Challenges and Marketing Strategies of Halal Products in Malaysia

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ABSTRACT

It is certainly undeniable that halal product sectors in the world promises a very large market with the capacity of Muslims today surpassing 1.5 billion. Looking at the current world scenario, halal products nowadays receive a very high demand due to the increase of population which is ever growing that reaches a total of 2 billion with 57 of the world’s countries are muslim majority countries. Malaysia has taken a lot of initiatives to promote its halal products such as through branding, promotion, e-commerce and distribution. However, it is doubtless that there are a lot of problems and challenges especially in halal certification and legal rights in getting intellectual property protection.

Keywords: Halal, halal certification, intellectual property, branding, promotion

INTRODUCTION

Malaysia today is a respectable Islamic country, progressive and highly regarded by other Islamic countries. The development of Malaysian halal industry that succesfully ventures in the international halal market, especially in the food sector has raised the name of Malaysia. If carefully observed, the development of halal industry in Malaysia shows a great potential in terms of increased profitability through business opportunities that can be explored in this market for halal products. Furthermore, the present demand for halal market is expected to increase due to the increasing growth of population that reaches two billion people with 57 countries in the world are Muslim majority. This is also based on the increasing number of users and halal food products, which now totals four billion people (Utusan Malaysia, 16 January 2009).

Growing demand for halal food that is estimated in value by USD 346.7 billion or equivalent to RM1317 billion a year is in line with the increase of the Muslim population, better level of education and higher purchasing power. With the expanding global market, innovative food companies have been leading the competition by obtaining appropriate segments to gain competitive benefits in the market. Malaysian government's mission to position Malaysia as the International Halal Food Hub at the international level has put the country on a strategic path to become the major halal food supplier base and the global halal certification centre. As a reputable Islamic country, moderate and progressive with food companies that are more than 3500 companies and total production of more than USD 9 billion, Malaysia is well positioned to play a leading role in the development of the halal food market. This discussion is intended to look at the challenges faced to become an Islamic country in the production of the world’s halal hub and strategies used among producers of halal products.

With the intention of becoming the major hub for halal food production, Malaysia has developed special zones to encourage more foreign and local investments to go into business for production and processing of food products. Renowned as an Islamic country that fights for the safeguard of Muslims’ rights, Malaysia has successfully introduced a number of halal system that has gained international recognition. Islamic banking and financial system and other financial products that are based on Islamic law pioneered by Malaysia have been adopted by many parties, including among non-Muslim countries. The success of the country in leading the development of halal system in the food sector should be fully utilized by the business and production community in particular the small entrepreneurs who are basically involved in industrial and food business.

Small enterprise enterpreneurs are the backbone of the country's industrial base. The growth of small enterprise is fully supported by the government by providing a range of plans, programs, mechanisms and assistance. Among other things, the establishment of government agencies such as the Development Corporation for Small and Medium Enterprises, Ministry of Entrepreneur Development, policy plan such as industrial master plan, the implementation of programs such as vendor development program and the establishment of various entrepreneurship funds and venture capital(Mohamed Khaled Nordin 2009: 6-8).
Undoubtedly, business and entrepreneurship is a very challenging field. Various factors are needed to achieve success in business including management skills, competent personnel, strong financial resources, products and services and most importantly is the numerous and loyal customers. Marketing is an important aspect in order to attract customers because without customers business will not exist. Marketing problems are universal problems that are experienced by all traders regardless of background or the size of their business. Marketing has also become a big challenge faced by small entrepreneurs in the halal food business.

Hence, they need to give greater emphasis to their marketing strategy. Good product will not be sold by itself without the efforts to market, promote and advertise the product. Although they do not have the same capabilities in terms of capital for marketing purposes when compared to large operators, but they have to be smart to look for opportunities and good business network. The entrepreneurs, including small entrepreneurs also need to have a high sensitivity to their environment. Provided with the government's efforts to make Malaysia a centre for halal food production, they should take this opportunity to identify the types of food that attract good market. This paper seeks to describe the challenges and strategies for marketing the halal products produced by small entrepreneurs into the market. As a result of this information, some of the marketing strategy are proposed by looking at their potential.

