

IMARAT CONSULTANTS

HALAL MARKET ANALYSIS

As the global Halal market continues to expand, we see it entering a new phase. The early adaptors have already established their positions in the market; and now the floodgates are opening.

Governments, multinationals, SME's and agencies from around the world are eyeing this expanding market. The aroma of revenue is in the air, but there is more to success than just following your nose.

Stay ahead of the curve. Read on.

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Halal Market Overview

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Halal is currently in the process of undergoing a paradigm shift.

With the staging of the 1st Malaysian International Halal Showcase, MIHAS, in August 2004, and the simultaneous publication of the pilot of The Halal Journal, Halal became, for the first time, the defining factor for a new market.

At the inaugural World Halal Forum in May 2006, representatives from every sector of the Halal industry assembled in Kuala Lumpur; at that point, Halal became an industry. In last the twelve months, as we gather again for the World Halal Forum 2007, Halal is poised for a further evolutionary step; it is on the brink of becoming a market force.

Indeed, if Halal lives up to its inherent potential, it will represent a paradigm shift in the global market. Halal is a market parameter that is based on belief in, and consequent obedience to a Divine command. While kosher commands market respect in a similar field, it pales

into insignificance when placed alongside the emerging potential of the Halal market.

With close to 2 billion people having Halal as their number one choice – and the majority of the other 4.5 billion people generally amenable to eating Halal – the market implications are staggering. It is small wonder, therefore, that many of the biggest names in every sector of the market have sharpened their focus on Halal.

The biggest food manufacturers, meat and poultry suppliers, ingredient suppliers, restaurant chains, shipping companies, banks and retailers are elbowing each other for their place around the Halal buffet table with their eyes on the choicest cuts.

Governments, NGO's and agencies are similarly shifting their attention onto the Halal sector as a means of gaining market share for their national produce, and in some cases, as a means of developing their own national economy.

While the market swirls with superlatives, there are a host of not insignificant hurdles to be surmounted before Halal can make the critical metamorphosis from an emerging bud into a fully-opened flower.

There are four key areas within the Halal industry that will need to be tackled with a great deal of skill and intelligence; these are:

- a. **Integrity**
- b. **Capacity**
- c. **Finance**
- d. **Communication.**

These four issues form the core components for the future development of the Halal industry, whether viewed from a governmental, corporate or private company perspective. The focus may shift, but the issues remain the same.

Halal Integrity: the cornerstone.

Halal and Haram form a part of the fundamental behavioural parameters sent down to us by Allah, via the final Messenger to mankind, Muhammad, may Allah bless him and grant him peace. Without him, and the Deen of Islam, we would not have this guidance, nor this opportunity.

There some Qur'anic verses in Surat al-Ibrahim that are relevant to all of us in the Halal industry:

“Do you do not see how Allah makes a likeness of a good word:

*a good tree whose roots are firm
and whose branches are in heaven
It bears its fruit regularly
by the permission of its Lord.
Allah makes likenesses for people
so that perhaps they may pay heed.
The likeness of a corrupt word
is that of a rotten tree,
uprooted on the surface of the
earth. It has no staying power.”*

Establishing, maintaining and extending the integrity of the Halal compliance of the market is essential. It is the root of our good tree that will bring us fruit in every season. Without this integrity, we will have no staying power; we will be uprooted on the surface of the earth.

Given that the global food industry, for the most part, had little or no interest in the Halal sector until comparatively recently, most of the application of Halal has been based on converting existing procedures from non-Halal to Halal, rather than



building them as Halal compliant from the ground up.

Halal compliance has in general been promoted and established by small independent Islamic bodies that have audited and certified the predominantly non-Muslim producers, thereby ensuring that the Muslim consumer has Halal meat available for purchase.

While this arrangement has enabled a viable Halal market to emerge, it contains an inherent imbalance that has led to its own set of problems. Halal certification is a profitable and as yet unregulated activity; with Halal-certification a pre-requisite to accessing the Muslim markets, food producers have generally, and understandably, taken the line of least resistance when it comes to getting Halal certification.

In the last decade, we have witnessed a proliferation of break-away Islamic bodies competing with each other, often fiercely, for a share of the lucrative certification market. Undercutting on price and turn-around time has become commonplace,

often with insults and allegations following closely behind.

Meanwhile, the industry moves on. Food production processes become more complex, ingredient constituents become increasingly difficult to monitor, the market becomes more global in extent. The market expands, and so do expectations and profit forecasts. Halal certification procedures must develop correspondingly to keep pace with the growth of the industry.

Government run certification agencies, where they exist, have fared only slightly better. Often bogged down in a maze of bureaucratic procedure, and with little or no incentive to be efficient, Halal certification – and even renewals – can take months, making production efficiency almost impossible.



