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Trends and Growth of Halal Cosmetic Industry in Malaysia

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Abstract

The halal industry has emerged as a new sector in the world economy, establishing a strong presence in various developed countries. This paper aims to study the growth of halal cosmetic industry and to outline the current trends of halal cosmetic industry in Malaysia. Consumers still have misperception of halal and a little knowledge about it that led to misunderstand of halal products. The data specified that halal cosmetic market is rapidly on the rise in its market value aligned with the rising of Muslim population. In recent years, the halal industry has expanded beyond food and continues to unlock the economic potential of halal cosmetic. Halal certified cosmetic and personal care products has led to a significant impact of global economy.

Keywords: Halal Cosmetic, Muslim, Product, Trend, Growth, Malaysia

Introduction

In recent years, there has been a significant increase in Islamic business marketing (Global Islamic Economy Report, 2018). Scholars have been inspired to research halal marketplaces in a variety of industries, including food, fashion and art, cosmetics and pharmaceuticals, finance, supply chain management, logistical services, marketing, and hospitality and tourism (Dalir et al., 2020; Ngah et al., 2021). Halal as a cultural feature offers a way to acquire a competitive edge in emerging source markets (Han et al., 2019). International industry players see halal cosmetics as an opportunity to compete on a larger scale (Han et al., 2019). Non-food halal products such as cosmetics are becoming more popular, particularly among Muslim consumers who live in multi-religious cultures. There are substantial number of Muslims around the world that are willing to pay a premium for halal certified cosmetic items. As a result, in recent decades, the Halal industry has become one of the most appealing industries for marketers. Its expansion is regarded as one of the world's fastest-growing markets (Shahid et al., 2022) and it is estimated worth US\$2.1 trillion in 2017

(State of the Global Islamic Economy, 2018 Report). Previously, halal was solely a religious issues, but it has since become one of the global emblems of quality assurance and a healthy lifestyle for customers (Naseri et al., 2021). The phrase halal simply means "permissible," "lawful," and "legal" for Muslims to use, act, or consume; meanwhile, the term Haram can be interpreted as "prohibited" or "illegal" for Muslims to act, use, or consume (Rahmah, 2021).

Many people misunderstand what a halal product is. Although the phrase halal is frequently linked with food, it can also refer to a variety of products such as hygiene, cosmetics, and pharmaceuticals (Aziz et al., 2022). Cosmetics is one of the halal areas that is expected to continue to develop and as a result there has recently been a surge in interest in a new halal cosmetics and personal care product. Unlike ordinary cosmetics, halal cosmetics are not permitted to contain porcine by-products and derivatives, as well as alcohol (Halimi et al., 2021). Furthermore, they must be produced, stored, packaged, and distributed in accordance with Shariah law. The halal cosmetics business was valued at US\$61 billion in 2017 and is expected to reach US\$90 billion by 2023. (State of the Global Islamic Economy, 2018 Report). Cosmetics have long been seen as an integral element of many women's lifestyles around the world. In fact, according to (Hidayat et al., 2021), it can be classified as a necessary product for society, and as people become more aware of the prohibitions against using alcohol, pork, and other related products, the demand for halal cosmetics and personal care products is expected to skyrocket in the future. In fact, in recent years, the awareness about Halal is driven by religious beliefs, values, integrity and trust and affects all aspects of a Muslim's life (Awan et al., 2015; Vanany et al., 2019). Halal means lawful, permissible, and permitted by the Shariah (Islamic law) (Ali et al., 2016; Wilson, 2014) and is defined as Shariah compliance and a product recognized by certified body of Halal standards. Haram is contra with halal, i.e., prohibited by Islamic law.

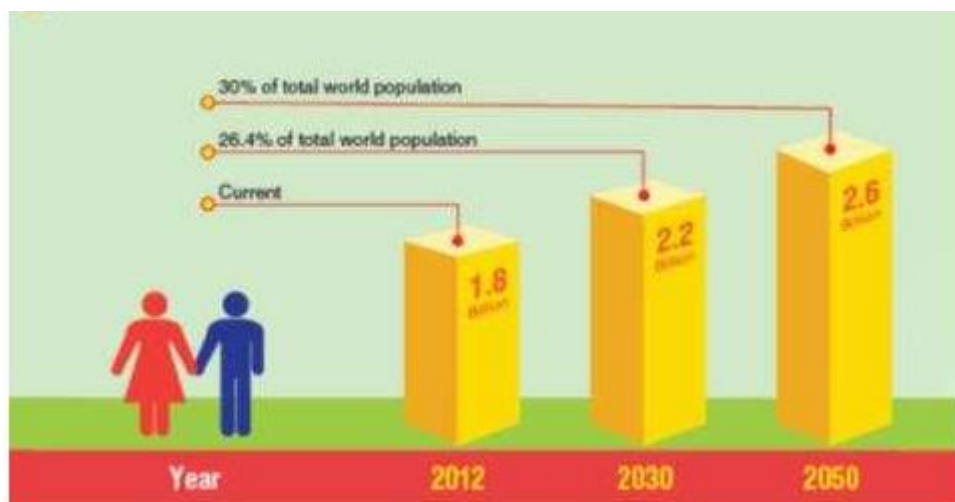


Figure 1. The world Muslim population

Source: Worldometers (www.Worldometers.info)

