HALAL SUPPLY CHAIN MANAGEMENT: Principles & Opportunities

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Agenda

Introduction
Evolution of Halal
Halal Indonesia
Why – What – How of halal SCM
Halal Supply Chain Model
Opportunities
Q & A
Introduction
Dr. Marco Tieman

Founder & CEO, LBB International
- Logistics Consultancy & Research firm
- Logistics diagnostics, supply chain design & solutions, market research

Adjunct Professor, Universiti Malaysia Pahang
- Research in logistics & supply chain management
- Curriculum development
- Teaching Supply Chain Management (MBA)

Adjunct Professor, Universiti Tun Abdul Razak
- Research in halal supply chain management
- Teaching Purchasing & Supply Chain Management (MBA)

Columnist, New Straits Times (Malaysia)
- Weekly logistics column on Wednesday
Logistics Diagnostics

- Logistics Audit
- Procurement Scan
- Halal Logistics & SCM GAP analysis

Supply Chain Design & Solutions

- Supply Chain Architecture
- Project Management
- Inventory Management & SCM Systems

Market Research

- Logistics Studies
- Market Intelligence
- Cluster studies

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Evolution of Halal
Evolution of Halal

1. Muslim Company

TRUST: Validity of halal is based on the transfer of responsibility
2. Halal Product

SOURCE IS CERTIFIED: Validity of halal is based on the verification by an independent halal auditing & certification body.
3. Halal Supply Chain

USE OF DIFFERENT STANDARDS: Validity of halal is based on the halal certification of supply chain partners: supplier, producer, logistics, retail, etc.

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4. Halal Value Chain

- R&D
  - Reduction of waste
  - Reduce environmental impact
  - From animal to plant based

- Sourcing
  - Are my suppliers halal certified?
  - How are my raw materials transported?

- Production
  - Halal certification of your production

- Distribution
  - Extend halal towards distribution
  - Control of distribution channel?

- Marketing & Sales
  - Islamic branding & marketing

Islamic Banking & Finance
Towards a Halal Supply Chain

1. Muslim Company
2. Halal Product
3. Halal Supply Chain
4. Halal Value Chain

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Halal Indonesia
Halal Industry
- Processing
- Distributor
- LSP
- Retail
- Restaurants
- Hotels

Availability & Access

Consumer
- Higher halal awareness
- Health awareness
- Lifestyle
- Internet

Trust

Government control
- Voluntary -> mandatory
- G-2-G support
- Support of SMEs

Halal Standards
- New products: food, cosmetics, pharma
- New services: distributor, LSP, retail

Halal assurance

Source: Imarat Consultants
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Integrity of halal supply chains (why?)
Integrity of halal supply chains is becoming an increasing concern for governments and industries due to:

1) halal integrity issues are more likely to occur than before
2) Halal integrity issues are harder to detect
3) Once detected go viral on the internet, exposing the integrity of country’s halal systems and corporate brands
The neglect of halal requirements throughout the entire supply chain is gradually weakening consumer confidence in halal certified products!
Foundation of halal SCM (what?)
The building blocks

- Perception of Muslim consumer
  - Risk of contamination
    - Direct contact with Haram
      - = Best practice!
      - = Precaution!
      - = Cross-contamination!

MARKET requirements
PRODUCT characteristics
PRODUCT characteristics

In practice ...

- Perception of Muslim consumer
  - Risk of contamination
    - Direct contact with Haram

  = Best practice!
  = Precaution!
  = Cross-contamination!

- MARKET requirements
- Physical Segregation + Identification
- Packaging

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Muslim vs. non-Muslim markets

A supply chain approach towards halal

Halal Compliance

- Retailers
- Distributors
- Manufacturer
- Farmers & Suppliers
From a product to supply chain approach (how?)
A ‘Product Approach’ to Halal

Factory → Distributor → Retailer

Food/Product Safety

Halal Assurance

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A ‘Supply Chain Approach’ to Halal

- Extending halal assurance from factory to point of consumer purchase
- Creating a robust, effective and efficient halal supply chain
- Strengthen commercial brands

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Halal Supply Chain Model
Halal policy

Halal needs commitment at **top management level**!

