Adoption of Halal Supply Chain among Malaysian Halal Manufacturers: An exploratory Study

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Abstract

The paper attempts to have an overview regarding Halal supply chain adoption among Halal manufacturers in Malaysia for transportation and warehouse activities from the perspective of Halal supply chain service providers. Halal supply chain is created by Halal logistics service providers to meet the demand from Halal manufacturers in order to maintain the Halal integrity for Halal products. Halal products are not confirm Halal if manufacturers are not adopting Halal supply chain services. This is an exploratory study with a series of face to face interviews were conducted with three Halal supply chain service providers. The results showed that adoption rates for Halal transportation and Halal warehouse are still relatively low. Respondents also mentioned that there are various barriers that may impede Halal manufacturers from adopting Halal transportation and Halal warehouse to run their products. In sum, this paper generates ideas for researchers to conduct other researches to gain more knowledge regarding Halal supply chain services adoption.

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1. Introduction

Halal products become more popular not only in Malaysia, but also in the world market today. That’s why the Halal food industry in Malaysia was growth from USD 6.6 billion in 2004, to USD 9.4 billion in 2010, and in the world, the Halal food industry was growth from USD 587.2 billion to USD 641.5 billion for the same time (Bahli, 2011). Lodhi (2010) mentioned that the increasing purchasing power among Muslims around the world also contributes to the increase demand for Halal products. According to the researchers (Christopher, 1988; Van Amstel & Van Goor, 2001; van Assen et al., 2010) as cited by Tieman (2012) Halal needs a supply chain approach where the value chain and its supply chain activities totally align with the Syariah requirements. Increasing the demand for Halal products should also affect the demand of other Halal services especially in Halal transportation and warehousing since all products must use these services. Furthermore, the Halal supply chain approach is important to guarantee the Halal integrity at the point of consumption (Tieman, 2011). Due to that matter, logistic service providers was created a service called as Halal supply chain services to meet the demand from Halal industries throughout the world (Jaafar et al., 2011).

If traditional supply chain services can be defined as a series of process wherein raw material are converted into final products, then delivered to the end customers (Manzouri et al., 2011), whereas Halal supply chain can be defined as the integration of business process and activities from the point of origin to the point of consumption according to the Islamic law known as Syariah (Omar & Jaafar, 2011). The difference between traditional supply chain and Halal supply chain is that, the traditional supply chain focus on cost reduction whereas Halal supply chain concern on to maintain the Halalness of Halal product. The activities of both supply chain may be looks alike, but ironically, they are different because of the difference in their objectives.

There is no guarantee that Halal products are really Halal at the point of consumption without applying Halal supply chain services. Even researchers like Tieman (2011) and Bahrudin et al., (2011) mentioned that it is very important to the manufacturers to maintain the Halal integrity in throughout the supply chain as a fundamental effort to prevent consumer fraud regarding Halal quality of the products. Not all of Halal manufacturers take the issue as a serious matter. Since their products already certified as Halal by Department of Islamic Development Malaysia (JAKIM), most of the manufacturers are not concerned about how their products are being moved and stored. But, in the late 2000 Muslims start to realize that the Halal concept is not only confined to food or other products, but also cover the process of handling, packaging, storing and delivering. In other words, if the food is not handled or stored accordingly, it would not be considered as Halal (Alam & Sayuti, 2011).

If there is a lack of intention among Halal manufacturers to adopt Halal supply chain services, that’s mean there is something that hard to be understood since they are the one who create the demand for the services. If Halal manufacturers did not use their services, non of other manufacturers would use it since all of the activities are customized to suit their needs. Furthermore, Halal supply chain service is the only approach that could confirm Halal products are really Halal at the point of consumption.

Previously, most researches on Halal are pointing to Halal processes, Halal ingredients, Halal food and a little bit on Halal logistics based on consumer perception. Jaafar et al., (2011) claims that prior studies on Halal have largely been conducted in the area of food science and agriculture, in which the attention was given on Halal food manufacturing. Hence, this kind of studies has revealed what is Halal and non Halal to be consumed. It also concerned about what kind of foods could be used as raw materials.
to ensure the products are capable to get the Halal certification. There are also studies on traceability, RFID and ICT adoption which are focusing on the technological tools could be used to support activities in Halal industries. This study shows what are the technologies could be used to support the demand in Halal industries. There are also studies about Halal logo, which is focused on consumer awareness and readiness to use the Halal logo as their precaution to buy products available in the market. Other studies on Halal are including Halal orientations, Halal food, Halal products such as cosmetics and pharmaceuticals and also regarding Halal practices in Muslim and non Muslim countries.

