

A Study on Halal Cosmetic Awareness among Malaysian Cosmetics Manufacturers

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Abstract— Halal certification and acceptance of Halal products had been widespread in the hospitality, food, packaging, banking and finance industries. In the food sector, Halal consciousness is especially high among consumers as well as the governments. However, the demand for Halal cosmetics and beauty products is not as strong. With increasing consumer awareness and a willingness to pay for quality products, the scenario is changing, thereby transforming the cosmetics and personal care industry into a potential sunrise segment for the region. Therefore, the purpose of this study was to conduct an exploratory investigation on the awareness of halal certification process among cosmetics manufacturers. A sample random t-test and descriptive analysis was used upon among cosmetics entrepreneurs in Malaysia. The data was selected based on simple random sampling from MIHAS Book directory which has listed the companies involved in the 13th edition Malaysia International Halal Showcase in Kuala Lumpur. Findings from this study indicated that Malaysia cosmetic manufacturers are well aware of the halal certification process and competent in obtaining halal certification. Future research should look into studying manufacturers which have yet to obtain halal certification in order to full comprehend this issue in depth

Keywords— Halal certification process, Cosmetics product, Halal certificate, Cosmetics Manufacturers

1. Introduction

The demand of halal products is highly increasing due to an ever-expanding number of Muslim population which is expected to be growing about 26.4 percent (2.2 billion) of the world population (8.3 billion) by year 2030 (2). In the food sector, Halal consciousness is especially high among

consumers as well as the governments. However, the demand for Halal cosmetics and beauty products is not as strong. With increasing consumer awareness and a willingness to pay for quality products, the scenario is changing, thereby transforming the cosmetics and personal care industry into a potential sunrise segment for the region. Consumers are now verifying the contents of the cosmetics that are most used by them for animal-based ingredients that may not be Halal. However, there exist constraints on the supply side. There is a dearth of Halal-certified cosmetics brands in the UAE market. The existing players are small and this has led to a fragmented nature of the market. None of the multinational cosmetics companies UAE offer Halal friendly products. This continues to remain a problem due to the absence of a local certification body. Increasing awareness among consumers on their religious obligations has created greater demand for Halal products among people, especially in the Asia Pacific region.

The Asia Pacific Halal cosmetics market was estimated to be worth US\$ 1,411.2 Million in 2014. It is anticipated to expand at a CAGR of 9.9% during forecast period 2015-2020. The Asia Pacific Halal cosmetics market is segmented on the basis of product type and region. On the basis of product type, the market is segmented into skin care, color cosmetics, hair care, and fragrances. Furthermore, color cosmetics segment is segmented into lip care, eye care, nail care, and face care. On the basis of region, the Asia Pacific Halal cosmetics market is segmented into Southeast Asia, East Asia, South Asia and Oceania. Skin care segment was valued at US\$ 453.4 million in 2014 with 32.1% market share. It is expected to gain its market share by 10 BPS through 2020. Color cosmetics is the largest segment in terms of revenue with 37.4% market share; it is likely to maintain its dominance during the forecast

period with 38.0% market share, reflecting an increase of 60 BPS over the forecast period. The color cosmetics segment is likely to exhibit the highest CAGR of 10.2% during 2015-2020 with rising yearly growth through the forecast period. Increasing awareness about transdermal nature of cosmetics is another driver for the growth of the Halal organic cosmetics market in Asia Pacific. Demand for organic/vegan-friendly cosmetics, greater availability of colour cosmetics variants, and increase in distribution and marketing channels are other growth factors for Halal cosmetics market. Some of the market leaders in the Asia Pacific Halal cosmetics market are INIKA, Martha Tilaar, Wipro Unza, Clara International, Brataco Group of Companies, Ivy Beauty Corporation Sdn Bhd, and Paragon Technology & Innovation. According to (3), some research shows that approximately 20% of Muslims consumers do not look for Halal certifications when purchasing a product and that most consumers will buy products that do not have the logo if there are no alternatives. Therefore, the behaviour and low level of consumer awareness is what causes the cosmetics manufacturer does not care about the importance of this certification Halal.

