

Halal Supply Chain Stakeholders' Engagement Programme – Initial Exploratory Analysis towards Retail Study in Malaysia

Nur Hima Muhamad Rahim^{a*}, Sariwati Mohd Shariff^a, Anizah Zainuddin^b

^aMalaysian Institute of Transport, Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia

^bFaculty of Business Management, Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia

Abstract

Halal Supply Chain (HSC) Stakeholders' Engagement Programme is one of the programmes that gather the stakeholders from the Halal Industry which has been organized by Malaysian Institute of Transport (MITRANS) UiTM Shah Alam. There are around 57 participants from the various industry attended to this programme. This study is initial exploratory in nature and some of data are collected through focus group interviews during the programme. The objective of this paper is to share the summary of exploratory study findings on the Halal awareness specifically in retail industry in Malaysia. This study has adopted a qualitative approach where two purposively selected informants from few companies. Besides that, this study applies purposive sampling and judgement sampling as information are conveniently available from specific target groups. Thus, results obtained from this program uncover the various issues that faced by Halal players towards Halalan Toyyiban supply chain application. The issues were identified and categorised into four consists of supply chain management process which is not in Syariah compliance, lack of awareness on risk of contamination, Halal output did not well managed, and level of readiness towards HTSC certification. Actually, this paper is a part of doctoral study and it is hope it can be a good sharing or reference to the future researcher, government body, halal authority, higher institution, and academia towards readiness in HTSC application. Hence, in conclusion, further collaborative information are much needed in order to explore details about the implementation of Halal supply chain compliance especially in retail industry from the other retail outlet.

Keywords: Halal retailing; halal supply chain; halal awareness; halal certification

1. INTRODUCTION

The Malaysia Institute of Transport (MITRANS) at Universiti Teknologi Mara (UiTM) is the nation's centre for transportation research, logistics planning, consultancy and training. MITRANS has a strong history of research excellence in the fields of logistics and supply chain, maritime, urban and rural transportation, intelligent transport systems, highway and traffic engineering. Building on UiTM's breadth of scholarship and entrepreneurial heritage, we are engaged in multidisciplinary researches that address the real world challenges in the transportation industry today. Our aim is to deliver research results, innovative solutions and technologies that are of vital importance to the development and future of the industry (MITRANS, 2012).

We are also committed to research collaborations with leading overseas institutions. Lectures and visits from collaborating academics from the U.K, Europe, Asia and joint research programmes are specific initiatives that have been undertaken in order to consolidate MITRANS' position as an advisory transportation institute with a global reach (MITRANS, 2012). In addition, the vision is to become Malaysia's world-leading institute in transport and logistics knowledge while the mission is to provide service as a professional centre of excellence in strategic transport and logistics research, planning and development.

In 2009, about RM5 millions of research and educational grant from the Ministry of Higher Education (MoHE, 2009) with the support of the Malaysian Logistics Council (MLC) was awarded to MITRANS to propagate more

*Corresponding author. Tel.: +06 03-55442752; Fax: +000-00000000
E-mail:nurhimarahim@gmail.com

research on transport and logistics to be carried out for the nation. Meanwhile, the needs for postgraduate research assistants (GRAs), research assistants (RAs) arose that led to the creation and design of postgraduate programs in transport and logistics (Shariff, 2014). The establishment of HSC is an extension of the rating MITRANS as a Centre of Excellence in Higher Education (HICoE) and services. MITRANS is the first center of excellence in Malaysia to accept the rating as HICoE core services.

1.1 Halal supply chain (HSC) stakeholders' engagement programme

Halal Supply Chain (HSC) Stakeholders' Engagement Programme is a programme which has been organized by MITRANS on 8th July 2015 at Hotel Holiday Villa in Subang. The main objectives of the programme were as below:

- To share initial research findings with the stakeholders;
- To obtain further information related to Halal Supply Chain from the perspectives of policy makers, service providers and users;
- To provide a platform of networking and collaboration among the university, policy makers and industry;
- To provide realistic recommendations to policy makers, service providers and users on Halal Supply Chain implementation at the end of the research.

