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Business Challenges among Halal Cosmetic and Personal Care Entrepreneurs

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Abstract: The growth of halal cosmetic and personal care industry encourage the entrepreneur cosmetic and personal care applying halal certification standard to increase their business performance. Yet, a study and efforts to explain halal cosmetic and personal care challenges remain scant compared to other halal product such as food, slaughter, and financial banking system. This conceptual paper explores the business challenges faced by the entrepreneurs in halal cosmetic and personal care. The source of this study based on a library study review from available statistics, annual reports as well as reliable articles. Overall, there are several challenges faced by entrepreneurs in this industry that is fulfill consumer demand, understanding shariah requirement, market competition, and organization capability.

Key words: halal cosmetic and personal care, consumer demand, understanding shariah requirement, market competition

1.1 Introduction

The halal cosmetic and personal care industry has emerged as one of the fastest growing market impacted from the Muslim consumers that expressed their concerns and demanded for products which followed strictly on the halal principles (Sidwi et al., 2010; Hashim & Musa, 2016). Thomson Reuters (2013) reported that in 2012 Muslim consumers spent \$26 billion on cosmetic products and this expenditure is expected to grow to \$ 39 billion by 2018. Moreover, the growth of this industry is also supported by Tech Navio's (2014) that highlighted on the global and personal care market to grow at Compound Annual Growth Rate (CAGR) of 13.43 percent over the period of 2013-2018. These business environmental spell that investment in halal cosmetic and personal care industry is promising and has bright market. In the hope that it will influence entrepreneur of this industry implement the halal certification. For this reason, this study will identify the business challenges faced by the entrepreneurs halal cosmetic and personal care in Malaysia.

2.1 Background of the Study.

Based on the growth of the present halal cosmetic and personal care industry, the following section will explain the concept of halal cosmetic and personal care and a brief overview the development of halal

cosmetic in Malaysia.

2.1.2. Concept of Halal Cosmetic and Personal Care.

Cosmetic and personal care products have been around for years. This product is use externally by many people to keep their skin clean and healthy. National Pharmaceutical Control Berhad (2009) defines "cosmetic and personal care products are any substance or preparation intended to be placed in contact with various external parts of the human body such as epidermis, hair system, nails, lips and external genital organs or with teeth and mucous membranes of the oral cavity". The functions of the cosmetic and personal care is used for beautifying purposes, cleaning, perfuming, changing appearances and correcting a part of body or protecting them or keeping them in better conditions. While Puziah (2009) added the function of the cosmetic and personal care product are different based on their ingredient on the product such as moisturizing, anti-aging, and skin whitening. Examples of cosmetic and personal care products are makeup, perfume, tooth paste, shampoo, and deodorant.

Department of Standards Malaysia (2008) defined halal cosmetic and personal care products are permitted under the Islamic law. In this standard it is highlighted that the halal Cosmetic and personal care

products must fulfill the following requirement: “a) Do not comprise or contain any human parts or ingredients derived from there of; b) Do not comprise of or contain any parts or substances derived from animals forbidden to Muslim by Shariah law, to use or to consume or from halal animal which are not slaughtered according to shariah law; c) Do not contain any materials or genetically modified organism (GMO) which are decreed as *najs* (faeces) according to Shariah law; d) Are not prepared, processed, manufactured or stored using any equipment that is contaminated with things that are najs according Shariah law; e) During its preparation, processing or manufacturing the product is not contact and physically segregated from any materials that do not meet the requirements stated in items a), b), c) or d); and e) Do not harm the consumer or the user”. Referring to Danesh, Chavosh and Nahavandi (2010) halal cosmetic and personal care focused on all aspects of management system such as sourcing of halal ingredient, manufacturing procedure, storage packaging, and logistics. Based on the explanation we can summarized that cosmetic and personal care products can be categorized as halal if the ingredient criteria, production processing and safety for consumer are comply with Islamic law.

2.1.2 Halal Cosmetic and Personal Care Development in Malaysia

In Malaysia, the development of halal industry is through government intervention. This intervention can be seen in Halal Industry Master Plan 2008 as a policy to expand Malaysia as the Global Halal Hub in 2020. Through this policy, Malaysia want to develop halal cosmetic and personal care industry because this industry is among one of the strategic sectors that has been identified to create economic impact. This phenomena has been proven through report from Tech Navio's (2014) that mentioned the demand on Halal Cosmetic and personal care product in Malaysia will continue to increase from 2013 to 2015. To ensure that this industry will continuously expanding, the Department of Islamic development Malaysia (JAKIM) is accountable to recognize halal cosmetic and personal care product through

provision of the halal certificate. Furthermore, there are several accreditation agencies under Ministry of International Trade and Industry (MITI) who will be assisting the entrepreneurs in the halal cosmetic and personal care industry such as Halal Industry Development Corporation (HDC) focusing in halal industry development, The Malaysian Investment Development Authority (MIDA) responsible in promotion investment, SME Corp concern on SME development, and Malaysia External Trade Development Corporation (MATRADE) focal point in promotion investment (Ministry of International Trade and Industry, 2016). In addition, Halal cosmetics and personal care entrepreneurs prosper through the accreditation agencies provision of various types of business activities including organizing seminars and workshops to the potential entrepreneurs (Gumbri & Noor, 2012). This situation show that accreditation agencies play an important role in helping entrepreneur of cosmetic and personal care industries to develop their business.

