

Doing Business in the Halal Market

Products, Trends and
Growth Opportunities





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DOING BUSINESS IN THE HALAL MARKET: PRODUCTS, TRENDS AND GROWTH OPPORTUNITIES

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INTRODUCTION



Halal, an Arabic word defined as permissible according to Islamic law, is required in the consumption of both goods and services for Muslims. While most products such as food, beverages and beauty and personal care products can sport a halal label, apparel and footwear are an exception, and for services only foodservice can acquire a physical halal certification. However, it is still necessary for Muslims to lead the halal way of life, which means ensuring their consumption, behaviour, dressing, social interactions and every other aspect is aligned with Islamic beliefs. Hence, for industries that do not own a physical halal certification such as tourism and fashion, the characteristics of the goods or services consumed by a Muslim have to abide by Islamic law.

Taking food as an example, meat products, except pork, which is not permissible in Islam, have to be sourced from healthy animals that were slaughtered in a single cut. During transportation and processing, there should be no cross mixing of halal products with non-halal; and sanitary regulations should also be upheld from the abattoirs to the points of sale. Certain agencies may also add additional regulations such as the presence of at least one Muslim worker on the premises.

The Muslim population stands as the second-largest worldwide and the fastest growing religion globally in 2015 and is projected to increasingly claim a bigger share of the world's consumer spending. For Muslim consumers, choices for both goods and services are largely influenced by faith, such as halal products, the need for basic prayers five times a day and fasting during the month of Ramadan. Therefore, an environment catering to their religious needs, as well as businesses certified in complying with Islamic requirements, boosts the attractiveness of a product or service to this consumer group.

Certification and infrastructure are essential to cater to Muslim-targeting businesses

Certification plays an important role in ensuring compliance to Islamic law and in assuring consumers of the reliability of halal products. The enforcement of Islamic jurisprudence providing businesses with clear guidelines and support greatly eases the process of halal certification. Stable infrastructure and standardised certifying processes also boost the country's recognition and reliability in the global halal network. Some examples of halal certifying bodies are the Islamic Food and Nutrition Council of America (IFANCA), the Japan Halal Association (JHA), the Russian Islamic Research and Information Center in Halal Industry (RIRIC), the South African National Halaal Authority (SANHA) and the Halal Food Council of Europe (HFCE).

The country-specific laws and certifying bodies, however, pose a challenge to multinational companies (MNC) that wish to expand into the niche Muslim consumer base. With different certifying bodies and processes across various countries, MNCs have to comply with different sets of rules, and in some countries, the guidelines are still unclear. This naturally calls for a global halal certification. The presence of a global hub will result in a smoother production chain, where the higher processes required such as farming for halal products will be transparent and standardised. Other parts of the production chain in the global halal industry like logistics and transport will also be under a unified body. To this, there are several pros and cons for business in various sectors, which will be investigated within this white paper.

Gaining the trust of both the Muslim consumer and the wider audience

While certification and maintenance of processes within halal are important for businesses to gain trust from consumers, many businesses fail to develop due to their focus just on certification. As such, new product development and marketing strategies are less prioritised. The company automatically caters to a niche group of consumers and likely fails to reach out to other groups. Hence, awareness plays an equally important role for businesses to maintain an expanding pool of consumers. Many consumers are unaware of what constitutes a halal product and may avoid it from apprehension. Significantly, many global controversies surrounding the religion, such as the ruthless rise of Islamic extremist group ISIS, shook the global positioning and branding of the Islamic economy. Thus Islamic councils and businesses in the halal industry must be able to appeal to a broader audience to ensure growth.

In Australia, a controversy arose when the cost of certification was mistakenly believed to be absorbed by non-Muslim consumers, essentially subsidising the religious beliefs of a minority group. Companies responded that the compliance fees paid to certification bodies did not affect pricing and instead helped companies increase their business opportunities with new markets like Indonesia. However, consumer trust plays a big part in influencing the direction of a business. For example, the Fleurieu Milk and Yoghurt Company announced removal of its halal certification following anti-halal abuse on social media. Thus, this shows the importance of taking into consideration environmental and socio factors that will affect the reception of halal-certified products in a market. Each article in this white paper will feature markets which are more suited for certain industries.

Halal also exists beyond just food, with halal cosmetics and beer gaining traction in many parts of the world. Even halal fertiliser exists. Despite the label, businesses have an opportunity to prove that their products are not only for the Muslim consumer, but for all consumers. For example, modest wear does not only apply to Muslim women, but also for women who are more conservative dressers. Food slaughtered according to Islamic law has been said to be healthier for consumption due to the drainage of blood and bacteria upon severing the artery, vein and windpipe. The absence of pain from loss of blood could also appeal to the rising prominence of animal rights lobbyists. Hence, businesses portraying halal-certified products in a beneficial way, appealing to a broader audience not necessarily subscribing to the religion, will be able to reap greater rewards.

This paper examines the specific challenges and opportunities present for a variety of products, from beauty and personal care, apparel, food and beverage, to tourism applicable for key halal markets across the globe. Each section addresses how businesses can compete in the halal market, highlighting development opportunities as well as potential for the future.



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FOOD AND NUTRITION



Politics of halal certification in non-alcoholic beer

Islamic jurisprudence around the moral and religious definition of non-alcoholic beer (NAB) as 'halal' has faced increased debate in recent years. The dispute regarding the acceptability of NABs in Islamic dogma is primarily centred on the production process: if it involves fermentation followed by alcohol extraction, then the output would be considered non-halal. This is even if the drink has negligible alcohol content, generally at the levels found in most fruit juices. Yet other dilemmas are faced by the NABs industry in selling products in Muslim-significant markets.

Positioning as a beer or soft drink

Even if a NAB manufacturer is willing and able to change to a halal-certified production process, the dilemma lies in its positioning. It is generally understood that NAB in Western markets is used as a platform to indirectly promote alcoholic variants to circumvent regulatory restrictions. However, in countries with significant Muslim populations this is a lesser concern due to the relatively stricter regulation regarding sales of alcoholic drinks. The dilemma then falls on the decision of whether to position the product as a beer or soft drink in order to circumvent consumers' perception of NABs in order to create demand from a wider consumer pool.

In Muslim-majority markets demand for NABs is aided by positioning such products as soft drinks or malt beverages in order to avoid the alcohol connotation. The use of religiously sanctioned halal labelling can aid volume sales by promoting acceptance among a wider consumer base. So far, Iran is the only Muslim-majority market to apply nationwide halal certification for NABs, as observed with its largest brand, Delster.

It is likely that such initiatives in Southeast Asia and the Middle East and Africa will boost sales of NAB products. Yet there are markets that have gone in the other direction and further regulated the category. Turkey's ban on non-alcoholic beer in 2012 and 2013 by the Tobacco and Alcohol Market Regulatory Authority prevented the sale of NABs, forcing the delisting of Anadolu Efes' non-alcoholic Efes Alkolsüz.

Is a global halal certification system likely?

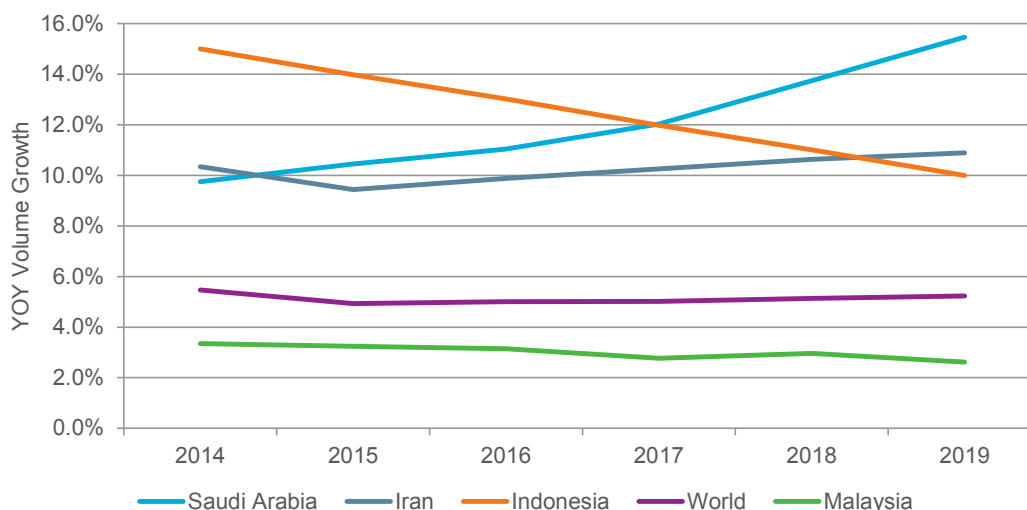
In 2015, Malaysia pushed for the development of region-wide halal certification among the Southeast Asian political and economic bloc – ASEAN – to promote the halal industry. However, there has been some push back from countries such as the Philippines, considering the market is majority-Christian with no nationwide halal certification system. Furthermore, there may also be a pushback by commentators in Gulf Cooperation Council (GCC) markets regarding what they consider Malaysia's 'liberal' interpretation of Islamic dogma surrounding what qualifies as halal.

There are political, economic and religious dynamics that complicate the demarcation of what is halal and what is not. Furthermore, there are the grey areas of general acceptance or full certification. In 2011, Malaysia's National Fatwa Committee stated that Aujan Industries Co's non-alcoholic beer / malt-beverage Barbican is permissible for consumption by Muslims, as the drink is not processed to make it alcoholic. Yet the brand has not obtained official halal certification, further highlighting the irregularity in this intricate area of Islamic jurisprudence.

Who will benefit from halal certification?

If a halal certification system is established in the ASEAN region or at global level, soft drinks companies will likely obtain such certification, but alcoholic drinks players are likely to face some difficulties. Besides possible changes to production processes, alcoholic drinks companies are unlikely to obtain certification due to their brands' links to alcoholic variants. It is likely that they would have to shed the beer connotation of their products, or remove any beer-related branding from their NABs line.

