

## [LOG 21] THE CRITICAL ISSUES OF ADOPTING HALAL LOGISTICS SERVICES

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### ABSTRACT

*Halal is in the nature of business and trade, and is becoming a global symbol for quality assurance and lifestyle choice. The primary issue is thousand of products and services produced at the global level have different of Halalization process such as symbolism, logo and certification from countries such as Malaysia, Australia, Singapore, Indonesia and China. Segregation of Halal and non-Halal food products must be highly practiced to avoid contamination. Although Halal is booming and on an upward trend, there are very limited studies published on Halal logistics and academic research in this area is highly needed. This study aim to investigate the issues of companies to get the Halal certification, finance capacity of company and the government support towards Halal logistics company. This study is examined in the case of Halal logistics in Kedah. Results obtained from this study uncover the various issues faced by Halal logistics service providers and are categorized into three critical issues. (BARRIER 1) Halal certification issue, (BARRIER 2) Government support issue, (BARRIER 3) Financial issue. The data was collected via an interview and primary source was used. The respondents are from middle management in Halal logistics company. This study is exploratory in nature and data are collected through series of focus group interviews and process with narrative analysis. The researcher managed to underline the research limitation such as the lack of empirical evidence, lack respondents from non-logistics companies and the study only focuses on Halal logistics thus ignoring other Halal businesses such as Halal pharmaceutical and Halal tourism. Plus, the issues uncovered open more doors for potential future research on barriers and critical success factors in adopting Halal into logistics management.*

**Keywords:** *Halal; Halal logistics; logistics management; logistics issues*

### INTRODUCTION

In Malaysia, the Muslim population has increased from 10, 257, 341 or 58.62% to 14, 049, 379 or 60.36% in 2000 (Haslizatul Liza, 2011). According to Kettani (2010), the estimation of the amount in 2010 has increased to 16, 862,268 of the total Muslim population and as stated by Shafie and Othman (2006), this figure is expected to increase up to 30% in 2025 as cited by Haslizatul Liza (2011). Other than that, according to the report by the Pew Forum on Religion & Public Life titled “ The Future of the Global Muslim Population” , shows the number of Muslims in the world is set to double from 1.1 billion in 1990 to 2.2 billion in 2030 as cited by Hannamayj (Jan, 27, 2011). As we know the Muslims population increased from years to years, and it may

influence the demand in the Muslim market of the *Halal* product especially in *Halal* food demand.

As the population of Muslim people growth, therefore a demand for the *Halal* food also will be increase. According to Omar and Jaafar (2011), the *Halal* food market is valued more than 1.5 billion people and 70 percent of the Muslim market follows *Halals* standards. Other than that, not only Muslim consumed *Halal* food products, non-Muslims too prefer *Halal* products (Abdul Aziz and NyenVui, 2012) because *Halal* food products are cleaner, healthier and tastier.

Halal does not only cover food products and not only related to the purchase and consumption. But, Halal comprises the entire process of logistics activities. Significantly, there are thousands of services and products produced at the international level have different of Halalization procedure like certification, symbolism and logo (Fisher, 2011) from states like Malaysia, Singapore, Indonesia, China and Australia. In other hand, the segregation problem of Halal and non-Halal products, food should be always practiced to prevent any contamination (Riaz & Chaudry, 2004). Other than that, equipment that is used by workers to manage the Halal food items should not be shared to manage non-Halal food items because it will cause contamination.

## LITERATURE REVIEW

### **Halal issues in general**

Consumers are not required on the Halal products only, but also need service in Halal logistics (Kamaruddin, 2012). The critical issue of Halal in general is from the variety source of Halal definition, not use the standard of Halal logo by firms, wider usage of Islamic or Arabic brand names, and lack of responsible parties. From this issue, authority needs to responsible in providing the right information on standard of Halal into Halal logistics. This is to assure Halal concept that implement in Halal industry is the Halal which certified from government. Tieman is the researcher that considers this issue seriously. He interpret this issue that link with the Halal certification, Halal integrity, problem in process of certification, and fake certificate.