Basically, most of those researches are looking at the process of how to make sure the products will be certified as Halal in the manufacturing process and Halal to be consumed. Something that must be remembered that the products only Halal at the manufacturing process until it has been packed, but not certified Halal at the point of consumption. This is the huge lacking from the prior studies. Halal integrity of the products is a result of the various activities in the supply chain (Tieman, 2011) and not only at the manufacturing process. Even a naturally Halal product can be Haram if Halal delivery and transportation are not included. (Tieman, 2006). Even those studies that have been mentioned above will provide a new insight regarding Halal industries, but it's still not enough since Halal supply chain activities are not included in the studies. Tieman (2011) mentioned that it is important to Halal certified companies to look beyond their production and ingredients, and should extend Halal to the entire supply chain process to ensure that transportation, storage and handling are in compliance with the Syariah requirements.

Consumers are now concerned not only on manufacturing process, but also all activities along the supply chain for the Halal products (Jaafar et al., 2011). Due to that matter, Halal supply chain services should be a final piece of the puzzle for Halal product. Although current Halal standards regulate food production, preparation, handling and storage to some degree, it does not ensure that the products are Halal at the point of consumption (Tieman, 2006) if the manufacturers do not apply Halal supply chain throughout the supply chain activities. Even there is various research has been done in Halal, but there is still a lack of research regarding Halal supply chain on Halal transport and Halal warehousing. Jaafar et al., (2011) claim that studies that are focused on Halal from the perspective of supply chain management have been largely neglected. Halal supply chain has various activities other than transport and warehousing, such as sourcing, handling of products and so on, but transportation and warehousing activities are the most crucial one since all products must go through this stage. According to Talib et al., (2013), transportation activity in Halal services plays a vital role and is also the stage where cross contamination may happen between Halal and non-Halal.

Same goes to the warehousing activity, since Halal and non-Halal products could not even be stored or move out using the same racks or pallets. It depicts that Halal transportation plays a key role in protecting the Halal status of any Halal products through proper transportation and warehousing activities until it reaches its final destination. It also shows how important Halal supply chain services towards helping to preserve the Halal integrity. Since academic research is highly needed on this area (Tieman, 2011), and Islamic lesson teaches Muslims to consume Halal goods (Al-Qaradawi, 2007) It is very important to have an information regarding the adoption of Halal supply chain services scenario from the perspectives of Halal service providers. The vulnerability of Halal supply chains (Bonn & Verbeke, 2008; Zailani et al., 2010), the large size and growth of the Halal market (Alam & Sayuti, 2011) forced brand owners to extend Halal towards the point of customer purchase (Tieman, 2013). But, do brand owners really extend Halal to the throughout their supply chain activities? Halal supply chain management is a new approach and academic research is highly needed in this area (Tieman, 2013).Though there is still a lack of study has been done regarding this area, accordingly this paper will try to explain the adoption of
Halal supply chain in terms of transportation and warehousing activities among Halal manufacturers in Malaysia on the perspective of Halal supply chain service providers. Researchers tend to choose Halal service providers instead of Halal manufacturers for this study because the purpose of this study is to explore the real phenomenon of Halal supply chain services adoption, and Halal supply chain service providers is the best party who could reveal that. Beside revealing the current scenario of the adoption towards Halal supply chain services for transportation and warehousing services, the findings from this study also could provide a new insight about it and also will create a new area to be studied in the future for the sake of Halal industries and also players involved in this industry.

