

Chapter 32

Overview of Production and Tendency on Halal Products and Services in Malaysia and the Global Market

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Abstract This study embarked on the importance of and tendency on Halal products and services in Malaysia and the global market. In the global market, consumer base for Halal products is around 1.7 billion people and worth more than 2.3 trillion dollars. It makes the Halal market a vitally important emerging sector that should not be overlooked. From the market perspective, traditional target market remains in Asia and the Middle East; however, due to the effect of globalization, there is a significant development of market size for Halal market in Europe and the USA. Besides, in the Western country, most Halal product is still not readily available for the UK market. We see this phenomenon being applied not only on food items. Personal hygiene and healthcare products, toiletries, and cosmetics are all appearing as Halal options. Once Halal is understood as a lifestyle choice, the range of options for Halal product will increase exponentially. In Malaysia, Halal products are not a big issue as we can find Halal food everywhere from the street market up to the high-end chain. The competition can be considered intense in the market.

Keywords Halal • Product management • Global market

32.1 Introduction

There are four terms that are linked to the definition of Halal which are permitted, allowed, lawful, and legal. Halal includes products and services, and it basically relates to Muslims which makes them different to other religions. Halal not only covers food and drinks but also covers all matters in daily life. For example, cosmetic and pharmaceutical are the products that we need to make sure the ingredients used are legal by Islam laws. It also covers other aspects such as their

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clothes, life environment, jobs, and so on. All these products are taken and used by them daily. The responsible party such as JAKIM should monitor all Muslim companies' production process to ensure they are not using prohibited materials or ingredients in their products. Especially in food and drink, there are some animals that cannot be included together with the Islamic products.

Malaysia is a leader in the *halal* food benchmarking. The United Nations has cited Malaysia as the world's best example of benchmarking of *halal* food in accordance with the Codex Alimentarius Commission adopting the Codex General Guidelines for the use of the term *halal* in Geneva in 1997. This is because a single *halal* standard is applied throughout the country with the result that the Malaysian standard has become the basis for the development of the world's *halal* food industries [13]. This positioning, however, only means that it is imperative for Malaysia to remain competitive in the global *halal* marketplace as this is not an industry without serious challenges. One such challenge is product differentiation that meets customers' needs and expectations to ensure competitive edge and revolves business sustainability.

In order to develop a good halal market in Malaysia and the global market, people need to consider several aspects that have become a barrier to a successful business in promoting Halal products and services. The three aspects that have been researched are demand, awareness, and culture. Research has shown that the percentage of demand on Halal products and services is high in Malaysia and the global market. However, there is a lack of sources on the goods and service supply in both markets. Even though the number of demand has boosted in the market, the limited number of suppliers in producing Halal products and services has caused the Halal market from growing. It is important for the suppliers to fulfill the needs and wants of the consumers. The size of the global Halal market is expected between \$1.2 trillion and \$2 trillion per annum. The demand for Halal products and services is not only in Islamic countries but also in other non-Muslim countries.

Awareness of the people toward the benefits of Halal products and services is important in order to build a strong Halal market in Malaysia and the global market. Wide exposure regarding Halal products and services is important to let the consumers know about the rewards that they can get by using the Halal products and services. The awareness is not only for the Muslims but also for non-Muslims. Well-managed Halal products and services have resulted to tons of profits to the users. Last but not least is about the culture. Some of the researchers have done a research which shows that different cultures have different beliefs. Cultures have influenced the buying aspects. This study is related to the importance of the production and tendency on Halal products and services in Malaysia and the global market. The problem statement for this study is to determine the demand of the consumers on Halal products and services, awareness of the consumers toward Halal products and services, and culture that has become one of the aspects which influenced people in buying Halal products and services.

32.2 Literature Review

The demand on Halal products and services has been increasing from time to time in Malaysia and in the global market. The worldwide demand of Halal products and services is not restricted to Muslims only, but for non-Muslims also, they preferred to buy products bearing the Halal logo, thus providing a huge boost to the Halal industry. In Dubai, the latest research by the World Halal Forum shows that the total size of global Halal food market is worth about \$632 billion in 2009, and if we include the non-Muslim users, the total will be higher than the stipulated amount [6]. With more than 1.8 billion Muslims globally, the total size of global Halal food and services such as financial services, pharmaceuticals, and cosmetic industries is estimated around RM7.89 trillion [7]. To achieve quality assurance standards, getting the Halal certification by JAKIM is important to ensure the manufacturers and procedures get the assurance that their ingredients, its preparation, processing, and hygienic and sanitation procedures pass the mark (Sumali 2006). This will make the demand on Halal products and services much higher because the consumers are confident with the benefits and preparation by JAKIM.