### **Halal certification issue**

Halal certification includes Halal (permissible) and Thoyyibban (wholesome) taken from Al-Quran, verse 168 Surah Al-Baqarah. Halal is an Arabic word which means permitted according to Shariah (Islamic) law (Lokman, 2001; Shaikh Mohd, 2006). Besides that, Thoyyiban means authentic, cleanliness, and safety, nutritious and good quality. Halal and Thoyyibban is a symbol of cleanliness, safety and quality (Shaikh Mohd, 2006; Mariam, 2006).

In Malaysia, Halal logo and certification are under supervision of Malaysian government. The government controls the system and lead by Department of Islamic Development Malaysia (JAKIM). JAKIM is the party that plays an important role in Halal certification process in Malaysia. JAKIM started operate since 1994 until now. Besides, the State Islamic Religious Department (JAIN) and State Islamic Religious Council (MAIN) have the authority to issue the Halal certificates and logos for local markets.

The process of Halal certification need a long time. Nowadays, companies choose to run their business without certification, and providing false documentation to cut cost. The owner of company thing that if they use a Halal raw materials they already assume that Halal for their business. So, they no need the Halal certification. The customers have confidence to purchase the product if the company own by Muslims (Caskie & Davis, 2001).

Lacks integration between JAKIM and Halal logistics providers also a critical issue of adopting Halal logistics. Logistics process is a challenging procedure in maintaining Halal logistics integrity. Halal Logistics Providers that handling Halal product assumes that there have followed Shariah principles, so there are Halal logistics without any certificate. However, due to lack integration between JAKIM and logistics player, the chances of contamination are greater. The lack of integration between JAKIM and Halal logistics providers is an obvious weakness. Halal certification authorities also lack the expertise in providing support to the industries (Shafie & Othman, 2006). Thus, this becomes a critical issue of adopting Halal logistics.

### **Government support**

Government as the political intervention is responsible in Halal logistics that include planning, developing, implementing, regulating, educating and promoting Halal logistics sector for developing logistics infrastructure and brings this industry keep growth. When government acts to promote of this industry, it will encourage people to involve in logistics industry whether in education or employment. The strong institutional supports by government to develop and promote Halal industry such as Small and Medium Enterprises Corporation (SMEC), Ministry of Trade and Industries (MITI), Malaysian External Trade Development Corporation (MATRADE), and Malaysian Industrial Development Authority (MIDA).

To strengthen Malaysia position as a main centre of Halal industry, the government has prescribed a strategy to become a global Halal hub in the Third Industrial Master Plan (IMP3). Introducing and applying the Malaysia Halal Certification and Malaysia Standards for Halal logistics MS2400:2010 is the government efforts to manage Halal logistics more standard. In 2004, government was developed MS1500:2004 that purpose as guidelines of production, preparation, storage and handling for Halal food. From this standard, logistics service provider had adapted both of MS2400:2010 as the guidelines and opportunities in providing Halal cold chain, warehousing and Halal transportation services. The efforts by Malaysian government in adopting Halal services can be seen from provide a standard certification, national budget for logistics development, education that related with the Halal logistics, tax exemption, and specific training (Ramli, 2006).

Lack of specific education for Halal course also would be the reason of not understand with this course. Education authority needs to enter the specific Halal learning into Halal logistics syllabus start from the vocational schools until higher education. Give early education is important to get interest from young people involved in this field. Government mentioned that, they already provide the Halal learning at the vocational schools, but it's not focused on the Halal logistics. To increase the knowledge and skilled workforce, need provide academic institution which is formal degrees that focus on logistics at the postgraduate, graduate and undergraduate (Jim Wu, 2007). Logistics educations need to be improved and develop a specific skill to meet industry

requirements. This can increase the experienced workers in the future (Gammelgaard & Larson, 2001).

### **Financial implication issues**

According to Halal Industry Development Corporation (HDC) in Budget 2016, Malaysian government grants RM100 million for the Halal industry. It will be used to lift the standards of local small and medium enterprises (SMEs) (Bernama, 2016). Chief Executive officer Datuk Seri Jamil Bidin of HDC said the grant was intended to improve the quality of Halal products through getting Halal certification as well as international standards such as Good Manufacturing Practice (GMP).

