

The Challenges of the Halal Beauty and Wellness Industry Development in Malaysia

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Abstract

The Increased knowledge, education, and understanding of the halal needs and rights of Muslim consumers around the world have brought awareness and demand for halal products not only for food but also for non-food products. Muslim consumers today are concerned with non-food products such as health, beauty, tourism, clothing, finance, home appliances, and logistics that are halal according to Islamic rules. Therefore, this study was conducted to focus on identifying the challenges of developing the halal beauty and health industry in Malaysia. The development of the halal beauty and health industry is faced with competition between Halal and Non-halal beauty and health products in the market. The growth potential of the Halal beauty and wellness industry is found to encourage manufacturers and distributors to race to apply for Halal certification for beauty and health standards. However, factories and distributors of halal cosmetics and health products face the challenge of implementing the rules set by JAKIM to obtain Halal certification. In addition, the increased level of awareness among Muslims to choose beauty and health products that have a Halal logo shows customers' trust in products that have Halal certification as clean and pure without any misgivings from their users. Customers' trust in Halal beauty and health products will affect factories and distributors to implement Halal certification standards. However, if the operators of these products do not comply with the halal standards set, then consumer trust in halal beauty and health products produced in Malaysia will be affected. Therefore, government intervention through regulatory policies and the development of halal products is seen as important to indirectly influence the actions taken by factories, distributors, and consumers of halal beauty and health products.

Keywords: Halal Beauty and Wellness, Halal Certification, Halal Product

Introduction

The increase in the Muslim population around the world has affected the demand for Halal products. Muslims around the world often discuss and debate on various social media

platforms by voicing their right to obtain halal products in the market. This has indirectly increased awareness of the importance and needs of Muslim users to emphasize the use and selection of halal products on social media. Increased knowledge, education, and understanding of the rights and needs of Muslim consumers around the world has brought awareness and demand for halal products not only for food but also for non-food products. Today's Muslim consumers are concerned with non-food products such as health, beauty, tourism, clothing, finance, home appliances, and logistics that are halal according to Islamic law. Thus, it becomes the biggest challenge for the distributor and manufactory to supply the demand for this product. The impact of the speed of trade globalization in science and technology, the process of product preparation can be abridged and incessant. Thus the marketers of food and non-food products should understand enough about the Halal concept as the consumers today are more religious and conscious towards Halal products. Increasingly developed world and growing rapidly through the various processes of evolution and transformation. No wonder consumers are getting smarter which leads to a high taste and makes them more fussy in all aspects of the determination of the criteria for selection of items. Consumers not only want lawful product quality but also focus on the quality, hygiene, and safety characteristics of Halal products. "...consumer awareness and the drive for quality ingredients, making the market for Halal and Shariah-compliant personal care products a high growth segment with tremendous potential" (Paul, 2011:161). Moreover, the high level of education gained by recent Muslim generations coupled with the highly paid jobs and the knowledge about the components and ingredients of different types of products, create an urgent need to establish and develop universal standards for Halal products (Swidi et al. 2010: 18). In modern living today, Muslim consumers have started to live in the Halal lifestyle. So, no wonder demand for Halal beauty and wellness started to increase because the concept of Halal not only focuses on food but also on non-food like Halal beauty and wellness. Halal beauty and wellness is an important product that we use in our daily lives. It is necessary as a Muslim to choose products that have a certificate halal to make sure the ingredients and the process of the product from a Halal source. There are several challenges to the halal beauty and wellness industry development in Malaysia as discussed below.

The competition among the Halal and Non-Halal beauty and wellness products in the market.

Referring to the analysis done by Euromonitor (2011) about the top brands of skin care products in Malaysia shows that the sales for Halal-certified products are very low even though the total sales of skin products reached RM1346 million in 2010. The top 5 brands produced without Halal certification are SKII, Shiseido, Dermo Expertise (L'Oreal), Olay, and Artistry (Amway). The only Halal-certified brand on the list is Safi, at the 34th position out of 42 brands. Based on this analysis, we can see in the open market, Halal products need to compete with non-certified Halal products which are well-established with brand names that are recognized worldwide. This situation also shows that these businesses are struggling and competing to capture the unique consumer segment with values, ethics, and trust as Malaysia is the key mover of the halal industry (Mahathir, 2010). The biggest question marks can be highlighted based on these problems, why does the Halal local beauty and wellness brand that has the certification Halal can't compete with the brand that non-certify Halal? Referring to (Norzaidi et al., 2012: 303) for Halal beauty and wellness products, there is no specific study that has been done on how to effectively position the products in the market and appropriate

strategy to attract the Muslims consumers. There is a real need for research to know what factors will impact this situation.

The potential of Halal beauty and wellness industry growth will encourage the manufacturing and distributor to implement Halal standards.

The business environment nowadays shows that investment in the Halal beauty and wellness industry is promising and feasible because the consequently Muslim populations have been very important in increasing the global market segment, and the new Muslim generations are becoming more knowledgeable and highly educated to demand products with Halal components. These reasons spell that there are great business opportunities for investing in the Halal beauty and wellness industry (Sidwi et al., 2010:18). This is supported by the analysis that done by Tech Navio's analysts (2014) forecast the Global Halal beauty and wellness market to grow at a Compound Annual Growth Rate (CAGR) of 13.43 percent over the period 2013-2018. The potential of Halal beauty and wellness booming in the future market will give a benefit and become a key motive for the manufactory and distributor to implement the Halal certification. It is important to know how far the organization's effectiveness (manufactory and distributor) is through the motive and benefits of the implementation of Halal certification.

The challenge faced by the manufactory and distributor to implement the Halal certification.