Non-alcoholic Beer Volume Sales Growth, 2014-2019



Source: Euromonitor International

Some Muslim-majority markets, such as Indonesia and Malaysia, have yet to fully exploit the NABs market to its fullest. With collective market volume sales of 21 million litres in 2014, both markets make up less than 1% of global sales, but account for 17% of the global Muslim population. There is vast potential for these markets to grow NAB sales if a halal certification system is applied nationally and regionally. Furthermore, soft drink-positioned brands such as Fayrouz in Egypt and Barbican in Saudi Arabia will likely obtain a competitive edge over brands with an alcohol connotation and boost their sales. On the positive side, this will help boost a category that is underexploited in emerging markets and raise awareness and / or acceptance of NABs in a wider consumer pool.



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Halal boosts fresh meat performance

Demand for halal meat, an important feature of life across Muslim communities, is growing rapidly as the Muslim share of the global population has increased steadily and is projected to reach about 26% by 2030. This growth means halal meat products are expected to enjoy steady increases for years to come.

Fresh meat volume growth high in Muslim countries

Euromonitor International's fresh food statistics show that total volume sales growth of fresh meat in predominantly Muslim countries is often higher than regional and / or global averages. Turkey, for example, registered 11% growth over the 2009-2014 review period, while Western Europe showed a decline of nearly 1%.

In the Middle East and Africa region, fresh meat volume sales rose by 19% over the same period, well above the global average of 13%. Strong growth was recorded in many Muslim countries within the region, for example the United Arab Emirates at 33%, Egypt at 28% and Morocco at 19%. In these markets, nearly all meat is halal by default and only small quantities of clearly labelled non-halal meat can be seen in a few shops and hotel restaurants to cater to tourists and expats from the West.

In Asia-Pacific, Pakistan, Indonesia and Malaysia also performed well, registering fresh meat volume sales increases of 54%, 16% and 15%, respectively, between 2009 and 2014.

Rapidly growing foodservice channel propels halal meat

In other countries where Muslims make up an important minority, between 3-10% of the population in countries such as France, Germany and the UK, the rising demand for halal meat manifests itself on several fronts and particularly in the consumer foodservice channel. For example, Middle Eastern full-service and fast food restaurants are usually very popular in such countries and, even though their customer bases may be mostly non-Muslim, the food they offer tends to be halal.

Euromonitor International's consumer foodservice data shows that Germany is by far the largest market for Middle Eastern full-service restaurants, with value retail sales price sales of EUR2.3 billion in 2014, accounting for 23% of the regional total.

Many fast food and restaurant chains in the UK offer halal meat. For Middle Eastern fast food, the UK leads the way ahead of other Western European countries, with 2014 value sales of £3 billion (EUR3.7 billion), equating to well over a third of the region's sales.

The UK is also the largest market for chicken fast food, which is very popular among Muslims. In 2014, value sales of chicken fast food amounted to £2.1 billion (EUR2.7 billion) in the UK. About 100 KFC outlets and a fifth of Nando's restaurants around the country serve halal-certified chicken. They rank first and second, respectively, in the UK's chicken fast food channel with Chicken Cottage ranked fourth, Dixy Fried Chicken ranked fifth and Perfect Fried Chicken at seventh, all using halal chicken.

Subway, the second ranked player in bakery products fast food in the UK, with sales of £488 million (EUR605 million) in 2014, has been using halal meat in its sandwiches sold in selected outlets since 2007. All chicken served by the chain of leading pizza restaurants, Pizza Express, is halal.

Growth performances for the foodservice channel in many of the predominantly Muslim countries are encouraging. For example, in Indonesia and Malaysia, chicken fast food value sales soared by 77% and 41%, respectively, over the 2009-2014 review period. In the Middle East and Africa region, they rose by 56% overall. Burger fast food also displayed impressive sales growth in Indonesia at 105%, Malaysia at 82%, Egypt at 121% and the United Arab Emirates at 108% over 2009-2014.

Speciality butchers: a winning shopping destination for halal meat

Traditional independent retailers selling halal meat remain important shopping destinations and not only in developing markets with a low proliferation of modern retail formats, such as supermarkets, convenience stores and discounters. In the developed countries of Western Europe with highly concentrated modern retail, Muslims still buy halal meat mostly from independent halal butchers and other specialist retailers.

In Germany, an estimated 80% of the nearly five million Muslims who follow a strict Islamic diet head to Turkish or Arabic specialised retailers, as halal-certified meat and other food products are rarely found in supermarkets.

Although many supermarkets, such as Carrefour and Casino in France and Asda, Morrisons, Sainsbury's and Tesco in the UK, offer fresh halal meat and meat products, consumers continue to show great loyalty to local specialist butchers. Halal butchers have the advantage in terms of consumer trust, customer service in preparing and cutting meat to exact requirements and the range of cuts and prices, especially for bulk buyers.

Supermarkets lose on trust because, in many instances, they fail to clearly label halal products as such or explain the slaughter method. For example, imported New Zealand lamb from halal abattoirs sold in UK supermarkets has not been labelled as halal.

Clear labelling is the way forward

The growing halal market offers increasing opportunities to meat and poultry farmers, manufacturers, retailers, exporters and foodservice operators.

Religious slaughter practices are allowed in most countries, although there is an ongoing debate on the acceptance of variations in slaughter procedures. Currently, halal labels do not explain whether meat comes from pre-stun animals or non-stun slaughter.

In order to respond to the demands of Muslim consumers, a consensus on halal meat requirements must be reached. Furthermore, a universally accepted halal standard label should be introduced to help inform Muslim shoppers that the food offered to them is sharia-compliant.



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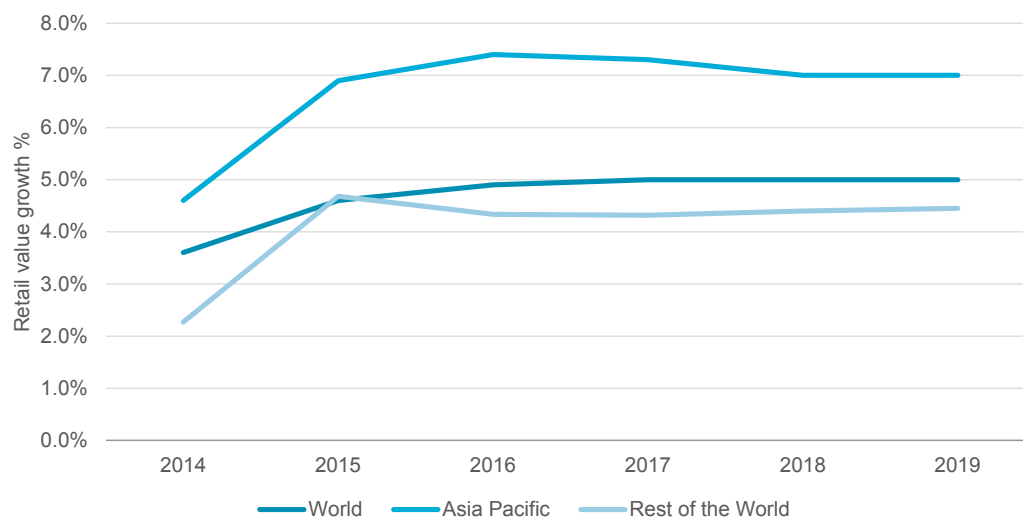
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Demand for halal food rising in tandem with growth of Southeast Asia

Southeast Asia is home to many Muslims and with many growing and developing economies in the region, the natural result is an increased demand for halal products. Southeast Asia is fast developing into a goldmine for businesses targeting the Muslim consumer across all business sectors. This potential is more apparent for packaged food, which is seeing robust growth in Asia Pacific over the forecast years 2015-2019, with markets like Vietnam, Indonesia, Thailand and the Philippines leading the way. The region is seeing healthy growth for packaged food, at 10% in 2014, topping that of the rest of the world's over the same period, with the world's average at 3%. Factors such as health and wellness, rising discretionary income, increasing education and awareness of global food trends strengthen the potential of this region.

Growth of Packaged Food YOY, 2014-2019



Source: Euromonitor International

Consumer trust remains a vulnerable factor in developing markets

Logistics and reliability of food sources remain a challenge for halal products with developing nations despite attempts at aligning halal certification requirements. With imitation products and the black market still going strong, there are many gaps especially higher up the supply chain where the purity of ingredients cannot be closely monitored by certification agencies or end businesses. Even for markets where halal infrastructure is comparably more stable, false accusations of contamination will also adversely affect the brand image. For example, Mondelez International Inc. suffered a setback in 2014 when DNA traces of pork were incorrectly found in two lines of its halal Cadbury Dairy Milk chocolate tablets under its subsidiary Mondelez (M) Sales Sdn Bhd. The controversy caused many Muslim consumers to question the reliability of the brand and forced the company to engage in fresh marketing strategies to reassure its customers of the consistency in quality and safety.

Compliance can be strictly monitored if many parts of the production chain are localised. Increasing focus on self-sufficiency to maintain food security strengthens the country's production capabilities, thus reducing the need to outsource halal packaged food. Starting in 2014, this long-term goal started falling into place in Malaysia, Thailand, Vietnam, Indonesia and the Philippines as they improved their Global Food Security Index (GFSI) scores. Although international collaboration is an ideal prospect, in the foreseeable future countries have to focus on maintaining their own halal standard.

Crossing over with secular food trends

The problem with businesses focusing on the hard technicalities of halal compliance is that the broader dynamics of halal go ignored. Core halal requirements include method of animal slaughtering, ingredients and maintaining halal integrity throughout the production chain. However, halal has links to humane ethics, including fair treatment of animals, organic food and environmental friendliness. Entering the market with these goals in mind helps businesses garner the attention of not only Muslims, but the broader consumer base who are interested in environmental sustainability, animal welfare and health and wellness. This highlights the importance of keeping abreast of other trends affecting the market and not just focusing on the core demographic of their more niche consumer group.

In Southeast Asia, where halal is not as sensitive as in western economies due to higher penetration of Muslims, businesses have less cultural roadblocks to overcome. In the UK, despite high demand from Muslim consumers for halal to go mainstream, supermarkets and other foodservices have maintained discreetness in obtaining their halal logos. These cultural nuances do not exist in Southeast Asia and halal packaged food products are more accepted with businesses are freer to position themselves as a brand catering to the Muslim consumer.