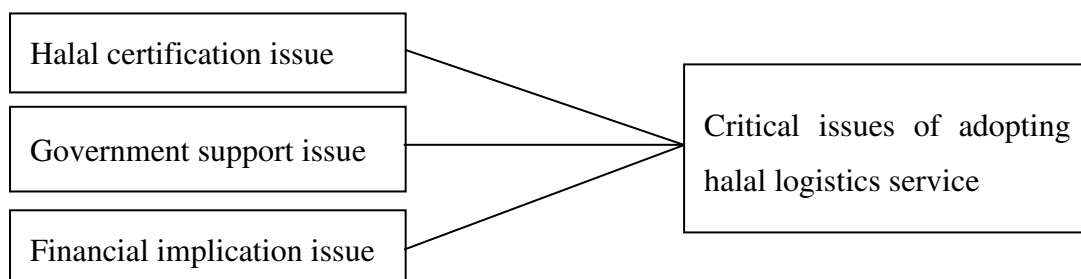
Handling cost considered as all expenses associated to product's movement from receiving until loading process. It also comprises waste disposal expenses, labor expense and equipment used to operate "Halal goods in motion". The cost is still a critical obstacle even though in the Halal LSPs have been using current Information and Communication Technology (ICT) for Halal control. In fact, ICT adopters still not ready to upgrade the information systems or implement other ICT services applications that are more advanced because the of adoption is high (Tan, Razali, & Husny, 2012).

The fee charge by JAKIM to get certificate is the same and there is no adjustment for the big and small companies. There it is very difficult for a small company continue to grow if they invest more money to get the Halal certificate compared to invest their money for other aspects. There is a perception that "Halal" may consist of a large capital expenditure for the separate storage facilities, handling equipment and the use of different cleaning program will cost more. Due to there is no enforcement of Halal producers to practice Halal warehouses and lack of awareness among Halal producers to maintain the integrity of Halal goods by using Halal warehouses. Therefore, it is difficult for the Halal warehouse to retain existing customers or get new customers.

## **METHODOLOGY**

This research objective is focus on issues in implement the Halal logistics service. The qualitative research is very and data are collected through interview with focus groups (Sekaran & Bougie, 2009). This research used non-probability because samples are selected based on the subjective judgment.

This research is focus on issues that already come out based on the previous research and being the most critical issues that collected from the survey at company selected.



**Figure 1**  
Research framework

This research have 3 company as respondents which are Company A,B and C. Based on the research framework, the issues of Halal Certification place at the first ranking as Company B mentioned about it. This is because the company faces the problem to renewal of certification that takes a long time. Furthermore, Company A just focus on Halal in products rather than services especially on logistics. Lack of government support also become a barrier to all company that make logistics provider and workers are lack of skills and knowledge about Halal logistics. Company A, B, and C agreed that financial implication is one of the problem to proceed Halal activities. All the respondents stated that the major issue financial is a negative perception and judgment of Halal logistics incurred more cost.

**Table 1**  
Selected representatives of company in Kedah

Company	Description
Company A	Focus on Halal product only not the whole Halal service
Company B	Practicing Halal logistics in warehouse activity but awaiting for Halal certificate
Company C	Poor understanding of Halal logistics among workers

From the Table 1, the data collection is a primary source, collected through interviews on focus group. To discovering news issue in realm researcher can use focus group for the tools (De Ruyter, 1996 & Sekaran & Bougie, 2009). Besides that, focus group is more natural, open minded, free flow and spontaneous to do a discussion (Walden, 2006), allowing the greater inputs for a Halal logistics issues.

The researchers will lead the discussion. Moderator plays an important role because they are responsible to lead the discussion by introducing the topic, throwing the question, observing, taking notes and recording the interviews (Sekaran & Bougie, 2009). The documentation of discussion is needed to analyze the discussion and come out with a result (Hannabuss, 1996). In addition, this study applied an unstructured question suggested by Sekaran & Bougie (2009), this is allows to detect several critical issues in Halal logistics service. The questions are derived from the previous literature in this research. The question is based on combination of Halal logistics information. This is done because to ensure the reliability and relevant research.