Additionally, the HSC programme is a focus group discussion whereby there are 7 groups involved. We have divided into 7 groups which were based on different research area that consist from 1) Human Capital, 2) Operation, 3) Operational, 4) Inter-organisational, 5) Information Technology, 6) Shariah, and 7) Food Sciences. Each table have representatives from industry and also representative from academic side, the researcher and graduate research assistant (GRA). This programme was successfully conducted and the researcher managed to gather the information and able to make in depth interview with the respondents. A number of 103 had joining this programme with below breakdown, as shown in Table 1.

Table 1: Total participants during HSC stakeholders' engagement program

List of Participants	Total
Industry People	57
Researcher	22
Graduate Research Assistant	24
Total	103

1.2 Halal overview

Muslim consumer nowadays is starting to concern more on Halal products since Malaysia has already taken seriously on approach towards developing Halal products. For the past few years, there is a significant growing demand of Halal products, both are from the Muslim and non-Muslim communities from all over the world. The demand for Halal products will always to be continuing not only in Malaysia but also in worldwide because of the Muslims population will become greater and estimated to reach around 6.1 billion in 2030. A well-managed supply chain management approach need to be adopted in order to cope with the increasing demand towards Halal food throughout the world as to maintain the availability and integrity of Halal food product itself.

Muslims worldwide today are facing an increase into their awareness towards the halal concept and as the demand for halal foods in compliance with their religious requirements (Quantaniah, Noreina, & Nurul, 2013). As not only Muslims people consumed that Halal food products but non-Muslims also tend to consume and prefer Halal food products as Halal food products are safe, clean, and healthier to eat and use for everyday (Aziz & Chok, 2013). Halal is a *Quranic* term which means permitted, allowed, lawful, or legal and the opposite of Halal which is Haram (non-Halal) which means unlawful and forbidden in the context of Islamic law.

In other words, Halal comes from an Arabic word which means permissible. The word of Halal is mainly associated with food but Halal does not only restricted to the type of food but also the way and how it is handled. Halal foods also can be defined as the food that comes from permissible sources and materials that handled according to the Islamic law. Muslims are forbidden from consuming food that do not come from lawful or clean sources.

“O mankind, eat from whatever is on earth [that is] lawful and good and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy”

(Surah Al-Baqarah, 2:168)

1.3 Halal food supply chain

In Halal food industry, for instance, Malaysia Investment Development Authority (MIDA) valued global Halal food in the year of 2013 was between USD600 billion to USD2.3 trillion and it is going to be more worth at USD6.4 trillion by 2030 (Ab Talib, Abdul Hamid, & Zulfakar, 2015). In addition, the evolution of demand for Halal products also will always keep increasing and continuing for worldwide since the Muslim's population becomes greater and it is estimated to reach around 6.1 billion in 2030.

Halal food supply chain also involved the process of managing Halal food products from different points of suppliers to different points of buyers or consumers with different parties, which are located at different places, who may at the same time, involved with managing non-Halal food products, with the purpose of satisfying the needs and requirements of both Halal and non-Halal customers (Ab Talib et al., 2015).

Furthermore, according to (Zulfakar, Jie, & Chan, 2012), Halal food consumers especially that come from the Muslim population are now more aware in their daily food consumption purchasing. With that, they do not only concern about the food ingredients whether it is Halal or not, but also curious about all the activities involved along the supply chain whether the products that they purchased were truly Halal. All activities in Halal supply chain process should be conducted based on Halal best practices including logistics activities which consists of Halal transport, Halal warehouse, and Halal retail (Tarmizi, Kamarulzaman, Latiff, & Rahman, 2014).

