Halal cosmetics: External pressures to adopt Halal certification

Nur Syazana Zulkifli
Faculty of Economics and Management, Universiti Putra Malaysia,
43000 Serdang, Malaysia
E-mail: syazanadeen@gmail.com

Azmawani Abd Rahman (Corresponding author)
Halal Product Research Institute, Universiti Putra Malaysia,
43000 Serdang, Malaysia
Tel: +603-9769 6021 E-mail: azar@upm.edu.my

Abstract

This study investigates external factors that pressure Malaysian cosmetic manufacturers to adopt Halal certification in the business. The government, customer, competitor, supplier pressure and government support have been derived as the external pressures for this study. The study has been conducted through a structured questionnaires, and non-probability sampling procedure is employed. At the end of the data collection period, a total of 143 responses from cosmetics manufacturers are obtained. SPSS is used to perform statistical analysis in this study. The results indicate that all five external factors are significantly related towards Halal certification adoption among cosmetic manufacturers in Malaysia. The Halal certified cosmetic manufacturers has indicated that the level of pressure is higher to adopt Halal certification in comparison with non Halal certified cosmetic manufacturers. This study contributes in terms of understanding the underlying dimensions of driven factors and obstacles of Halal certification adoption within the context of the future adopters. Perhaps, a new perspective from which many more studies could be developed. The results of the study can serve as guidelines to the practitioner and the policymakers.

Keywords: Cosmetics manufacturers, External pressures, Halal certification, Halal cosmetics, Malaysia

Introduction

Halal cosmetic is one of the most promising and potential high value added industries since the Halal certified products incorporates with quality, safety, hygiene, sustainability and wholesomeness (Golnaz et al., 2010; Marzuki et al., 2012b; Aziz and Chok, 2013; Ab Talib et al., 2016). Today, the world market shows ascendant demand for every products to have Halal certification, since there are increasing educated, modern and knowledgeable Muslim populations. The Global Islamic Economy Report published by Thomson Reuters, (2017) highlights that the demand for world Halal cosmetics are increasing to be worth $82 billion by year 2022. The failure to adopt and absorb the benefits of Halal certification among cosmetic industry players could hinder them from becoming the remaining competitive industry in the global market. Although it has been well documented in the empirical research and reported by practitioners that practicing Halal will enhance their establishment in market position, expanding their market share, increasing competitiveness level, also winning over the sensitive Muslim consumers (Ab Talib et al, 2015; Abd Rahman et al., 2017), many cosmetics manufacturers still do not adopt Halal certification in their business operations, despite having the intention to adopt it.

Aziz and Chok, (2013) highlight that research conduct in Halal certification is still in early stages. In fact, most of the empirical evidence regarding Halal certification focuses more on
the consumption and consumerism (Golnaz et al., 2012; Mohamed et al., 2013; Mohayidin and Kamarulzaman, 2014; Prabowo et al., 2015). Therefore, an investigation on what they perceive as major pressure and least factor towards Halal certification adoption is crucial in the initial step to further understand why these organizations has remained to hold their position as Halal or non Halal certified manufacturers. This research investigates on external factors that affect as pressures towards cosmetic manufacturers to implement Halal certification. This paper highlights the various type of external pressures which influence cosmetic manufacturers to adopt Halal certification.

This study is different from many previous Halal research. Research on Halal certification adoption has so far addressed the following: (1) Motivations and benefit of Halal logistics certification, and (2) Influence of Halal food certification on performance. Few previous researches have investigated on Halal certification adoption. However, most researches focus on Halal food (Ab Talib, 2015, Ab Talib et al., 2016) and logistics (Ab Talib et al., 2016; Zailani et al., 2017). Understanding on cosmetics industry on Halal certification remain sparse.

**Halal ecosystem in Malaysia**

The emergence of Halal industry has surpassed beyond its traditional food business, since Halal consumption is turning into a worldwide phenomenon associated with acknowledge Halal as a niche product segment for a large customer group. In response to this phenomenon, the Department of Islamic Development Malaysia (JAKIM) has particularly developed and has been managing Halal industry in Malaysia since year 1974 by the adoption of system in conducting Halal standards, audit and certification for Halal products and services. Such aid programs have been fine-tuned over time to cover the multifacet needs of such market as a whole. A comprehensive system such as Halal Assurance System (HAS) has been introduced and started from July 2013. The Malaysia government has underlined that multinational companies operating in Malaysia are required to first implement HAS before applying for Halal certification.

