

Regulator Perspective on Halal Air Cargo Warehouse Compliance

Muhamad Munzir Khairuddin^{#1}, Nor Aida Abdul Rahman^{*2}, Mohammad Fakhruhnizam Mohammad^{#3}
Zawiah Abdul Majid^{#4}, Md Fauzi Ahmad^{#5}

^{#1-4}Aviation Management Department,
Universiti Kuala Lumpur, Malaysian Institute of Aviation Technology
Persiaran A, Off Jalan Lapangan Terbang Subang

47200 Subang, Selangor, Malaysia..

¹munzirhairuddin@gmail.com

²noraida@unikl.edu.my

³mfakhruhnizamm@unikl.edu.my

⁴zawiah@unikl.edu.my

^{#5}Faculty of Technology Management

Universiti Tun Hussein Onn Malaysia (UTHM), Parit Raja

Batu Pahat, Johor, Malaysia

Address Including Country Name

⁵mohdfauzi@uthm.edu.my

Abstract— In establishing a successful Halal supply chain, Syariah compliancy has emerged as a key issue. Halal transport and Halal warehouse play a significant role in maintaining the integrity of the Halal products from point of origin to end of consumption. The escalating demand for halal food has encouraged warehouse operators to devise a new business plan to cater to the present business trend. Warehousing or storage is a critical factor where cross-contamination may occur. As such, this study explored the Halal warehouse compliance from the perspective of regulators. This study adopted the qualitative approach by carrying out interview sessions, document review, and observation as the primary methods for data collection. The outcomes pointed out eight main factors that ascertain Halal warehouse compliance from the perspective of regulator, which are: management member, comprehensive training, Halal standard adoption, supplier, standard operating procedure (SOP), internal halal committee, documentation, and knowledge. This study appears to be a pioneer that probes into Halal warehouse compliance in Malaysia.

Keywords— Halal warehouse, Halal Compliance, Halal integrity, Regulator

1. Introduction

At present, the global halal market seems to have escalated on par with increment in the number of Muslim population worldwide. Halal product consumption is not restricted to Muslims alone, but

also for non-Muslims. Halal products reflect clean, healthy, and quality items that are safe for consumption. Fundamentally, the term ‘Halal’ originates from Arabic and its mention is found in four surahs; the Holy Quran, Surah Al Baqarah, surah Al Maidah, Surah Al Anfaal, and also Surah Al Nahl. Halal is part of the Syariah law that dictates the right activities in the daily life of a Muslim in all aspects, including food. Recently, a number of researchers have called for further investigation into halal logistics and supply chain issues [1], [2].

Business entities should be able to ensure that the status of their Halal products is indeed Halal from the point of origin until they reach final consumers. Assurance that Halal supply chain activity is truly achieved demands awareness and effort from all supply chain members, including suppliers, manufacturers, dealers, warehouses, retailers, and customers. The logistic players in the supply chain activity also are responsible to ensure the Halal status of the products until they reach the end consumers. In a recent article, [3] emphasised on the importance of maintaining the Halal integrity from all channel members in the supply chain activity. Since logistics activities are involved with the movement and storage of Halal products, they suggest that ensuring the Halal status

is crucial at each point of supply chain activity to avoid cross-contamination from occurring during delivery.

Due to the scarcity in studies that focus on Halal logistics, particularly on Halal warehouse in the air cargo context, this study explored the halal compliance for air cargo warehouse from the perspective of its regulator. With that, this study established a discussion pertaining to ways of ascertaining Halal air cargo warehouse compliance from the stance of the concerned regulator. This paper is structured as follows: The literature review looks into Halal supply chain and logistics in specific. Next, the methodology employed in this study is described, and followed by the study outcomes. Lastly, the paper ends with conclusion and several recommendations.