3.1 Business Challenges faced by the Entrepreneurs Halal Cosmetic and Personal Care

Even though the accreditation agencies help halal cosmetic and personal care entrepreneurs fulfill the requirements of local and worldwide needs, these entrepreneurs were also confronted with the business challenges.

3.1.1 Fulfill the consumer demand

The opportunities in halal cosmetic and personal care market increased significantly on the consumer demands on halal products. The increasing level of awareness among the Muslims in choosing the halal cosmetic and personal care products will impact the customer's demand on halal products. Most studies showed there is a significant positive relationship between the consumer awareness and halal cosmetic and personal care products (Hussin, Hashim, Raja Yusof, & Alias, 2013; Hashim & Musa, 2013; Gumbri & Noor, 2012;

Daud, Aziz, Baharudin & Shamsudin, 2012). As a consequence, there will be more demands from the consumers on cosmetic and personal care products with halal certifications. This phenomena is supported by a research conducted by Hussin, et al., (2013) who explained that: a) consumers who intend to purchase halal cosmetics prioritized halal products over brands; b) consumers are willing to pay higher price for these halal products; and c) Consumers always look forward to buy quality halal products. Hashim and Musa (2013) indicates that consumers demand on halal products because they feel at ease when consuming those products. In brief, due to the impact from the consumers' awareness on the Islamic religious beliefs, the demand on halal cosmetic and personal care products will be increase. Zannierah Syed Marzuki, Hall, and Ballantine (2012) points out that products that have halal certification is perceived to have an impact on customers' trusts and return visits. Recent evidence suggests that entrepreneurs of the cosmetic and personal care plays an important role in providing products that is based on Muslim consumers' religious beliefs (Jabar, Wahid, Johar, & Rahman, 2016). This evidence will provoked entrepreneur of this industry to fulfill consumer demand by producing cosmetic and personal care products that follows the halal principles.

3.1.2 Understanding shariah requirement

Cosmetic and personal care entrepreneurs need to use the halal certification and logo as a way to inform the consumer that their products is halal. What is more concern as mentioned by Psomas, Fotopoulos, and Kafetzopoulos, (2011) in their study is the difficulties faced by entrepreneurs in implementing the halal certification standard based on the standard requirements. Yusud and Ab Yajid (2016) highlighted that "the major challenges faced by the halal industries is the shortage of knowledgeable workforce that understands shariah requirements and implementing this theoretical knowledge into actual industrial practice." In other words, cosmetic and personal care entrepreneurs should understand every single shariah

requirements in producing the halal products. The shariah requirements in producing the *halal* cosmetics and personal care products covers all aspects of the management system. Department of Standards Malaysia (2008) stressed on the important elements that must be accounted for such as sourcing of halal ingredient, manufacturing procedure, storage packaging and logistics to ensure that the cosmetic and personal care products is halal. For this reason, the cosmetic and personal care entrepreneurs need to understand thoroughly the shariah requirements in producing the halal cosmetic and personal care products for assurance that the products produced complied with the shariah requirements and can be trusted by the consumers.

3.1.3 Market competition

Based on the observation that was identified from Euromonitor (2015) report, non-halal cosmetic products from multiple international companies like Procter & Gamble (M) Sdn Bhd and L'oreal (M) Sdn Bhd maintained a strong dominance in the Malaysian cosmetic and personal care industries. Euromonitor (2015) also reported that the multiple international companies could sustained their performance on the cosmetic and personal care products in Malaysia's market due to the strong distributions and brand establishments. In contrast, the local entrepreneurs of the halal cosmetic and personal care products, were unable to compete with the non-halal cosmetic products from the multiple international companies. This situation happened because majority of the halal products entrepreneurs lacked to fulfill the demand in the market because most of them are from Small and Medium scale Enterprises (SME) companies and were unable to benefit from the capital markets that favored large corporations (National Association of Securities Dealers Automated Quotations, 2013). Apart from this, it poses a big challenge for the entrepreneurs of this industries to play competitive strategy either locally or globally in marketing the halal cosmetic and personal care products.

3.1.4 Organization Capability

Tech Navio's (2014) analysts forecast predicted that Malaysia have a great economic opportunities in halal cosmetics and personal care industry among Asia Pacific region from 2013 until 2015. The Halal cosmetic and personal care has the potential to boom in the future market and provide many benefits and become a key of motive for the entrepreneurs of this industry to produce halal cosmetic and personal care. However, based on report from Thomson Ruterns (2014) highlighted that even though Malaysia has the potential in developing halal cosmetic and personal care industry, this products do not rank as one of the main exporters compared to the OIC countries, such as Singapore and Egypt (Thomson Ruterns, 2014). This situation implies the capability of Malaysia to export the halal cosmetic and personal care product remains a question. The economic opportunity will be impaired if the Halal cosmetic and personal care organization did not have enough capability in producing the product.

4Conclusion

This paper attempts to explain insights and challenges faced by the local entrepreneurs in producing halal cosmetic and personal care products in Malaysia. This study determines the challenges into three categories as fulfill consumer's demands, understanding Shariah Requirement, Organization capability Market competitions. The challenges illustrate the important role of entrepreneurs in planning a strategy in developing the halal cosmetic and personal care industry. To conclude, this study requires further research to formulate a model strategy in assisting entrepreneurs in this industry

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