The Halal food industry is not a single market. It is a fragmented market where every country or region has its own characteristics (Lada 2009). Besides that, according to other researchers, it is important for Muslims to understand the concept of Halal and Haram that meet the demands of the religion (CAP 2006). The uses of Halal products and services are from the awareness of the consumers. It is important for the consumers to be aware of the benefits of Halal products and services, the ingredients used, the safety, and the process of production. The effective quality assurance also addresses safety and quality for both products and processes [9]. Therefore, marketing process is used to give awareness to consumers about the Halal products and services. Halal certification can be used as a marketing tool in promoting the Halal products or services, but the awareness of the Halal concept and the knowledge of Halal standards among customers are still low (Syed and Nazura 2011).

However, the Halal status is still important in the market. It has been estimated that 86.5 % of the EUA Muslim consumers request and want the logo and certificate of Halal because the status of the products and services they purchased is important for them (Wilson and Liu 2011). Thus, many companies and responsible persons started to focus on Muslim consumers' needs and wants by producing compliant products including cosmetics and services following the Islamic Syariah which is estimated to be \$2 trillion annually (The Halal Journal 2009). Recently, many of the Muslims are starting to become aware of the importance of Halal food, which has led to the rapid expansion of the world halal food industry (Che Man et al. 2010). The awareness toward Halal products and services is not only by Muslim consumers, but there are some non-Muslim consumers who also preferred to buy Halal products and services. Both Malaysia and the global market are applying the Halal certification to convince the consumers in buying the Halal products and services and also to increase awareness toward the benefits of using it. Non-Muslim

customers who lived in a multireligious social environment like Malaysia are aware of Halal food, and they also understand about the safety of the Halal products and services (Golnaz et al. 2010). As a result, many of the non-Muslim customers are satisfied with Halal products and services (Mir et al. 2010). Thus, both Muslim and non-Muslim customers tend to choose Halal products and services based on attitude, subjective norm, and perceived behavioral control (Arshia and Mohsin 2012).

Moreover, the definition of culture is extensive. Culture can be defined as civilization taken in its wide ethnographic sense, that is, complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society (Tylor 1871). In other perspective, culture is the framework of belief, expressive symbols, and value in terms of which individuals define their feelings and make their judgments (Geertz 1957).

According to Shabbir (2010), religious commitment plays an important role in people's lives through shaping their belief, knowledge, and attitudes. This shows that different cultures have different perspectives or belief, thus influencing the customers' trend of purchase. However, Halal is now accepted as a quality system worldwide that appeals to both Muslims and non-Muslims [3]. This is because the acceptance and application of demand on Halal products and services have gone abroad which is not only in Malaysia but also in the global market. Therefore, the target market for the users of Halal products and services is not only Muslims but also non-Muslims. Halal conscious customers have a high regard for Halal concept, and they tend to use behavioral traits decision making (Wilson and Liu 2011). In the Philippines, there is an increasing number of Filipinos becoming health conscious. They are looking for Halal products and services which they believe are safe, healthy, and good to be consumed (Muhammad 2007).

32.3 Research Methodology

The study was conducted by distributing questionnaires to 39 respondents, in which the samples were selected by simple random sampling approach. Variables used in the research are the importance of and tendency on Halal products and services as the variable X and Malaysia and the global market as variable Y. Besides, we also collected information from numerous literature and researches linked to the research to understand the nature of Halal products and services, the importance of Halal products and services, the tendency on Halal products and services, as well as the uses of Halal products and services in Malaysia and the global market. In this study, questionnaires are divided into four sections:

Section A: Demographic profile

Section B: Demand on Halal products and services

Section C: Awareness

Section D: Culture

The research concentrates in primary data that were collected through distributing self-administrated questionnaires at major parts of Shah Alam and Kuala Lumpur. The questionnaires were also distributed to the customers of our previous employer. The sampling method that has been used in this study is non-probability sampling. Non-probability sampling designs rely on the personal judgment of the researcher rather than chance to select the sample size. The researcher can arbitrarily or consciously decide the elements to include in the sample as cited in Malhotra, N.K (2004). In this study, the researcher collected data through two resources: primary data and secondary data. The primary data is originated for a specific purpose of addressing a problem at hand, whereas secondary data are already published.

Furthermore, 50 sets of questionnaires were distributed in different parts of Shah Alam, Subang, and Kuala Lumpur by face-to-face communication and by email to collect their responses, and they were answered by participants with consent and on voluntarily basis. Thirty-nine questionnaires were returned to the researcher. Once the necessary data has been collected, the data will be analyzed and summarized in a readable and easily interpretable form. The statistical package for the social science version 14 is used to summarize the data. The result will be in the form of reliability testing, frequency distribution, and Pearson correlation.