Leveraging on the Southeast Asian halal infrastructure and eco-system

The launch of the ASEAN Economic Community (AEC) in 2015 is an opportunity for businesses to arm themselves with proper compliance and certification to secure their place in this vibrant food space. Harnessing local knowledge to establish relationships with credible sources is an added advantage to maintain quality assurance in markets where production chains may be unclear. Many governments in Southeast Asia are improving the state of their halal infrastructures as they recognise it represents a gap in the industry, where secular food trends outpace that of Muslim consumers.

The rising interest in halal food in Muslim minority markets is already apparent even in markets like the Philippines, where the number of halal foodservice outlets was observed to have grown vastly since 2010. Among the Southeast Asian nations, halal certification from Singapore, Malaysia, Indonesia and Thailand are most recognised. This is owing to the established in-country halal eco-system supported by the government. Recognising that its neighbours have a running head start in the halal industry, the Philippines approved its first halal abattoir in April 2015. Its availability of livestock puts it in a good position to supply neighbouring countries with halal meat, especially with the expected ease of food trade in light of the AEC and the existing arrangement of meat supply mainly from Australasia. Businesses can leverage on other improving government initiatives to target this niche consumer segment which previously lacked clear guidelines and support.



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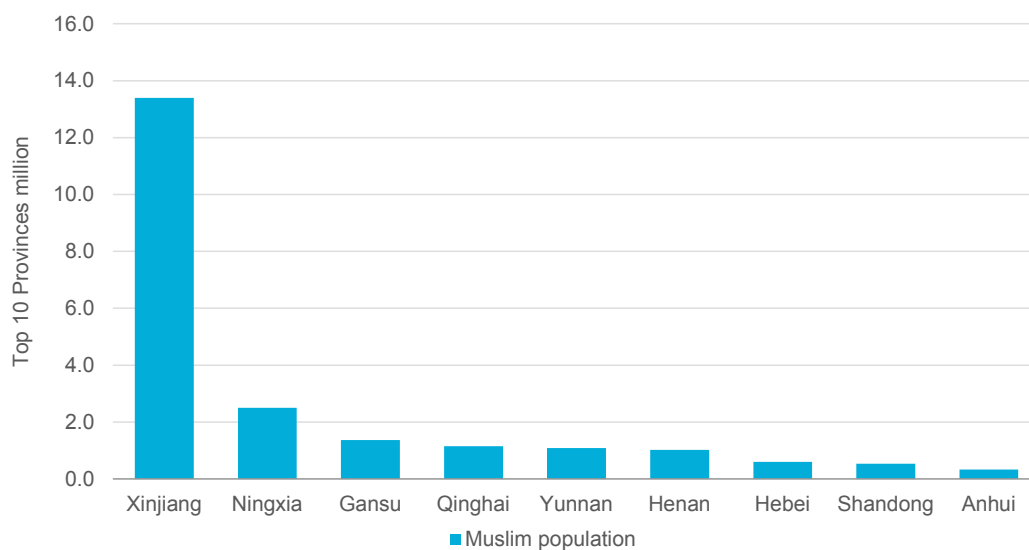
Halal foods in China: trends and opportunities

Muslim population in China

The Muslim community in China is approximately 26 million, a minority accounting for just 2% of the country's total population. Although there are Muslims living across China, the majority live in Northwest China including Xinjiang, Ningxia, Gansu and Qinghai provinces, accounting for 70% of the total Muslim population in China.

Despite the relatively low Muslim population, the profile of Muslims is younger than the national average. 18% of Muslims are from 1-9 years old, 10-19 years old accounts for 23%, 39% and 24% higher, respectively, than the national average of China. This young and growing community is expected to help boost halal foods sales in the long term. Especially in Xinjiang where over 60% of the population is Muslim.

Top 10 Provinces of Muslim Population in China



Source: Euromonitor International

Improving regulation and certification of halal foods

Founded in January 2008, Ningxia Halal Foods International Trading Certification Centre is the first halal foods certification centre in China. The centre created the General Provisions of Halal Food Certification in March 2013 with approval officially provided by the China Certification and Accreditation Administration in September 2014. The Centre is expected to certify halal foods in seven provinces including Ningxia, Shaanxi, Gansu, Qinghai, Yunnan, Liaoning and Guizhou. With certification rules continually improving, ongoing halal food industry standardisation will help support healthy growth of the category. For example, the certification centres are regional only and China currently lacks national standards and legislative support. Because Muslims are a minority in China, the government is more concerned about general food safety in the country over the religious requirement of halal foods. Currently there is still no national law or regulations for halal foods, with regional associations expected to continue playing the key role.

Regional players still dominate while more national players emerge

Muslims mostly live in Northwest China, the most underdeveloped region in China which offers limited opportunities for large-scale manufacturers. Hence, few national players are located in Northwest China, which allows regional niche companies to dominate. By the end of 2014, there are approximately 10,000 small-scale halal foods companies in Gansu province with total production value of RMB6 billion. Of the 10,000, only 115 have yearly production value over RMB10 million, indicating a highly fragmented market for halal foods. On the other hand, it also means there is great potential for large scaled companies to emerge in the local halal foods industry.

With the growing market for halal foods, more national players with full or partial halal product lines are growing. The biggest halal food company in China is Inner Mongolia Yili Industrial Group Co Ltd, which operates a product portfolio of halal foods including milk formula, powder milk, drinking milk, yoghurt and ice cream. Total revenue of Yili in 2014 reached RMB54 billion. The company is also actively developing premium organic halal foods. Retail sales of its organic halal milk brand Satine Organic increased from RMB93 million in 2010 to over RMB2.7 billion in 2014.

Processed meat is a major industry for halal foods in China, with multiple national players offering halal meat lines. Shineway Group, one of the biggest processed meat companies, established its halal meat production base in 2009 with total investment of RMB2 billion with yearly production volume reaching 110,000 tons. Other leading processed meat companies including People's Food Holdings Ltd and China Yurun Food Group Ltd also have halal meat production lines.

Opportunities and challenges of halal foods in China

Migration and urbanisation keeps evolving in China, leading the Muslim presence to expand from Northwest China to other regions alongside increased consumer spending. The younger population and profile of Muslims also indicates higher sales potential, helping stimulate the demand for halal foods.

Demand for halal foods is coming not just from the Muslim population in China but also from non-Muslims as well. With Muslim culture expanding and manufacturers' education about halal products increasing, opportunities to expand sales beyond traditional consumers exist. Halal foods are considered to be healthy and hygienic, particularly after food safety scandals across China. A growing number of non-Muslim consumers prefer halal foods, as they are deemed safer. Hence, halal foods are seeing distribution expand in areas with a limited number of Muslim consumers in cities such as Shanghai. Shanghai has only approximately 80,000 Muslims but features many halal food and restaurant options.

There are also several challenges. For regional niche companies, capital shortage restricts further development for the halal industry. In Qinghai, 70% of halal food companies described a lack of capital as a hindrance to growth with financing difficult to obtain from banks and other financial channels. Besides capital shortages, a lack of technology infrastructure and talented staff are serious problems for halal food companies. Because the companies are mostly regionally located in Northwest China with basic infrastructure, an underdeveloped economy and bad weather, hiring talented staff is difficult. All these factors severely limit the development and growth of regional halal food companies.



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Halal food in Western Europe: a booming yet controversial sector

Fuelled by the growing Muslim population in Western European countries, the halal food market has enjoyed unprecedented growth in recent years, becoming one of the fastest-growing food sectors.

While there is no official consensus regarding the value size of this market in Europe, several associations and certification bodies provide different estimations, varying between €40 and €100 billion. It is in any case indisputable that the halal food market is a multibillion contributor to the European economy.

Consumption of halal food products varies from country to country

The UK and France have emerged as the two main markets for halal food in Europe. As a rule, consumption of halal food, or products which are permissible under Islamic law, is proportionate to the size of the Muslim population in any given country. In fact, France and the UK combined are home to 11 million Muslims, according to estimates by think tank Pew Research Center.

There are however exceptions to this rule. Social scepticism and a lack of appreciation regarding the opportunities this sector harbours have hindered sales of halal food in some European countries, even in those with a sizeable Muslim community. For instance, Spain, with an estimated population of two million Muslims and conceivably the Western European nation with the largest Islamic inheritance has only recently gained an understanding of halal produce and it is still not present in mainstream channels.

What is fuelling the demand?

Without question, the key factor that has fuelled demand of halal food products in Western European countries is the increasing Muslim population. In many countries manufacturers and retailers are responding to this demand. Tesco and Carrefour, among other major European retailers, have included halal products on their shelves, mainly fresh food and ready meals but also increasingly frozen meat. Likewise, some manufacturers have altered their product lines to incorporate halal products, namely Nestlé, PepsiCo and Kellogg's.

Although to a lesser extent, Islamic tourism has also enhanced sales of halal food products in Europe, particularly in consumer foodservice outlets. In a similar manner to requesting hotel rooms which face Mecca, it is now becoming more common for Muslim tourists to demand halal food and drink products when visiting a non-Muslim country.

Halal food engages the wider population

In some countries such as the UK, the production of halal meat, estimated to represent 10-15% of total meat sales, outsizes the proportion of the population that is Muslim (less than 5%). This has been in part due to manufacturers and distributors aiming to appeal to Muslims without alienating non-Muslim consumers, maximising sales opportunities in both segments.

Some of these non-Muslim consumers willingly opt to purchase halal food products, yet the majority of consumers are probably unaware that they are consuming them. This is either because products are not clearly labelled or because restaurants lack sufficient transparency in this regard. The Italian-style restaurant Pizza Express in the UK found itself caught up in a controversy in 2014, for instance, after it emerged that customers had not been informed that all chicken served across its network was halal.

Challenges ahead: is halal the next big food fad?

Industry prospects certainly look promising. Europe's Muslim community will continue to expand, expected to represent 10% of the population by 2050, as forecast by Pew Research Center. This indicates that there is strong potential for the growth of both fresh and packaged halal food, as well as for consumption through consumer foodservice outlets.

