

HALAL MARKET DYNAMICS

AN ANALYSIS

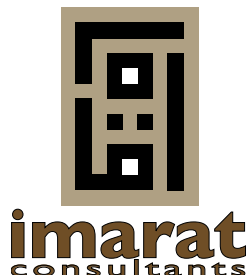
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Background

In order to get a clear understanding of what we are trying to achieve for the next phase of market development, it is important that we understand the context in which all of this is taking place.

We have to have a clear picture of the overall global Halal market. The more we understand the overall market then the more we are going to understand and get a good idea of how to move the Halal agenda forward in the United States.

Let's begin with a quote from A T Kearney, who are one of the world's leading management consultant firms, with offices around the world. They produced a report in 2008 entitled *Addressing the Muslim Market - Can You Afford Not To?*

The report concludes with the following statement:

“With many of the World consumer segments reaching a saturation point the Muslim Consumer is fast becoming a new outlet to become a base for future growth. Although there are political and social pitfalls to consider, the opportunities are so vast and far reaching that they greatly outweigh the risks. Since Muslims are the fastest growing consumer segment in the world, any company that is not considering how to serve them is missing an opportunity to affect both its top and bottom line growth.”

They are talking here about companies, but I think it is fair to say at this stage that any *country* that is not considering how to serve its domestic Muslim population, and also how to engage with the global Halal market, is also missing an enormous opportunity.

I am going to draw here another reference, this time from the book *Meccanomics* by Vali Nasr, that was published recently. He states that in 2008 the GDP of the largest countries in and around the Middle East, that is Pakistan, Egypt, Iran, Saudi Arabia and Turkey, with a combined population of 420 million, was \$3.3 trillion. That is the same as the GDP of India, but India has three times the population.

This give us some sense of the potential strength and power that this notional Muslim consumer market has.

Let us just review what we are referring to when we talk about the global Halal market.

When we are talking about the Halal food market, it clearly starts with meat and poultry, but it moves on much further than that taking in the wider non-meat food manufacturing sector, the retail sector, restaurant chains around the world and the food service industry, and, because it is a global market, the business of logistics and shipping also now find themselves subsumed in this global Halal market.

Moving into the consumer market we find that personal care products, cosmetics, toiletries and healthcare products and pharmaceuticals are also within this market.

The issues around standards, auditing and certification are also key elements, along with science and new technologies now emerging within the context of this market. Clearly when we go into verification and certification, laboratory testing is also an essential part of the verification process.

Because so much of the world's business activity is running on computers and online now, developing new software applications that relate specifically to the Halal sector are being developed. This is certainly true within the logistics and shipping sector, and also with ERP software.

Content providers in the media, public relations and marketing, event management, training, teaching and consulting, all of these are within the growth areas of this emerging market.

So we can see that while this market is driven primarily by the food sector, it goes well beyond that into a whole spectrum of other consumer and service sectors.

An estimate from the World Halal Forum 2011 on the size of the food market was in excess of \$650 billion. It's a market that not only is itself expanding, but the parameters that define the market are also expanding, with new business opportunities being created all of the time.

Market Categorization

If we look at the basic categories of the Halal sector, in terms of defining them, one can clearly look in terms of consumer markets and producer markets.

Basic Market Categories



Mixed

- ▶ Mixed religion & culture
- ▶ Well established Muslim presence
- ▶ Pioneered Standards & Certification
- ▶ Consume & Produce
- ▶ Multinational presence
- ▶ Local SME & Micro
- ▶ Halal as economic Driver
- ▶ Political Platform
- ▶ Political Football

Majority

- ▶ Muslim Majority
- ▶ Halal low priority - assumed to be Halal
- ▶ Primarily Consumers
- ▶ Every exporters target
- ▶ Slow to develop standards
- ▶ No political support
- ▶ Multinational presence
- ▶ Embryonic local industry
- ▶ Conflictive politics