2. Literature Review

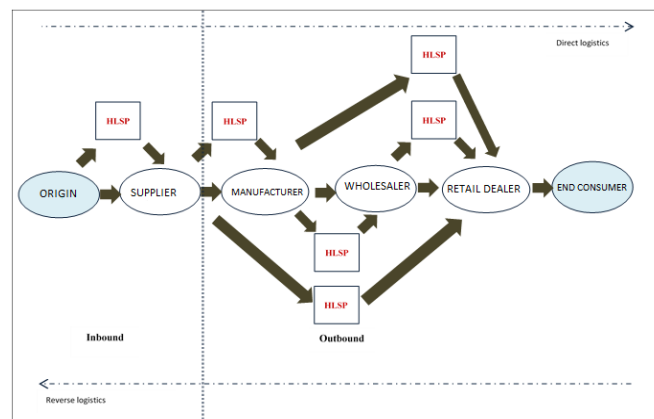
Halal logistics and supply chain

Logistic is a core activity for any business so as to assure that the products reach the consumers on time and at the right place. In precise, this aspect is concerned about handling and transporting goods from origin to destination using transport as the mode of moving. The logistics activity includes movement via road, sea, air, and rail platforms. Halal logistics has been reckoned as an innovation in the logistics services [2], [9]. It refers to the movement of a Halal product in adherence to the Syariah law. The aim of Halal logistics is to ensure that the integrity of Halal products is maintained along the supply chain activities. This new phenomenon, which reflects the combination of halal and logistics, seems to create a new service called 'halal logistics'. This new approach of service captures the market of halal products that appears to escalate not only in Malaysia, but also across the globe [4]. Manufacturers of Halal products are concerned about maintaining the Halal status of their products, particularly in the transporting aspect [5]. The concept of Halal logistics derived from the demand of Halal suppliers and manufacturers in ascertaining the integrity of Halalness of products is indeed guaranteed by the logistics operators [6] and managing Halal products in line with Syariah compliance. In Halal logistics, sustenance of products in their Halalness requires segregation between Halal products and those non-Halal. In ensuring Halal supply chain, the purposes of segregating are listed in the following:

- i. Avoid cross-contamination
- ii. Avoid making mistakes
- iii. Ensure consistency with expectations of Muslin consumers

[3] explained the role of Halal logistics as a service provider in maintaining Halal integrity of the Halal products throughout the supply chain process. Figure 1 illustrates the Halal logistics service provider (HLSP) as the third party in the normal supply chain activity. In fact, they are the experts in handling logistics activities, including transportation and storage. HLSP refers to Halal provider that offers Halal transportation and Halal warehouse services to their customers. Halal logistics also refers to Halal management system that serves as a guide to maintain the Halal integrity of the Halal product. Halal logistics means complying with Syariah in their transportation and storage activities.

Figure 1: HLSP in supply chain activity,



Source: [12]

[8] emphasised that business organizations are willing to invest and pay for Halal logistics to strengthen and to establish their Halal branding. They yearn to be recognized as companies that are compliant to Halal requirements. This is not only significant for manufacturers that produce Halal items, but also for logistics providers.

The review portrays that the demand for Halal logistics seemed to have been rising annually. Statista.com [9] further claimed that the market value for Halal products was approximately 45.3 billion U.S Dollar in 2016, and this figure has been expected to hit 58.3 billion U.S Dollar in 2020. One primary factor that contributes to this increment is not only due to the growing population of Muslims worldwide, but also the stability of their financial sources that has increased their purchasing power.

According to Thomson Reuter's Global Islamic Economy Indicator [10], Malaysia is the top exporter, particularly in Halal products. This indicator signifies the massive demand for Halal products is partly due to the belief that Halal products are of high quality and exceptional hygiene level.

Warehouse definition and Halal air cargo warehouse

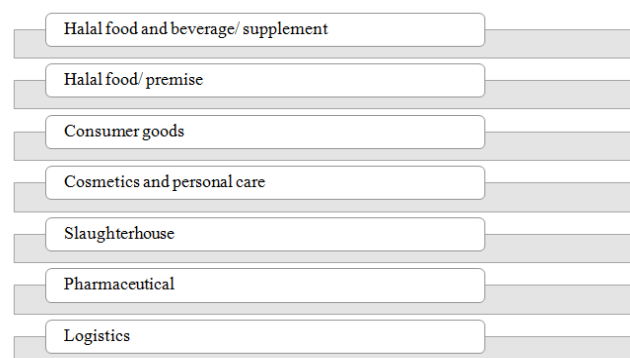
Apart of transportation, warehouse is another critical factor where Halal products are stored. [11] asserted that warehouse refers to a place where a product stays before it is distributed to the customer. This includes several activities, such as receiving, storing, and preparing for shipment inside the warehouse. These activities are significant to ensure the right products are prepared for delivery to the right person at the right time. Hence, ensuring that no contamination occurs, including physical direct contact between Halal and non-Halal products, is significant. Halal warehouse refers to the activities at a warehouse that are in accordance to the Syariah principles (Islamic law). As stated by the Logistics Insight Asia [12], the implementation of a fundamental principle at a Halal warehouse is the segregation between Halal and non-Halal cargo throughout the warehouse process. Providing a dedicated space for storage and handling of goods and materials in compliance with the general principles of Syariah Law is a must. The processes of Halal warehouse and conventional warehouse are almost similar, in which the activities involve receiving, putting-away, storing, cross-docking, order-picking, shipping preparation, and shipping. Nevertheless, a Halal warehouse is required to comply with the Halal principle or Syariah law. As such, this research focused on a Halal air cargo warehouse that involved transportation activities (inbound and outbound) by air, including airlines and freighter aircraft.