Nevertheless, experts agree that for halal to really break through it must also be truly embraced by non-Muslim consumers. This has already been proven to be no easy task. While the industry seeks to appeal both segments, two significant factors are playing against this goal.

One barrier is certification. Most Muslims welcome the reassurance of certified products with clear labels ensuring that the food is halal. However, this might have an undesired negative effect in that it may inadvertently discourage non-Muslims from purchasing these products. A possible solution may be the use of more discreet – while remaining official – halal signage, which would enable manufacturers to continue convincing the Muslim market whilst minimising rejection from non-Muslim consumers.

The other major obstacle is regarding the broader acceptance of halal meat products in particular: whether the animal should be stunned prior to slaughter. According to Islamic laws, the animal's throat, jugular vein and windpipe must be cut with a sharp knife and all the blood must be drained out. Stunning the animal before the slaughter is allegedly not allowed. Some non-Muslims perceive that process as somewhat cruel and believe it causes unnecessary suffering to the animals. Even within the Muslim population there are diverse opinions. The controversy deepens when it is considered that some consumers may be unknowingly buying the ritually slaughtered meat. The concern has been such that it has resulted in the banning of religious slaughter in some countries such as Sweden, Norway or Denmark. Other countries, such as the UK, have shown no intention of banning such process.

The solution to this controversy is not straightforward as the issue is a double-edged sword: if retailers choose to apply the stunning procedure, some core-consumers may consider it unfit. On the other hand, opting not to stun animals increases the risk of alienating non-Muslim consumers.

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Halal: a key growth area in British packaged food

Major UK supermarkets are responding to increased demand for halal produce on their shelves. Tesco, Sainsbury's, Marks & Spencer, Waitrose, Morrisons and many others have expanded their halal selections from predominantly meat produce to include halal confectionery, breads, cereals and snacks. Adjusting production methods and substituting ingredients to cater to the needs of various consumer groups isn't a new concept. UK supermarkets already offer comprehensive ranges of kosher, gluten-free and organic food that prove popular with specific consumer groups in the UK. While halal selections may currently not be as extensive as some of these other niche areas, Kellogg's cereals, McCain lightly spiced wedges and many other leading brands are beginning to transform their business to accommodate the increased demand and now offer halal-certified products across UK retailers.

In foodservice, chicken giants are dominating, with KFC and Nando's capitalising on the opportunity presented by halal, by rolling out massive nationwide trials of halal-certified restaurants. On the back of these successful trials, Nando's is producing a variety of halal-certified sauces that are retailing across most major UK supermarkets. Having previously enjoyed massive success with its peri peri sauce range, Nando's has ventured into the spicy chilli sauce retail space, where it currently ranks second, behind only Encona. Together, these Nando's / Encona halal-certified products accounted for over 60% of spicy chilli / pepper sauces sold in the UK in 2014. There are still a small number of non-halal Nando's sauces and marinades available, but, from its overall strategy, it is clear that catering to a definable minority can be just as crucial as catering to a diverse majority.

Halal sparks Kingsmill revival

Kingsmill bread (Associated British Foods Plc) is a prime example of how a willingness to adapt to the demand can increase growth. After seeking accreditation by the Halal Food Authority (HFA), Kingsmill has gone against the grain and continued to be a dominant force with an RSP share of 15.9% in 2014.

The cognisant aspect of Kingsmill seeking accreditation by the HFA was that it coincided with its packaging relaunch, which was announced in December 2011. Kingsmill's closest competitor, Hovis, continues to see a significant decline in UK packaged bread, with a drop in sales of US\$112.1 million from 2012 to 2014. Kingsmill recognised that, despite operating in a difficult market, there are untapped areas that are conducive to growth, one of which being the opportunity to draw in a wider range of consumers by appealing to British Muslims. Kingsmill's adaptability and willingness to seek a halal label, while still maintaining its traditional British identity, has helped to stabilise its position within UK packaged bread as competitors struggled.

Chilled and frozen ready meals have proven popular with UK consumers, being valued at US\$3,631 million RSP in 2014 and are proving to be a great opportunity for companies willing to offer halal-friendly alternatives. One of these companies is the relatively new 'ieat' range which offers consumers both British and world cuisine ready meals that are Halal Monitoring Committee (HMC) certified.

Nando's sauces, Kingsmill bread and ieat ready meals offer just a brief glimpse into the opportunities that producing halal can offer. A unique opportunity may exist in halal energy drinks. Outside the UK, there are a variety of halal-certified energy drinks, but finding these on UK supermarket shelves proves extremely difficult.

ieat Halal Packaging



Source: Euromonitor International

The challenges of halal labelling

There are a number of halal food accreditation bodies in the UK, including the Halal Food Authority (HFA), Halal Monitoring Committee (HMC), Halal Authority Board and The Muslim Food Board – each one offering varying definitions of what constitutes halal and what is haram (forbidden by Islamic law). This lack of unity in halal accreditation has become a contentious issue for UK consumers, as it largely relates to animal welfare arguments in halal meat production.

Several national tabloid newspapers have published articles criticising halal methods of slaughter and, without a unified response by halal accreditation bodies, consumers can lack the knowledge needed to make informed purchases. Halal certification issues are largely focused on meat production, but it is worth noting that ongoing debates remain a challenge to halal in the UK.

Brands like Kellogg's and McCain have overcome these issues by opting for Halal Food Authority (HFA) accreditation, which avoids much of the controversy that halal in the UK has previously experienced.

Halal Monitoring Committee (HMC) and Halal Food Authority (HFA) Logos



Source: Euromonitor International

British halal to gather momentum

Across Europe, the population of people who identify themselves as Muslim has grown significantly over the past decade, with the Muslim populations in several major European countries experiencing double-digit growth between 2004 and 2014. The UK has experienced similar growth and, with Muslims making up such an important minority (approximately 5% of the total UK population), the UK halal market is proving to be a key growth area in packaged food.

The companies listed above are by no means a comprehensive or exhaustive list of those willing to delve into this market, but offer an insight into the present conditions that are dictating the conditions of the halal market. Companies are starting to realise that by seeking halal accreditation within the UK they can appeal to a much larger group of consumers as these minorities' roots grow deeper within the UK.



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BEAUTY AND FASHION



Halal sporting apparel

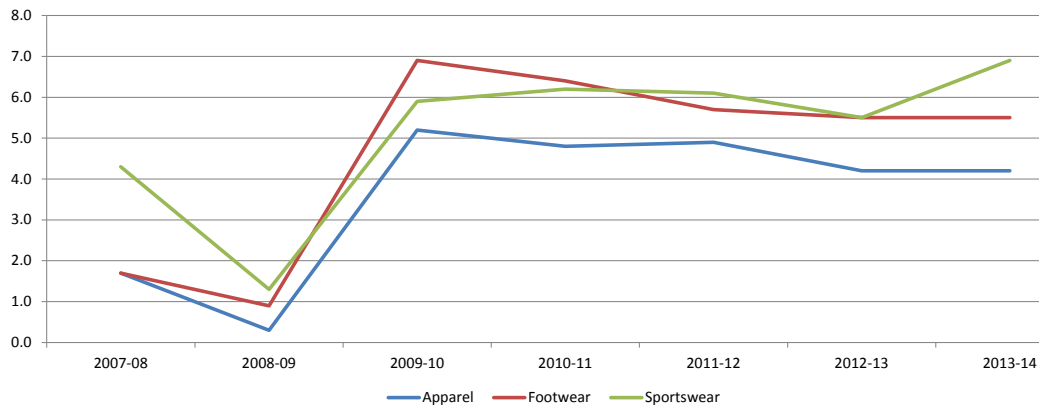
'On December 11, 2005 a riot occurred on Cronulla Beach in Sydney's south targeting men of 'Middle Eastern appearance'. Phrases like "100% Aussie Pride" were scrawled in the sand while slogans such as "We grew here you flew here" became a new source of national shame. In the following days, Lebanese-Australian youth rose up, responding swiftly in a series of retaliations.'

Source: Cronulla Riots: The Day that Shocked the Nation, SBS documentary, 2014

Sport is a cornerstone of Australian society, and since the 2005 Cronulla Riots, a violent sectarian clash in a beachside Sydney suburb, it has also been at the forefront of efforts in community awareness, integration and acceptance of the diverse multicultural face of modern-day Australia.

But beyond faith, ethnicity and cultural ties, sporting apparel has experienced 12% growth in Australia over the past five years, which is a significant figure given that total apparel has grown 9% during the same period.

Australia is not alone in this case: around the world surging consumer interest in health and fitness participation, coupled with an increase in the number of brands merging sportswear with fashion, led to a 7% rise in sportswear's global retail value in 2014 and 31% growth (at a 6% CAGR) over the past five years.

Apparel and Footwear Global Retail Value (RSP) YOY % Growth 2007-2014

Source: Euromonitor International

Although women's products significantly outsell men's in the global apparel and footwear market, for years sportswear was strictly a men's market. This is changing, however, and women are now the key target audience.

Nike, for instance, the leading global apparel player, has started to increase its fashion profile as it pursues the women's market for performance sportswear and sports-inspired apparel. In April 2015, it announced the launch of its womenswear collaboration with Sacai, a Japanese label designed by ex-Comme des Garçon designer Chitose Abe. The company additionally opened stores dedicated to women's sportswear in California's Newport Beach, Shanghai and London. Nike says the women's line could add \$US2 billion in additional sales by 2017, and Nike's #BetterForIt campaign of 2015 represents the company's largest global marketing effort to target women to date.

Not to be left out in the battle of the hashtags, Adidas announced a new direction for the brand in 2013, with its "All In For #MyGirls" campaign. An extension of the Adidas "All In" marketing campaign launched in 2011, #MyGirls promotes stories of girls and women in sport around the world, from South African footballers to London bike polo players, Austrian freeskiers to New York dancers.

In Australia, local and international companies within women's sportswear have developed an entire lifestyle concept, providing customers with clothing items and experiences. For instance, Lululemon offers customers complementary yoga classes where it promotes its clothing and accessories through brand ambassadors. Nike has successfully organised "She Runs the Night", a women's-only fun run, supported by an extensive marketing campaign that includes brand ambassadors in charge of organising weekly run clubs in different locations around Sydney and sharing tips, such as workout apparel and footwear preferences.

