

# **THE MAINSTREAM COSMETICS INDUSTRY IN MALAYSIA AND THE EMERGENCE, GROWTH, AND PROSPECTS OF HALAL COSMETICS**

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## **Abstract**

Muslims all over the world are almost totally dependent on cosmetics products made by non-Muslims. Moreover, Muslims seem to have taken the back seat when it comes to the cosmetics industry which is dominated, and to a certain degree monopolized, by non-Muslims. Thus, the issue of Halal ingredients in cosmetics products poses serious challenges. On the other hand, the growing consumer awareness and hence demand for Halal products, not just Halal food and drink, has provoked existing and new players in the cosmetics industry to make Halal products. However, in the global cosmetics industry there is a new trend that is the wave of Halal cosmetics and personal care products. The increasing number of Muslims around the world and the raise of awareness among their recent generations are two crucial reasons behind the new trend in the change of behaviors among Muslim consumers. The faith-based new wave in the global cosmetics market may be reflected in the recent change in the global scenario. Since the Muslim consumers constitute nearly 20% of the population of the world, they started pushing the mainstream cosmetics industry to listen to their voice and satisfy their needs in offering Shariah-compliant products.

## **INTRODUCTION**

The global financial crisis and its subsequences affected the growth of cosmetics industry in the global beauty market. However, it shows a slowdown trend due to a weakened economic state in the majority of the developed countries and subsequently around the world. Moreover, this declining trend affected the penetration of the emergent markets by the cosmetics industry. The Asian market proves to be one the fastest growing markets according to the Euromonitor's report (2008). According to the same report, the market value of the Asia Pacific has increased to more than US\$70 billion which is the second highest after the Western European market. However, there is a new trend in the global cosmetics industry which is the wave of Halal cosmetics and personal care products. That is because of the raise of awareness among the increasing global Muslim populations about the ingredients of personal care and cosmetics products. This new wave in the global cosmetics market is faith-based may be reflected in the recent change in the global scenario. Since the Muslims constitute 20% of the population of the world, they and they started pushing the mainstream cosmetics industry to listen to their voice and satisfy their needs and rising demand for Shariah-compliant products.

## **THE IMPACT OF GLOBALIZATION ON CONVENTIONAL COSMETICS INDUSTRY**

Globalization has affected this industry in many ways:

First, the globe became open market for worldwide products the competition among manufacturers has become fiercer and intensive. Therefore, the giant cosmetics producers

dominate the market and determine the prices globally. This in turn, poses a big challenge for the SMEs to play a competitive role either locally and globally.

Second, the internet and communication technology have changed the consumers' preferences due to the cultural changes. This, in turn, affects the consumers' behaviours. Therefore, only good companies which proved to be providing good and products are going to survive and growth in the future to come.

Third, since the culture of Modernisation and urbanisation has significantly impacted consumers' lifestyles and preferences, sophisticated consumers are increasingly demanding convenience and functional products in terms of packaging, application and delivery format. With increasingly affluent consumers able to pay for premium brands or more expensive products, manufacturers worked hard in this direction, by introducing new products which offered convenience and functional benefits during 2008.

Fourth, globalization also raised living standards and increased personal income in developing regions. In developing nations, consumers, particularly below the age of 30, are more willing to spend large amounts of money on personal care and cosmetics(Blomert, 2009).

Fifth, the wave of Globalization is accompanied with increased international travel, tourism, and increased mobility, this in turn will open the eyes on what kind of products are being consumed and what kind of services are being offered. Moreover, Consumers are demanding all-in-one products and are looking for products with multiple uses that they can grab and go. They also want to be able to buy the same product they use at home during their travels (Blomert, 2009).

Finally, in the world of today, the role of media became very influential on customers. Therefore, consumers are heavily influenced by what they see on television and the Internet. They want to resemble their favourite star or hero, and that drives their purchasing behaviour(Blomert, 2009).

### **TOP MAIN PLAYERS IN THE GLOBAL MAINSTREAM COSMETICS INDUSTRY**

The total sales of the Top 20 main players in the cosmetics and beauty industry exceed \$104 billion as in 2006(Caridad, 2006). The top 20 main players were as in the following table:

Table 1:The Top 20 Main Players in the Global Cosmetics Industry(\$ Billion)

No	Company	Beauty Sales	Corporate Sales
1	Procter & Gamble	\$21.10	\$68.20
2	L'Oréa	\$18.10	
3	Unilever	\$13.30	\$49.40
4	Estée Lauder	\$6.30	
5	Avon Products	\$5.80	\$8.10
6	Shiseido	\$5.10	\$5.70
7	Beiersdorf	\$5	\$5.90
8	Johnson & Johnson	\$4	\$50.50
9	Alberto- Culver	\$3.20	\$3.50
10	Henkel	\$3.20	\$14.90

No	Company	Beauty Sales	Corporate Sales
11	Coty	\$2.90	
12	Limited Brands	\$2.80	\$9.70
13	LVMH	\$2.80	\$17.30
14	Colgate-Palmolive	\$2.30	\$11.40
15	Kao	\$2.30	\$8.60
16	Mary Kay	\$2.20	
17	Yves Rocher	\$1.60	\$1.90
18	Kosé	\$1.50	
19	Access Business Group	\$1.30	\$6.40
20	Revlon	\$1.30	

Sources: (Caridad, 2006)



Figure 1: The Top 20 Players in the global cosmetics industry

The market shares of the top ten main players in the global cosmetics industry are shown in the Table 2 as follows.