This intention (*niyat*) is translated into a “HALAL POLICY”

Amongst others, to address:
1) The **responsibility** of an organisation in protecting the halal integrity (along the supply chain)
2) The **scope** of halal certification of the organisation
3) The **assurance** to the consumer or customer (promise)
4) The **method of assurance**
Supply chain objectives

1) **Logistics objectives** (reduce lead-times, improve deliver reliability & flexibility, and reduce integral supply chain costs)

2) **Customer service objectives** (order cycle time, inventory availability, order fill rate)
Supply chain objectives

1) **Logistics objectives** (reduce lead-times, improve deliver reliability & flexibility, and reduce integral supply chain costs)

2) **Customer service objectives** (order cycle time, inventory availability, order fill rate)

New logistics objectives (e.g.):
1) The **reduction** of supply chain layers
2) The **conversion** of supply chain partners to conform to halal requirements
3) The **consolidation** of halal cargo flows
Logistics control

1) **Strong partnerships** with supply chain partners

2) Develop strategies to **secure continuity of supply**
Supply chain resources

1) **Organisation**
   - Halal Committee
   - Training

2) **Information Management**
   - “Halal Supply Chain” code
   - Tracking & Tracing:
     - tier 1 customers & suppliers
     - chain of custody
Supply chain business processes

1) Order fulfilment -> \textit{segregation requirements}
2) Flow management -> \textit{halal control activities & assurance activities}
3) Procurement -> \textit{supplier management}
Supply chain network structure

1) **Supply chain partners are halal certified (preferred)** or understand and comply with the requirements of halal supply chains.

2) **Simple supply chains structures**

3) Need for **coordination**
Halal performance

Halal Supply Chain Performance

Effectiveness
- Process quality
  1. Brand
  2. Credibility of halal certificate
  3. Halal customer service
     complaints
- Waste
  1. Waste in the supply chain
  2. Carbon footprint
  3. Resources used

Efficiency
- SCM costs
  Utilisation
  1. Utilisation of halal storage facilities
  2. Utilisation of halal transport/containers

Robustness
- Halal rejects
  Availability
  1. Halal storage availability
  2. Halal transport/container availability

Halal Policy

Supply Chain Objectives

SC Resources
SC Business Processes
SC Network Structure
Halal Policy

Supply Chain Objectives

- Logistics Control
  - Ensure robustness through reduction and removing of vulnerabilities
  - Consolidation of halal flows; CODP at HRDC

- SC Business Processes
  - SC Network Structure
  - SC Resources
    - Halal Supply Chain code; Tracking & tracing; Competency of staff
    - Halal control activities and assurance activities
    - Simple supply chain structure; Halal gateway partners
  - Halal Performance
    - Bulk or unitised; Wet (chilled, frozen) or dry (ambient)
    - Muslim or Non-Muslim country

- SC Resources
  - SC Business Processes
  - Logistics Control

- Logistics Control
  - SC Business Processes
  - SC Resources

- SC Business Processes
  - SC Network Structure
  - SC Resources

- SC Network Structure
  - SC Business Processes
  - SC Resources
Major Success Factors

1. Communication of “HALAL SUPPLY CHAIN” code through freight documents, on cargo and (customs/IT) systems;

2. Seek SYNERGY ADVANTAGES through vertical and horizontal collaboration;

3. Taking a MANUFACTURER / BRAND OWNER PERSPECTIVE in halal logistics;

4. Benefits of the FIRST-MOVER ADVANTAGE.
1. Brand Owners

- Extending halal assurance from factory to point of consumer purchase
- Creating a robust, effective and efficient halal supply chain
- Strengthen commercial brands

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2. Logistics Service Providers

Specialised & Advanced (Value Adding)
- HRDC: VAL
- HRDC: Processing

Basic Activities (Movement & Storage)
- Halal Storage
- Halal Transport
- Halal freight forwarding

PHYSICAL ASSET BASED

Service (Specific Services Only)
- HRDC: Cross Chain Control Centre (Halal 4PL Solutions)
- Halal 3PL solutions

PHYSICAL ASSET BASED

Solution (Complete end-to-end solution)

NON-PHYSICAL ASSET BASED
3. Halal Industrial Parks

Q & A

More information:

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http://halalsupplychainmanagement.blogspot.com