32.4 Findings

The reliability of our research is established by testing for both consistency and stability of the questionnaire. A reliability test was used to test all the questions in questionnaires whether it was reliable or not with this study. The Cronbach's alpha is a reliability coefficient that indicated how well the items in a set are positively correlated to one another. Table 32.1 shows that the reliability of the item (questionnaire) itself shows the high value in Cronbach's alpha with 0.856 (85.6 %). It depicts that the item (questionnaire) is reliable to be implemented for the real study.

32.4.1 Frequency Analysis

There are 39 respondents who were evaluated under this pilot study. Table 32.2 presents the participant's responses to the questionnaire, of which 17 (43.6 %) and 22 (56.4 %) respondents are male and female, respectively.

Table 32.1 Reliability statistics

Cronbach's alpha	N of item
.856	15

Table 32.2 Respondent gender

		Frequency	Percent
Valid	Male	17	43.6
	Female	22	56.4
	Total	39	100.0

32.4.1.1 Age

There are 16 respondents (41 %) from 19 to 30 years old, 15 (38.5 %) from 31 to 40 years old, 5 (12.8 %) from 41 to 50 years old, and 3 (7.7 %) respondents 51 years old and above (Table 32.3).

32.4.1.2 Race

Table 32.4 depicts the partition of races which cover Malay with 18 (46.2 %) participants, Chinese with 12 (30.8 %) participants, and Indian with 9 (23.1 %) participants.

32.4.1.3 Marital Status

Table 32.5 the frequency for marital status: 17 (43.6 %) from single, 21 (53.8 %) from married people, and only 1 (2.6 %) from divorced.

32.4.1.4 Religion

Table 32.6 below depicts the frequency for religion: Islam, Buddhism, Christianity, and others with 16 (41 %), 12 (30.8 %), 8 (20.5 %), and 3 (7.7 %), respectively.

32.4.2 Descriptive Analysis

Tables 32.7, 32.8, and 32.9 will summarize the degree of consumers' demand, awareness, and culture toward Halal products and services.

Table 32.3 Respondent age

			Frequency	Percent
Valid	119	–30	16	41
	331	–40	15	38.5
	441	–50	5	12.8
	551	Above	3	7.7
	Total		39	100

Table 32.4 Respondent race

		Frequency	Percent
Valid	Malay	18	46.2
	Chinese	12	30.8
	Indian	9	23.1
	Total	39	100

Table 32.5 Respondent marital status

		Frequency	Percent
Valid	Single	17	43.6
	Married	21	53.8
	Divorced	1	2.6
	Total	39	100

Table 32.6 Respondent religion

		Frequency	Percent
Valid	Islam	16	41.0
	Buddhism	12	30.8
	Christianity	8	20.5
	Others	3	7.7
	Total	39	100

32.4.2.1 Demand

Most respondents agreed that awareness is an important factor that influences the tendency of people on Halal products and services in the global market except question 6.

32.4.2.2 Awareness

Table 32.8 below summarizes the detail analysis of Section C (Awareness) that presents the frequency and percentage of each question, mean, and standard deviation. Most respondents tend to agree that awareness is an important factor that will influence tendency of people on Halal products and services in the global market. Most of respondents choose to strongly agree except for question 13.

Table 32.7 The degree of consumers' demand toward Halal products and services

Question	Frequency (%)					Mean	Std. dev
	Strongly disagree	Disagree	Moderate	Agree	Strongly agree		
Malaysian people demand on Halal products and services (Q6)	1 (2.6 %)	2 (5.1 %)	9 (23.1 %)	14 (35.9 %)	13 (33.3 %)	3.92	1.010
Foreigners' demand on Halal products and services (Q7)	0 (0 %)	4 (10.3 %)	19 (48.7 %)	10 (25.6 %)	6 (15.4 %)	3.46	0.884
Demand on Halal products and services not only in Malaysia but also in other countries (Q8)	0 (0 %)	2 (5.1 %)	13 (33.3 %)	16 (41 %)	8 (20.5 %)	3.77	0.842
People demand on Halal products and services because of the halal ingredient and following the Islamic Syariah (Q9)	0 (0 %)	1 (2.6 %)	11 (28.2 %)	16 (41 %)	11 (28.2 %)	3.95	0.826
Halal products and services are not restricted to Muslim only; non-Muslim also prefers to buy products bearing the halal logo (Q10)	0 (0 %)	3 (7.7 %)	9 (23.1 %)	18 (46.2 %)	9 (23.1 %)	3.85	0.875