As a pioneer in managing Halal industry, Malaysia has been successfully awarded as top scorer for the best quality ecosystem practices in Halal management recognised by Thomson Reuters Islamic Report for State of the Global Islamic Economy 2017/18. Nonetheless, The Codex Alimentarius Commission has cited Malaysia as the best example in the world in managing Halal food certification. Over the years, the government has provided various Halal standard to match with market needs, as for improvement in managing Halal system. Through Halal Hub Division, JAKIM has recently introduce Halal cosmetics standard to be complied under (i) MS2200: 2008 Consumer Good – Section 1: Cosmetic and Personal Care – General Guidelines; (ii) Guidelines for Control of Cosmetic Products in Malaysia, National Pharmaceutical Control Bureau; (iii) Guidelines on Cosmetic Good Manufacturing Practice, National Pharmaceutical Control Bureau; (iv) decisions of the National Fatwa Council for Islamic Affairs or Fatwa decreed by the states; and (v) other related guidelines and regulations. Prior to this, JAKIM has expressed Halal certified cosmetics as cosmetic product which is clean, pure, hygienic, healthy and nutritious.

In 2016, the existing Muslim market contributes 11.9% of global expenditure worth US$ 2,006 billion for Halal industry. Consequently, it is estimated that potential Halal market size will grow by 7.3% in 2022, with total estimated value US$ 3,081 billion (Thomson Reuters, 2017). The market demand for Halal cosmetics has affluent throughout international market especially in South East Asia and the Middle East countries. ‘Halal phenomena’ has attracted several international cosmetic companies such as L’Oreal groups and Unilever to adopt Halal certification verified by JAKIM, as they could
implicate to strengthen products sustainability in the global market. However, a review of Global Islamic Economy Report, 2017 indicates Halal cosmetics standard and practices in Malaysia has dropped from second to third rank for Halal pharmaceutical and cosmetics sector as compared with previous year (Thomson Reuters, 2017).

**Perceived motivations to implement Halal certification**

While immense researches are conducted on Halal certification, very few publications constitute on the cosmetics industry. Because of the lack of literature, various Halal certification implementation such as Halal food and Halal logistics have been extracted as reference to study the factors that might influence the motivation towards Halal cosmetics implementation. It is believed the factors that motivate organization to implement Halal certification does not vary with each other (Ngah et al., 2014; Prabowo et al., 2015) Halal certification is generally believed to advocate many advantages in various industry. However, there are always obstacles in the implementation of Halal in business operations.

Despite the existence of numerous factors that pressure organizations to implement Halal certification, this study will focus only on external factors that influence organizational readiness to implement Halal certification. External factors are believed to be the strong factors that motivate organizations to operate within a heavily institutionalised environment where business undertakings are bound by rules, regulations and policies (Lawrence and Suddaby, 2006). Apart from understanding consumer requirements, it is equally important for firms to recognise the market factors or the external environments and understand the “why” and “how” market forces which influence organisational conducts (Zakaria and Abdul Talib, 2010; Abdul Talib and Abd Razak, 2013). Although Ab Talib et al., (2016) discover that external pressure can affect organization decision to implement Halal food certification, it is still not known if the external pressures might affect cosmetics industry players in adopting Halal certification as well.

In reality, there are numbers of cosmetic manufacturers who still feels reluctant to implement Halal certification in their business operations. It is based on the report from star2.com, dated 13 October 2017, which highlights that there is a lack of supply for Halal cosmetics in the market to fulfill the rising demand from customer. It is important to ascertain external pressures to implement Halal certification, since it is identified as motivations and obstacles for industry players to tap into Halal industry. Before proceeding to review the relevant literature, it is necessary to note that different keywords have been used as references to identify pressures and obstacles to implement Halal cosmetics certification. The generic keywords used are ‘motivations’, ‘obstacles’ and ‘barriers’.