This is against the background that globally, Muslims are the fastest-growing religious group in the world. The Muslim global population was 24% (1.9 billion) and is expected to increase further (Desilver and Masci, 2017). Referring to the figure 1, the global Muslim population will continue to grow until 2050. In 2012, the entire Muslim population in the globe was estimated to be 1.8 billion people. By 2030, the Muslim population will have grown to 2.2 billion people, accounting for 26.4 percent of the global population. By 2050, the overall

Muslim population will have grown to 2.6 billion people, accounting for 30% of the global population. As previously said, the notion of Halal does not just apply to foods, but also to any consumable products that follow the halal guideline, such as hygiene, medications, and cosmetics. Furthermore, even financial, investment, and business services must adhere to the halal requirement.

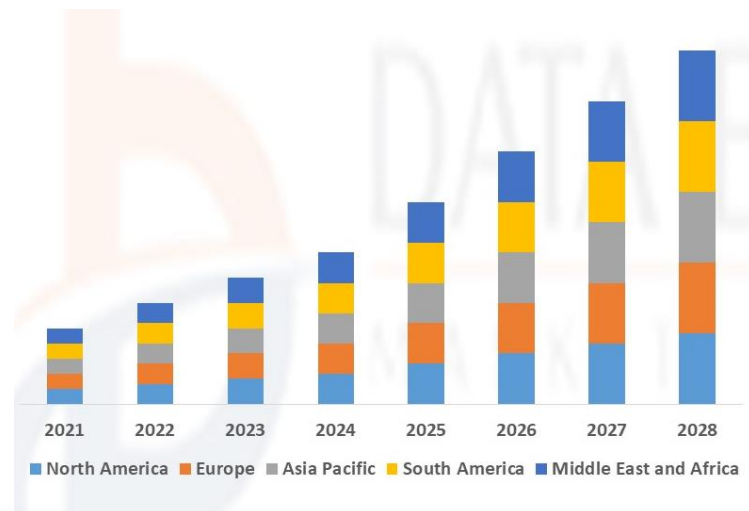


Figure 2. Global Halal Cosmetics Market by Regions, 2021 to 2028

Source: Data Bridge (www.databridgemarketresearch.com)

The Halal industry has moved from niche to mainstream and is worth US\$2.3 trillion globally, as reported by the 2013 Thomson Reuters and Dinar Standard 'State of the Islamic Economy'. Global halal cosmetics market is expected to account for USD 100.3 Billion by 2028 (Figure 2). Cosmetics and skin care recorded 7 percent value growth, reaching RM2.5 billion in 2016 (Euromonitor International, 2017). This proves that consumers are concerned with their appearance. The beauty and cosmetics industry are big and is projected to continue growing in the future. Thus, there is a niche market segmentation for Muslim consumers. Cosmetics have been the subject of numerous investigations (Ghazali, Soon, Mutum and Nguyen, 2017). Therefore, focusing on the Halal perspective for cosmetic items is undoubtedly a sound decision. Thus, this study aims providing trends of Halal cosmetic industry in Malaysia.

Halal Cosmetic Industry in Malaysia

Halal cosmetics have become increasingly popular, and this has coincided with a rise in halal knowledge among Muslim clients. According to Arbak, Islam and Al Rasyid (2019) conservative Muslims will not buy any merchandise like the rest of the population. Because of their awareness and knowledge of halal in everyday life, they will look at the specifics to guarantee that the product is halal. As shown in figure 3, the beauty and personal care sector has the most potential value for the halal market, followed by the agriculture sector, pharmaceuticals, and Islamic banking and logistics. The agency for Islamic development in Malaysia, JAKIM (Jabatan kemajuan Islam Malaysia), has noticed an increase in the number of Malaysian and overseas cosmetic firms applying for halal certification. Malaysian companies must first obtain approval from the National Pharmaceutical Control Bureau (NPCB), before registering for the halal logo on JAKIM. Customers must confirm that the halal emblem on local items is genuine with the Malaysia standard (MS) number and the 10-digit

document reference number, according to Dr. Sirajuddin Suhaimee, director of the Halal Hub division of Jakim (Malaysian Islamic development agency). Customers should seek for the international halal mark in the packaging of international cosmetic items before purchasing, and JAKIM should identify the logo (Ainin et al., 2020).

| Clusters | Potential Value for the Halal Market (USD) (Based on 5% of Global Halal Trade) |
|--|---|
| Cosmetic / Personal Care | 177 Billion |
| Agriculture | 41.5 Billion |
| Pharmaceutical | 30.3 Billion |
| Islamic Finance | 25.0 Billion |
| Logistic | 0.17 Billion |
| Travel Industry | 0.13 Billion |
| Total Value for Halal New Growth Clusters | 274.1 Billion |