This aspect of Halal integrity has become the most critical issue facing the Halal industry, and it is essential that we, as an industry, get it right. Halal certification must become an efficient, transparent and industry-compliant procedure. There is no reason for the audit and certification process to be any less professional than in any other facet of the food industry, or any other industry for that matter. More than any other issue, this matter stands directly in the path of the development of the Halal market, and the extent to which we succeed in establishing

excellence in the arena of Halal integrity, we will have success in our overall market.

Making profit is permitted, it is in itself Halal. However, if we let the profit motive have too much power, and compromise the integrity of either our products on one hand, or our services on the other, we will have let slip the very component upon which this vast market rests.

Quite simply, the market needs more Halal-certified products, and there is no way to achieve this without improving the certification process.

This is a two-way process that requires an effective collaboration between the industry and the certification agencies. All the components of Halal integrity – the standards, the auditing, the certification procedures – need to be upgraded and improved. Only then will we see more quantity and a better standard of products available on the market.

Developing the extent of Halal integrity is in itself a growth market. The opportunities exist for professional training for auditors and certifiers to ensure better service to industry, and better quality products for the consumers.

With the right foundations in place, Halal can be developed to overlap with many other market factors such as environmental and social compliance, health awareness, fair trade and animal welfare. All of these elements fall within the broader scope of the meaning of Halal, and they are all strengthening market forces in their own right.

The stakeholders in the Halal industry must become leaders in these fields also. We cannot simply leave others to champion causes such as fair trade or animal welfare without constructive input and collaboration from the Halal industry.

Animal welfare in particular is an issue of enormous importance to us. The correct pre-slaughter and slaughter conditions for Halal compliance are of the highest standards, and it is time that we applied

them – and marketed their benefits. Ensuring that the animals are well fed, watered and not stressed; that they do not see the knife, nor witness the slaughter, or even the residue of slaughter, of other animals. These issues are not less important than facing Qiblah and mentioning God's name.

Similarly, we cannot condone the shipment of live animals to places where they will not be treated in accordance with the Shariah, wherever those places may be. Other than as breed stock, live shipment of animals to distant destinations is clearly a dubious practice from a Halal perspective, as well as being economically unproductive.

Our scientific communities similarly have an obligation to test the hypothesis that Halal treatment and slaughter, as well as being kinder to the animal, also produces the best meat; safer, healthier, cleaner, and with a better shelf life. Allah has commanded mankind to eat 'Halal and Tayyib', and we therefore have a responsibility to demonstrate, by scientific methodology, why it is better for us, and the best choice from all points of view.

Developing Capacity To Meet Demand

It is not just the corporate sector that is gearing up to meet the expanding demand in the Halal market; an increasing number of national governments have made Halal an actual, or a least a potential, tool for the development of the national economy. If the number of national pavilions at MIHAS 2007 is anything to go by, Halal has found its way onto more than a handful of developmental agendas around the world.

And so it should. There are of course varying approaches to Halal depending on where you look, but both the Muslim and non-Muslim majority countries have recognised that Halal warrants a closer look in order to take it to the next level.

In the non-Muslim majority countries, and this defines most of the major producing countries in the Halal market, this calls for good working relations between the

authorities and the Muslim minorities. The biggest challenge for the non-Muslims involved in the Halal market is to gain an authentic understanding of their Muslim customers beliefs, requirements and preferences. The best means of nurturing this understanding is through a genuine collaboration with the Muslims within their own borders, those who, at both the production and certification stages, are the ones giving them access to the Halal market in the first place.

Certainly, in places such as Thailand and the Philippines, the development of the Halal industry in the Muslim majority areas of the country has been put forward as an effective way to gain stability and economic



progress. These proposals are still at the developmental stage, but we will watch with interest, and participate where we can, to see to what extent these ideas bear fruit.

For the Muslim world in general, the challenges and opportunities that exist in the Halal market are many and complex. Mostly underdeveloped, the Muslims countries are primarily net importers of food. The Muslim food producers have, for the most part, not seen any need to develop Halal standards for their own domestic use,

nor the need to give Halal any legal definition or status under the law.

For these reasons, and others, the Muslims have up until now been slow to recognise the opportunities that exist in this market. They have, for the most part, been content to be the consumers of Halal food.

This picture is slowly starting to change as corporate stakeholders and interested governments around the Muslim world are taking up the challenge to place a significant role in the Halal market.

The major challenge facing the Muslim governments wanting to use Halal as a means to create wealth and develop industries that benefit the rural as well as the urban communities, centres on the issue of red tape. It is not too difficult to have a good idea, or to pay someone else to have one for you. It is not so easy to turn that idea into a reality. The ability to deliver on a promise, and to see that ideas are taken through to completion will be the most important skills for public sector involvement.