The participants involve in this interviews is middle management from each company. This is because they are responsible to make a decision for operation activity and they have an experience in these issues. All the interviews are recorded in Malays.

**Table 2**  
Focus respondents

Company	Type of company	Position	Years in the Industry
Company A	Food manufacturing	Marketing Manager	3 years
Company A	Food manufacturing	Assistant manager	1 years
Company B	Warehouse	General manager	12 years
Company C	Retailers company	General manager	8 years
Company C	Retailers company	Supervisor	3 years
Company C	Retailers company	Operators	4year

From the Table 2, the theme of focus group is based on critical issues and challenges in Halal logistics. The question is based on general to specific issues because to avoid a bias answer (Grudens-Schuck, 2004). After the discussion, data extracted, analyzed and conclusion will be drawn (Miles & Huberman, 1994).

## RESULT AND DATA ANALYSIS

The issues come out from the focus group, compared and repeated issues were deleted from the table. Table 3 illustrates the listing of critical issues in Halal logistics industry. All the issues are coded as ISSUE # and divided into three groups, coded as BARRIER #. These groups are provided in Table 4, based on the themes of the issues.

**Table 3**  
Critical issue in Halal logistics

Code	Issues Encountered
ISSUE 1	Process to get Halal certification difficult and take a longer time
ISSUE 2	Lack of understanding regarding Halal logistics
ISSUE 3	Negative perception and judgment of Halal logistics add more cost
ISSUE 4	Lack of Halal logistics training
ISSUE 5	Lack of government support
ISSUE 6	Standard set by JAKIM are difficult to abide and not cost effective
ISSUE 7	Lack integration between JAKIM and Halal logistics players
ISSUE 8	Lack of promotion by government
ISSUE 9	Large capital expenditure
ISSUE 10	Human capital and skill cost

All the issues in Halal logistics industry were divided into three categories. The first category is labeled as BARRIER 1 include of ISSUE 1, 6, and 7 indicates of issues of Halal certification. BARRIER 2 consists of 2, 4, 5, and 9 that specify the government support issue. Lastly, financial implication labeled as BARRIER 3 with four issues which is 3, 8, 10 and 11.

**Table 4**  
Groups of critical issues in Halal logistics

BARRIER 1: HALAL CERTIFICATION ISSUES	
Process to get Halal certification difficult and take longer time	ISSUE 1
Standard set by JAKIM are difficult to abide and not cost effective	ISSUE 6
Lack integration between JAKIM and Halal logistics players	ISSUE 7
BARRIER 2: GOVERNMENT SUPPORT ISSUES	
Lack of understanding regarding Halal logistics	ISSUE 2
Lack of Halal logistics training	ISSUE 4
Lack of government support	ISSUE 5
Lack of promotion by government	ISSUE 8
BARRIER 3: FINANCIAL IMPLICATION ISSUES	
Negative perception and judgment of Halal logistics add more cost	ISSUE 3
Large capital expenditure	ISSUE 9
Human capital and skill cost	ISSUE 10



According to Table 4 this is our explanation about our findings. BARRIER 1 focuses on collaborative issues between Halal logistics industry and authority which is JAKIM or HDC. According to General Manager of Company B, previously any certification process such as new application, renewal, standardize, auditing and others are under HDC authority. However, in 2011, all this matters changes to JAKIM responsibilities and this become a reason of confusion and more difficult process were occurred. These make the duration to receive Halal certification took longer time and disturb the whole business activities. In addition, JAKIM procedures become more difficult to comply and not cost effective. These make company think twice to apply Halal certificate, expressed Marketing Manager of Company A and General Manager of Company B. for example, Company C need to perform the sertu (ritual cleansing) on their lorry and this from company views is difficult and not cost effective. The workers cannot understand wisely and they do not want to precede that because so many rules to comply, expressed the General Manager. The Manager of Company A, B and C stressed that not all company afford to bear the cost because Halal logistics service incurred higher cost. The company already set a mind that Halal logistics activities just add on cost. Besides, JAKIM's requirements for logistics providers that wants to start into Halal business must have advanced facilities will become a weakness in the development of Halal industry. According to Company B and C, to maximize the profit and to invest millions into Halal in future will be difficult to logistics players. To encourage logistics providers to implement Halal logistics activity, JAKIM's can have standardization on their system. This can reduce the bureaucracy of their procedures. So, the company will apply the Halal certificate because not take a longer time. Besides that, JAKIM also can come out with the program to attract more logistics providers to implement Halal logistics.