In Malaysia, manufacturing sector which emphasized on cosmetic and toiletries industry contributed approximately RM13 billions of sales in 2003 and imparts 13 percent growth rate per year thus, remains as the crucial sector for contributing towards the economic growth of Malaysia (4; 5). This sector continues to propel the economy forward by allocating more than 60,000 types of cosmetic products at the recent local market (5). For instance, there are several cosmetic brands available in Malaysia namely Avon, Cosway, and Maybelline (mass market), Estee Lauder, Clinique and Shiseido (prestige brand) as well as Body Shop, Sasa and Roche (franchise chains) (5). Other brands of cosmetic available in Malaysia's market are Safi which was initiated in 1985 and Zaitun (known as a patron of halal cosmetic market in Malaysia) (6; 4). However, due to an increasing halal awareness globally, there is in dire of need for manufacturers to pay closer attention and penetrate into the existence of halal business (5). In regard to (7), there is no doubt that the halal cosmetic manufacturing is one of the important mechanisms of the growing Malaysian economy as it was anticipated to augment of 8.5 percent worldwide in 2014. This is purposely to capture the demand and need of the consumer lifestyles and preferences in consuming Halal

cosmetics products (8). Hence, Halal cosmetic imparts positive perception among manufacturers as it provides some immense business opportunities by tapping into this Halal cosmetics industry.

1.2 Halal certification process

Halal certification play a crucial role as a quality instrument for manufacturers either to screening and identifying their product quality or overcoming unpredictability quality of their product, as Halal certification is conforming to halal standard (9). In Malaysia the Halal certification is placed under purview of government or institution appointed and selected by the government whereby the act is voluntary (namely stand-alone Act) (2) (10).

Hence, Halal certification in Malaysia which applicable throughout all states adopting a very standardized process, whereby it resembles in term of system, standard and procedure, logo as well as Certificate of the Act since 2012. Yet, there are several sequences of Malaysia's Halal Certification process beginning with application, followed by auditing and monitoring such being indicated as below:

1.2.1 Application

In regard to obtain Halal certification, it is required for the applicants to apply halal certificate through online medium namely MyeHalal at first stage until the certificate successfully issued. This application is located under monitoring of JAKIM. Through MyeHalal system, the eligible applicants who meets the requirement that has been fixed will only be listed according to their factory's location. Documentation review including ingredients used, suppliers who provides ingredients, certificate or result of ingredients' laboratory analysis, flow of process as well as control system are taken into account during this stage. All those review of documentations are based on JAKIM and Procedures Manual of Malaysia's Halal Certification (11). Besides, there is specific amount of fee will be charged for all eligible and complete applicants such shown in the following Table 1. However, delay in payment causes Halal inspection towards applicant's factory could not be able to proceed.

Table 1. Fee rate based on industry category

Category of Industry	Annual Sales Value	Annual Fee
Small Industry	Less than RM 500,000	RM 100
Small and Medium Industry (SMI)	More than RM 500,000	RM 400
Multinational Industry (MNC)	More than RM 25 Million	RM700

Source: Jakim (2012)

1.2.2 Auditing of Halal Compliance

Upon settlement of fee payment by applicants, Halal audit will be implemented by authority panels. There will be technical and *Sharia* auditing carried out by the assigned officers at applicant's factory during this stage. Basically, these audits will be undertaken into two distinguished internal and field. Thus, applicants will only receive their Halal certification once getting an approval from appointed panel during panel meeting. An issuance of Halal certificate includes several important records namely product, name of factory or premise, factory's registration number and expiry date of Halal certification.

1.2.3 Monitoring and Enforcement

At this stage, it falls under responsibility of Department of Islamic Development (JAKIM) (Halal Hub Division) in ensuring all the applicants who obtained Halal certificate comply with all the standards that has been fixed. Hence, periodic inspection as well as follow up inspection are carried out at specific time.