Problems and Challenges

Marketing problems are actually closely related to many reasons. Among these, the lack of food industry small operators that have halal certification. Only about 15% of small food business with halal certification. This resulted in the lack of 'market-share' that would lead to the lack of opportunities in the global marketplace (Opening Speech of Seminar on Halal Food Standards EN 1500: 2004 – Realization of SME Sector In Halal Food Industry, December 5, 2006).

Recognizing this need, small entrepreneurs should take advantage of business opportunities in the halal industry to reap the benefits of increasing profits for halal food areas have great potential to generate income. Looking at the involvement of small entrepreneurs in the halal food industry, it is still lacking due to a variety of capital constraints, competition, technology and weak business networks as well as lack of experience from the marketing aspect of their business expansion (Sazelin Arif,2008).

Apart from the lack of awareness in obtaining halal certification, most of halal food small entrepreneurs are lacking of knowledge about the registration requirements for intellectual property ownership. The products they produce should be registered so as to avoid infringement of their intellectual property. Several studies conducted have proven that entrepreneurs who registered intellectual property protection can increase the market value of their products, able to get the opportunity into the global market and able to get profitable returns.

A study conducted in South East England found that most of SME operators in the area did not want to register their intellectual property because they received the wrong information about the importance of intellectual property registration (Kitching & Blackburn 1999: 328). There is also a study conducted in Australia shows that SME operators were not interested in registering intellectual property as the intellectual property protection provided was unsuitable with their products compared to products from the pharmaceutical industry (Jensen & Webster 2004: 2).

Resulting from the lack of awareness in the impact of intellectual property protection, small operators also face the problem of packaging design which is the main problem in the marketing of SME products ([www.idesa.net.my-berita]. Packaging design is an important element to attract the customer interest towards a product. Operators can obtain information about these design elements through registration under intellectual property. There are some poor quality products but are believed to show their prowess through the packaging. However, there are quality products yet less appealing to the customer because of less attractive packaging. This causes operators to be unable to market their products more widely and compete with the existing products available in the market. Lack of capital, low level of technology and labour skills, less attractive product design and packaging and unable to meet the customer orders resulted in poor quality of SME products.

Azrina Sobian (2006) in his writing states that halal products of Muslim small industry are facing the branding problem. The aforementioned branding problem is, there are some items which do not even have the Islamic or halal feature. Such errors make halal things to look like not halal. This can hinder the flow of goods from producers to consumers. The fact is, confidence in the products and presentation of the products are also among the essentials. It is saddening to see many Muslim small industries which can afford to produce their own goods but fail to market them because of branding issue. (Utusan Malaysia, 30 June 2006).
Studies conducted on the procedure to apply for Jakim halal certificate shows that the provision of halal logo did not give emphasis on the inputs under investigation. Aspects of preparation process and the end products were of the JAKIM major interest compared to the most initial economic aspects such as land, labour, capital and entrepreneurship. Halal aspect of this production factor is deemed as important because consciously or not it contributes to the authenticity of the awarded halal logo. Scrutiny on halal certification application form for the applied product category, abattoirs and JAKIM food premises, found that there were no items or checklists that ask about the factors of production. Therefore this study tries to untangle the importance of production factors and its continuity with halal certification validity by the hope that when the problem is solved the community confidence can be improved while upgrading the competitiveness of the food market.

Issues and Problems

Competitiveness issues and the best strategies to market the quality final goods have certainly long been a topic of discussion at the international level. One of the positive agreed upon strategies is to create a standard system recognized by the world such as HACCP, ISO 9000, GMP, TQM, to ensure that items that meet this standard gets wider market. However, for Muslim consumers who place high importance on 'halal' and the purity of the product, quality standards alone cannot promise the goods to be usable or enjoyed as according to the Islamic perspective. In short, it is only guaranteed for quality but still unclear whether it is lawfully edible or purely usable.

Muslim consumers attitude to first examine the basic material or content of a product does not promise that the reasonableness that it is sacred and halal from the Islamic viewpoint. Moreover, some of the basic materials and food content are written by scientific name that are not easily identified whether the source is from animals or plants. For example, How many Muslims can identify a total of 55 lawful food additives, 54 subhah and 25 illegal by its scientific name. Although identified by concern consumers, the halal and purity of the good are still debatable.