Given this growth trajectory – and renewed focus on gender-based marketing and new product development – there is globally a movement to encourage women and girls in sport, irrespective of their religion.

Veiled Muslim women, however, have long faced obstacles to participating in sport, both from within their communities – as exercising in public with mixed gender crowds is considered unacceptable – and with opposition from sporting federations in regards to uniform requirements.

However, Islam encourages both men and women to engage in physical activity as a way to maintain a healthy lifestyle. It is just a matter of ensuring that the sports are practised in an acceptable manner, which largely comes down to dress code and single gender sports.

The availability of modest sportswear for women has been limited in the past, but the landscape is changing as opportunities within sporting apparel are explored.

In an interview with Euromonitor International, Aheda Zanetti, the creator of the “Burqini” and founder of Ahiida, an Australian-based company that has pioneered modest sportswear for Muslim women, revealed she was inspired to act after watching her niece struggle to play netball in a cumbersome hijab. The lack of suitable sportswear ignited her desire to revolutionise sportswear for the modern Muslim woman in Australia. Since its prototype in 2004, the Burqini is now more comfortable and practical, made from a lightweight high-performance polyester fabric, which acts as a water repellent. This means that the garment doesn’t cling to the body, thus still maintaining the wearer’s modesty.

As the Australian community was left reeling in the aftermath of the hatred and violence of the Cronulla Riots, fought between young Anglo- and Lebanese-Australians at Sydney’s Cronulla Beach, it was Zanetti’s Burqini that emerged as one of the most positive images of the whole incident.

Following the riots, the federal government funded ‘On the Same Wave’, a programme run by Surf Life Saving Australia and designed to increase the ethnic diversity within local surf lifesaving clubs, in particular, by training young Muslims as lifesavers. Mecca Laalaa, one of the program’s first female recruits, was photographed wearing a burqini in the traditional red and yellow surf lifesaver colours on Cronulla Beach, and soon after Zanetti was inundated with orders.

'On the Same Wave introduced a greater diversity of participants to the activities of Australian Surf Life Saving and challenged the iconic stereotype of the blond, blue eyed, muscular, male lifesaver as images of a young Muslim women engaged in a surf lifesaver role were broadcast worldwide.'

Source: 'Gender and Cultural Diversity in Australian Sport', Carmel Foley, Tracy Taylor and Hazel Maxwell, Sport and Challenges to Racism, 2011

Zanetti also created the "Hijood", which is essentially a hood that fits snugly around the face and chin, with a pocket in the back for a woman to tuck her hair in. In 2004, Bahrain's Ruqaya Al-Ghasra, became the first Muslim female runner to wear a hijab at the Olympics and did so wearing Zanetti's patented Hijood.

Of the design, Al-Ghasra said: 'It's great to finally have a high performance outfit that allows me to combine my need for modesty with a design made from breathable, moisture controlled fabric that allows freedom of movement and flexibility... I hope that my wearing the Hijood Sports Top will inspire other women to see that modesty or religious beliefs don't have to be a barrier to participating in competitive sports.'

Al-Ghasra won the women's 200m final at the 2006 Asian Games in Doha, making her the first Bahraini-born athlete to win a major international athletics gold medal.

Indeed, there has been a conspicuous increase in the participation of Muslim women in elite sports as amendments have been made to the regulations regarding their apparel.

In 2011, for instance, weightlifter Kulsoom Abdullah won a campaign to change the sport's rules regarding what athletes can wear in competition, with the International Weightlifting Federation (IWF) approving new guidelines for female competitors who wish to cover up.

In March 2014, FIFA announced the lift of the ban on head covers after a two-year trial. The wearing of head covers had been banned as FIFA considered that these garments could pose a threat to players' safety. With the new guidelines competitors are allowed to wear a hijab or turban during football matches.

The International Basketball Federation (FIBA) announced a two-year trial of head coverings, such as hijabs and turbans, in September 2014, in certain competitions. Anything larger than a 5cm headband had previously been banned by the sport's governing body.

Although veiled Muslim role models in sports are somewhat limited, overall participation and attitudes towards sports have improved in recent years. The common voice of the elite athlete Muslim women are that they are happy to defy fundamentalist views on them participating in sports, so that they may pave the way for future generations of Muslim women to have equal opportunity to compete and experience the health benefits of exercise.

In Australia, an example of the community recognising the importance of team sports is the Auburn Tigers, the first women's Australian Football League (AFL) team in Western Sydney, which includes a number of Muslim women from diverse cultural

backgrounds. Formed in 2011, the team was approved by the community, including the local imams, which following the Islamic legal concept of Maslaha (for common good) agreed that a women's team would bring benefit to the community. In terms of apparel, the veiled Muslim players opt for black or white hijabs, tracksuit pants or long shorts with compression tights, which are now acceptable as part of the new inclusive AFL uniform rules. The team was backed by the Greater Western Sydney Giants in 2014 and, re-named as the Auburn Giants, now plays in the Sydney Women's AFL competition.

AFL is the highest-level professional competition in the sport of Australian Rules football, a sport played large oval-shaped grass surface with a ball similar to a rugby ball. The sport has the highest spectator attendance of all sports in Australia.

There are opportunities for modest sporting apparel beyond competitive sport, with government, communities and individuals pushing initiatives for a more inclusive approach to sports in Australia. One programme that has succeeded in promoting Muslim female participation is WimSWIM, a leisure swimming program organised by the New South Wales state government, offering women's-only swimming lessons. The NSW government also offers several women's-only sporting activities across the state. Given the popularity of "bootcamp"-style fitness workouts within the wider community, private ventures such as Dolly's Bootcamp are making their mark. The family-run gym, which encourages women of all ages to work out in Western Sydney, has attracted over 200 clients, mostly Muslim, enticed by the venue's women's-only mix of outdoor sprint circuits and indoor workout sessions.

Given Australia's outdoor lifestyle and multicultural population, demand for modest sportswear is expected to continue to grow. With most of Australia's population concentrated in coastal regions and families sharing a fair amount of time at the beach or swimming pool, items like the Burqini are expected to gain in importance as more Muslim and non-Muslim women recognise its multiple benefits, including sun protection, flexibility and modesty. In the case of Muslim women, particularly, the Burqini has become a stepping stone as it has enabled them to be more involved in beach-related family activities and lifted limitations of those who felt confined in the domestic sphere, thus further strengthening their family bonds.

Although new product development within halal sporting apparel has been relatively slow, with the Capster, a sporting hijab from Dutch designer Cindy van den Bremen, and Burqini introduced to the market more than 10 years ago, the segment has benefited from global trends in the sports category, including the emergence of sports-inspired apparel. With a new generation of fashion designers, retailers and bloggers closely following global fashion trends and adapting them to be religiously acceptable, there is certainly vast potential for halal variations on contemporary "sports-luxe" or "athleisure" trends.

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The emergence of a Muslim fashionista: opportunities and challenges for the global apparel industry

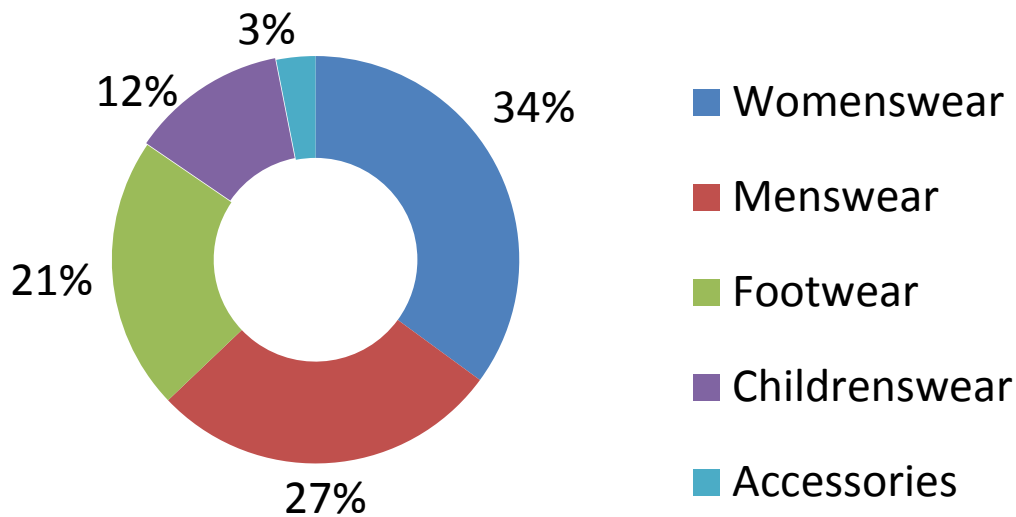
Fashion has always been a means of expression; the products we choose and the brands we select ultimately reflect our attachment to a particular group with similar mindset, values and social status. Muslim women are no exception when choosing fashion styles. And though traditions and cultural preferences may vary, there is still an adherence to traditional Islamic values that promote modesty amongst women. However, the rapid urbanisation of many Muslim-dominated countries has brought with it an expansion in product portfolios and retail options showcasing global fashion trends. As such, there has been a desire amongst Muslim women to see clothing that acknowledges these more modern fashion styles but is respectful to Islamic tradition.

Stylish modesty enters the catwalks

Modern fashion styles are a trend that has been slowly gaining traction in the Muslim world. For example, in 2007, the Islamic Fashion week held in Jakarta, Indonesia proved to be an overwhelming success. The event remains the largest annual Islamic fashion show to date and inspired local start-ups in Turkey, Malaysia and Indonesia to introduce apparel that combines up-to-date fashion with the Islamic value of modesty. However, despite the progressive and modern elements that have been showcased by these local companies, most of the product lines are designed to cater to specific local tastes and do not successfully service other countries, let alone an international audience.