Table 2: World Top 10 Cosmetics & Toiletries Players 2008

Company name	Market Share 2008
Procter & Gamble Co, The	12.6
L'Oreal Groupe	10.4
Unilever Group	7.1
Colgate-Palmolive Co	3.9
Avon Products Inc	3.6

Estee Lauder Cos Inc	3.4
Beiersdorf AG	3.3
Johnson & Johnson Inc	2.8
Shiseido Co Ltd	2.5
Kao Corp	2.3

Source: (EuromonitorInternational, 2009a)

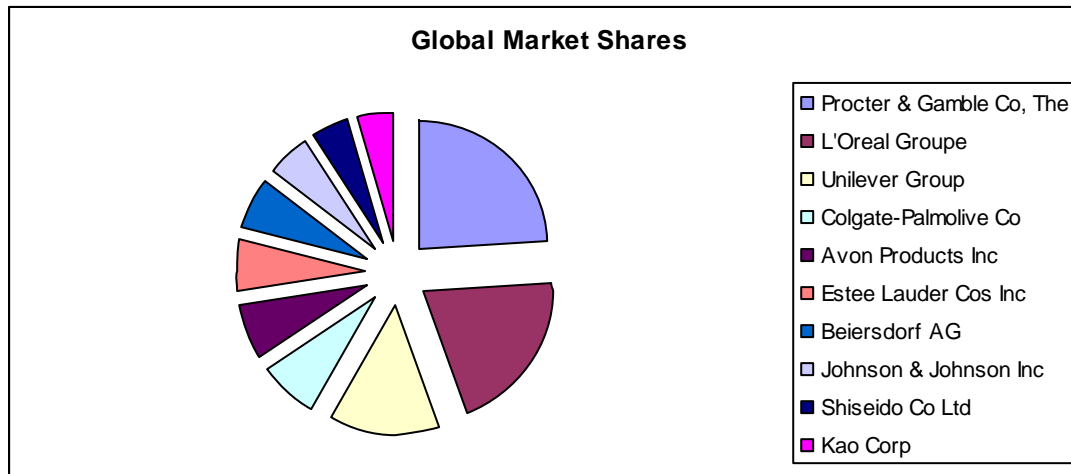


Figure 2: Global Market share for the top ten main Players

It is clearly shown that there is a stiff competition among P&G, L'Oreal, and Unilever.

#### **MALAYSIAN ECONOMIC INDICATORS**

Malaysia is one of the largest countries in the Asia-Pacific group with an area of 332,965 square kilometers and population around 25.5 Million. Malaysia comprises the 11 states of Peninsular Malaysia, where the bulk of the populations live. Its climate is tropical and often humid. The capital is Kuala Lumpur. It has very good and strategic location which enhanced the importance of the country in the international business arena. The Malaysian leaders have been trying to achieve a global competitive position through its very ambitious vision as follows: To be a world-class organisation, excellent in terms of planning, development and management of human resources based on professionalism, integrity and technology in accordance with Vision 2020 to make Malaysia a developed nation("Public Service Department of Malaysia: Corporate information," 2009).

Furthermore, Malaysia is one of the fastest growing economies in the Asian region with a GDP per-capita of about US\$7,945 in 2008. Its economy sits on a firm foundation in a mixed economy that comprises strong agricultural, services and manufacturing industries. In 2008, the economy grew by 4.6% which is the lowest rate since 2003 that is due to the global turndown economic trend.

Malaysia has a multi-racial population of around 27.9 million in 2008, all of whom are multilingual, speaking at least two languages fluently, including English which is widely used in the business environment. Malaysia still has a young population today, with around 63.6% being in the 15 year to 64 year age range. Malaysia can be compared to Singapore in the 1980s when improving sophistication and modernization of local lifestyles were becoming evident, leading to increasing consumption of imported food and beverages from western countries. Today, Malaysia provides a significant pool of active consumers who will continue to modernize their consuming habits, leading to increasing consumption of imported products.

Some of the economic indicators of Malaysia are as follows:

Table 3: Malaysian Economic Indicators

	2003	2004	2005	2006	2007	2008
GDP	110,201.80	124,749.70	137,954.20	156,409.40	186,719.70	221,437.2
Export	99,369.0	125,744.0	140,870.0	160,573.0	176,025.0	209,312.3
Import	81,948.0	105,298.0	114,411.0	131,080.0	146,773.0	164,756.4
Growth Rate	5.80	6.80	5.30	5.80	6.20	4.60
Degree of openness	165%	185%	185%	186%	173%	179%
GDP Per Capita	4353.256	4825.086	5228.707	5820.12	6790.993	7945.845

Source: Euromonitor International 2009

This table shows that GDP, Exports, and Imports increased to the double the the period 2003-2008. It also shows that the growth rate leveled out above 5% for the period (2003-2007) and got down slightly in 2008 to 4.6% due to the global economic slowdown. On the other hand, the Malaysian economic enjoys high degree of openness and then it is an attractive destination for FDI.

The growth of the GDP, Exports, and Imports is shown in the following figure

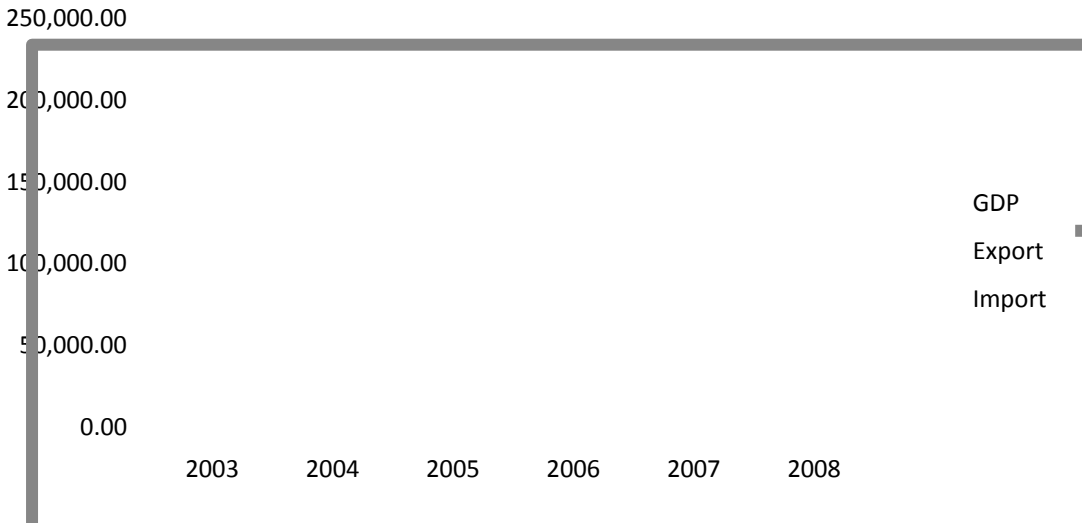


Figure 3: The growth of GDP, Exports, and Imports of Malaysia

While the following figure shows the growth of the degree of openness and the real growth rate during the period 2003-2008.