Practical experience reviewed in the other Halal field suggests that customer pressure such as consumer demand and consumer concern are among external pressures that derived organization to implement Halal certification. As indicated by Ab Talib, (2017) Halal food certification has been implemented in response towards the growing demand and rising concern among consumers over the series of food-borne illnesses. Organizations are more likely to adopt Halal certification as consumer increases their awareness regarding availability of Halal products in the market. Religious awareness among Muslim consumer has also increased the demand for Halal certification on cosmetics (Wilson and Liu, 2010). Other than that, organizations action taken to adopt Halal is also believed to be one of the reason to maintain customer satisfaction (Fernando et al., 2014) and reduce customer complains (Ab Talib, 2017), because recent consumers have started to demand greater assurances regarding complexity of the logistics chain and Halal status and integrity concerns (Tieman et al., 2012). Generally, consumer consumption trends
focus on both demand for Halal products and Halal logistics services (Kamaruddin et al., 2012a). Furthermore, pressure from customers has been found to lead intense competition among organizations to adopt Halal in business practices (Othman et al., 2009; Ngah et al., 2014).

At present, local and international business practitioner are aggressively producing and selling numerous products, while extremely competing in high volatile and saturated market. Organizations are found to be motivated to apply Halal as response to the fierce inter-firm competition (Ab Talib, 2017). Mimicking from other business players move is also associated with organization’s image and reputation (Mariotti et al., 2014). Other than that, actions have been taken to implement Halal certification in response to offer unique products and shows their effort to remain competitive in the market, even though organizations are lacking in understanding the fundamental reasons for certification (Othman et al., 2009). In Malaysia, food industry players are devoted to implement Halal certification because of the business trend and failure to do so could lead to ineffective business operations (Othman et al., 2009). The lack of Halal experts and deficient collaborative efforts among industrial players (Ab Talib and Hamid, 2014) and uncertainty position of organization have pressured the industry players to imitate other Halal certified organization (Ab Talib et al., 2016).

Aside from customer and competitor pressure, pressure from government regulations and policies could also stimulate companies to implement Halal certification. It is revealed that government pressure and support such as policies and regulations, infrastructure and tax incentives are significant driving factor in Halal logistics and Halal food adoption (Tan et al., 2012; Ab Talib et al., 2014; 2017). The government’s roles which involves planning, developing, implementing, promoting, educating and regulating Halal certified firms (Ngah et al., 2014; Ab Talib and Hamid, 2014) are categorized as pressures to encourage industry players to implement Halal certification.

Practicing Halal in Malaysia is not highlighted as an obligation for industry players. Nevertheless, with some rules and regulations guided by the government, it is believed to create the right path for industry players to tap into Halal business. Extracting from the review above, it has shown enough evidence that external pressures could be factors that might encourage cosmetic manufacturers to adopt Halal certification in their business operations. However, it is believed that there are always obstacles in the implementation of Halal certified cosmetics in the market. Previous study has found that different environments will influence the decision on adoption for individual and the organization (Ngah et al., 2015). Furthermore, the lack of government support is analyzed as one of the external factor that hinder institutions to implement Halal certification. This is consistent with the finding of past studies which highlight that institutional rigidness and cumbersome requirement hinder food manufacturer from becoming Halal certified (Talib et al., 2010).

Research Methodology

Sample and sampling procedure

The target population for this study is cosmetic manufacturers in Malaysia. More specifically, the unit of analysis in an entire company, a division, or subsidiary located within the boundaries of Selangor and Kuala Lumpur. The subjects chosen for this study are top management of organization; general manager, chief officer, senior manager or manager with similar status and who are involved with company operations. These individuals are expected to possess the relevant information pertaining to this study, that is, information about both strategic and managerial issue at the institutional level. Federation of Malaysian Manufacturer (FMM) and National Pharmaceutical Regulatory Agency (NPRA) directories are used as sampling frames. The present study uses non
probability sampling procedure. This study does not notify any criteria set for sampling. All cosmetic manufacturers in the list are taken as sample.