Table 32.8 The degree of consumers' awareness toward Halal products and services

	Frequency (%)						Mean	Std. dev
	Strongly disagree	Disagree	Moderate	Agree	Strongly agree			
Halal products and services are more suitable (Q11)	0 (0 %)	0 (0 %)	11 (28.2 %)	12 (30.8 %)	16 (41 %)	4.13	0.833	
Halal products and services give a good health and better services to the users using Halal sources and following Islamic Syariah (Q12)	0 (0 %)	0 (0 %)	8 (20.5 %)	15 (38.5 %)	16 (41 %)	4.21	0.767	
Malaysian people are aware with the benefits of Halal products and services in Malaysia (Q13)	0 (0 %)	1 (2.6 %)	11 (28.2 %)	14 (35.9 %)	13 (33.3 %)	4	0.858	
The uses of Halal products and services are important (Q14)	0 (0 %)	1 (2.6 %)	10 (25.6 %)	10 (25.6 %)	18 (46.2 %)	4.15	0.904	
The productions of Halal products and services are more well managed (Q15)	0 (0 %)	1 (2.6 %)	10 (25.6 %)	10 (25.6 %)	18 (46.2 %)	4.15	0.904	

Table 32.9 The degree of consumers' culture toward Halal products and services

Question	Frequency (%)					Mean	Std. dev
	Strongly disagree	Disagree	Moderate	Agree	Strongly agree		
Different cultures have different beliefs (Q16)	1 (2.6 %)	3 (7.7 %)	3 (7.7 %)	16 (41 %)	16 (41 %)	4.10	1.021
Different cultures are not the barrier of using Halal products and services (Q17)	5 (12.8 %)	0 (0 %)	5 (12.8 %)	15 (38.5 %)	14 (35.9 %)	3.85	1.288
Culture influencing people's buying behavior (Q18)	2 (5.1 %)	3 (7.7 %)	6 (15.4 %)	13 (33.3 %)	15 (38.5 %)	3.92	1.156
Halal products and services are not for Malay culture only, but it can also be accepted by other cultures in the global market (Q19)	1 (2.6 %)	1 (2.6 %)	7 (17.9 %)	16 (41 %)	14 (35.9 %)	4.05	0.944
Support from other cultures leads to high demand on Halal products and services in the global market (Q20)	1 (2.6 %)	4 (10.3 %)	5 (12.8 %)	16 (41 %)	13 (33.3 %)	3.92	1.061

32.4.2.3 Culture

Table 32.9 shows the detailed analysis of Section D (Culture) that presents the frequency and percentage of each question, mean, and standard deviation. Most respondents tend to agree that culture is an important factor that influences the tendency of people on Halal products and services in the global market. Most of the respondents choose to agree except question 18.

32.5 Conclusion

The results presented in this paper provide evidence that the importance of Halal products and services is affected by all three independent variables which are demand, awareness, and culture. Based on the result from the reliability test, the Cronbach's alpha reliability coefficient of all the independent variables (demand, awareness, and culture) and dependent variable (the importance of Halal products and services) was obtained. The result indicates that the Cronbach's alpha is 0.856. The closer the reliability gets to 1.0, the better. In general, reliabilities less than 0.65 are considered to be poor, those 0.70 ranges are acceptable, and those 0.80 are good. The Cronbach's alpha for these questionnaires is classified as acceptable and reliable to implement for the real study.

Moreover, based on the result from Pearson correlation coefficient, the highest significant factor that influences the importance of Halal products and services is awareness, with a value of 1.096. Based on the results, it indicates that the assurance is the contributor that influences the importance of Halal products and services. An example of awareness attribute is customers are knowledgeable and care about the process of production and the ingredients used in the products or services. As a recommendation, the research results proved that there are some factors that influence the importance of Halal products and services. The customers should be more aware on the benefits of the Halal products and services. Meanwhile, the companies should produce more Halal products and services and do an aggressive marketing to put awareness on customers toward the benefits of Halal products and services. This is because the findings have shown that the awareness of the Halal concept and the knowledge of Halal standards among customers are still low (Syed and Nazura 2011).

Based on CAP who conducted the research on the year 2006, it is important for Muslims to understand the concept of Halal and Haram that meet the demands of the religion. However, this research is not only for Muslims; it is also important for the responsible person to give more awareness on the benefits of using Halal products and services for non-Muslims. This is because many non-Muslim customers are satisfied with Halal products and services (Mir et al. 2010). High awareness will lead to high demand of Halal products and services, thus expanding the Halal market and increasing the demand of Halal products and services in Malaysia and the global market.

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