The fact is, what is to be raised is the concept of halal and pure is very broad and complex but needs to be addressed immediately in order to preserve the faith strength and purity of Islam. Determination of halal and haram through halal brand logo has yet to improve domestic and global competitiveness, if Muslim consumers still can not be one hundred percent convinced of the purity of all the processes involved from the beginning to the recognition of the given halal and pure logo. The study by Jakim, a department that monitors and gives signs of halal products in Malaysia, found that only 25 per cent of operators gained increase of income around five to seven percent after displaying the halal logo sign. By 2000 there were 203 factories, 2 hotels, 22 restaurants and 27 abattoirs that exhibit Jakim halal logo signs (Zulkifli Hassan, 2007). This amount does not include operators that make fake logo signs and display them in their business premises.

<table>
<thead>
<tr>
<th>Month</th>
<th>KPDN &amp; HEP</th>
<th>PBT</th>
<th>KKM/Others</th>
<th>Total</th>
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<td><strong>Total</strong></td>
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<td><strong>1</strong></td>
<td><strong>0</strong></td>
<td><strong>17</strong></td>
</tr>
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</table>

This was further supported by a study carried out by (Zulkifli Hassan, 2007). The previous table records that there were 16 companies penalized by the KPDN and HEP, only one case by PBT and no case by the KKM. The possibility of lacking taken action cases which are considered as less or nil is due to different scope of enforcement.
Based on the above facts and figures, there are a number of questions and issues that need attention. Among the issues that arises here is to what extent the effectiveness of the enforcement done by JAKIM from the aspect of law. The existing provisions of law only allows JAKIM to withdraw the halal certification without jurisdiction power to prosecute in court. Any prosecution will be conducted by the KPDN and HEP while most of the monitoring and enforcement are carried out by JAKIM. In summary, Jakim function is to verify the error in the halal issue besides being a witness to such cases. Only KPDN and HEP have the power to seize, compound and prosecute the owner of any companies whether Eateries, Food Product or Slaughterhouse. Therefore, there is still lack of enforcement where the JAKIM only play the role of watchdogg, certifying the offense and its officers act as witnesses to related cases. By right, as a body to issue halal certificate, it should also be given greater powers to ensure effective enforcement in the scope of these halal products.

Other issues and problems arisen are also that JAKIM has no real power from the point of law that could help in assisting the smoothness of halal enforcement task on its own without depending on any agencies like KPDN, PBT, Department of Veterinary Services (DVS) and KKM. In terms of training, JAKIM enforcement officers have audit certificate from SIRIM, and enable them to audit on factory and premises. Now, JAKIM especially its Halal Hub Division is working on the Halal Act that will give more power and clear authority to JAKIM officers in the halal issue.

**Strategy and Settlement**

In order to make Malaysia a global Halal hub, we need to have the capability to manufacture a variety of products and halal goods. This can be done by increasing the number of producers of halal products among SME which are widely available in the states.

As the first step towards this goal, the federal Government through the Ministry of Entrepreneur and Cooperative Development has allocated RM 150 million to build 5 Halal parks in Padang Besar Perlis, Kedah, Sungai Petani, Pasir Mas, Kelantan, Cendering, Terengganu and Gambang Pahang. This provision is to build the basic infrastructure for Halal Park and also involves the construction of operating factories intended to help SME increasing the Halal product market as well as to meet international standards for food production. This is a constant effort by the government to help SME to go global.

The Ministry of Federal Territories Ministry also provides funding to build Halal Distributive Park in Labuan which will emphasize the Marine Industry. There are states that are already taking the first steps in the construction of Halal Park. Selangor has Pulau Indah Halal park, Malacca in Serkam Halal Park and Negeri Sembilan in Pedas Halal Park. All these three are ready for operation.

At this point of time, most of under construction Halal Parks have already identified potential entrepreneurs to operate in them. Halal Park development strategy is to establish the entrepreneurs with caliber for the production of Halal products by following the process of food production according to international standards. These entrepreneurs will be given training in good management and help to gain global market. Types of products and production capacity are critical so that Halal products that have been produced can be marketed at all levels.

Local SME will benefit much from the construction of Halal Park in every state because they can increase their production while ensuring that their products meet international standards in order to compete globally. Halal Park will also house major companies that will collaborate with local SMEs to obtain basic materials for the production of their products as well as providing employment to the local population.