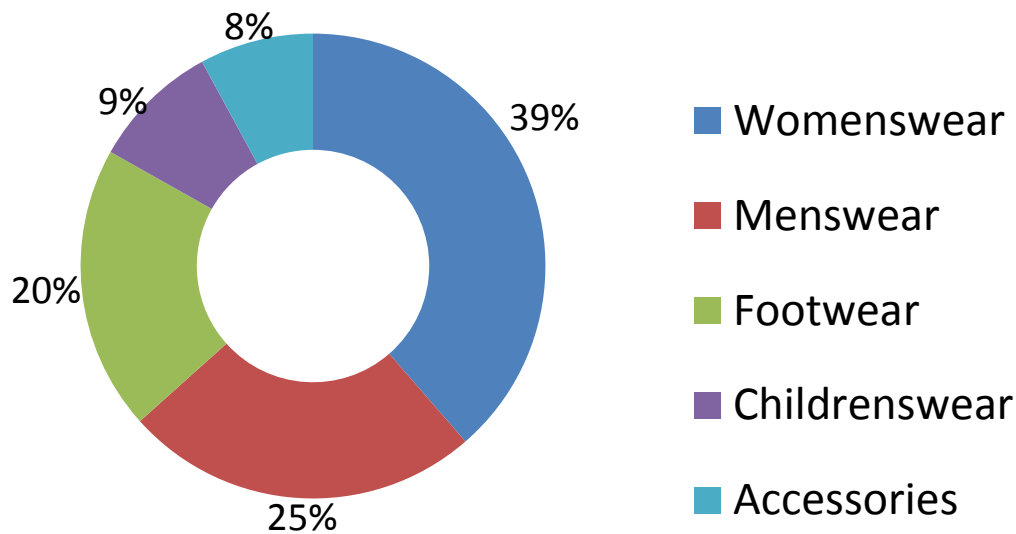
As a result, the rising interest in Islamic fashion is currently outpacing supply, and the Muslim shopping experience is often a frustrating one. The modern Muslim woman, whether in Turkey or the UAE, wants to wear clothes with similar prints, materials and accessories popular amongst women in the U.S. and Western Europe. International haute couture and runway-inspired designs by international retailers such as H&M or Zara are therefore often admired, but in many cases, do not meet the required standard of modesty. Most of the clothing is tightly tailored, has unsuitable necklines or hemlines and may not provide a matching headscarf. The huge and increasing consumer segment of young and urban Muslims interested in a modern lifestyle – which includes acknowledging current global fashion trends – is left with a small selection of clothes from which to choose. In the Gulf region, where disposable income is high, the market has therefore witnessed increasing demand for custom-made options to fulfill the current gap in product offerings. And in developed countries, where the availability of even more traditional clothing lines for Muslims is limited, small start-ups catering to this consumer segment are reporting a tremendous success. One such example is Hijab House in Australia. The fashion house opened its doors in 2010 and provides stylish and up-to-date clothing lines suitable for Muslim women. Recognising the success and showcasing an example of the diverse demand from a young Australian generation, Hijab House was even featured on Canberra’s fashion week, called FASHFEST in 2014.

Organisation of Islamic Cooperation (OIC) Countries Value Sales Split in 2013



Source: Euromonitor International

Global Value Sales Split in 2013



Source: Euromonitor International

Islamic fashion: a missed opportunity

As such, Islamic fashion apparel offers a huge opportunity globally, with strong potential for growth, though it also faces many challenges. Local start-ups still struggle to adapt to an international focus or to meet the competition with attractively priced products. Moreover, international companies may often lack the expertise and specific knowledge of Muslim traditions to properly cater to this audience. Nevertheless, in 2014, when DKNY launched its Ramadan collection, the apparel market witnessed the first successful initiative by a multinational company to tap into this potentially lucrative market. Other multinational companies are expected to follow suit in the coming years, as the global apparel industry shifts focus towards developing countries and niche segments to compensate for the low growth rates of mature markets in Western Europe and North America.

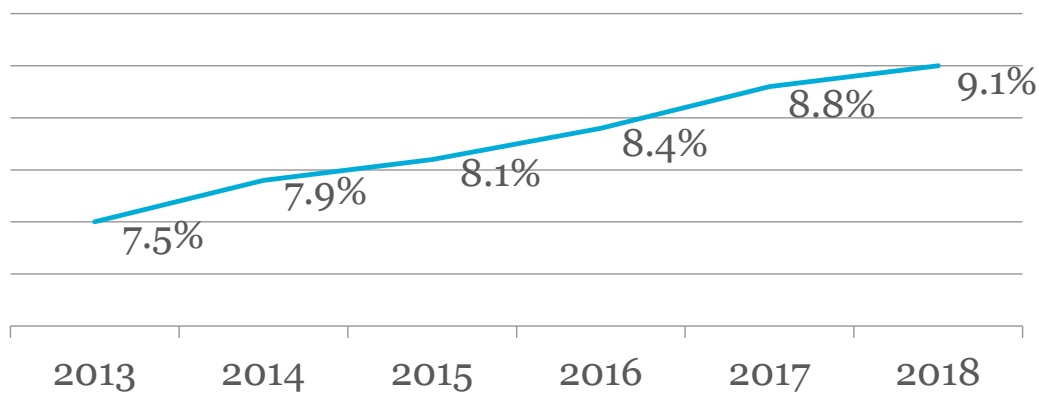
Islamic line extensions of internationally renowned brands therefore appear as an easy and cost-effective solution, though such product lines may face criticism if not done correctly. In particular, Muslim consumers require the company to have a strong ethical focus and respect of halal law. This stretches from the manufacturing process, through the supply chain, down to the final product. Along with this, a cohesive brand message is required to relay this adherence to these Islamic values. As Islamic fashion apparel is still in its early stages, there will likely be a transitional period before western fashion brands are able to fully comply with halal standards in their manufacturing process and supply.

Reaching the Muslim fashionista

As such, in the short-term it may be more beneficial for a manufacturer to invest in existing local brands or in cooperation with a Muslim fashion designer to create a new label. However, creating a new brand requires solid research in local markets and financial resources to develop a manufacturing process and a supply chain that can guarantee compliance with widely accepted halal standards. Furthermore, to exploit the full potential of this underserved consumer segment, particularly in developing countries, manufacturers will need to create an affordable clothing line that can serve the demand of the mass market and not just a small minority of upscale consumers.

It is not surprising that facing these challenges, multinational companies are still struggling to enter the market. However, with the tremendous potential Islamic fashion offers in the future, it would be foolish to overlook its long-term potential. In fact, in 2013, the 57 countries that belong to the Organisation of Islamic Cooperation accounted for 7% of total value sales of apparel and footwear. By 2018, this figure is forecasted by Euromonitor International to rise to over 9%. And with approximately two billion Muslims in the world, accounting for nearly 30% of the global population, it is a target audience that should not be lightly ignored.

Growing Demand for Fashion Products in OIC Countries



Source: Euromonitor International



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Multinationals face strong competitive challenges from niche players in halal beauty

Halal refers to foods and drinks permissible for Muslims, but the concept has now extended to beauty indicating that the ingredients in cosmetic products are within the allowable bounds of Islam. Halal beauty is becoming an increasingly attractive category, as indicated by Unilever CEO Paul Polman's recent statement regarding exploring options to scale up halal beauty offerings. Not long before, Inglot, a Polish company with a global reach introduced halal nail polish and it is likely more companies will follow suit.

A prospective category in terms of size and consumer purchasing power

Approximately a quarter of the world's population is believed to be Muslim, equating to over 1.5 billion people. Population growth forecasts for some of the Muslim majority countries are among the highest in the world as are the income growth projections. Indonesia is projected to grow at over 9% compound annual growth rate, or CAGR, compared to the global growth projection of 3% CAGR between 2014 and 2019, making Indonesia the sixth leading market to drive growth in percentage CAGR terms in the industry. While the figures, both current and projected, indicate market prospects in terms of size and purchasing power, younger female Muslim consumers are also showing greater interest in fashion.

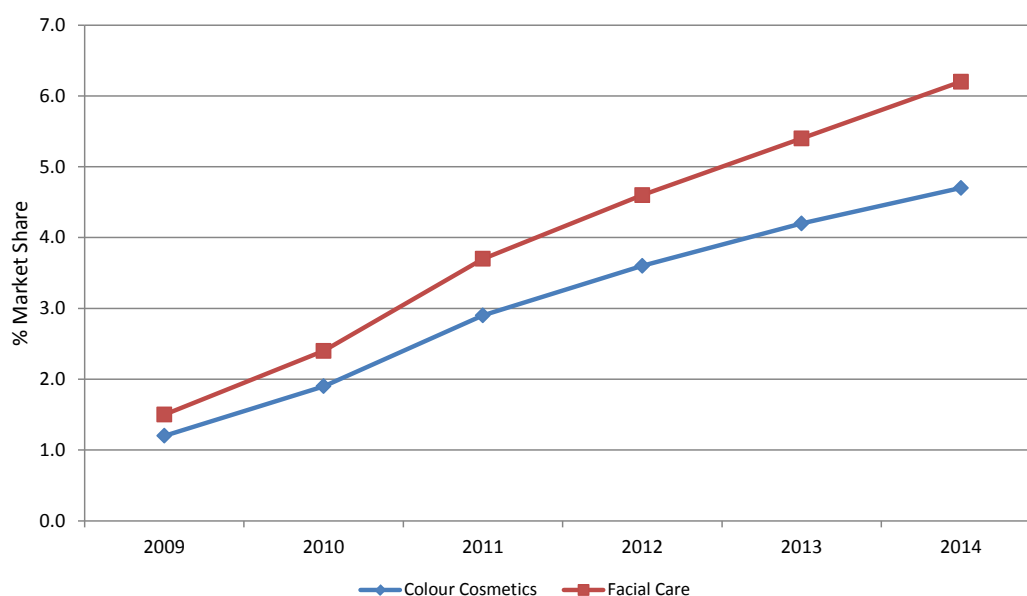
Opportunities opening up in wider product categories

As young Muslim women combine religious practices with fashion, new opportunities are opening up in categories such as colour cosmetics, skin care and hair care, in addition to oral care and soaps, which traditionally dominated the category. There are now halal foundations, blushers, lipsticks, anti-agers and skin whitening products. Nail polish has represented the most challenging product given that the pigmented layer conflicts with the ablution process for Islamic prayers. According to the Islamic guidelines, each corner of the nail needs to come into contact with water, but there are now formulations with a permeable texture that allows water to pass through.