**Measurement**

There are 5 external factors listed in this study. The list includes governmental pressure, customer pressure, supplier pressure, competitor pressure and governmental support. The list is derived and modified from the version of a variety of surveys conducted in previous study. This is shown in Table 1 below.

<table>
<thead>
<tr>
<th>External factors</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government pressure</td>
<td>Fernando et al. (2015), Zhang et al. (2015)</td>
</tr>
<tr>
<td>Supplier pressure</td>
<td>Lin and Sheu (2012), Fernando et al. (2015), Krell et al. (2016)</td>
</tr>
<tr>
<td>Customer pressure</td>
<td>Zailani et al. (2015), Krell et al. (2016)</td>
</tr>
<tr>
<td>Competitor pressure</td>
<td>Li (2014), Zailani et al. (2015), Krell et al. (2016)</td>
</tr>
<tr>
<td>Government support</td>
<td>Fernando et al. (2015), Zailani et al. (2015)</td>
</tr>
</tbody>
</table>

The respondents are asked to indicate the item representing the external factors that influence organizations decision to implement Halal certification. The reliability of the instrument is substantiated with a Cronbach alpha coefficient higher than 0.70 for all variables (Sekaran, 2000). Items are scored on a 7-point Likert scale from “strongly disagree” to “strongly agree”. Questions 1-5 measure government pressure, 6-10 measure supplier pressure, 11-15 measure customer pressure, 16-21 measure competitor pressure and government support are measured using 6 items from questions 22-27. The final value for each group is determined by averaging the score for each item in that group. In total, 143 respondents have returned complete and valid questionnaires.

**Results and analysis**

**Descriptive statistics and t-test**

Table 2 indicates the means and t-test results for government pressure, supplier pressure, customer pressure, competitor pressure and government support. 63% of cosmetic manufacturers have not adopt Halal certification while the remaining 37% cosmetic manufacturers have adopted Halal certification.

<table>
<thead>
<tr>
<th>Items</th>
<th>Halal certified mean (n=53)</th>
<th>Non Halal certified mean (n=90)</th>
<th>t-test</th>
<th>Statistically significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government pressure</td>
<td>5.521</td>
<td>5.073</td>
<td>0.002</td>
<td>**</td>
</tr>
<tr>
<td>Supplier pressure</td>
<td>5.358</td>
<td>5.038</td>
<td>0.018</td>
<td>*</td>
</tr>
<tr>
<td>Customer pressure</td>
<td>5.536</td>
<td>5.049</td>
<td>0.001</td>
<td>***</td>
</tr>
<tr>
<td>Competitor pressure</td>
<td>5.428</td>
<td>4.752</td>
<td>0.000</td>
<td>***</td>
</tr>
<tr>
<td>Government support</td>
<td>5.311</td>
<td>4.976</td>
<td>0.026</td>
<td>*</td>
</tr>
<tr>
<td>Total Score External pressure</td>
<td>5.431</td>
<td>5.014</td>
<td>0.002</td>
<td>**</td>
</tr>
</tbody>
</table>

Note: mean; *p<0.05; **p<0.01; ***p<0.001

The results from Table 2 shows there are statistically significant differences between Halal certified and non Halal certified cosmetic manufacturers. From the mean scores, as a whole, it shows that the Halal certified manufacturer are more affected from the external pressures to implement Halal business with mean score 5.431. Customer pressure is identified as the main pressure factor for Halal certified cosmetic manufacturer with the highest mean score 5.536,
while government support has given the least pressure with the mean score of 5.311. The results from the non Halal certified cosmetic manufacturers indicate that government pressure is the most influence factor affecting them to implement Halal, since they started to feel the heat derives from the government and the mean score is 5.073. This is probably the reason for the small number of cosmetics industry is getting Halal from JAKIM. The result of the study indicates that competitor pressure gives the least pressure towards non Halal certified cosmetic manufacturers with the mean score of 4.752.