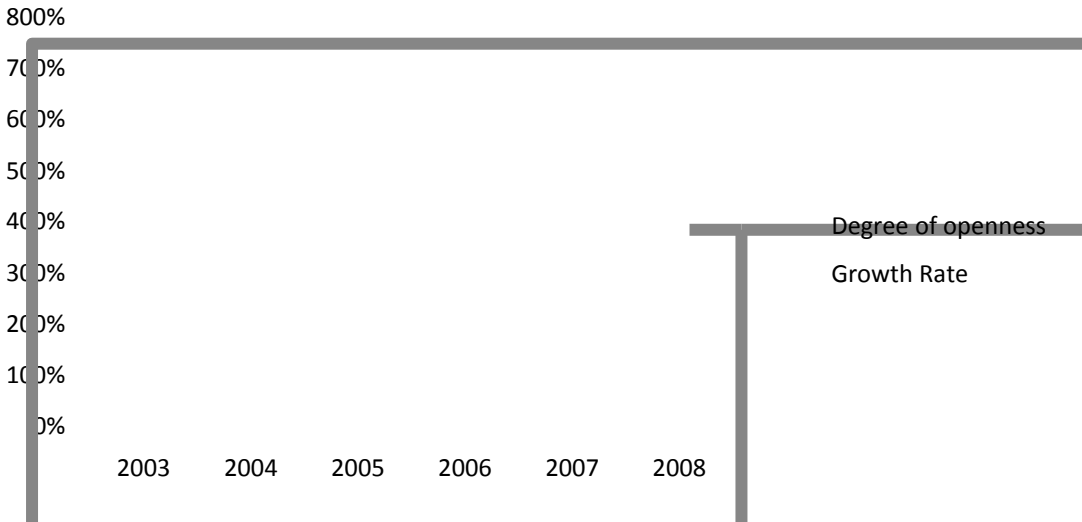


Figure 4: The growth rate and degree of openness of Malaysia

## **MALAYSIAN BUSINESS ENVIRONMENT**

In the line of efforts exerted by the Malaysian government to reach the status of high class income country, officials hope to encourage the shift to higher valued sectors and this will require stricter enforcement of intellectual property rights. Although the legal foundation exists for these rights, court enforcement of laws has been inadequate.

As incentives to encourage the investment, the government has granted a ten-year exemption on venture capital and introduced investment incentives in certain regions. Additional measures were announced in 2008 to ease rules on foreign investment in property and industrial land. This was followed in 2009 by the elimination of local-equity requirements for investors in various parts of the service sector(CIA, 2009).

### **MALAYSIAN SPENDING ON COSMETICS AND TOILETRIES:**

Consumer spending on personal care products such as cosmetics and toiletries grew at a rate of more than 40% during the last few years, going from RM1.4 billion in 1995 to RM1.9 billion in 2007. The Malaysian market for personal care products has undergone a number of changes. In past years, most Malaysian consumers purchased only basic personal care products, such as hair care or bath products. However, as disposable incomes grew during the last few years and as more products became available in stores and shops, Malaysians began buying a range of new grooming products and services. The domestic market has also seen the entry of new brands such as Mary Kay and Stila that cater to the changing tastes and lifestyles of Malaysian consumers. Consumers demand solutions that are specific to their grooming needs, and these often include natural ingredients and skin protection and nourishment(Country Market Insight, 2009).

In the current market, personal care products no longer apply solely to women. Malaysian men, particularly those in urban areas, now also generate strong demand for personal care products that they believe will enhance their appearances. This has opened up new opportunities for manufacturers and they have responded by introducing a number of new products and brands into the market, including Nivea and Bella. There also new brands that focus on personal care products for men, including MenEssentials, MenScience, and Billy Jealousy, to name a few(Country Market Insight, 2009).

Therefore, expenditure on personal care products is expected to continue to grow over the coming years. In particular, it's expected that sales to men consumers will grow robustly as more Malaysian men discover existing products and as more new products are introduced into the growing market. On the other hand, as disposable income growth slows over the coming years, many consumers may opt for less expensive products, dampening the growth of value sales.

### **SHOPPING FOR COSMETICS AND TOILETRIES IN MALAYSIA**

In Malaysia, store-based retailing dominates distribution in the cosmetics and toiletries market. This is due primarily to the large number of grocery retailers that offer these products, including independent small grocers as well as supermarkets/hypermarkets. Many consumers also visit shopping malls where large retailers like Isetan, Robinson's, Parkson, Jusco and Metrojaya offer products at their premium cosmetics counters, including well-known imported brands from Asia, Europe and the United States. Western brands such as Estée Lauder, Biotherm and Bobby Brown popular, while Asian brands like Kanebo from Japan and Laneige from Korea have also quickly gained popularity among younger consumers. Consumers seeking lower-priced cosmetics such as Maybelline, Loréal and other budget-range Korean and Japanese brands like ZA and In2it usually shop at the leading pharmacy chains, such as Guardian, Carings and Watson's("Cosmetics Industry," 2009).

Some Malaysian consumers also purchase cosmetics and toiletries via non-store retailers. Although their contribution to overall sales is relatively small, non-store retailers posted faster sales growth than store-based retailers in 2007, with the direct-selling channel achieving the best performance. During the last few years, direct sellers like Amway embarked on aggressive marketing activities in an attempt to capture greater distribution share (Country Market Insight, 2009).

Generally, shares among the various types of retail venues within that network are expected to change. In particular, hypermarkets are expected to continue to capture more sales over the period. As well, non-store retailers are expected to improve their performances, especially direct sellers. Internet retailers, currently with a small share, are also expected to increase their sales slowly but steadily at the expense of store-based retailers.