Dominated by niche players

Halal beauty is so far dominated by niche players. One of the most noteworthy brands is an Indonesian offering called Wardah, which generates most of its revenue from skin care and colour cosmetics. In Indonesia, colour cosmetics Wardah's share increased from a little over 1% in 2009 to nearly 5% in 2014 and in skin care, increased from 0.2% to over 1%. Wardah's share gain in colour cosmetics coincided with a shares loss of 0.3 percentage points for Oriflame. Similarly, Unilever's local brand for Indonesia, Citra, lost 0.1 percentage points in facial care. In India, a local player in the halal category called IBA Cosmetics has started to attract attention. Although too early to determine the impact, it is a brand that multinationals will monitor in the country. OnePure Beauty, a Dubai-based brand, operates in premium skin care and is reportedly sold through some leading stores, including Galeries Lafayette.

Market Share Growth Wardah Indonesia



Source: Euromonitor International

Challenges for multinationals in the halal category

For multinationals it is now not only the lure of this new white space, but also about protecting their shares. While multinationals would benefit from scaling up operations in halal beauty, there are a number of challenges. For example, consumers looking for halal offerings are likely to connect more closely with a local / niche brand than a distant multinational headquartered in a non-Muslim country, producing in bulk for a diverse consumer base. To succeed, multinationals need to develop a distinct brand identity and clear marketing messages, in addition to just certifying products as halal. Furthermore, for a more targeted portfolio it is necessary to develop a good understanding of Islamic rituals. For example, Wardah has a specific range for Hajj / Umrah, and multinationals will need to show similar acumen in order to be competitive.



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SERVICES AND PAYMENTS



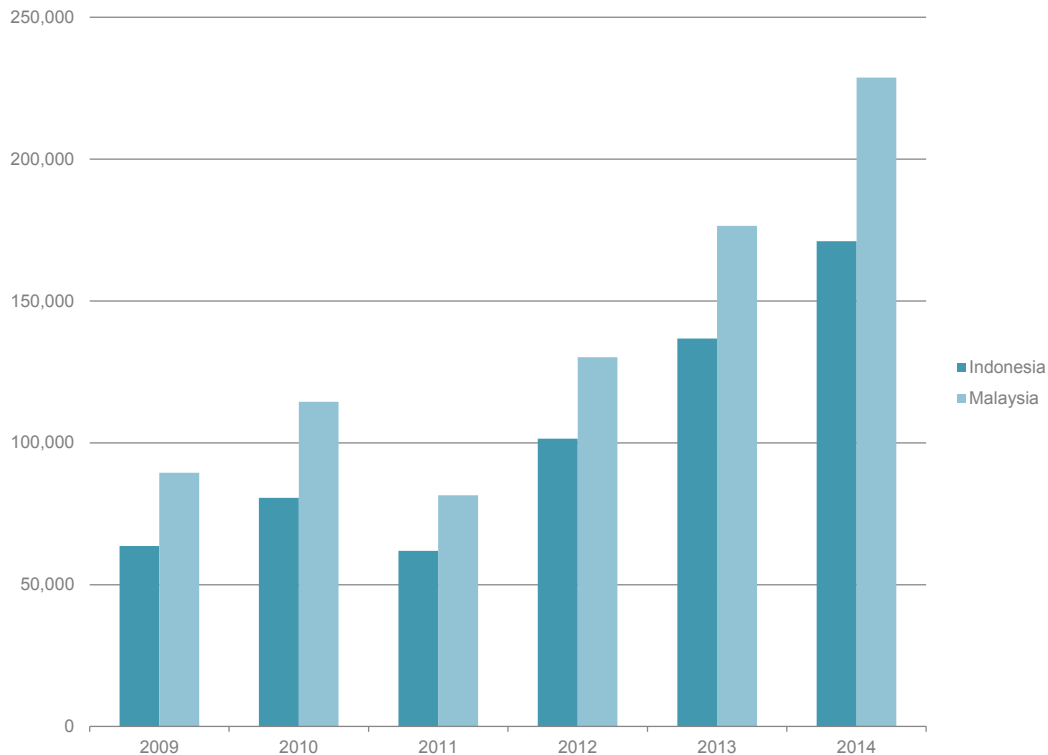
Increasing Muslim tourists to Japan

There are only approximately 100,000 Muslims living in Japan amongst a total population of 127 million. With Buddhism as the major religion in Japan, and with the general acceptance of immigrants limited, the country historically has not needed to accommodate Muslims. Due to the small population of Muslims, Japan also lacked awareness about Islamic culture resulting in a negligible halal market. However, the situation has changed and halal is gaining more attention, especially over the last five years amid increasing Muslim tourism to the country.

With a goal to increase the number of inbound visitors from Southeast Asian countries and establish a new promising market, the Japanese government relaxed visa regulations in the region. While visa requirements differ depending on the nationalities, one the requirement to apply for a multi-entry visa for Malaysian nationals living in Malaysia was removed in 2013. Malaysian tourists no longer need a visa to enter Japan. Likewise, for Indonesian nationals living in Indonesia, a visa application is not needed provided they register their e-passports to the Japanese government prior to departure.

Because of the visa relaxations and several other factors such as the weakening yen, inbound tourism from Southeast Asian to Japan has drastically risen. Inbound tourists from Indonesia and Malaysia, the countries with the largest Muslim populations in Southeast Asia, doubled from 2010, totaling 160,000 from Indonesia and 250,000 from Malaysia in 2014. With this dynamic growth of Muslim tourists, various industries in Japan are catering to Muslims' strict religious requirements to make them more comfortable when travelling in Japan, resulting in more attention paid to halal.

Arrivals by Country of Origin



Source: Euromonitor International

Services going for halal

With this increasing tourism population, travel and foodservice operators are starting to offer halal options. For example, Narita Airport and Kansai International Airport opened a prayer room for Muslims and Japanese restaurants serving dishes prepared in kitchens certified as halal. Ryokans, the traditional Japanese inns that serve Japanese-style breakfasts and dinners, are also serving halal meals.

While it is difficult to make Japanese cuisine halal, as it is common to use mirin and sake which contain alcohol and pork extract for its cuisine, restaurants are increasingly seeking to serve halal menus and accommodate this rising population. For example, an authentic Japanese restaurant in Shibuya, Hanasakaji-san, introduced halal shabu-shabu which featured thinly sliced beef instead of the dish's normal pork. Ramen and curry, popular Japanese menu items among foreign tourists, normally use pork extract and are also being altered to be halal certified. This allows Muslim tourists the opportunity to experience Japan's famous cuisine in accordance with their religious beliefs.

The trend is even seen in popular Japanese karaoke establishments as well. While karaoke rooms serve food and alcoholic beverages but not often do they offer halal food. In response, Karaoke Honpo Maneki Neko located in Yotsuya, Tokyo, started to serve halal options in addition to introducing a prayer room for Muslims, making karaoke establishments much more approachable to Muslim tourists.

Tokyo Halal Restaurant



Source: Euromonitor International

Modern appeal to Japanese consumers

There is also movement to make halal trendy in Japan. Manhattan Fish Market, a leading chain restaurant in Malaysia, opened its first outlet in Tokyo in 2015. Using 100% halal-ingredients for its menus, Manhattan Fish Market not only aims to cater to Muslim tourists but also to attract Japanese foodies by appealing to the impression of health and wellness surrounding halal. While 70% of its customers are foreign visitors and 30% are Japanese, Manhattan Fish Market is targeting to increase the ratio of Japanese customers to 70% in the future.

Opportunities outside Japan

The halal boom is not only growing inside the Japanese market, but is also presenting opportunities for Japanese companies outside of the country. With the growth of the global Muslim population in contrast to the anticipated shrinkage of the Japanese population, Japanese packaged food manufacturers are increasingly gaining halal certification for their products for neighboring Asian countries. For example, Kewpie Corp, a leading mayonnaise and baby food manufacturer, opened plants in Indonesia and Malaysia to produce halal-certified mayonnaise in respective countries. Japan Agricultural Cooperatives in Kagoshima, Kyushu, also gained halal certification for its green tea, at the aim of expanding its sales in Southeast Asia and Middle East.

Challenges

With Japan hosting the Olympic Games in 2020, inbound tourists including Muslim tourists are expected to continue increasing in numbers during the next five years. As a result, the demand for halal will increase. Japan's tourism industry must continue expanding halal options and manufacturers must adapt to this growing trend in order to find opportunities both in their domestic and international markets. Whether halal sales truly expand will be dependent on a better understanding of halal among the overall Japanese population. Currently, the understanding of halal is low, as Japanese people do not understand its meaning and significance given its limited exposure in the country. In order not to offend but accommodate Muslim tourists, more education and a commitment towards understanding halal is needed. If Japan can achieve this, it will create a path to further growth of halal businesses domestically and abroad.



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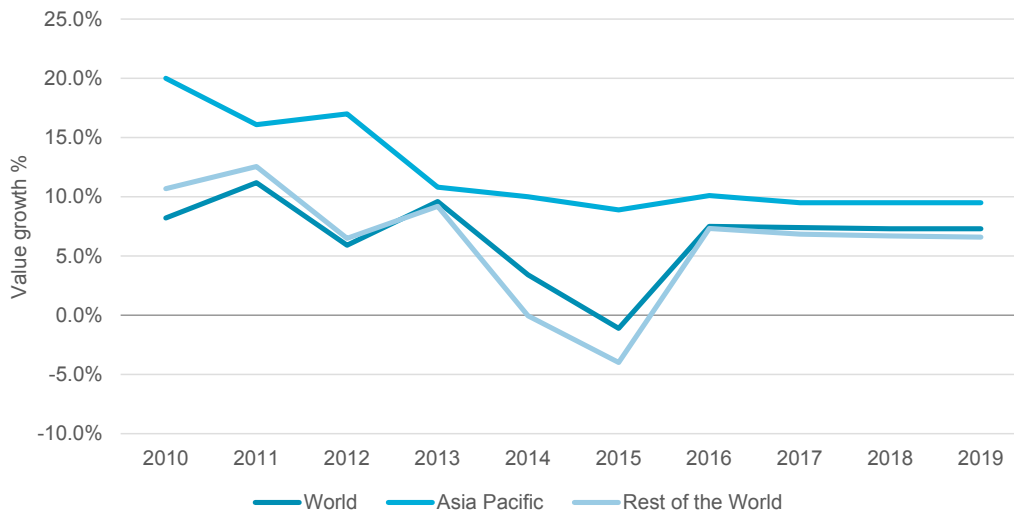
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Halal-friendly tourism in Asia Pacific

Asia Pacific has the highest growth rate in the world for outbound travel in 2014 at 7%. The growth rate greatly exceeds that of the world average as well as other regions. One of the drivers for this region is increased attention devoted to halal tourism in Asia, a niche consumer group previously facing many challenges in going abroad for leisure. With the travel bug catching in Asia Pacific, many countries and businesses are starting to take notice of the untouched halal tourism industry.