2. Literature Review: Halal supply chain services adoption intention

Current consumers’ consumption trends not only on Halal products but also on other services such as Halal logistics. Due to that matter, adoption of Halal supply chain going to be used as the dependent variable for this research. Moreover, adoption is often conceived as the dependent variable. (Kamarudin & Udin, 2009). Adoption is a component of the diffusion process that refers to the evaluation of the results of a trial use of the innovation and decision to continue using the innovation (Rogers, 1995). Adoption occurs when the organization decides to invest in and put into use an innovation (Russell & Hoag, 2004), in a recap of an organizational innovation studies. Damanpour (1991) noted that the adoption of innovations is conceived to encompass the generation, development and implementation of new ideas or behaviors. An innovation can be new products or service, a new production process technology (Kamarudin & Udin, 2009). Halal supply chain services adoption in a situation where manufacturers especially Halal manufacturers using Halal supply chain services in their supply chain activities in order to maintain the Halal integrity of their products. It is known as Halal from farm to fork. Halal supply chain is a new dimension of supply chain in which Halal products are handled separately with non Halal products according to Syariah to avoid cross contamination in order to maintain their Halal integrity.

2.1 Halal Transportation

While transporting Halal products, Halal and non-Halal goods are not mixed on a load carrier (like trolley or pallet) or in a container/ common transportation vehicle (in case of bulk shipments). There is also a clear difference in transportation in case of ambient or reefer (chilled or frozen) (Tieman, 2007). This is the uniqueness of Halal in Islam. It is very detail and clear since there is Hadith said that it is clear between Halal and Haram. In order to maintain the Halalness of the Halal products, it must be handled by the right person with the right process. It can’t simply put together all the products in the same transport without considering the Halal status of the products going to be moved to the right destination. If there is any misconduct, the Halal integrity of the products could be questioned. Tieman, (2007) said that for refrigerated shipments there should be no mixing in the same container/common transportation storage of Halal and severe Najis (items regarded as ritually unclean) like pork. In case of ambient transports, there should be no mixing of Halal and non-Halal goods on a pallet or load carrier, and tertiary packaging should be used to protect the Halal cargo along the supply chain.

2.2. Halal Warehouse

Evidence supports that goods spend a lot of time in storage and relatively little time in the movements and transformations. Hence this is an important argument to address the Halal compliance for storage and warehousing (Tieman, 2007). Since Halal goods spend more time in a storage, and storage is a place where manufacturers keep their goods before it is delivered to its destinations. In Halal supply chain, it is clean and Halal from farm to fork. It is similar to the Halal transport concept, which Halal and non-Halal
product can’t be put together. It depends on what kinds of goods to be stored wet. Every goods have their own way of conducting Halal products. Foods such as meat, pharmaceutical products and cosmetics product has their own characteristics. Since there are differences in product characteristics, it also needs a different treatment to maintain their Halal integrity.

3. Methodology

The purpose of this study is to find an issue in the adoption of Halal supply chain services for transport and warehouse from the perspective of service providers. This is an exploratory study since lack of information regarding the Halal supply chain due to lack of studies about it has been done. So, qualitative studies are deem necessary where data are collected through a series of interviews and focus group (Sekaran and Bougie, 2009). Since Halal supply chain is a new approach in the supply chain industry and the numbers of providers also very limited, this study had interviewed three Halal supply chain providers in order to gain a better understanding regarding the scenario. The companies were identified through purposive sampling method. Table 1 shows an information about samples of the study.

Table 1. Selected representatives of Halal supply chain service providers in Malaysia

| Company | Description |
|---------|-------------|
| X       | JAKIM Certified and Syariah compliant Halal service provider |
| Y       | HDC and JAKIM Syariah compliant Halal service provider |
| Z       | HDC Halal certified warehouse and dedicated transport |

Semi–structured interviews were conducted on the individual, face to face basis. Since the respondents are from the individual who are holding higher position in their respective companies, as well as having a vast knowledge and experience regarding Halal supply chain, during the interviews, respondents were asked to comment and give an opinion on various issues, aspects of their business regarding Halal supply chain. The focus of the discussions are on Halal transportation and Halal warehousing business. As proposed by (Hannabuss, 1996), recording and transcribing are required for better understanding and analysis later.