The regulatory body for Halal certification and compliance

In order to achieve the Halal status for the warehouse, the operator must fulfil or comply with the regulations set by the regulators. In Malaysia, Jabatan Kemajuan Islam Malaysia (JAKIM) is the regulator body that monitors Halal activities, including Halal logistics. It is also a body that

produces or grants Halal certificates to all Halal players, including those involved in Halal logistics. Under the halal certification provided by JAKIM, seven categories have been outlined, as illustrated in Figure 2.

Figure 2: Malaysia Halal certification scheme by JAKIM



Source: Manual Procedure for Malaysia Halal Certification [13]

This certification reflects the rules that everybody has to comply with if one wishes to gain Halal certificate, including halal logistics certification. Under Halal logistics certification, the rules are developed to attain clarity when doubt arises with regard to handling and storing of Halal products at the warehouse before they are delivered to end users.

3. Research Methodology

Since this study explored the regulator perspective on Halal air cargo warehouse compliance, the best method deemed appropriate for this research is the qualitative approach. According to [14] and [15], the qualitative case study is the most suitable method for unexplored phenomena. Hence, a single case study with a Halal regulator in Malaysia had been performed. Two interview sessions were carried out in order to understand and to dig deeper issues related to Halal warehouse compliance in the context of air cargo.

This single case study method is appropriate as the aim of this qualitative study is not to generalize the findings, but to provide rich understanding and description regarding the phenomenon highlighted [16]. Face-to-face interview sessions were carried out with two respondents. The advantage of face-to-face interview is that this method allows open, free flow, spontaneous, and in-depth discussion [17], [18]. In addition, several documents, such as the Halal manual procedure [13] and MS2400 Halal Logistics Standards [19], [20], were reviewed

to gain more information regarding the issue at hand.

Each interview session took approximately 45 to 70 minutes. Both interview sessions were recorded, transcribed, and analysed by using the thematic analysis. The coding process began with open coding to categorise and identify emerging themes, as reported in this article. All details of the respondents are anonymous in this study for confidential reason.

4. KEY FINDINGS

The findings outlines eight critical factors that air cargo provider needs to focus on if they wish to establish Halal air cargo warehouse compliance. These eight factors refer to management member, comprehensive training, Halal standard system, supplier, standard operating procedure (SOP), internal halal committee, documentation, and knowledge. Further details of the findings are presented in the following:

a. Management member

In order to achieve a Halal compliance warehouse status, the organization must be willing to help their staff to understand the concept of Halal warehouse, because most of their workers were clueless about Halal warehouse. Moreover, most of them only thought that it involved some modifications in the documentation process and operations that would incur additional costs.

Respondent A stated that:

“organization in this company especially the management team is the strongest structure to make sure that the Halal operation is efficient, as everybody has experienced handling halal products”

Respondent B added that:

“the major barrier in developing a Halal warehouse is the organization management team itself...”

Hence, the management in each organization must be well-accustomed with the standard operation of a Halal warehouse. As a solution, the management should first attend the Halal course or related seminar before they send their employee. This is significant as it may help the management team to comprehend Halal implementation, apart from increasing their understanding and knowledge of Halal warehouse.

b. Comprehensive training

Training refers to revision activity that is related to a specific area purposely to improve the efficiency level in producing better operation quality.

Training is very important because it serves as a revision to increase productivity. In relation to this topic, training is a must for the staff, as this will help the operation staff to work efficiently in handling Halal goods.

