

# Issues of Japan Halal Industry: An Exploration of Potential Obstacles to Japanese SMEs' Export Development

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**Abstract**— The aims of this paper are to investigate the process of Japanese small and medium-sized enterprises' (SMEs) Halal food business toward exporting Halal foods and to explore issues of Japan Halal industry that potentially interfere SMEs' exporting Halal foods. In this study, the researcher interviewed three SMEs with Japan Halal certification issued by Japanese Halal certification bodies, two Halal certification bodies recognized by foreign Halal certification bodies, two Halal consultants, two researchers who are familiar with Halal study and three Malaysian Muslim consumers who had visited and/or lived in Japan. By analyzing the contents emerged from all the interviews, the findings show the following things. First, the SMEs follow a traditional model of internationalization; they focus on a domestic market first, accumulate experimental knowledge in the domestic market and then, move toward foreign markets. Second, 15 issues categorized into *barriers to starting Halal food business, perceptions for Halal food business, Halal certification, consultation of Halal food business and Muslim market in Japan* emerged. In light of the traditional model, it is assumed that the issues in *Halal certification, consultation of Halal food business and Muslim market in Japan* adversely influence SMEs' accumulating experimental knowledge of Halal food business. Hence, those issues possibly become potential obstacles to SMEs' export development.

**Keywords**— *Food export, Halal food business, Halal industry, Internationalization, Japanese SME*

## 1. Introduction

Lately, the population in Japan has been shrinking. This is estimated to be 86.737 million in 2060 from

128.057 million in 2010 [1], which negatively affects the size of a food market in Japan. In this situation, the Japanese government has promoted to increase food export [2]. To increase food export, foreign Muslim markets are attractive to Japan. In 2050, the number of Muslims will reach at 2.76 billion, which makes up 29.7 % of the population in the world [3]. Therefore, it is estimated that Muslims around the globe will spend US\$1,914 billion for foods in 2021, which makes up 18.3% of the world share [4]. In such a situation, Japanese small and medium-sized enterprises (SMEs) are expected to contribute to the increase of food export because they account 99.7% of firms in Japan [5].

SMEs need to change parts of their operations to export foods to Muslim markets since Muslims must adhere to concepts of Halal (lawful or permitted) and Haram (unlawful or prohibited) under Islamic teaching (Shariah law). That is, SMEs need to produce Halal foods that do not contain prohibited materials in Islam such as porcine materials, alcohol and materials derived from animals not slaughtered in Islamic way and that are not contaminated by those materials. For this reason, it is one of the useful strategies to receive Halal certification (HC) that guarantee Halal foods. However, since there are different Halal certification bodies (HCBs) and requirements all over the world [6], the strategy is not necessarily easy for SMEs.

Yet, as of January 2015, 80 food manufacturers had received Japan HC in Japan Halal industry [7]. By starting Halal food business (HFB) from Japan Halal industry, SMEs could prepare for exporting Halal foods. In some aspects, however, it is assumed that Japan Halal industry hinders SMEs from exporting Halal foods because of several issues. For this reason, this study explores this assumption on the basis of interview method.

The specific aims of this study are to investigate

the process of SMEs' HFB toward exporting Halal foods and to explore issues in Japan Halal industry which potentially interfere SMEs' exports of Halal foods. This study will contribute to understanding of SMEs in details of Japan Halal industry. Moreover, the findings reflect several aspects of Japan Halal industry, which has implications to improve the present state of the industry. For researchers, in-depth knowledge on Japan Halal industry is crucial due to few researches grounded in field data in this specific field.

## 2. Literature review

Various Japanese articles concerning Halal matters only focus on what is Halal food or what is HC [8]. This implies that HFB have yet to be sufficiently understood within the Japanese society. In this kind of environment, SMEs have suffered from difficulties for entering foreign Muslim markets such as a lack of information, strict requirements of foreign HC and no networks with foreign distributors [9]. This, however, can be unsurprisingly predicted when they immediately try to export Halal foods. Rather, it is deemed that SMEs gradually progress HFB from the domestic market to foreign markets.