4. Results and Findings

4.1. Attitudes of current customers

Most of the Halal manufacturers are unaware of Halal services and they did not see the benefits of adopting Halal services. The majority of their customers is not looking for Halal transportation and Halal warehousing, even they are Halal manufacturers. Since they have a Halal logo from JAKIM, they believe that they are not required those Halal supply chain services at the mean time. The majority of them only adopts Halal transportation and Halal warehouse services after the providers inform them that they have Halal services and explain to Halal manufacturers the benefits of the adoption of Halal supply chain services for their products. As mentioned by them:

X: They can’t see the benefits of adopting our services.. but after we explained to them… then they agreed to adopt Halal supply chain services in transportation and warehousing for their Halal products. (translation)
By: JAKIM have already certified their products as Halal, they think... they don’t need our Halal services... we need to convince them the importance of our Halal transportation and warehousing to their product image and consumer perceptions... then they agreed (translation)

Z: They don’t know that we have Halal services even though we have a long contract with them. They are not looking for the Halal services... we need to tell them that we have it and we can help them to maintain the Halal integrity...(translation).

4.2. Adoption rate of Halal transportation and Halal among Halal manufacturers in Malaysia

While the researcher asked them about the adoption rate, all of them were agreed that the adoption rate of Halal supply chain services (for transport and warehouse) is in the range of 10% - 15%. They were aware that every month the numbers of Halal certified manufacturers keep on increasing tremendously, but not all of them will look for Halal services to handle their products since there is no urgency to do that. Currently there is no law that enforces Halal manufacturers to use Halal supply chain services for their products. That is why It is a little bit hard for them to get new customers and their marketing department keeps on doing marketing to increase their market share and also increase the adoption rate.

4.3 Why Halal manufacturers do not want to adopt Halal transport and Halal warehouse services?

Most of them believe that there are barriers that impeding them from adopting Halal transport and Halal warehouse services and government should take some actions towards that. Different respondents have different opinion regarding this matter. Lack of awareness, low level of understanding, lack of competitive pressure, lack of consumer pressure, cost, lack of regulation and government support could be the barriers for them from adopting Halal supply chain services. As mentions by them;

X: Most of Halal manufacturers are non-Muslim, so they don’t understand why they need to adopt Halal services. Furthermore... Halal supply chain is a new approach, need a new equipment.. the cost also something they need to consider. (translation)

Y: Our consumers are not strong as consumers in Europe... lack of awareness, lack of pressure from consumers... so...that’s why Halal manufacturers don’t think to adopt Halal services. Customers will not ask the merchant how they handle their supply chain? Halal or not? May be just looking at the Halal logo... if they check it... consumers also believe since Malaysia is an Islamic country.. products in the market that produce locally.. must be Halal.. What are their competitors did also will not affect them that much in Halal industry.. so... even their competitors such as Nestle, or other multinational companies adopting Halal services... they still remain with their traditional supply chain.. or may be because they have their own transport and warehouse.. (translation)

Z: There is no urgency for them to adopt Halal supply chain services. Until now, government can’t do anything if Halal manufacturers did not adopt Halal supply chain. When there is no enforcement and lack of encouragement by the government... the situation is going to be like this. If government force them by law, like what they did with Halal logo, we believe all of Halal manufacturers will look for Halal supply chain services to handle their Halal products. (translation).

5. Conclusion

Halal supply chain is a new approach to handle Halal products. This approach has been created to meet the demand from the Halal industry but at the same time must be aligned with the Syariah requirements.
Even Halal industry in Malaysia has grown rapidly in Malaysia, but the growth in Halal supply chain services is not as good as Halal industry. Adoption rate for Halal supply chain also still relatively low among Halal manufacturers. There are some barriers impeding them to adopt and also some variables could be as enablers for them to adopt it. From the series of interview had been conducted, Halal supply chain service providers mentioned that awareness, understanding, lack of competitive pressure and consumer pressure, lack of regulation and government support could be a reason why the majority of Halal manufacturers is not adopting Halal supply chain services. The interviews also showed that perceived benefits could be a driver for the adoption. It is because some of the adopters only agreed to adopt Halal services after they understood what are the benefits they could have if they are adopting Halal supply chain services. Since this is an exploratory study, other research should be done to confirm this finding and also try to find what factors could be a driver for Halal manufacturers in Malaysia to adopt the Halal supply chain services provided to them. This study is only trying to have an overview regarding adoption of Halal supply chain services for transportation and warehousing from the perspective of Halal service providers. Another study which tries to gain information from the Halal manufacturers themselves also good to be run. The finding from this study could be a base for another study to have a better understanding regarding the Halal supply chain industry. Further research with better contextual adoption theory could be run since this study did not include any theory.

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