### **ATTITUDES OF MALAYSIAN TO PERSONAL GROOMING**

Malaysian women place great importance on personal grooming. Working women and, in particular, those with higher incomes are often willing to buy premium personal care products. Malaysian men now also see personal grooming as a necessity rather than a luxury ("Cosmetics Industry," 2009).

### **THE GROWTH OF COSMETICS INDUSTRY IN MALAYSIA**

Cosmetics and toiletries in Malaysia witnessed slightly stronger growth in 2008 than in 2007, due to various new product launches during 2008 which attracted consumers. Consumers also seem to be ready to pay higher prices for high quality and good benefits products, such as whitening, multi-functions and anti-ageing. However, the economic downturn in late 2008 still dampened the overall performance of cosmetics and toiletries to some extent (Country Market Insight, 2009).

The lifestyle of Malaysian people has been very much affected by the movement of people to big cities. Sophisticated consumers are increasingly demanding convenience and functional products in terms of packaging, application and delivery format. With increasingly affluent consumers able to pay for premium brands or more expensive products, manufacturers worked hard in this direction, by introducing new products which offered convenience and functional benefits during 2008.

As the ASEAN region was an attractive region for cosmetics industry, many global players established their factories and distribution channels in the promising region. Cosmetics industry has been very fast and effective industrial sector and then should serve as an example and guide for other industry groups. In an increasingly competitive global economy, in an increasingly globalized economic environment, industries and companies in ASEAN have to cast their eyes outward, toward the region, if not the world. And they must cooperate, even as they compete. It is often the only way for them to survive and to prosper. And they should keep pressing governments to provide the necessary policy environment within ASEAN for freer regional trade, stronger competitiveness and higher productivity. The ASEAN cosmetics industry is leading the way (Severino, 2002).

Malaysia, in particular received a huge number of cosmetics manufacturers. The top ten positions in cosmetics and toiletries were mainly occupied by international manufacturers in 2008, with Unza (M) Sdn Bhd the only domestic player present. Leading international players managed to maintain their positions by introducing new products regularly, as well as engaging in strong marketing campaigns, given their larger budgets than domestic players. Nonetheless, a small

number of domestic manufacturers were also visible in cosmetics and toiletries, owing to their strong brand heritage and high levels of consumer trust(Country Market Insight, 2009).

The industry of Cosmetics and toiletries is expected to record faster constant value growth in the coming years than was achieved in the previous years. However, the performance of cosmetics and toiletries is likely to be slightly hit in 2009, amidst the economic recession, as consumers are likely to cut back on non-essential products such as nourishers/anti-agers, or may even trade down to mass brands. Moving forward, consumers are likely to return to their previous demands for more advanced product variants, such as firming in bath and shower products, as well as anti-ageing in skin care, amongst others. That said, increased sophistication and education of consumers in terms of cosmetics and toiletries will lead consumers to become more adventurous and selective about brands and products over the coming years.

### **MAIN PLAYERS IN THE COSMETICS INDUSTRY IN MALAYSIA**

In the Malaysian context there are many international with few local players in the cosmetics industry. Based on the data available online we can compare the market share gained by each during the period 2004-2008. This is clearly shown in the following table:



Table 4:Cosmetics and Toiletries Company Shares by GBO Retail Value

Company	2004	2005	2006	2007	2008
Procter & Gamble Co, The	9	11.9	11.6	11.5	11.3
Colgate-Palmolive Co	10.5	10.3	10.1	9.8	9.6
L'Oréal Groupe	6.3	6.6	8.9	9.1	9.6
Unilever Group	9	8.2	8.1	8.3	8
Unza Nusantara Sdn Bhd	7	6.8	6.7	6.4	6.3
Avon Products Inc	4.9	5.2	5.1	5.4	5.8
Estée Lauder Cos Inc	4.2	4.5	4.6	4.9	5
Johnson & Johnson Inc	4.6	4.6	4.8	4.8	4.7
Shiseido Co Ltd	2.7	2.8	3	3.1	3
Amway Corp	2.1	2.2	2.3	2.3	2.2
Kao Corp	2.4	2.2	2.3	2.2	2.1
Sara Lee Corp	1.5	1.6	1.7	1.8	1.8
Berjaya Group Bhd	1.7	1.8	1.9	1.9	1.7
Reckitt Benckiser Plc	2.2	1.9	1.8	1.8	1.7
Beiersdorf AG	1.3	1.3	1.3	1.4	1.5
Mandom Corp	0.9	1.1	1.2	1.3	1.4
Nu Skin Enterprises Inc	1.4	1.3	1.1	1.1	1.2
Lam Soon Group	1.2	1.3	1.2	1.2	1.1
Tohtonku Sdn Bhd	1.4	1.3	1.2	1.1	1.1
Kosé Corp	0.9	0.9	0.9	0.9	0.9
Alliance Boots Plc	-	0.4	0.6	0.8	0.8

2004-2008(%)

Company	2004	2005	2006	2007	2008
Lion Corp	0.9	0.9	0.9	0.8	0.8
Revlon Inc	0.6	0.6	0.6	0.6	0.6
Coty Inc	-	0.7	0.7	0.6	0.6
PZ Cussons Plc	0.8	0.8	0.7	0.7	0.6
Clarins SA	0.4	0.4	0.5	0.5	0.6
GlaxoSmithKline Plc	0.6	0.6	0.5	0.5	0.6
Pure Labs Inc	0.5	0.5	0.5	0.5	0.5
Chanel SA	0.5	0.5	0.5	0.5	0.5
Asia Brands Corp Bhd	-	-	-	0.3	0.3
Sebapharma GmbH & Co	0.3	0.3	0.3	0.3	0.3
Jordan AS	0.3	0.3	0.3	0.3	0.3
Energizer Holdings Inc	0.2	0.2	0.2	0.3	0.3
LD Waxson Group	0.4	0.3	0.3	0.3	0.2
Elizabeth Arden Inc	0.2	0.2	0.2	0.2	0.2
LVMH Moët Hennessy	0.2	0.2	0.2	0.2	0.2
Louis Vuitton					
Alès Groupe	0.1	0.1	0.2	0.2	0.2
Yves Rocher SA	0.1	0.1	0.1	0.1	0.1
Bic SA, Sté	0.2	0.1	0.1	0.1	0.1
Mary Kay Inc	0.1	0.1	0.1	0.1	0.1
Private Label	0.6	0.6	0.6	0.7	0.7
Others	17.9	14.2	12.1	11.3	11.3
Total					

Source: Euromonitor International Estimate(2009)

The following figure shows the growth of market share for each player in the Malaysian market during the period 2004-2008.