This can be explained with a traditional model in the field of internationalization. In this model, SMEs internationalize in an incremental manner. Hence, SMEs focus on a domestic market first and move toward foreign markets [10]. In the food industry, this model can be still seen [11].

The development process in the traditional model is attributed to the relationship between experiential knowledge and uncertainty associated with the decision to internationalize [12]. Experiential knowledge is obtained through current activities. Specifically, improvement of market knowledge declines uncertainty of a specific market [13]. As the result, firms can commit progressing from psychologically close markets to psychologically distant markets [14].

Provided that SMEs follow the traditional model, they can accumulate experiential knowledge through activities in the Japan market and then, they develop HFB toward exporting Halal foods to foreign Muslim markets. However, in corporate and market sector of Japan Halal industry, several issues were pointed out in previous literature.

In the corporate sector, there are three issues. First, Japanese cuisines are largely associated with non-Halal ingredients such as alcohol and pork [15]. Second, SMEs have not been closely related to Islam so far and considered Islam too complicated [16]. Third, as some SMEs excessively expect HC without enough market research, they

carelessly receive Japan HC even though it is not necessary for target markets [16].

In the market sector, emphases of HFB by mass media and preparation for the 2020 Olympic and Paralympic Games can make SMEs create the positive image of HFB in contrast with the degree of their understanding [17]. In addition, there are several issues of HC. A primary issue is numerous HCBs operated by religious institutions, NPOs and corporations in Japan. This is partly because the above excessive trend has increased demand for HC and partly because there is no authority to control HCBs in Japan. This situation encourages competition among HCBs and recklessly issued HC [17].

Based on the literature review, it is possible that the issues in Japan Halal industry can be potential obstacles for SMEs to export Halal foods to foreign Muslim markets. However, as researches concerning Japan Halal industry have been scarcely conducted, the possibility is still ambiguous. Therefore, the attempt in this study is crucial in this specific field.

## 3. Methodology

In order to achieve the objectives, this study adopted interview method. Since there are few researches in this field, it is meaningful to use interview method whose advantage is to gain insights by understating interviewees' experiences [18], [19]. With this method, the researcher conducted the following things.

First, to investigate the process of HFB, the researcher approached three SMEs with a Japan HC issued by Japanese Halal certification bodies and interviewed persons who have authority in Halal food operations. As they received Japan HC relatively earlier than other SMEs, the researcher expected that their processes of HFB more progressed. SME A slaughters animals and produces processed foods. SME B produces processed foods. SME C manages original equipment manufacturing (OEM) firms to produce processed foods.

Second, to explore issues of Japan Halal industry, the researcher interviewed several stakeholders in addition to the above SMEs. The stakeholders were two Japan HCBs recognized by foreign HCBs, two Halal consultants, two researchers who are familiar with Halal study and three Malaysian Muslim consumers who had visited and/or lived in Japan. This approach is based on data triangulation, particularly focusing on from whom the data are collected [20], which promotes the validity of qualitative research in understanding phenomenon [21].

Table 1 shows profiles of interviewees (see Table 1).

**Table 1.** Profiles of interviewees

Classification	Position/ Occupation (Muslim consumers)	Nationality	Duration in Halal industry/ Japan (Muslim consumers)
SME A	Executive director	Japan	3 years
SME B	President	Japan	5 years
SME C	Salesperson	Japan	2 years
HCB D	Director	Japan	15 years
HCB E	Senior director	Japan	1 years
Consultant F	President	Japan	2.5 years
Consultant G	Director	Japan	2 years
Researcher H	Researcher	Japan	7 years
Researcher I	Research fellow	Japan	6 years
Muslim consumer J	Public officer	Malaysia	6 years
Muslim consumer K	Lecturer	Malaysia	3 years
Muslim consumer L	Public officer	Malaysia	20 days

The researcher utilized a semi-structured interview. The interviews were conducted within one year (from August 2015 until June 2016) and recorded with an IC recorder with interviewees' consents. Each interview time was 60 to 90 minutes.