**i) Halal Food Hub**

As the Muslim world population are 2 billion people now, Malaysia as an Islamic country should take the opportunity to become the Halal Food Hub. SMEs should be sensitive to the current trend of halal food demand that always increases in parallel with the growth of the world population. Consumer awareness on the importance of food security and purchasing power have increased in which the demand for halal agricultural products has increased dramatically. The government should lead this program to take advantage of the wide open opportunities offered by taking the following actions:

i) Establishing halal food parks.

ii) Creating slaughter facilities, transportation and other miscellaneous facilities in accordance with halal conditions.

iii) Providing special facilities for export and import.

iv) Establishing world recognised halal laws.
To gain public confidence and create greater competitiveness, JAKIM should intensify its efforts to raise public awareness on the importance of consuming Islamic halal food. Legitimate input factors should be given due attention to determine the will of the halal logo issued by JAKIM. Accurate information about the actual statistics on the number of companies producing halal products must be constantly updated as well as imposing heavier action on employers who make fraudulent use of the logo and brand of Islam to obscure customer’s eyes. An effort should also be made to increase the number of Muslim entrepreneurs to venture into a vast market as by far there are less than 10 per cent Muslim entrepreneurs who get this JAKIM logo for their business (Mohammad Norizzudin, 2007). To ensure greater competition in the future, JAKIM should also make sure the logo receives recognition from other Islamic world.

a) All ingredients shall consist of halal materials to be consumed or used by Muslims and not mixed with any non-halal materials to be consumed or containing unhygienic content.

b) All equipment used for preparation, processing, manufacturing, or the like shall not be made or free of unhygienic things.

c) The manner of handling including transport, storage, serving and others should not come in contact or in close proximity to the forbidden things

ii) Brand

At present domestic and foreign consumers have many choices and very careful to select high quality food. Malaysia that aims to be the world's leading food manufacturers need to take proactive action in accordance with the needs and preferences of users. Ministry of Agriculture and Agro-based Industry must take immediate action to create quality brands such as “Malaysia Best” and other brands under certain commodities that aims to:

i) Establish one or more effective and comprehensive brands for Malaysian agricultural products for local and overseas markets,

ii) Increase domestic and overseas demand for Malaysian agricultural products.

iii) Grow consumer trust in the quality and safety of Malaysian agricultural products.

Centres equipped with laboratories should get cooperation from all departments such as the Department of Animal Health Ministry, JAKIM and other miscellaneous. In addition coordination and cooperation from international agencies is needed especially when the implementation of AFTA and WTO that gives huge impact when the agreement on defined and undefined has to be adopted.

In addition, in recent years, the issue of globalization and competitiveness play an important role in shaping the SME in Malaysia. Much has been done by the government through various agencies in implementing elements of competitiveness in the related industry. The government's goal to establish Malaysia as a global hub for halal products has provided a space for SME Muslim entrepreneurs involvement in its entirety. To achieve the goal of becoming a world-class production hub for halal products, the food industry needs to be strengthened through the involvement of SMEs. Halal food has received extraordinary response worldwide and this phenomenon is not due to the increasing number of followers of Islam but this is because the Halal food has been recognized as a yardstick in terms of cleanliness and holistic and structured quality management. There are a handful of entrepreneurs who believe that the use of Halal food only focuses on Muslim consumer perceptions and this will narrow the scope of the market and cause SMEs to be marginalized in an increasingly challenging competition. (Noorizzuddin Mohammad Nooh, 2009)

We forget the branding issue in achieving the status of Halal product production hub and focus our attention on the issues that are lighter like things to be taken into account by the private sector or the government in addressing the current re-branding that can be said like growing mushrooms after the rain. The main thing to do is understand the products and services that we want to convey to the user. If we this element is unidentified then we will lose focus like a blind man lost his stick. Understand these elements not from technical aspect but in many ways and absorb all of this and we have to accept the fact that change is challenging and full of tricks. This aspect has always been forgotten by the 're-branding' group in Malaysia. Changes may occur but do not always expect that it to happen quickly and also bring huge profit.