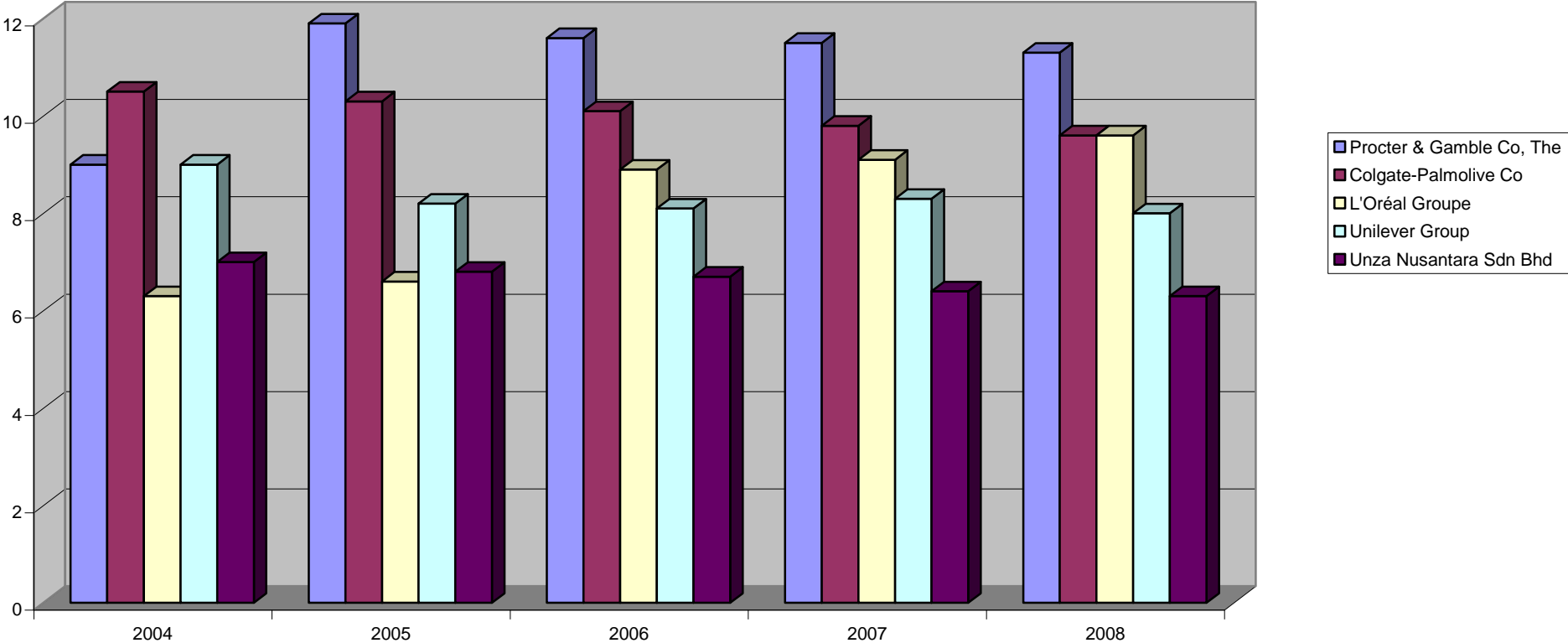


Figure 5: The market share growth of the main players in the Malaysian cosmetics industry

## **COSMETICS PRODUCTS AND ASEAN INTEGRATION MARKET:**

The Ministry of Health Malaysia announced in 2007 that cosmetics sold in Malaysia which are manufactured or marketed by the ASEAN 10 countries, Brunei, Cambodia, Indonesia, Laos, Myanmar, Singapore, the Philippines, Thailand, and Vietnam, would be exempt from registration with the Ministry of Health Malaysia from 2008 onwards. This is because the ASEAN 10 countries have agreed to regulate the registration of cosmetics products in the region. Under the agreement, product registration approval in any of the ASEAN 10 countries would be recognized by the others. Prior to 2008, all cosmetics and toiletries which were imported to Malaysia were required to register with the Drugs Control division of the Ministry of Health Malaysia (Euromonitor International, 2009b).

This benefited local manufacturers which export to the ASEAN 10 countries, as well as benefited importers and distributors of products from these ASEAN 10 countries. Despite the fact that product registration for cosmetics and toiletries is not as stringent as registration for pharmaceutical products, it still takes time and effort. Hence, this new legislation is expected to benefit consumers, regulatory bodies and industry players. Consumers will have a wider choice of safe products; the regulatory bodies will have one simplified and harmonized cosmetics regulations system, while the industry has opened up ASEAN as one single market for manufacturers.

## **THE HALAL INDUSTRY:**

Halal is an Arabic word (which means lawful) products are getting very popular, pork, alcohol, and animal slaughtered not according to the Islamic teachings are forbidden for Muslims. It is also defined by The Halal Industry Development Corporation in Malaysia to be the way of life in promoting healthy and Shari'ah compliant life style by promoting how to eat, live, and conduct our business and all other life activities.

Furthermore, in Malaysia, the definition of Halal food and other consumer products, including cosmetics, are provided by the Malaysian Standard "MS1500:2004: Halal Food – Production, Preparation, and Handling & Storage – General Guideline. To be certified Halal under the Malaysian standard, the food or other consumer products, including cosmetics, must fulfill (according to Halal Industry Development Corporation) the following requirements:

1. Food and consumer products, including cosmetics, do not contain any parts or products of animals that are non-Halal to Muslims or products of animals which are not slaughtered according to Shari'ah law.
2. Food and consumer products, including cosmetics, do not contain any ingredients that are Najs (filth or unclean) according to Shari'ah law.
3. Food and consumer products, including cosmetics, are safe and not harmful.
4. They are not prepared processed or manufactured using equipment that is contaminated with things that are Najs according to Shari'ah law.
5. Their ingredients do not contain any human parts or its derivatives that are not permitted by Shari'ah law.