2. Method

This study aims to increase the understanding and awareness of the halal certification process among cosmetics manufacturers. To achieve the objectives of this research, the researchers chose positivism approach using quantitative methods. Data was analyzed using statistical techniques and maintain the degree of objectivity in the interpretation of research (12). Methods of collecting primary data for this research using questionnaires delivery by personnel in the MIHAS 13th edition. The target population in this study is Cosmetics Entrepreneurs in Malaysia. Cosmetics Entrepreneurs was selected by the companies who owners or managers or manufacturers of cosmetics companies. Owners or

manufacturers or managers of cosmetic company is the individual who is at top management levels in the organization chart of the company (13). Thus, indirectly they will know the company's management process especially the halal certification process.

The sampling frame gathered from MIHAS Book directory has listed the companies which are involved in 13th edition Malaysia International Halal Showcase in Kuala Lumpur Convention Centre KLCC, Malaysia. Unit of analysis in this study was cosmetics company in Malaysia. While owners or operation manager are deemed to be the respondents in this study. A questionnaire was designed based on a literature review. Consequently, for the next subsection, the descriptive analysis was based on 53 companies. This analysis provides descriptive statistical information such as frequency, mean and standard deviation of a data (14). According (15), will display the frequency distribution of the frequency of occurrence of each score.

3. Results

This section explains the finding of the analysis. The information on the demographic characteristics of the respondents include the religious, education, and formal religious education background. The result shows that among the respondents, the majority of them are Muslim (79%) and 35 respondents have a formal religious education background. Moreover, more than 77.4% respondents come from higher education background.

Moreover, the background of the companies included company status in cosmetics business, years of company establishment, market penetration, and company size. The result shows that 33 out of 53 are as production companies. Only two companies running a business as packaging activities. Twenty-four companies have been established in Malaysia for more than 9 years. However, 16 companies are established for less than 3 years. More than 21 companies are implement international market penetration. 39 companies have a staff less than 50 employees. Moreover, only 11 out of 52 companies studied, did not have halal certification for their cosmetics products.

3.1 Halal Certification Awareness

Table 2 shows descriptive findings related to the awareness of halal certification among cosmetics manufacturers. As many as 86.8% of respondents said they know what halal cosmetics products is. However, only 67.9% of respondents knew the

difference between halal cosmetics and non-halal cosmetics products. In addition, only 62.3% of respondents know the categories of materials for halal cosmetics.

Table 2. Halal certification awareness

	N	Percent
Do you know what Halal cosmetics product is?		
Yes	46	86.8
Unsure	6	11.3
Don't care	1	1.9
Do you know the difference between Halal cosmetic product and non-Halal cosmetic product?		
Yes	36	67.9
No	3	5.7
Unsure	14	26.4
Do you know the ingredient that categories a cosmetic product as Halal?		
Yes	33	62.3
No	5	9.4
Unsure	15	28.3

3.2 Halal Certification Process Awareness

In addition to cosmetic manufacturers identifying the importance of halal certification for cosmetic products, manufactures also need to know how to get the halal certificate. Hence, this study also looks at the entrepreneurial awareness of the halal certification process. The results on Table 3 shows that only 77.4% of respondents know how to obtain halal certificates for cosmetic products.

Moreover, 77.4% of respondents know government agencies that control halal certification for cosmetic products and only 7.5% do not know the subject. Table 3 also shows that 64.2% of respondents know the requirements needed to obtain halal certification for cosmetic products.

Table 3. Halal certification process awareness

	N	Percent
Do you know how to obtain Halal certification for cosmetic product?		
Yes	41	77.4
No	8	15.1
Unsure	4	7.5
Do you know the government agency that control Halal certification of cosmetic products?		
Yes	41	77.4
No	4	7.5
Unsure	8	15.1
Do you know the ingredient that categories a cosmetic product as Halal?		
Yes	34	64.2
No	10	18.9
Unsure	8	15.1
Don't care	1	1.9

4. Conclusion

This paper deals with research in the context of halal cosmetics industry. In this paper, we studied cosmetic manufacturer's awareness level in regard to halal certification process. It was found that Malaysian cosmetics manufacturers do have high levels of halal cosmetics awareness. Our finding also suggested that they are fully aware of how, who and what are needed in order to obtain halal certification. Further research should examine companies which are not halal certified in order to understand the issues from a different perspective.

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