Minority

- ▶ Muslim Minority
- ▶ Political sensitivity
- ▶ 9/11 and 7/7 mentality
- ▶ Halal as identity
- ▶ Disposable income
- ▶ High industry interest
- ▶ Multinational HQ's
- ▶ Consumer awareness
- ▶ Marketing expertise
- ▶ Cradle of creativity
- ▶ Society in Transition

You have got the non-Muslim world primarily producing Halal food for the Muslim consumer market. Someone wittily commented that in terms of Halal meat that the Muslims kill it and eat it and between those two everyone else is making money. The Muslims by and large are missing out on the business opportunities in this market.

If we look at the drivers in the market and the way that Halal as a market force has emerged, we can roughly divide parts of the world into three, which I am referring to as mixed markets, majority markets and minority markets.

Mixed Markets

The mixed markets were the first to get involved in Halal standards and certification, primarily in South East Asia. There you have mixed religion and culture, you have a strong established Muslim presence, but they are not the ones producing the food. So they pioneered standards and certification procedures in order to ensure that the food was suitable for the Muslim population. They are both producers and consumers.

There tend to be multinational corporations with a presence in these countries, plus a lot of local SMEs and micro businesses. Halal is seen as an economic driver in terms of moving the national economy. In that sense Halal also plays a role on the political platform and because of that it has a tendency to become a political issue and can be used as a political football.

Majority Markets

On the other hand, you have the Muslim majority countries. Traditionally they have been very slow to engage with the Halal sector. Because they have been primarily consumers, their approach is 'well we are all Muslims, our food is all Halal, so what is all the fuss about?' I think perhaps they looked at the South East Asia countries as being excessive in the way that they looked at Halal.

So Halal has a low priority in the Muslim majority countries, primarily the Middle East. They are consumers and a very high percentage of their food is imported. So for this reason they are

target markets for exporters all over the world. Australia, New Zealand, Brazil and the United States, developed Western countries that are food exporters, have done extremely good business in these countries.

The Arab countries have been very slow to develop and enforce standards, they have not seen that there has been a need up until recently. Up until now there has been very little political support.

This is changing and over the last couple of years we have seen developments in Kuwait, and more recently in Saudi Arabia, where Halal has now become an issue of importance. As the Arabs get engaged they are obviously going to play a much stronger role. You have MNCs in these countries, and an developing food industry, with the difficulty of manufacturing food in desert conditions.

Pakistan has also recently started working on Halal standards, certification, and creation of companies, and livestock management in collaboration with countries like Turkey, Thailand and Malaysia.

Minority Markets

The sector that is most important to us for the purposes of this project covers the Muslim minority countries, in particular Europe and the United States. There is political sensitivity surrounding anything to do with Islam, so that also includes Halal. There are also issues to do with Islamophobia and the sensitivities it creates. For the Muslims in the minority countries, Halal becomes part of the identity of what it means to be a Muslim. So it plays a much stronger and more significant role than it might do in a Muslim majority country.

Muslim consumers in the Western world tend to have a high disposable income, particularly in the United States. There is an interest in them as consumers from the perspective of the industry. The Western world is where many of the multinationals who are engaged in the Halal market in different parts of the world have their Headquarters. These countries also become important from that perspective.

There is a rising sense of consumer awareness and a feeling of consumer power that is held by the Muslim consumers in the West. This is emerging globally as a new market force, and I feel the

strengthening of it will be when it becomes focused in the West.

Also in the western world you have another class of marketing expertise. Marketing is still very much a Western skill, and the marketing of Halal products and services, when tackled by Western expertise is going to change the way Halal products and services are marketed all over the world. In that sense, the west is important because it acts as a cradle of creativity for business ideas, and for business initiatives. When this is applied to Halal it has the potential to have a global impact.

Within the Western world we have societies in transition. That is also true now everywhere, but it certainly is apparent in the West. The difficult economic climate means that businesses are looking for new markets, and new niche sectors, and Halal becomes important in the light of this difficult time for the economy of many countries.