Among the things that should be noted is that large quantities do not necessarily can give good returns. There is no doubt in financial terms there is risk distribution phrase, but what is the use if to allocate risk, a broadcasting company has to produce up to tens of radio stations. Thus the monitoring of the quality has to be upgraded and later improve the operating costs. Apart from that, agencies be it government or private should stay away from basing the objectives according to numbers. This is because it will cause stunted productivity and manufacturing and will only be satisfied if the objective can be achieved without any effort to improve the existing condition.
There is some opinion stating that to distinguish or position their organization as different from their closest rivals will bring positive results but the most organizations in Malaysia have undistinguished differences. In other words, the difference in an organization with other organizations is at a low level and causing them to have to compete in price and this is actually very detrimental to many organizations and this arrangement is applied in Malaysia mainly by mobile online provider. It is undeniable that in the end many say that consumers are the ones who will reap the rewards eventually, but it is of no use from the fiscal terms but at the same time we lost in terms of quality and value-added element of the product or the service. Lastly, as an organization be it government-owned or private, they must be careful with the issue of re-branding as there are already many great organizations overseas go extinct because of it and to consumers, we must be wise to evaluate the profitability of our finds because cheap does not mean that it meets the quality aspects which we want to emphasize.

iii) Promotion

Strategies and promotional programs within and outside the country is very important for an agriculture product to go into the market. Malaysia especially just give greater emphasis to market its agricultural products aggressively. Without regular promotional efforts and continuous impact is not significant and the product will require a longer time to be accepted in the market. Ministry of Agriculture and Agro-based Industry should ensure that agricultural products produced by our country are being promoted effectively and constantly with the use of mass media such as newspapers, magazines, pamphlet, news letter and electronic mass media like radio, TV, movies and satellite. Multimedia promotion is increasingly popular during this time such as the Internet, SMS and the website should be used to ensure the country's agricultural output can reach to all levels of users. Scale publishing such as newspaper inserts, special issue, interviews, press conferences, news and articles should be done from time to time. In addition, advertisements such as billboards, stickers, complimentary gifts, culinary promotions, fairs and festivals and participation of fairs and exhibition should be intensified so that agricultural products will be renowned, sought after, desired and purchased without weary.

iv) e-commerce

The time has come for the government and the relevant Ministries to create their own e-commerce that becomes the premier information resource for the agriculture industry of Malaysia. Content of the e-commerce must have rich information, accurate, current and works through a web application. E-Commerce Content also includes information dissemination and sharing of knowledge based on K- economy and its membership consists of all players in the agriculture industry worldwide. E-Commerce functioning method works by all applications and inquiries about the product will be channeled into e-Commerce website. Catalog application that allows members of the e-Commerce to update their catalog will list the products in the directory. Among the activities of e-Commerce are business consultation, investment, trade, promotion, on line merchandise marketing, branding, campaigns, dissemination of technical information, news and other miscellaneous business services.

v) Distribution (Logistics)

Inefficient distribution management causes the distribution cost of agricultural products from producers to consumers to be uncontrollably increasing. This matter, if it is not resolved results in stunted marketing activities and costs which is not supposedly exist to be often born by consumers and does not benefit the producers or consumers. Therefore SMEs should coordinate this so that the parties involved in the marketing activities should create an efficient distribution system, less post-harvest damage and management of quick damaged products systematically. Planning and coordination of distribution activities based on the target of supply and demand needs to be created. A more liberal business system needs to be identified to address the distribution works of selected agricultural products in order to avoid losses to the parties involved in the marketing activities.

CONCLUSION

The importance and role of Small and Medium Industry are undeniably able to create, expand and strengthen the basic structure of the halal food industry development in Malaysia. The country's success in leading the development of halal system in the food sector should be fully utilized by small operators who are mostly involved in the food manufacturing industry. Marketing aspects in the entrepreneurship is a major challenge faced by small entrepreneurs due to lack of capital and lack of knowledge of marketing strategy. Problems of marketing and the market have always been a barrier to small industry to grow. Thus, the small operators need to place more emphasis on the aspect of their marketing. Although there are some weaknesses in the management of their business, a lot of assistance from the government should be able to help small halal food...
industry to face whatever business challenges toward greater excellence. The types of assistance such as financial assistance, technical assistance and advisory services, halal certification, registration of intellectual property ownership, market and marketing are often exposed to small operators. Not to mention the commitment of operators to promote themselves by willingness to seek and adopt appropriate technology continuously to produce high quality food products, safe for consumption, cost-effective and competitive in the global market.

REFERENCES