BARRIER 2 expresses the issues lack of government support. These issues often emerge on the opinion from the research that relates with the issue in adopting Halal logistics. Based on the information from the interviewer, they are also mention the same problem. Company C stated that, government support is lacking in development of Halal industry including Halal logistics. They also mention that lack of understanding among workers on Halal concept make them ignoring this matter. Workers should trained correctly about the Halal concept in logistics to increase their knowledge and skill in managing wisely in logistics activity. Company C as the retailer they are facing the problem in Halal assurance in storing the goods because they have both of Halal and non-Halal products. Sometimes their workers are not aware that use the same tools in move the Halal and non-Halal goods. For the fresh goods, they are placing both of goods very near. This will make the Halal goods are not confirmed in a proper condition of Halal concept. Based on the problem that happened, they are deemed the specific training by Halal authorities. Other than that, logistics company stated that the program that provide by government is not relevant with their business and not sufficient. Government should take the initiatives to improve all of the previous things that already done in Halal logistics planning. Authority need improve in building of organizations by providing the facilities for Halal services and products. From this planning, it will facilitate logistics provider integrate with other company to provides Halal logistics. Government also have to build more centre of Halal logistics industry to easy the company cooperates in developing of Halal services. In certifications process, authority need to clearly standard in provide Halal certificate between federal and state Islamic Development Department. Besides that, government need provide higher education that specific in Halal course at many local universities. This is use to make education

institution as the platform to young people gain learning and skill of Halal logistics before working. Provide consultancy to other foreign companies also important as the effort of Malaysia in promoting the Halal logistics. It is to make the country would be a centre for other country getting Halal certifications and standards. In issue of difficult to get the Halal certificate due to the complex requirements, JAKIM need to upgrade the system of Halal certificate process to make services more efficient to Halal industry.

BARRIER 3 clarifies the Financial Implication issue faced in implementing Halal Logistics. Company B claimed that they have invested huge capital expenditure to build different warehouse infrastructure rather than conventional warehouse, manage whole warehouse activities, and to get Halal certification order to practice Halal Logistics as well. To separate Halal and Non-Halal goods in warehouse and transportation need significant investment in term of worker knowledge, which Company C agrees human capital and skill cost is crucial part to make sure all worker comply with the regulation and guideline. Therefore, what can be traced is the employees' understanding of how to dealing with a Halal activities are weak especially for non-Muslim whose do not have basic knowledge about a Halal. Company A is a Muslim company and most of worker already familiar with fundamental Halal process. These are not burden for them in term of spending more on human capital and skill investment toward generating skills and knowledge among workers. Furthermore, all respondents agreed on negative perception and judgment of Halal Logistics incurred more cost because the business running different transportation, warehouse facilities, differ on handling equipment and the player tend to set high price on service and product and create problem to offer low prices to the customers. This problem poses more risk to the overall Halal chain. To overcome these issues, Halal logistics company should set their philosophy "initial investment creates more opportunities in future".

## **CONCLUSION AND LIMITATIONS**

In conclusion, there are three critical issues in this research as general issues. (BARRIER 1) Halal certification issue, (BARRIER 2) Government support issue and (BARRIER 3) Financial issue and improve weaknesses in adopting Halal into logistics management. Although this research managed to come out with the critical issues in Halal logistics, there are several limitations need to be focused. Firstly, this research focuses on Kedah only, so this research needs a more evidence and findings to solve the issue. Future researches are required to provide a solution to this issue. Secondly, the respondent to this research is a logistics provider which is middle management and the result will be more biasness and lack of open mind towards the issue. Thus, the future research should include the authority of Halal logistics, government agencies, Halal production and consumers that use Halal services or products. Finally, this research has limitation on time consuming and this research have limited respondents. In future, Halal logictics management needs a lot of research to have great views and revision of the issue in Halal industry.

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