## **THE EMERGENCE OF HALAL COSMETICS PRODUCTS:**

In the global scenario, there are many factors that contributed to the emergence of the wave of bulk demand for Halal cosmetics and personal care products. Some of these factors are:

First: Because of the growing number of Muslims worldwide, Muslims became very strong and growing global market segment. Therefore, many companies started to focus on Muslim consumers and produce Shari'ah-compliant products, including cosmetics and services which are estimated to be \$2 Trillion annually ( The Halal Journal, 2009).

Second: the rise of the awareness among the global Muslim Consumers about the ingredients of the cosmetics and personal care products and their concerns about the Halalness of these products to avoid using products with alcohol, pork fat, and non-Halal animal stuff in these products.

Third: the global consumers for cosmetics products have very much concern about the safety of cosmetics products since some of these products contain dangerous substances.

Forth: Since there are some Muslim countries lead the efforts to be a global Halal-hub like Malaysia, this encourages Muslim consumers to demand for Shariah-compliant products.

For those and other reasons the mainstream cosmetics industry can learn from Halal cosmetics and all its values on how to satisfy the global Halal cosmetics demand. However, Muslim consumers can find powerful allies who can supply them with safe and Sharia'h-compliant products.

Undoubtedly, The rapid growth of the number of Muslim population in the world and their effects on the global demand for cosmetics products affect the way the mainstream cosmetics industry looks at the importance of this market segment in the global marketplace. Since for example, the market size of Halal personal care products in the Middle East region was estimated to be \$560 Million in 2008. also, the beauty and personal care market is also growing at 12 % per annum with sales valued at \$ 2.1 Billion in 2008 (Kamaruzaman, 2009).

This opportunity of the promising future of Halal cosmetics and personal care products has been taken by Malaysia and many huge promotion activities and programs are been conducted to promote Halal industries- including cosmetics industry- and to position Malaysia as the global Halal-Hub. Recent developments contributing to this growth include the Malay Chamber of Commerce Malaysia (MCCM)'s decision to set up its marketing centre in Dubai. So far 100 companies retailing more than 400 Halal products - including cosmetics - have participated in this venture and it is anticipated that over the next five years, more than \$10 billion of Halal products will be channeled through this market.

The growth of Halal cosmetics also reflects the general boom across the Middle East in the sales of beauty and grooming products. Overall, the category has grown by 12% annually and it was estimated that the total value of cosmetic related sales in the Middle East region reached US\$2.1 billion (7.7 billion AED) last year.

### **THE GLOBAL HALAL COSMETICS INDUSTRY:**

The personal care and cosmetics sector had 9% share of the global Halal products market in 2005. This was also expected to increase in the years to come as the demand for Halal cosmetics increases. Even though there is lack in the understanding or knowledge about the Halal ingredients , there is an increasing knowledge about how Halal relates to non-food products , including cosmetics especially in among Muslims either in the Middle East or in non-Muslim countries such as US and Europe.. The knowledge among Muslims about animal-derivatives and functional ingredients has been reflected in the increase demand for Halal products especially in cosmetics and personal care products. Nowadays, Muslim consumers are more appealed to shop for cosmetics and personal care products that are Halal certified where the sources for functional ingredients are Shariah compliant (Halal Industry Development Corporation, 2009).

### **THE GROWING MARKET FOR HALAL COSMETICS:**

Muslim population is rapidly increasing and estimated to reach more than 1.6 billion globally in the coming few years. Moreover, Muslim populations within non Muslim countries are growing

very fast and consequently their demand for products under religious requirements is considered to be new business opportunities (Euromonitor International, 2006).

While taste, culture, language, and customs of Muslim populations in different countries are significantly different, they have the same level of concern about the compliance of products- including cosmetics- they use to their religious requirements. Therefore, the global Halal standards are very much sought for by many companies to satisfy this huge and fast growing market segment.

The following table shows the number of Muslim populations in selected non Muslim countries as in 2005.

Table 5: Muslim Populations in selected non Muslim countries.

Country	Population 2005
India	147,339,000
China	18,141,000
Russia	17,298,000
US	7,200,000
France	4,414,000
Thailand	3,005,000
Germany	2,849,000
Italy	1,103,000
Spain	1,033,000

Source: Euromonitor World Ethnicity Report from Official Statistics

It is also clearly noticed that the number of Muslims in non Muslim countries is fast growing in high rates as the following table shows for selected countries.

Table 6: Muslim Population growth in selected non Muslim countries for the period (2000-2005).

Country	Population Growth % (2000- 2005)
Spain	52.7
Norway	45.3
Germany	28.5
US	26.3
Sweden	25.8
France	25.7
Greece	22.1
Switzerland	22.0
Canada	21.2

South Africa	21.0
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Source: Euromonitor World Ethnicity Report from Official Statistics

The high rate of growth of Muslim population has coupled with the increasing number of immigrants and birth rate, they outnumber those of indigenous populations. Furthermore, the high level of education gained by Muslim new generations and the knowledge about the products' ingredients has been reflected in their demand for safe, high quality products and foremost for Shariah-compliant products (Euromonitor International, 2006).

Nowadays, the level of awareness among consumers about the importance of Halal cosmetics is very much promising. Therefore, it is expected that the Halal cosmetics market share will be growing in an unprecedented rate in global market place. In a recent survey conducted by KasehDia Consulting they found the following:1) Even though that the level of awareness about Halal cosmetics is still very low, the consumers are ready to purchase Halal products if they are available;2) The level of awareness regarding Halal cosmetics is increasing among the consumers of cosmetics products;3) They found that 57.6% and 37.7% of Muslims in the emerging markets like Indonesia and Singapore are willing to purchase Halal care and personal products if they are available ( Kamaruzaman, 2009).