Trained workers would become more beware of their surrounding that may affect their Halal products, particularly in retaining the integrity of Halal goods. A respondent mentioned:

“the Halal warehouse organization needs to attend Halal-related training in order to gain first-hand information”.

c. Halal standard system

System refers to a set of detailed methods, procedures, and routines developed to perform a specific activity or to solve a problem. The system will help the operators to establish their positions in the industry. For example, in order to get accreditation from JAKIM for a Halal warehouse, they need to adapt with the system imposed by the Halal regulator in Malaysia.

The other alternatives available for the industries to gain validation on their Halal warehouse are from HACCP- Hazard Analysis and Critical Control Point, which refers to a well-known international organization, and GMP- Good Manufacturing practice. These are the two systems related to Halal management.

“Most people understand well about logistics, but to convert to Halal logistic is a constraint to them”.

d. Supplier

The credibility and the sustainability of Halal products can be preserved if the collaboration between warehouse operator and supplier is established. The agreement between them to supply Halal-approved products to the warehouse refers to the fact that the warehouse operator guarantees the segregation of their storage area from other products in the warehouse.

e. Standard operating procedure (SOP)

Both respondents mentioned that in order to guarantee the quality of the service offered, a Halal warehouse must have viable SOP, which serves as a reference document for workers in doing their job with standard implementation to be branded as high quality service operator. A Halal warehouse is critical in sustaining its Halal integrity level, especially when Halal goods are stored in the warehouse.

More than that, the implementation of the right SOP is important to guarantee that the products are not contaminated. Most Halal warehouses seemed to state in their SOP only to receive approved Halal products from the approval authority. Such

procedure ensures that the goods in their warehouses are genuinely halal.

“It is under the responsibility of the management to prepare a clear Halal policy, as their operation differs from the others”.

f. Internal Halal committee

Both respondents agreed that in order to perform good and quality job, as described in SOP, an internal halal committee must be at its competent level in regard to knowledge, computer skills, and decision-making skills. This committee is important to ascertain the sustainability of the Halal warehouse with accreditation from the authority.

The internal halal committee is also a representative reference to any matter related to Halal handling in warehouse, thus decisions can be made rapidly and precisely to solve a rising problem.

Most firms are appearing to be very sceptical pertaining to this issue as they are not really transparent. Some firms worry about their finance as new staff members have to be hired to set this new committee. As such, as stated in MS2400, the organization that implements the Halal practice needs to set a Halal committee that is comprised of dedicated Muslim staff with Islamic background. This will increase the efficiency of Halal management committee.

“Commitment of the Halal committee will clearly define the objective, the halal toyiban critical point, and the Halal management system in their organization”- JAKIM

g. Documentation

Both respondents emphasised on the importance of preparing the documents as evidence. They mentioned that poor documentation can lead to mixture of Halal and non-Halal goods at the warehouse.

“in the standard warehouse booking form, there are elements that deal with quality aspects, such as temperature, handling, and so on, but more excited when they provide a column to declare the Halal status of their products. this means; they are rejecting non-Halal products into their warehouse”.

h. Knowledge

The last factor proposed by both the respondents from the perspective of regulator is Knowledge. Knowledge is one of the most important factors to establish Halal air cargo warehouse compliance.

Knowledge, which is related to Halal products and operations, is crucial since it is a sense to indicate between Halal and non-Halal. Knowledge and information regarding Halal matters must be up-to-date as goods at present time seem to have doubtful

mixtures. For example, a worker must investigate the ingredients of the food, precisely its origin.

A respondent added:

“Halal logistic will increase the consciousness of clean and clear- as before they only manage the products without any segregation, but now they need to clearly define the status of the product first”.

In conclusion, the above factors are very useful and can serve as a good reference for air cargo providers to implement its Halal warehouse compliance. The above findings seem to be in agreement with the results reported by [21] that proposes a computerized system to be used at the warehouse in ensuring Halal supply chain.

5. Conclusion, Contribution, and Recommendations

As a conclusion, this study is beneficial to the Halal logistics scholars as this study is among the earliest research that investigated specifically the Halal air cargo warehouse compliance as prior studies mostly looked into the Halal logistics in transportation. This study also enhances one's understanding pertaining to the successful compliance of Halal warehouse and expands the aspect of Halal logistics study, particularly in the area of warehouse in the aviation line. Since this study employed a single case study, the next research is suggested to probe into multiple perspectives, including providers, customers, and manufacturers. It is also recommended to seek the factor of demand among users due to the many channels available in selecting the most preferred Halal logistics operator(s).

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