In the analysis phase, the researcher transcribed the whole interviews, coded the data, constructed and compared categories. After the analysis, the researcher sent the tentative results to all the interviewees. If necessary, the researcher added modifications to the results based upon interviewee feedbacks [22].

## 4. Findings

### 4.1 The Process of Halal Food Business

The process of HFB emerged from the analysis. First, the SMEs started HFB from the Japan market. Second, they obtained knowledge of HFB through their operations in the Japan market. Third, they have progressed HFB toward exporting Halal foods with the knowledge of HFB.

The reason why SME B and SME C started HFB

is because they tried to supply their foods as Halal foods to Muslims who lived and travelled in Japan. Therefore, it is no wonder that SME B and SME C started HFB from the Japan market. However, SME A also started HFB from the Japan market although it aimed to tap foreign Muslim markets. This is because SME A had not had sufficient knowledge of HFB at the beginning. Therefore, SME A decided to start HFB from the Japan market at first in order to obtain knowledge of HFB.

In the cases of SME A and SME B, accumulating knowledge of HFB from their activities in the Japan market was obviously seen because they had not known about HFB at the beginning. For example, SME A understood Muslims' perceptions and needs by conducting many dialogues with Muslims who lived in Japan and SME B obtained know-how to operate HFB by closely communicating with its HCB. As the result, the knowledge of HFB obtained through the activities in the Japan market has helped them progress their processes of HFB.

Currently, all the SMEs have considered how to export Halal foods to foreign Muslim markets. Even though the motivation of SME B and SME C for starting HFB had been to supply Halal foods to Muslims in Japan, they started to direct their attention to foreign Muslim market. Similarly, SME A have progressed preparation for exporting Halal foods.

The process of HFB emerged from the cases of the above SMEs is consistent with the traditional model of internationalization as mentioned in literature review. That is, the SMEs focused on the Japan market first, accumulated experimental knowledge through the activities in the Japan market and then, moved toward foreign markets. Thus, it is conceivable that SMEs follow the traditional model of internationalization in operating HFB.

### 4.2 Issues of Japan Halal Industry

Table 2 shows the issues of Japan Halal industry (see Table 2). Some issues were overlapped with the issues mentioned in literature review such as "exceeding expectation for HC associated with a lack of market research," "numerous HCBs" and "absence of an authorized HC system," which implies that the validity of the issues was reconfirmed in this study.

The issues in "barriers to starting HFB" were related to Japanese environment and food culture. For example, as Japan is a non-Muslim country, the issue of "employment of Muslim workers" was crucial for SME A that needed Muslim slaughters.

Also, because SME B used porcine materials, it had to solve the issue of “establishment of a dedicated production line for Halal foods.” “Development of know-how to produce Halal Japanese cuisines” is one of the important issues as many Japanese cuisines include alcohol. But, according to Researcher I, this know-how has not been sufficiently developed. Interestingly, “obtaining internal consensus to start HFB” can be one barrier. Since HFB have not been familiar in Japan yet, the interviewees in SME B and SME C emphasized that the issue was the most difficult barrier to start HFB.

**Table 2.** The issues of Japan Halal industry

Sector	Topic	Issue
Corporate Sector	Barriers to starting HFB	Employment of Muslim workers
		Establishment of a dedicated production line for Halal foods
		Development of know-how to produce Halal Japanese cuisines
		Obtaining internal consensus to start HFB
	Perceptions for HFB	Poor Communication with Muslims
No separation of Halal concept and HC		
Exceeding expectation for HC associated with a lack of market research		
Market Sector	HC	Numerous HCBs
		Non-disclosure of HC standards
		Absence of an authorized HC system
	Consultation of HFB	Irresponsible request to receive HC
		Incompetence for consultation of HFB
		Inadequacy of consultation level
Muslim market in Japan	Small-scale Muslim market	
	A lack of distribution of enough Halal foods	

The issues in “perceptions for HFB” reflected SMEs’ unfamiliarity to Islam. SME C and Researcher H stated that some SMEs tend to communicate with only non-Muslim Japanese for HFB, which lead to the issue of “poor communication with Muslims.” In regard, the issue of “no separation of Halal concept and HC” emerged. Researcher H described that Halal

concept depended on personal experiences of Muslims but that some SMEs possibly consider Halal concept could not be ensured without HC.