Global Market Development

In terms of how the Halal market evolved to become something global, in the 50s and 60s you had Muslims settling all over the world, so Halal meat retail outlets got established in countries where Halal meat had never been on sale before.

Then in the 70s and the 80s with Middle East oil revenues there was an enormous surge in the import of Halal meat and poultry into the Muslim world. A lot of the exporting countries began to see the opportunity in the Halal market at that stage and adapted their facilities for it, resulting in a strong presence in those markets.

In the 80s and the 90s you had expansion with take-aways, fast food chains, restaurants, hotels and food service companies supplying airlines and medical facilities, all starting to provide Halal meals in many parts of the world where the Muslim population was living and travelling to. There was a steady increase in the Halal food manufacturing capacity, with major players staking out their positions.

In this last decade we have seen a further evolution of Halal as a market force where governments have also started to look at Halal in terms of policy development for developing their own economies. This has been more relevant in South East Asia but the idea has also certainly taken route in

other countries as well, with countries like Brazil, Australia and New Zealand being leaders in the export of Halal meat and poultry.

Halal is now being viewed as a potential catalyst for economic growth because of the demand for it in oil rich countries, and other surrounding Muslim countries where demand is also high. Certainly major retailers, food service companies, the travel & hospitality sector, events and media, all have helped to fuel the growth of the Halal sector.

In terms of expansion we can also see that it covers a whole spectrum from fast food to fine dining, airline food, institutions like school, prisons, hospitals, and military rations. And then going beyond the food sector with pharmaceuticals, personal care, logistics, ICT development, media, and special labs for testing and training facilities being created.

Farm To Fork Compliance

What we are now seeing is that Halal compliance is expected to be from farm to fork. The term 'Halal supply chain' is now being commonly used, and people think of Halal in these terms because of newly created Halal events and media promoting and developing the topic over the past 10 years.

Halal compliance is currently expected to cover the whole process, and it is no longer just about how you kill the animal.

Increasingly, with the scientific knowledge we have now on issues like animal feed and additives given to animals, such as growth hormones in the US, water injections and even cloning, these are all now issues that need to be dealt with from a Halal perspective.

Animal welfare has now been highlighted, with animal rights groups getting actively involved in the way animals are slaughtered without stunning. The Muslims are also being made aware of the methods of slaughter that are no longer by hand but by machine in some instances, with stunning also being done, which some Muslims find objectionable and are requesting clear labeling.

Then during further processing, with ingredients added to the food, packaging, transportation, how the products are displayed on the shelves - whether

they are next to non-Halal meat products, all of this has to come under the heading of Halal compliance.

So no longer is it just enough for the certifier to have knowledge of the slaughter process, there are many other qualified people needed along the supply chain to ensure that Halal integrity is sustained throughout from farm to fork.

Halal as a Market Driver

In many ways this market is being driven on one hand by the MNCs, and on the other hand by the governments, but also by consumer demand. Governments and MNCs move slowly, but they move with a lot of strength behind them. They like to establish stable, strong, long-term relationships, and they do not like to see surprises, such as the terms of Halal certification being changed and argued about along the way. Or to have customers arguing about whether a particular product is really Halal or not.

This is part of what is driving the need for international standards for health and food safety compliance, and for Halal to fit into the global standards for food production and quality control. It is becoming increasingly important, as the awareness of weaknesses in the Halal supply chain become revealed.

Halal originally was seen as a separate issue, simply a religious matter, and not looked at as how it should fit into the mainstream food sector for health and safety and quality control. Now with Halal food being made available widely to the public, and in some cases with Halal slaughtered meat and poultry not even labeled Halal and sold unknowingly to Muslims and non-Muslims at retail and restaurant outlets, these issues are being raised and debated widely. Halal is having to conform in a way it never has had to in the past.