2. LITERATURE REVIEW

2.1 Retail operation

Nowadays, consumers are really concern on the integrity of Halal status and curious about all the activities involves along the supply chain management whether they purchased the truly Halal product or not. Halal SCM can be defined as the management of a halal network with the objective in order to extend the halal integrity from source to the point of consumer purchase (Tieman et. al, 2012). In halal supply chain management process from the origin as well such as from manufacturer to supplier there must be some break chain in terms of product handling process, equipments to be used in handling the halal and non-halal food especially, the extent to which they implement halal toyyiban in retailing operation, and so on (Curşeu, van Woensel, Fransoo, van Donselaar, & Broekmeulen, 2009).

It is going to be questionable about their vulnerabilities in managing the retail operation (Curşeu et al., 2009). Thus, halal supply chain process play an important roles in protecting the Halal status of any product through the proper flow of supply chain integration of manufacturing process, transportation, storage and handling within the supply chain until the product reaches its final destination. Halalan Toyyiban supply chain could be referred to the application of the Halalan Toyyiban principles along the supply chain activities which means all the activities ranging from the source of supply, storage, transportation, manufacturing, handling, distributing should adhere to the concept of Halalan Toyyiban as underlined by Islamic Law (Omar, Jaafar, & Osman, 2013).

According to Talib (2010), stated that adequate and appropriate equipment to handle, store, and transport Halal food products will help in protecting the integrity of the food products as the food products are segregated from other potential non-Halal elements that might cross contaminated it. Total physical segregation of which the Halal products will be stored in a different storage space whether in the warehouse, transit place, transportation units, or in-store. The starting point in the supply chain activities is to fully understand the product characteristics, the customer requirements, and the market itself. The product characteristics itself determine if the logistics focus on reducing handling cost, transport and storage cost, and reducing inventory. According to Talib et al., (2010), mentioned that during transportation, it is necessary to segregate between sealed Halal and non-Halal products.

Furthermore, the tools to handle packaged food products must not be mixed together with the one used for non-Halal products in order to avoid cross contamination. It is because consumer nowadays are concerned and aware not only on manufacturing process, but they also concern more on all the activities along the supply chain for the Halal products (Jaafar et al., 2011). Therefore, (cited in: Bouzaabia, van Riel, & Semeijn, 2013) Samli et al., (2005) found that in-store logistics operations consisting of the handling, arranging, ordering, and processing of merchandise within the store can thus directly convey value to the customer in terms of convenience and time saving, through an effortless interaction with the retail services cape. The intention of a Halal supply chain is to protect the Halal integrity which is already an important justification for a Halal supply chain management system (Tieman, 2011).

2.2 Halal awareness in retail

Some of Malaysian food manufacturers are still lack on the awareness towards the importance of management practice in the hypermarket. Manufacturers must have extra knowledge and awareness on management practices in order to avoid and to minimize the exposure of the risk contamination for halal food. Most of the companies are lack of awareness on halal audit and according to them the additional cost are considered as redundant and expensive (Abdul Talib, Mohd Ali, & Jamaludin, 2008).

According to (Heckmann, Comes, & Nickel, 2014), it will affect the company reputation, company image, profit and sustainability if there is no awareness and readiness for the retail management strategy within the company operation. Most of the halal manufacturers that came from non-Muslim are lack of awareness and understanding on the on halal food procedure (Ali et al., 2013). Thus, they still did not understand the benefit of practicing halal services to their customer.

2.3 Halal certification / Halal standard

Halal food certification refers to the examination of food processes which contain on preparation, slaughtering, ingredients used, cleaning, handling, processing and storage, and also including transportation and distribution. JAKIM has the right to encourage food manufacturers in order to apply for Halal certification and ensure their clients to obtain Halal certification successfully (Badrudin et al., 2012). In fact, halal certification also known as an eating premise which means that the entire food supply chain conforms to the Islamic dietary rules which do not tolerate haram (prohibited) materials (Marzuki, Hall, & Ballantine, 2012).