Also, it is noticed that the high level of education gained by new Muslim generations and then the high job positions and high paid jobs gained by female Muslim increased their disposal income and then affected their consumption behaviour and enhanced their demand for Halal ,safe, and high quality cosmetics products(Euromonitor International, 2006).

### **THE HALAL COSMETICS MARKET IN THE MIDDLE EAST**

In the Middle East region, there is an increasing demand for Halal related cosmetics but there is no complete regulation system for Halal products. In the contrary, Malaysia and Brunei have already established a well regulation system for producing and promoting Halal products. Nowadays, there is a growing demand for universal standards for Halal certification (ProQuest, 2008).

Moreover, it is known that the Middle East region is the premier users of Halal products, and there are still huge opportunities for Halal industry, including cosmetics, to produce Halal products. Also, there has been a rapidly growing market for Halal cosmetics products. Further, the size of the market for cosmetics and personal care products in the Middle East is estimated to have the value of around \$560 Million with an annual growth of 12% and the total value of the cosmetics related sales to reach \$2.1 Billion in 2006(AlBawaba,2007).

### **HALAL COSMETICS IN THE UAE**

Emirates in general and Dubai in particular is considered as the commercial center for Halal products-including cosmetics. Moreover, the value of Halal market in the United Arab Emirates was estimated to be \$150 Billion yearly and cosmeticsand personal care products constitutes a large proportion of that(Mc Clatchy,2008).

In fact, there are many efforts exerted by different Muslim countries enhance the integration in Halal industry. One of these efforts is the decision taken by Malay Chamber of commerce Malaysia (MCCM) to establish its marketing center in Dubai. This step contributes significantly to the growth of Halal cosmetics market size where many companies registered with more than 400 products(AlBawaba,2007).

Since the global size of Halal cosmetics is approximately \$560 Million and it is rapidly increasing, many countries are trying to position themselves. Dubai capitalizes in Halal cosmetics

market and many efforts have been made to position the city as a regional hub for the distribution of Halal products- including cosmetics- which are worth of \$2 Billion globally( AlBawaba,2007).

Recently, there is a domestic as well as international demand for Halal cosmetics with high knowledge among customers about the ingredients of cosmetics and personal care products. Nowadays, many international exhibitions about Halal cosmetics and beauty products are being conducted in the UAE- such as Beauty World Middle East Exhibition which is the largest international trade fair-that offer high quality products that fit to the religious and cultural requirements of Muslim customers (AlBawaba,2007).

What enhanced the status of Dubai as a regional hub for Halal commodities-including cosmetics- is the domestic demand for such products. This demand is associated with improved level of knowledge among customers about the nature of cosmetics industry and the ingredients used in these products(Halaljournal, 2005).

### **MALAYSIA AS A HALAL HUB FOR COSMETICS INDUSTRY**

Halal cosmetics have been available in Malaysia for about 30 years, but they have witnessed a fast growth in recent years to reach 10-20% of the total market. Therefore, many Halal cosmetics brands are available in the Malaysian market such as Unza's Safi brand that was introduced in 1985 including skin care, colour cosmetics, hair care, shower cream, fragrance, deodorants, and toothpaste (Patton, 2009).

Besides that, Zaitun group is the pioneer manufacturer and market leader of Halal cosmetics and captures a huge market share.

Admittedly, Malaysia has been very successful in developing its cosmetics and personal care industry. Moreover, it has many institutions and governmental organizations to promote Halal products including cosmetics either for local customers or for export purpose. These institutions such as The Department of Islamic development Malaysia (JAKIM) and Malaysian External Trade Development Corporation (MATRADE) are responsible for ensuring the Halalness of products, including cosmetics, and for promoting Malaysian Halal exports overseas (Kamaruzaman, 2009).

### **WHY MALAYSIA?**

Among the objectives of the Third Industrial Master Plan of Malaysia (IMP3) 2006 – 2020, is to make Malaysia the “Global Halal Hub” for the production and trade in Halal products and services. There is great potential for developing and promoting Halal products and services in the global market;

- The Muslim population in the world is about 1.6 billion and spread across the world. It is estimated by 2010, the global Muslim population will be approximately 3.0 billion;
- Halal products and services are also gaining increasing acceptability among non-Muslim; and
- The global value in trade for Halal food and non-food products is estimated at USD1.2 trillion annually. This market has created interest among food producing countries, both Muslim and non-Muslim.

The growing interest in the potential market has hastened the move towards the development of global standards as well as expanded the coverage of standards to include activities such as logistics and packaging.

Malaysia has the edge in the development of the Halal industry as it is a modern Islamic country with an open economy and a well developed physical and institutional infrastructure, capable of supporting initiatives and programmes to develop and promote the industry.

Further, Malaysia has unique advantages in developing and promoting the Halal products-including cosmetics- and services industry. Moreover, there are many crucial factors that participated in making Malaysia is the best potential halal hub in the region. Some of these factors are:

- It is viewed as a progressive Islamic and business friendly country by both Muslim and non-Muslim world communities;
- It has established a firm industrial base and is progressing towards a higher level of industrialization;
- It is strategically located within the Asia Pacific region, with potential benefits from the presence of major areas of production and consumption;
- It has created a conducive operating environment, in particular, necessary policies and an efficient institutional infrastructure to support the development of the industry.
- Availability of Halal end-to-end services from Halal product traceability to Islamic Finance facilitation;
- Easier Trade & Market access into member countries of Organization of Islamic Countries (OIC) because Malaysia is the presiding Chairman;
- Malaysia is a nation which has enjoyed long period of political stability; and
- Being a multi-racial and multi-lingual country made up of predominantly Malays, Indians and Chinese, makes it easier to employ Chinese personnel for use of trade-lingual skills for export purpose into countries such as China(Halal Industry Development Corporation, 2009).
- Malaysia has a majority Muslim population, very important and strategic location, and good trade facilities and infrastructures. Moreover, Malaysia has been emerging as the most important centre for Halal products-including halal cosmetics-and services.
- Malaysian government has established very strong and updated infrastructure. Further, it has put in place the necessary infrastructures and support base and to leverage on its advantages to become a premier hub for halal products in general and halal cosmetics in particular. Moreover, it has capitalized generously on its strengths and advantages to position itself as a centre for investment, business, trading and distribution for halal goods- including cosmetics- and services, and has gained global recognition as an important hub for all things halal.
- The country has been growing dramatically from servicing merely the domestic market to catering to the wide marketplace. This will serve the Muslims as well as non-Muslims consumers.
- There have been sustained efforts of the Malaysian government and strong public-private sector cooperation to promote halal industry in the country and the ASEAN region alike.