Manufacturers and distributors use Halal certification and logos to inform and reassure their target consumers that their products are Halal and Shariah-compliant (Darma & Norlida, 2012). Halal certification from JAKIM granted the companies to use the Halal logo for printing on the packaging of their products or display at the company premises based on their regulation. The regulation of halal beauty and wellness products covers all aspects of the management system. It is not only focusing on the aspect of production including sourcing of halal ingredients, but all elements must be accounted for, such as manufacturing procedure, storage packaging, and logistics (Mir Mohamad et al., 2010). Psomas et al (2011) measured variables concerning the difficulties companies faced while implementing certification standards: a) The standard requirements; and b) Determining Issues of Environmental performance. The term Halal is used in the Halal beauty and wellness products produced by manufacturers and distributors only use the term for the products that have the last formula ingredient of the product. This means that the Halal certification can't be given to the beauty and wellness products that are still in the R&D process. This definitely will create difficulties for the manufacturers and distributors to produce Halal beauty and wellness products (Noraine, 2013). It is important to evaluate the organization's effectiveness through difficulties by implementing Halal certification standards to produce Halal beauty and wellness products.

The increasing level of awareness among Muslim people to choose Halal beauty and wellness products shows the customer trust in Halal products.

The increasing level of awareness among Muslim people to choose Halal beauty and wellness products shows the customer trust in Halal products. Referring to the research done on consumer awareness of Halal beauty and wellness by (Dyes, 2010; and Alserhan, 2010) shows that the level of awareness using halal beauty and wellness is still low among consumers. However, the latest research done on the same area about consumer awareness to choose Halal beauty and wellness by Hussin et al (2013); Azreen et al (2013); Darma & Norlida (2012); Norzaidi et al (2012) show that the level of consumer awareness on Halal beauty and wellness

are starting increase. The impact of the awareness among consumers, the consumer today becomes more trust to the Halal product. This situation is approved by research done by Hussin, et al (2013: 95) explain that: a) consumers who intend to purchase halal beauty and wellness will prioritize halalness over brand; b) consumers are willing to pay higher prices for these Halal products; and c) Consumers always look forward to buying quality Halal products. Thus, better quality will lead to a higher intent to purchase Halal products. Based on this consumer behavior, it means that today the level of consumer awareness through customer trust in Halal beauty and wellness is increasing, and not just only for the food. The increases in the of level awareness among consumers are impacted by the level of education on the Halal lifestyle. This positive awareness among consumers of Halal beauty and wellness will become an indicator of customer trust in the product that has certification Halal.

Customer trust in Halal beauty and wellness will impact the manufactory and distributor to implement Halal certification standards.

The consumer demand will be provoked by existing and new players in beauty and wellness like manufacturers and distributors to compete in implementing halal certification standards for developing halal beauty and wellness products. JAKIM (2014) also listed that the Halal certification will allow consumers to make an informed choice of their purchases and it will give a competitive advantage, where the manufacturers can use it as a marketing tool. Those Muslims who have a basic knowledge of Islam are familiar with the term Halal. The term Halal will automatically make them feel more trust in the ingredients and the processes of the product following the Islamic Law. The research done by Marzuki et al (2012) shows that a Halal certificate is perceived to have an impact on customer trust and return visits. Azreen (2013:5) indicates that with consumer trust, consumers will pursue products that not only satisfy their needs and preferences but also give them peace while consuming the product. The manufacturers, producers, and marketers should not only think about how to increase the return, but also, they should also understand the essentials of the grounding of Halal to encourage them to produce innovative products that are truly Halal. It is important to know how far the customer trust will influence the manufactory and distributor to implement the Halal certification standard.

Government policy will influence indirectly the actions that are taken by the manufactory, distributor, and consumer of Halal beauty and wellness products.

Government highlights under the Third Industrial Master Plan (IMP: 2005-2020) to develop and promote Malaysia as the global Halal Hub. One of the strategies is to expand focus from food products to non-food products like Halal beauty and wellness. To develop this industry, the Malaysian government established the Halal standard MS 2200:2008 for cosmetic and personal care in 2008 through the Islamic Development Department Malaysia (JAKIM). According to Muhammad et al (2009), this certification has been gaining international recognition in the global marketplace. Moreover, the Malaysian Halal certification is issued by the government unlike in other countries where Halal certificates are endorsed by Islamic associations. In line with the government's aspiration to make Malaysia a hub for Halal production to fulfill the requirements of local and worldwide needs, various initiatives should be implemented by various government agencies and non-governmental organizations to create education among consumer awareness about the importance of using products with Islamic characteristics. It also will generate business opportunities for manufacturers and distributors to develop Halal beauty and wellness products. In addition, Halal beauty and

wellness can prosper through the government support and provision of various types of business activities including organizing seminars and workshops for the potential entrepreneur (Darma & Norlida 2012:15). Government policy looks like an umbrella for manufacturing, distributor, and consumer Halal beauty and wellness products to develop this industry. Because of this reason, the government policy will become the contingency variable of this research. The contingency variable is the variable that will influence indirectly the action that is taken by the other variable. This means that the government policy will influence indirectly the actions taken by the manufacturers, distributors, and consumers of Halal beauty and wellness products.

Conclusion

Based on the discussion above, the main challenges faced by the halal beauty and Wellness industry come from internal and external factors that affect obtaining halal. Internal factors can be divided into production processes and human capital capabilities. Production management comes from a team of production in processing the production of halal products. For human capital, it is very important to develop good and specialized human capital that involves the production process and conduct halal scientific Research and Development (R&D) in producing Halal beauty and wellness products. External factors can be divided into government support and private companies that help in terms of incentives and knowledge transfer in the development of the halal beauty and wellness industry.

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