According to Ab Talib et al (2015), there is around 122 of Halal Certification Bodies and agencies that consisting from governments, non- governments' organizations, local mosque or Islamic societies (IHIA, 2011). In addition, Halal certification is a proof that the products observes Halal manufacturing procedures and also provides assurance to the consumers that the products is safe for Muslim consumption (Nakyinsige et al., 2012).

3. RESEARCH METHODOLOGY

A qualitative approach has been selected in this study because it was the best way to understand the concept of Halal supply chain in retail area in Malaysia. Qualitative studies deems necessary where the data are collected through a series of interviews and focus group (Sekaran and Bougie, 2009). Qualitative research is categories as the primary basis for organizing and reporting the results. The study use an explanatory sequential design where the second phase of data collection which qualitative analysis will be used to confirm on the reliability and significance of the propose model to the industry needs. As a qualitative study, purposive sampling was used to select the participants from a population of stakeholders. The sample frame was drawn from two subpopulations which consist of retail outlet and the participants or users. The researcher has adopted purposive sampling technique in selection of informants for the study (Ary, Jacobs, Razavieh, 1996).

The researcher also thinks that it was important to choose the right participants which could satisfy the purpose for this study. The data which may consist of interview transcripts, field notes from observations, a wide variety of records and historical documents, and memoranda, are treated to rigorous on going analysis. Three processes are blended throughout the study consists of collection, coding, and analysis of the data .This approach encourages the kind of flexibility so important to the qualitative researcher who can change a line of inquiry and move in new directions, as more information and a better understanding of what are relevant data are acquired (Blumer, 1999).

Table 2: Respondents in retail's table during HSC stakeholders' engagement program

Company	Description
Company X	Government Agencies
Company Y	Retail Company
Company Z	Hotel Company

Data collected for this study are obtained from primary sources, collected through series of focus group interviews. The researcher's acted as a moderator in the focus group. Sekaran and Bougie (2009) stated that the moderator plays a crucial role as he/she is the one responsible for introducing the topic, throwing the questions, observing, taking notes and recording the discussion. According to (Ezy, 2002), to build theory and interpretations from the perspective of the people being studied, simultaneous data collection and data analysis are the key elements to strengthen the methods. Before analyzing the data, each transcript was read a few times and the tapes were played

back as well. This was done so that researcher could recall and reflect back the interview session with the participants. The data will be recorded and the researcher will transcribe the scripts. Although there are scarcities of studies on Halal retail operation, the interview questions are designed from the combination of significant information from related Halal literatures.

The participants in this focus groups consists of five experts as Cooper and Schindler (1998) states that focus group should consists of six to ten respondents. Table 3 summarizes the respondents' information. In addition, the conversation between the participants was recorded using voice recorder devices with the consent from the respondents.

Table 3: Summary of focus group respondents

Company	No. of Participants	Type of Company	Position	Years in Industry
Company X	1	Government Agencies	Assistant Director	> 7 Years
Company Y	3	Retail Company	Assistant Manager	> 9 Years
Company Z	2	Hotel Company	Halal Officer	> 5 Years
			F&B Manager	> 10 Years
			Cost Controller	> 8 Years

The theme for the focus group was discussed about the critical issues, current problems, and challenges in improving their business operation towards Halal supply chain development. All the questions are designed and arranged from general to specific to invite openness and avoid bias (Grudens-Schuck et al., 2004). Based on (Miles and Huberman, 1994), conclusions are drawn once the data has been analyzed.

4. PRELIMINARY FINDINGS AND DISCUSSION

During the discussion, the issues faced by the respondents from the focus groups were listed, compared, and discussed. Table 4 shows the listing of issues and current challenges that has been faced in managing business operation towards Halal supply chain development. Based from the list, all issues are coded as ISSUE as per table below:

Table 4: Issues faced in managing the business operation towards Halalan Toyyiban supply chain development

Code	Issues
ISSUE 1	Supply chain management process is not based on Syariah compliance
ISSUE 2	Lack of awareness on risk of contamination
ISSUE 3	Halal Output
ISSUE 4	Not ready for Halalan Toyyiban Supply Chain (HTSC) Certification