This is not an easy challenge, as the causes of delay and inefficient channels of delivery are usually embedded in the actual structure of government in many countries. Inefficiency is an integral part of the system. Clearly, those Muslim lands still under the direct rule of an Amir, King or Sultan have a certain advantage if they can give an order and then see it carried out without the all-too-familiar bureaucratic turf wars.

The ability to fast-track the development of Halal capacity building programmes will be a key factor in determining which Muslim

countries get to be major producers of Halal food.

Putting Our Money Where Our Mouth Is

The gradual, but inevitable, convergence of the Halal market and the Islamic banking industry is likely to prove one of the major market catalysts in the coming decade. These two Shariah-compliant industries share common roots, and have parallel developmental curves, serve the same markets, with the same cross-over potential.

The overlap and potential synergy of these two industries is compelling. With a combined force that prompts the use of the term 'trillion', there are more factors than their shared Islamic heritage that puts these two on the same long-term flight-path to success.

Ethical investment, environmental concern and fair trade are terms that are showing up on Wall Street as well as on the High Street. Being a good corporate citizen has an effect on the bottom line. It was at one time thought that the average burger-eater or coffee drinker did not care that much about ethical corporate behaviour. But it has been proven otherwise, and there are a growing number of major brands that are following down those paths that were first cut through the corporate jungle by men and women more at home in dungarees and sandals than pin-stripe suits. Doing good is turning out to be good business.

However, at present, as in the Halal market, those organisations that are leading the way in energy conservation, environmental concern, fair trade and animal welfare – all of which could be described as duties of a Khalif – are all led by non-Muslims.

How many times do we, as Muslims, ask Allah to give us good in this world and good in the Next? The plot of Allah, or if you prefer, circumstance and common interest have made the Halal market precisely the arena in which this supplication can be fulfilled.

Islamic banking is slowly waking up to the fact that it cannot just try to be usury banking without usury. We can of course take the alcohol out of the wine, but surely we can think of better ways to use the grapes!

Those Islamic financial institutions that realise that there is an emerging Halal market economy where 'value' refers to more than something to be entered into an excel sheet are the ones who are going to play the leading roles in the next chapter of Islamic banking.

Quality – of service, of product and of life – is going to play as important a role as quantity in the years to come, and Halal is pivotal to this transition. Halal, in its fullest sense, provides the full set of parameters for a market arena in which ethic behaviour is as important as the numbers leading to the bottom line.

Delivering The Message

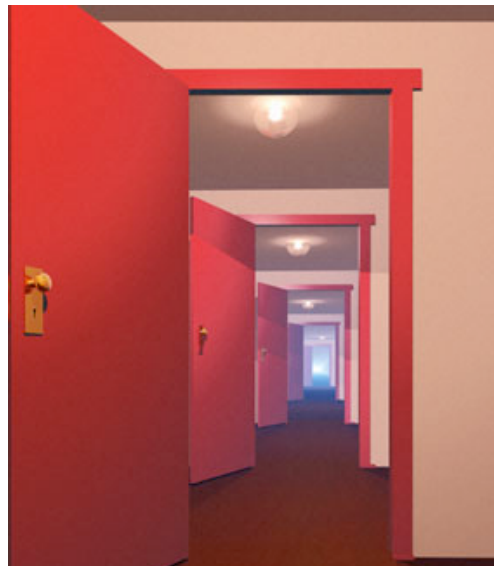
The issues connected to Halal and Haram, as core components of the Deen of Islam, are essentially parts of a message. Delivering, establishing and embodying this message is a fundamental component of developing the Halal market. Even more than is the case with the other three components referred to above, the question of how we deliver the message about the benefits and qualities of Halal remains an almost totally unexplored area.

The main issue that is discussed today is whether or not putting a Halal logo on the product gives added value; overall, with a few marked exceptions, the consensus is that clear proof of Halal certification adds value. Customers look for it and like to see it. It saves the confusing, and sometimes almost impossible task of reading all the ingredients; micro-ingredients often appear in micro text! A Halal logo makes life easier.

However, this is the absolute baseline in terms of communicating a message. In this respect we have much to learn from the pioneers of the organic, environmental and fair trade lobbies. In every case, these groups needed to educate and inform the public about the benefits – health, moral,

social, environmental – of the products and services on offer. In almost every case the price was higher than normal, so the message needed to be sufficiently compelling to convert the browser into the purchaser. The message, over time, had to generate a tipping point.

The Halal industry is today in a similar zone to the one occupied by these market sectors a decade or two ago in the respect that they were niche products ranges aiming for the mainstream and upmarket shelves. For their campaign, they used every available opportunity, every available surface and medium to get their message across.