In the topic of “HC,” new perspective could be seen. As mentioned above, there is the issue of “numerous HCBs” in Japan. In addition to that, the issue of “non-disclosure of HC standards” was mentioned by SME C and Consultant G. As each HC standard was different, this situation makes it harder for SMEs to select HCB.

In the topic of “consultation of HFB,” the issues of competition among HCBs and recklessly issued HC could converge on the issue of “irresponsible request to receive HC.” Consultant G and HCB D stated that some HCBs implicitly promote SMEs to receive HC to gain revenue and compete with other bodies and that they tend to recklessly issue HC. “Incompetence for consultation of HFB” was another issue. According to Consultant G, some HCBs and Halal consultants do not have experience of the marketing of Halal foods but know how to produce Halal foods. As the result, SMEs could not expand HFB after receiving HC. The issue of “inadequacy of consultation level” was also pointed out. In the area where SME A is located, the local government holds seminars of HFB. However, the contents of the seminars were too strict for SMEs to implement.

In the topic of “Muslim market in Japan,” the issues of “small-scale Muslim market” and “a lack of distribution of enough Halal foods” emerged. Consultant G described that Muslim population in Japan was still a small amount compared with non-Muslim Japanese population. Consultant F guessed that the size of Muslim market in Japan did not have capacity enough to accept SMEs that started HFB. In regard, SME A stated that, since channels to sell Halal foods were still limited, Halal foods could not be sufficiently reached to Muslim consumers. In fact, Muslim Consumer K said that it was too difficult to find Halal foods in the environment that packages of many foods showed only Japanese language and they did not show whether ingredients came from animals or plants.

## 5. Discussion

We saw that the SMEs started HFB from the Japan market and that their operations in the Japan market influenced accumulating experimental knowledge of HFB. Therefore, it was deemed that SMEs’ operations in Japan Halal industry were crucial to developing their processes toward exporting Halal foods. However, there were several issues of Halal industry in Japan.

Indeed, both of the issues in the corporate and market sector can prevent SMEs from starting and

progressing HFB but, when focusing on SMEs' accumulating experimental knowledge, the issues in the market sector would more adversely influence SMEs. For instance, the issues in "HC" and "consultation of HFB" are likely to prevent them from accumulating knowledge that they expect. Because of the issues, SMEs do not always find a reliable HCB. If SMEs unknowingly select an unreliable HCB, its experimental knowledge would be disproportionately accumulated. Such prejudiced knowledge may reflect the issues of "no separation of Halal concept and HC" and "exceeding expectation for HC associated with a lack of market research."

Even if SMEs receive reliable HC, the issues in "Muslim market in Japan" could be barriers to obtaining experimental knowledge of HFB. It is conceivable that SMEs cannot get enough feedbacks from Muslim consumers. In addition, by an increase in the number of SMEs that start HFB, SMEs would suffer from gaining share of the market. In the situation, some SMEs can change their focuses to foreign Muslim markets. However, without experimental knowledge, these SMEs probably suffer from understanding HFB and perceptions of Muslim consumers in foreign markets. Conversely, other SMEs may withdraw from HFB.

## 6. Conclusion and Limitations

This study explored the assumption that issues of Halal industry in Japan hinder SMEs from exporting Halal foods. Based on the findings, the assumption is considered to be reflective of the present state. Hence, the issues in the market sector are potential obstacles for SMEs to export Halal foods to foreign Muslim markets.

However, there are limitations in this study. First, it is the number of sample SMEs. It is possible that other SMEs' processes are different from the ones targeted in this study. Second, it is evidence of the interviews. This study is based on the multiple interviews. But it is not confirmed enough how much the interviews reflect the current state of Japan Halal industry. For these limitations, it is needed to conduct quantitative researches for mass samples in future research.

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