Issue 1: Non syariah compliance based

Several issues that have been discussed during the program encountered during the focus group session by the respondents. All above issues have their own solutions which arranged on the discussion during the program. The first issue indicates that supply chain management process is not well managed and it was found that they were not in Syariah compliance based. The current state of supply chain operation in the organization (Company X, Company Y, and Company Z) are currently average and they are looking forward for improvements in Halal industry. The supply chain operation in the company was affected by the emergence of HTSC management due to changes in terms of regulations. The conventional supply chain process is different as compared to HTSC management. Furthermore, some of them are not really defined jobs description that fulfills the Syariah requirements. The supply chain process in the company are getting complicated when they are not really encompass all inbound and outbound transport services inclusive of the nature and description of containers and equipment. It also indicates that they are not really aware about the cover modes of transport in terms of placement, stacking, and storage conditions which all of us know it must be Halal. They rarely formulate and implemented Syariah based controls because some said it is difficult and hard to practice but is also depends on Syariah coverage.

Issue 2: Lack of awareness on risk of contamination

Next issues also covered pertaining to the risk of contamination where one of the company listed above has just started to formulate on the detailed halal toyyiban risk management plan in order to identify all the possible risk of the contamination in each of logistics process to substantiate the processes as halal compliance. Another company did not start yet but they able to manage the risk through halal critical point.

Issue 3: Halal output

Furthermore, other issues also express about the halal integrity and halal output whereby according to their perceptions, it was not really assured in halalness and toyyibaness because they only concern on halal product raw materials only. Another company also mentioned that the halal outputs in the supply chain and logistics services are not really well rest assured in halalness and toyyibaness because in terms of suppliers and transporter, they also have their own issue that arises anytime from warehouse to supplier. Besides, they also not really documented evidences and demonstrated compliance through syariah based work practices by the management and the workers in the organization. Sometimes they do but they will face the risk. they also are not fully based on syariah compliance in terms of image and trustworthiness as halal supply chain organization that offering halal products and services.

Issue 4: Not ready for halal toyyiban supply chain certification

Next issue covers about the readiness towards halal toyyiban supply chain certification. All the respondents do know about the concept of halal toyyiban supply chain certification and they all agree to apply for HTSC certification but not immediately because they need time to apply and will start through phase by phase. They also mentioned that this HTSC certification is a long time planning and not easy to start. Besides, one of the company also shared that they are quite worry about the pricing and availability of the products. Therefore, they are now encouraging and improving the management future planning with regards to HTSC standards and requirements.

5. CONCLUSION

As the demand for halal food products is expected to grow even bigger in the future, major factors such as halal certification, halal standard, halal traceability, halal integrity, and halal in retailing should be given a serious approach in order to ensure the needs and well-being of the halal food consumers can be satisfied and well protected. Halal certification plays a major role in domestic and international halal market. In conclusion, the initial exploratory study through this program has achieved its research objectives specifically to find out the current issues faced by the industry players in retail industry towards the readiness for Halalan Toyyiban supply chain application.

Therefore, it can be concluded that there are about four major issues encountered in Halal retail study. Several issues are coded with ISSUE 1 covers about the Halal supply chain management process which is not in Syariah based, ISSUE 2 covers about the awareness on risk of contamination, ISSUE 3 express about the Halal output, and last issue which is ISSUE 4 covers about the readiness for Halalan Toyyiban supply chain certification. As Syariah compliance becomes the main issue, it can be concluded that all the parties involved in Halal supply chain management process should play a big role in order to upgrade and increase the performance of the HTSC standards and requirements in the company. All of the respondents agreed that they need to concentrate and focus on the food process in terms of segregation of food that will lead to halal certification. Even though they affected by the emergence of HTSC management, but then they will slowly start improve on the direction towards HTSC management. Furthermore, they want to focus on the halal certification first and then they will follow by Syariah compliance because Halal is so expensive to start and Syariah compliance is actually very in-depth process.

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