Furthermore, the Malaysian government has been struggling to be the regional halal hub and the Halal trade center with very strong business connections with Arab and Islamic partners. This is evidenced by the growing volumes and value of the production and trade of halal products in Malaysia.

- The Malaysian government has been strengthening the efforts exerted by the Malaysian government targeting to positioning itself as the leader of halal industry either in the ASEAN as well as the international arena. One of its crucial steps toward that is objective of becoming the global halal hub set by the Malaysian government in Third Industrial Master Plan (IMP3). Evident of the strong institutional support by the government to develop and promote halal industry in Malaysia, several federal agencies have been mobilised to undertake this task. Chief of them are the agencies under the Ministry of Trade and Industries (MITI), namely Malaysian Industrial Development Authority (MIDA), Malaysian External Trade Development Corporation (MATRADE) and Small and Medium Enterprises Corporation (SMEC – formerly known as SMIDEC).
- Blessed with ample natural resources, favorable weather and strategic location in a dynamic economic region and major shipping routes, Malaysia has taken advantage of its features and characteristics to build its name as an international halal centre. It is at the forefront on producing various products based on Sharia principles for the domestic and international markets, and providing halal-related services. Malaysia is widely recognised as a leader in Islamic banking and finance, and has pioneered the introduction of many Sharia financing products and structures. In addition, it also buys products and procures services from abroad to meet the demand and needs of its majority Muslim population, hence acting as a catalyst for the trading of halal goods and services.
- In the Asian region as well as in the global arena, Malaysia has been the undisputed leader for its exerted efforts toward promoting the Halal products and the establishment of universe standards. Moreover, Malaysia has been the leader in the establishment of halal industry. Malaysia is the undisputed leader in halal trade and industry, and has gained global recognition for its efforts to facilitate the development of halal industry and its distinguished works such as accreditation, certification, R&D, and dedicated halal shipping service.

### **MALAYSIAN HALAL CERTIFICATION**

Since Malaysia has a vision to position itself as Halal hub in the region to promote, distribute, and produce Halal products and services to serve Muslims all over the world, the Malaysian government has been tirelessly exerting many efforts to achieve this goal (Muhammad, Isa, & Kifli, 2009).

In addition to that, Malaysia has established the Halal Certification for food and consumable products-including cosmetics- through the Islamic Development Department Malaysia (JAKIM) or State Islamic Council (JAIS). This certification is has been gaining the 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 (Muhammad, Isa, & Kifli, 2009).

Malaysia launched the Halal Certification MS1500:2004 in August 2004 with the commitment of its government to create practical guidelines for Halal compliance. MS1500: 2004 has been developed in accordance with ISO methodologies after several years of continuous hard work to introduce the first Halal standards globally. After many hard work years, the National Body of

Standardization and Quality (SIRIM) has completed the Malaysian standards MS1500, which provide comprehensive guidelines for Production, Preparation, Handling and Storage of Halal products. This Certification ensures the compliance with the GMP (Good Manufacturing Practices) and GHP (Good Hygiene Practices) and is also most widely recognized logo in the world (Muhammad, Isa, & Kifli, 2009).

#### **MALAYSIAN HALAL PRODUCTS RESEARCH INSTITUTE (HPRI)**

This institute is among the great efforts exerted by Malaysia toward becoming the Halal Hub in the Asian region. This institute is also considered to be the first of its kind in the world. The main objective of this institute is to establish and develop a universal Halal standards system (StandardsMalaysia, 2009).

HPRI focuses on developing methods to detect non-Halal components in products using the latest technologies such as Fourier Transform Infrared Spectroscopy, Electronic Nose Technology, Molecular Biology Technology, and etc (StandardsMalaysia,2009).

The director of HPRI Prof. Dr. Yaakob Che Man stated that the role of the institute is to authenticate the pureness of Halal products and consequently rising the consumers' confidence in Halal products. Moreover, HPRI has a significant contribution in the development and enforcement of Halal global standards which are based on Islamic principles through the conformation of products to Shariah requirements. Besides that, HPRI serves as consultant for many other local and international partners to authenticate Halal products and other business aspects (StandardsMalaysia, 2009).

#### **THE POTENTIAL OPPORTUNITIES FOR HALAL COSMETICS**

Since Muslim market is considered to be untapped market, it represents significant opportunities for cosmetics and personal care products. Therefore targeting Muslim market by providing consumers with Halal cosmetics could bring significant benefits to the cosmetics industry by providing alternative products which satisfy customers' religious requirements (Bird, 2006). It is also stated that any company will not consider serving Muslim consumers will be missing a significant opportunity for future business growth.

The potential growth for Halal cosmetics and personal care products is fuelled by the growing demand for safe, natural products that fit consumers' religious and cultural beliefs (HalalJournal, 2005).

#### **CONCLUSION:**

Muslims around the world are increasing in number and are expected to reach 1.6 billion by the few years to come. Therefore, there will be a new wave in the global cosmetics market which will result in demand for cosmetics products that meet religious and cultural requirements.

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, this create an urgent need to establish and develop universal standards for Halal products-including cosmetics.

All in all, the business environment nowadays shows that the investment in the Halal cosmetics industry is promising and feasible for the following reasons: First, the increasing number of Muslims either in Muslim or non-Muslim countries; Second, cosmetics consumers around the world are seeking natural and safe products, this explains why Halal cosmetics started penetrating non Muslim markets; third, the new Muslims generations are becoming more knowledgeable and highly educated to demand for products with Halal components; Fourth, the disposable income of Muslim women are increasing and consequently Muslim populations have been very important increasing global market segment. These reasons spell that there are great business opportunities by investing in Halal cosmetics industry.

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