the Jawhara Hotel chain has a separate and covered swimming pool for female guests and contributes a percentage of profit to *zakah*.

Estimates by the Brussels-based Rezidor Hotel Group, which operates brands like Radisson Blu and Park Inn, put the growth rate for the *Shariah*-compliant hospitality market at 20 per cent per year over the next decade. While opponents may argue that a hotel sans minibar could heavily affect profit, one just has to look to the Irish for

inspiration: no one thought the day for a smoke-free Dublin bar could ever come. But come it did, and by the looks of it, business is unaffected.

While growing purchasing power among Muslims is partly spearheading the growth of *Shariah*-compliant hotels, the concept is catching on too among travellers who are conscience-driven – and who may not be Muslim. Analysts say that such niche hotels may not just be popular with Muslim travellers alone. From a MICE perspective, having a ‘dry’ environment allows participants to concentrate and thrive. Additionally, such a unique concept will endear hotels to those looking for a spiritually-friendly experience, providing a peaceful and tranquil environment for both individual and families, while remaining within the boundaries of belief.

Because of their *Shariah* niche, these hotels were among the few that found

themselves insulated from the impact of the 2008-2009 recession. Analysts said such hotels typically draw large Gulf-state tourists and families who tend to spend more money and stay for a longer period of time.

This fact has not escaped conventional hotels that see a large chunk of profit to be made if they render themselves attractive to the Muslim market. The luxurious Lord Milner in London and the Holiday Villa hotel chain recently equipped rooms with *qibla* direction. Others took a more event-appropriate approach. Vienna’s Sacher Hotel provides prayer rugs in rooms and during *Ramadhan*, offers *sahur* and *iftar* meals. Elsewhere, the Zurich-based Kempinski brand will team up with the Islamic Company Guidance Financial Group to open 30 hotels, first in Arab cities such as Dubai, Cairo and Beirut, before expanding into Malaysia, Brunei and Indonesia.

Interest in *halal* tourism has even spurred sovereign collaboration between countries. Both Malaysia and Brunei Darussalam are working to create a framework of an Islamic Trail to promote both countries’ unique Islamic heritage and Muslim culture. The tourism boards of both governments will also be speaking to the governments of Indonesia and Thailand to identify each country’s products and work out the logistics of working together to promote an Islamic Trail in this region.

There might even be a silver lining to the cloud of bias against Muslims. If countries such as France and Belgium continue to fan the flames of *Islamophobia*, this can only help build the critical mass needed to further strengthen and sustain the growth of *halal* tourism. With a growing population of wealthier Muslims globally, it’s the world travel markets in South East Asia and the Gulf that will benefit in the long term. ■