Growth of Outbound Tourism YOY, 2010-2019



Source: Euromonitor International

The evolving Muslim traveller demographic

Rising disposable income for the growing Muslim population in Asia Pacific resulted in increased travel for leisure purposes in recent years. Travel used to be limited to business and pilgrimage due to challenges faced in observing religious obligations like daily prayers, halal food, modesty in behaviour and clothing, as well as cross-gender interactions. Leisure travel attracted mainly higher income consumers who could afford travelling to Muslim countries like Turkey and Egypt.

Over the years however, with modernisation and westernisation, Muslims in Asia Pacific with greater connectivity and exposure to global destinations developed a curiosity for non-Muslim countries such as shopping in Hong Kong for designer clothes and visiting South Korea for premium beauty and personal care. Modern Muslims are younger, more adventurous, educated and have high disposable incomes and a higher propensity to travel and explore.

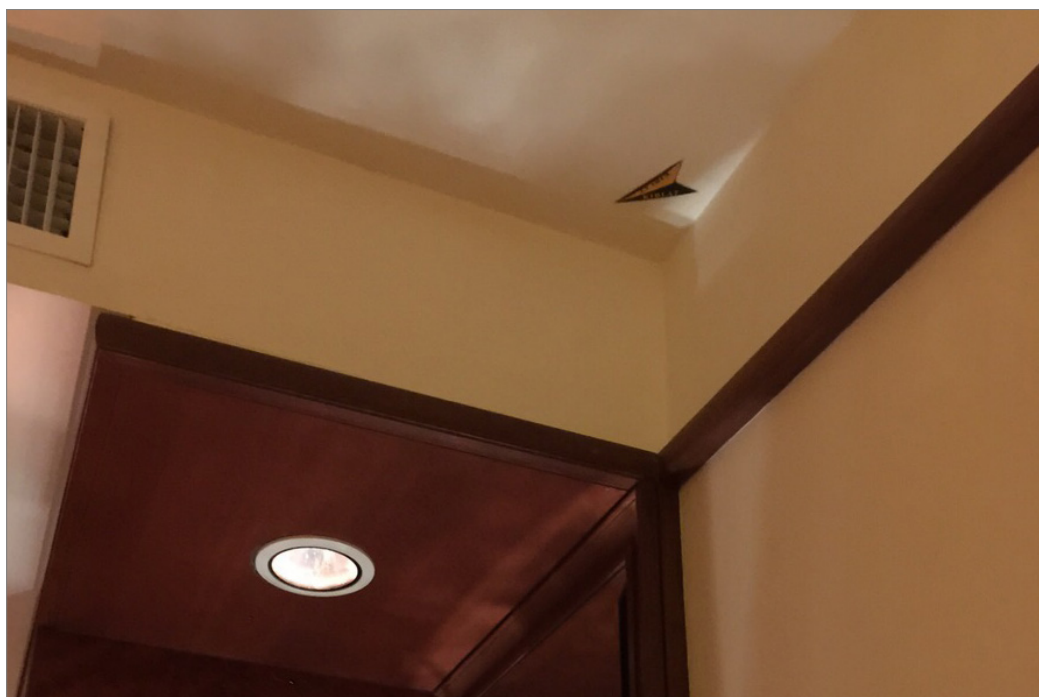
Sharing of halal travel know-how also contributes in generating excitement among Muslim travellers. For example havehalalwilltravel.com, sparked the hashtag #HHWT on Instagram. Higher global awareness of Islam also encourages them to travel out of their comfort zones and still maintain religious duties.

Countries are taking steps to be more halal-friendly

Several countries are responding positively by launching travel campaigns to lure Muslim travellers. In Japan, the government is encouraging its local businesses to have a better understanding of Islamic customs. The Kyoto Convention Bureau even launched a new online travel guide, Muslim Friendly Kyoto, at the end of 2014. Japan also relaxed its visa requirements for Muslim-majority Indonesia and Malaysia. Korea, Beijing and Thailand have also launched information through online media.

Kiblah in Hotel Room

The kiblah on the ceiling points to the direction of prayer and is common for hotel rooms in Malaysia.



Source: Euromonitor International

Controversies surrounding the religion in various parts of the world cause security to be a key influence in travel. Hence, Muslim travellers tend to visit Muslim-majority countries or regions which have established a stable Islamic environment. Asia Pacific thus stands to gain massively from halal tourism not only from Muslims living in the region but from Middle Eastern Muslims. According to the Global Muslim Travel Index (GMTI) jointly researched by CrescentRating and MasterCard, Malaysia is the top OIC (Organisation of Islamic Cooperation) destination globally for Muslims, while Singapore tops the non-OIC category in 2015. Overall, Asian destinations lead the index.

Custom-made travel with Muslims as the niche consumer

There are some travel agencies which have been quick to introduce Islamic tours to Taiwan, Vietnam, China, South Korea and other Muslim minority countries which previously fared low in popularity among this niche consumer segment. In addition to the standard tourist spots, agencies ensure their customers halal food, an itinerary built around prayer timings, visits to mosques and Muslim tour guides. Islamic-themed heritage travel is also gaining traction, where tourists visit sites historical to Islam. Thailand opened a series of gender-segregated spas, in the footsteps of the Middle East which established female-only spas. Prayer rooms have also been added to hospitals in South Korea to increase medical tourism. In Taiwan, the number of halal certified foodservice outlets have doubled over 2012-2014.

While businesses would definitely benefit by expanding their consumer base, some are still hesitant. For example, many foodservices are unwilling to alter their business models to take into consideration Islamic requirements, or do away with alcohol and pork to obtain a halal certificate. There is also difficulty in implementing gender-segregation in foodservices, cinemas and other public spaces, although gender-segregated facilities such as convention halls, gyms and swimming pools are possible.

Nonetheless, this is an opportunity for businesses to show their creativity and flexibility in catering to the different needs of their consumers, thus generating a better overall reputation and revenue from the influx of tourists once they open their doors. In the future, countries and businesses will race to offer better facilities and consequently reap the benefits.



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CONCLUSION



Risks and rewards in the halal industry

Within the halal industry, branding and halal assurance go hand-in-hand with long-term success. Compliance plays an important part for companies across industries, be it apparel, tourism, food or personal care products. The assurance of product quality and proper production helps gain consumer confidence and trust. With word of mouth and media significant factors in brand awareness, food scandals will adversely affect a company's reliability with brands experiencing potentially destructive sales losses if there are concerns with halal compliance.

The halal and Muslim consumer markets remain a niche industry, giving pause to businesses unable to scale and operate successfully. Being up-to-date with secular trends will help the halal industry understand and capture mainstream consumers, opening up halal products beyond their traditional consumer group.

The ongoing demand for halal products

Although the halal industry only recently has seen growth, halal goods have always been in demand in some industries. While provision of halal goods used to be localised and depended greatly on personal sourcing, or restricted to certain Muslim-integrated areas, globalisation is resulting in a need for halal provisions to be made available more conveniently. Further, major companies adhering to mainstream trends are increasingly facing demand from Muslim consumers – mainly the young and able to spend – who are also interested in the latest consumer trends. Companies have the opportunity to claim a piece of the pie without changing its entire product line and brand image, for example DKNY's successful Ramadan collection in 2014.

With rising purchasing power and an increased consumerism, many fads have been traded across borders. However, with halal products often more localised, the industry lags behind, resulting in a surge in demand for halal-certified products aligned with global trends. Moving forward, businesses should keep in mind that product innovations are expected to face demand in halal formats in years to come as well.

Is a unified hub in the works?

A global and centralised halal hub is ideal for a more transparent supply chain, providing an easier halal compliance process for businesses. This is especially important as most of the world's halal meat is sourced from Australia, Brazil and India, which are non-Muslim markets. With a unified hub, the performance of businesses producing halal products can also be taken care of.

The presence of certifying agencies is varied across the world. Groups such as the Halal Food Council of Europe (HFCE) oversees halal assurance across a number of countries like Belgium, the UK, Netherlands, etc. In countries like Australia, there are several agencies such as Australian Halal Authority and Advisers (AHAA), The Islamic Council of Western Australia (ICWA), Islamic Coordinating Council of Victoria (ICCV) and the Supreme Islamic Council of New Halal Meat in Australia (SICHMA). As a Muslim-minority country but top exporter of halal meat, Australia does not have a Muslim government organisation; compared to Malaysia, Indonesia and Singapore where the halal certifying body is nationally centralised under the government such as the Islamic Council of Singapore (MUIS). Interestingly, the Middle East did not have a halal certification body until recently as most products in the region are expected to be halal. This changed with plans to launch the International Centre for Halal Products in 2014 in Dubai.

However, with a variety of international disagreements, unique challenges and varying halal development in each country, a unified hub remains the ideal goal for the halal industry. In the meantime, a Muslim government-approved certification body could boost a country's reliability and accreditation. Southeast Asia naturally looks more favourable due to the top three globally recognised certifying bodies within it, and many neighbouring countries are building their eco-system to achieve similar recognition and reliability and ultimately, self-sustenance.



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