Figure 3. Potential Growth Sector

Malaysia is one of the top ten consumers of halal beauty products in the world. In 2018, China shipped 0.8 billion dollars' worth of cosmetics to the Organization of Islamic Cooperation (OIC) countries (SGIE, 2020). According to the Mintel Global New Product Database, Asia-Pacific accounted for 73 percent of all halal cosmetics items marketed globally between 2014 and 2016 (Yusoff and Sarjoon, 2017). Due to the projected high profitability of the halal cosmetics sector, manufacturers have increased their investment in halal-certified goods. Many cosmetics companies from all over the world aspire for halal certification for their products, which is required to enter the OIC cosmetics market. Different nations in the Asia-Pacific area are working together to develop innovative halal cosmetics production and marketing techniques. Southeast Asia, as a developing market for halal cosmetics, accounting for 61.2 percent of the entire halal cosmetics market in Asia in 2015 (USD 1.4 billion) (Future Market Insight, 2015). The expansion of the halal industry is crucial for Malaysia's and Indonesia's economic growth and development. Malaysia has been named the top country with the largest economic growth in the halal industry by the Global Islamic Economy Report (GIER) (2018), which is largely due to strong global trends and regulations enacted by Malaysian authorities over the last decade.

Cosmetics manufacture has grown significantly due to increased demand in various segments of the halal business, and it is predicted that overall halal cosmetics expenditures reach USD 3.1 billion yearly (GIER, 2018). The Halal Industry Development Corporation (HDC) and Malaysia's Department of Islamic Advancement were key contributions to improving the halal industry's performance quality and stability, both domestically and abroad. The Malaysia International Halal Showcase (MIHAS), an annual four-day trade show hosted by the Ministry of International Trade and Industry and held in Kuala Lumpur, built a bridge between local and international firms to find new prospects in halal industries such as cosmetics. It provides a useful platform for cosmetic companies from industrialised countries, such as South Korea, to enter this market with new enterprises. In 2019, the MIHAS attracted over 30,000 dealers

and visitors from 88 countries, resulting in a total trade value of approximately USD 380 million (Malaysia International Halal Showcase, 2020).

Halal cosmetics industry represent a rapidly growing industry in line with the recent upward trend of the global Muslim population. Countries with large Muslim populations such as Malaysia are expected to have higher demand for halal cosmetics along with their significant increases in socioeconomic status (Nurul Aqmar and Nor Hashima, 2018). As far as halal cosmetic industry is concerned, Malaysia has strengthened its effort to be the world's leading halal cosmetic hub (Azmi Hassali and AL-Tamimi, 2015). Similarly, Technavio's analysts forecast growth within the Global Halal Cosmetics and Personal Care Market at a CAGR of 13.55% during the period of 2018–2022 (Technavio, 2018). There are numerous studies pertaining to Halal cosmetics, some focusing on consumers' perceptions. For example, Mohamed and Li (2017) examined the determinants of consumer experience and satisfaction, while Mohezar et al (2016) analyzed the antecedents of halal cosmetics adoption among young Malaysian Muslim consumers. Briliana and Mursito (2017) investigated the antecedents and consequences of halal cosmetics among young Indonesia Muslim consumers. Other studies focused on halal cosmetics certification. For example, Annabi and Ibdapo-Obe (2017) concentrated on the United Kingdom, while Jusoh, Kamarulzaman and Zakaria (2017) focused on Malaysia.

Based on the above mentioned recent development on the increase of halal cosmetic industry, there are several strategic plans by the Malaysian government to support the trends in online shopping activity that is related to halal industry. For instance, the government has imposed the Halal Industry Masterplan 2030, where Malaysia has stated the intention to embrace the 'internet of things' for a brighter future and to facilitate Bumiputera participants to be more competitive in the halal industry. These strategies is hoped to enhance the halal industry and lead the country to become a high-income nation (Halal Development Corporation Berhad, 2020).

These efforts are in line with Malaysian Government policy as stated in Halal industry master plan (HIMP) 2030, which aims to improve Malaysian global competitiveness across three pillars of the economy: manufacturing, services and agriculture. Domestic investments will be channelled at promoting industries and sub-sectors with high export potential and significant local competitive advantages, such as the production of halal products (Halal Development Corporation, 2020). The Halal Industry Master Plan (HIMP) 2030 serves as Malaysia's specific policy in terms of its halal hub agenda. Within the context of Halal Industry Master Plan (HIMP) 2030, Malaysian Government has made further commitments to make halal a new source of Malaysian economic growth. It aims to develop Malaysia as a global leader in the innovation, production and trade of a number of halal-related sectors and to promote Malaysia as the global reference centre for discipline in halal integrity.

Conclusion

Increased consumer awareness and demand for halal products, not just halal food and beverages, has prompted existing and new players in the cosmetics industry to produce halal products. In the global cosmetic industry, there is new trend that is the wave of halal cosmetic and personal care products. The increased penetration of halal products in the cosmetics industry along with the compliance of halal certification has concluded in rising demand for the market. The halal cosmetic subject into the spectrum of Malaysia policy, the industry trend is geared towards consumer trends. The industry has to set to become a competitive force in world international trade. In view of the increasing consumer interest and attention

shown on halal-certified products, this study explores trends of the halal cosmetic industry sector. The recent trends are important for both practitioner and academician as it guides them in Halal future development.

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