Further analysis has been carried out by conducting t-test, to identify if there is any significant differences in pressures between Halal certified and non-certified Halal cosmetic manufacturers. From the result in Table 2, it shows that both are different in terms of external pressure factors. The results indicate supplier pressure and government support are significantly difference with p<0.05. The government pressure shows significant difference with p<0.01, while another two factors; customer pressure and competitor pressure shows the most significant difference p<0.001. The p-value is a significant probability with summary result assuming that the null hypothesis is true (Fisher, 1956). A level of p<0.05 was used to determine statistical significance (two-tailed) for all the analyses performed in this study.

Although organizations in this study are found to be pressured by the external pressures, not all are quick to take advantage to be Halal certified cosmetics business. This problem is more apparent for cosmetic manufacturers in Malaysia especially when previous research indicate that most of the cosmetic manufacturers claim that the process of applying Halal certification is longer to be resolved. (Marzuki et al., 2012).

**Discussions and Conclusions**

The purpose of this study is to investigate external pressure factors that influence Malaysian cosmetic manufacturers in adoption of Halal certification. The result indicates government pressure, supplier pressure, customer pressure, competitor pressure and government support have positive effect towards cosmetics manufacturers readiness in adopting Halal certification. The result shows that Halal certified cosmetic manufacturers perceive slightly more pressures towards Halal adoption as compared with non Halal certified cosmetic manufacturers. This finding is important to signify that pressures are pertinent in motivating manufacturers to adopt Halal certification. If the pressures are not high enough, they may delay in getting the Halal certification.

This paper has demonstrated that cosmetic manufacturers in Malaysia are in the 'ready mode' to adopt Halal certification in the business. All five external factors show statistically significant relationship towards Halal certification adoption. It is discovered that customer pose the highest pressure for cosmetic manufacturers to adopt Halal certification in the business. In previous study, it indicates customers become more educated, and they are more likely to be familiar with Halal principles (Golnaz et al., 2012). Therefore, Halal certified cosmetic manufacturers who are aware of this, feel higher pressure from customer are the driving force to adopt Halal certification and to builds new strategy to sustain in the market.

Increasing demand from knowledgeable and safe conscious customer since the past few decades have influenced business practitioner to adopt Halal, as they believe that quality products that satisfy customers will promote the positive feedback about Halal products, attract new customers and help in enlarging their business territory and their market share in the future. In Malaysia, government (JAKIM) intervention in managing Halal certification has pressured
business practitioner to adopt Halal certification in the business. However, the result shows that the government support is not the main pressure factor for Halal adoption.

The government support hold a significant role in providing sufficient facilities as to encourage cosmetic manufacturers to tap into Halal certified business. Zailani et al. (2015) discover government support is one of the factor which influence the level of the Halal orientation system adoption among Halal food firms in Malaysia. Additionally, effort from the government is found to be as one of the factor that could hinder Halal implementation (Prabowo et al., 2015). The overall findings show that Halal cosmetic manufacturers begin to feels the heat of external pressures in Halal implementation. This result reflects a clear impression that, compared to Halal certification in food sector, manufacturers feel there are considerably low government supports in terms of managing Halal certification such as tax benefit, training and seminar arrange for cosmetics industry players, with high bureaucracy practices to apply for Halal certification.

Meanwhile, the non Halal certified cosmetic manufacturers feel the least pressure comes from the competitors in the market. This clarifies the reason why they are not applying the Halal certification. This study offers some practical implications as to encourage non Halal certified cosmetic manufacturers to implement Halal certification in future. First, cosmetics industry players feel the lack of government support towards Halal certification adoption. Therefore, the government should increase the support by providing more encouragement programs to cosmetics manufacturers, such as more training on Halal certified cosmetics education programs to educate and encourage cosmetics manufacturers in Halal certification adoption. Second, the government should keep in track in conducting more Halal cosmetics conference, as a platform for cosmetics industry players to increase their networking, notwithstanding for the government to keep track the numbers of Halal cosmetic industry players existing in the market. This strategy might create the awareness of other cosmetics industry players, to increase the number of Halal competitors in the industry.

References


Abdul Talib, A.N., & Abd Razak, I.S. (2013). Cultivating export market oriented behavior


Wilson, J.A.J., & Liu, J. (2010). Shaping the halal into a brand?. *Journal of Islamic, 1*(2), 107-123.