Go to the supermarket; find the organic section; look at the packaging, read the box, examine the labels; there is a message there. Look at the fair trade message, its on the packet, the leaflet, the merchandising, the T-shirt, the rock concert. Some of the messages have even become the wallpaper on coffee shop walls. This is the method of market communication that took these niche products into the main stream. They are appealing to us, literally.

In this respect, the packaging and marketing of Halal products and services are critical issues for our industry, issues that are poised to go through an order-of-magnitude transformation. We have to change our mindset from one whereby we are quietly helping people to fulfill a religious obligation to demonstrating

convincingly why we are the best choice – for everyone.

These marketers had to build on a comparatively small band of faithful to generate market momentum. They persevered, and it has worked, in part because the causes that they are promoting are good causes. They uphold values that are inherently part of our nature, but it has been a long uphill climb to get to where they are today.

In the Halal market, we have several advantages; we have a much larger consumer base who do not need as much persuasion. They are already actively looking out for Halal products among the sea of all the rest, going out of their way to frequent specialist shops and markets to get what they are looking for. The producers are hunting for them, but they are also hunting for the products. This is a distinct advantage.

Halal has the highest potential for brand value and brand loyalty compared to all the rest; we have not even started to develop this aspect of our market. The brand specialists now tell us that the successful brands of tomorrow will represent real cultural, social and religious values; they will have authenticity and integrity; they will speak for the individual identity as well as the corporate one; corporations will have to live their brand values.

All of these key factors could have been written for the Halal market. Halal scores very highly in all of these areas, and it remains for the corporations and their marketing teams to understand how to engineer this cross-over of values into the Halal arena.

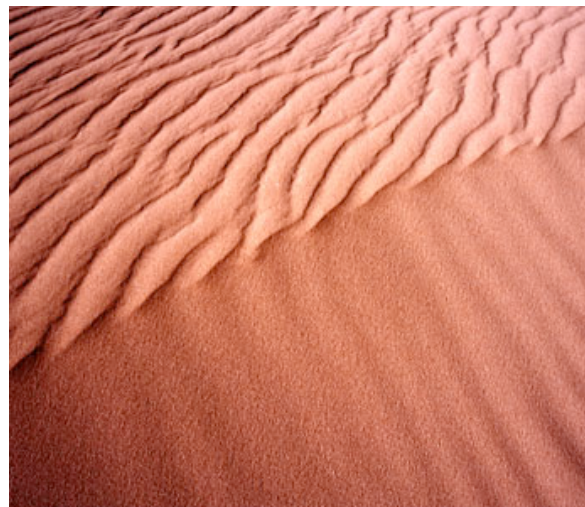
In part, this will require a paradigm shift in attitude – primarily to ourselves and our own products and services. We, the Muslims, have for too long seen ourselves as running to catch up, or as minorities trying to fit in. No one will believe in your product if you do not believe in it yourself, and there is nothing that is more convincing than being convinced yourself.

When these values – whether it is from the outside in or the inside out, top down or bottom up – permeate our directors, managers and staff, then we will be able to nurture our industry through the next critical phase of growth. It is all based on the people.

The brand manager of one of the famous coffee chains wrote that he knew he had succeeded when he heard on of the baristas say, “We are not in the coffee business, serving people; we are in the people business, serving coffee.” Think about it. We are all in the Halal business.

Making the Transition

In order to enable our industry to shift gear, we have to develop all of the pieces at the same time. Integrity; Capacity; Finance; Communication. We need all of them to move ahead in concert to allow the metamorphosis to take place.



This is where the hard work really begins. So far, we have talked; now we need to strategise, plan, commit, act. There are a host of obstacles in front of us; different standards; certification issues; competition, greed, indifference; government bureaucracy and political manoeuvring. All of these need to be overcome.

But the wind and the tide are in our favour. Things move when there is a convergence of common interest towards a common goal, and, in principle, there are enough elements in harmonious alignment to move to the next stage of growth.

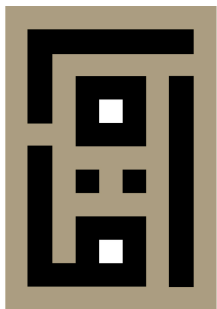
Stakeholders, large and small, representing all the elements of the Halal value chain want to see growth and change. There are enough committed individuals of high integrity who would like to see this industry, and this market succeed. For many of them, their commitment to Halal goes far beyond the limits of their job description, beyond their corporation and beyond financial consideration.

For those fortunate ones, the Halal industry is, literally, giving them the best of both worlds. We all have the opportunity to play an active role in the development of a dynamic new market paradigm, one that transcends race, national boundaries and geography, one that promises considerable financial reward, and at the same time, most importantly, is pleasing to Allah.

We continually ask for good in this world and good in the Next. Our chosen industry gives us the opportunity to have that. Let us not waste that chance.

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