Halal should not only meet, but exceed the standards that are expected in the mainstream food sector.

For the future, substandard Halal food products will struggle to survive in competition with the larger, more efficient companies. The larger companies are always going to be able to do it better, and have the financing to enable them to do so. So the small

companies are really going to have to raise their standards, and the Muslim companies will need to show high integrity when producing Halal products to keep the confidence of the Muslim consumers.

Standards Development

In terms of Halal standards development there are activities going on not only in different parts of the world but by different entities. You have Halal standards that are being developed in many countries, in particular S E Asia which has been very prominent with the Malaysian Halal standard being one of the first, and most widely recognized.

We are also seeing Halal standards being produced by non Muslim countries as well, with Australia and New Zealand being at the forefront of this because they have recognized the importance of the Halal sector for the own economies, with country branded meat being one of their largest exports. .

Islamic Councils and specially created industry associations, like the World Halal Council, have been working on standards for many years now. In Europe there are political entities working on Halal standards for the EU, to try to open trade barriers for Halal products between different European countries, where some countries are not recognizing Halal certification from other EU members. We are also starting to see the emergence of Accreditation Agencies and we will go into that a bit further on.

Halal standards define the process by which Halal compliance is carried out. All of this is evolving and it is now moving onto the next level, such as with Saudi Arabia having their first Halal conference, organized by the Saudi Food and Drug Authority, on Halal Food Control. So the old system of the Imam going to issue a Halal certificate at the slaughterhouse is disappearing and fast changing because of the world we are now living in.

Halal Goes Mainstream

Halal has gone mainstream, and as it does it is changing the nature of the industry, and of the market. Major international organizations are already talking about and considering Halal, if they haven't already certified relevant products Halal.

Many of these organisations already have Halal

committees and extensive involvement in the Halal sector through the creation their own standards and procedures they use for Halal guidelines in areas such as the sourcing of Halal ingredients, flavourings and additives.

The American organisation, IFANCA, which also has a subsidiary in Europe, Halal Food Council of Europe (HFCE), has been able to assist them with having questionable items certified Halal, because of their expertise in this sector.

In this sense non-Muslim food corporations, like Nestle, in many respects are well in advance of what is happening among the Muslim food producers, and the Muslim governments.

We are now seeing a stronger move towards the need of transparency, with independence in the food audit. Halal can no longer fly under the wire as it has done in the past, because inconsistencies with Halal certification have now been made public.

This has produced a call for Halal accreditation by an independent authority.

This is particularly true in the Western world where the process of Halal certification is itself not monitored or regulated in any real way.

Any enterprising person who is so inclined can establish themselves as a Halal food certifier who can work to their own standards, carry out their own audits and issue Halal certificates without answering to any supervisory body. They are also able to lobby with importing countries to accept their certificate and to accept Halal products certified by them, enabling them to earn their own added commission on products entering into those countries.

The problem with this is that it leaves a lot of scope for conflicts of interest. It is able to happen because there is no official agency or accreditation body which has the authority to supervise the Halal compliance process used by the various rivaling certifying bodies in the Western world, who are able to make a lot of unregulated money from the system as it stands. The governments cannot get involved because they consider it a religious issue,

and they are looking to the Muslims to resolve it amongst themselves.

This is contrary to all the accepted norms that exist not only in the mainstream food industry, but also in many other industries who regulate their members. What the major players in the Halal food industry would like to see are transparent and clear Halal standards which are verifiable and actually used in the auditing process. They would like to see independent third-party audits, i.e. separate from the certifier, and that this entire process is overseen by an accrediting agency to ensure that the whole process has integrity.

This is how it is done in the rest of the food industry, and this is also where the Halal industry is heading. Companies are going to be forced to go this way in the future if they want to export. More legislation, in terms of Halal Acts, are going to be created in different parts of the world. New labeling guidelines are going to emerge where there will need to be a full disclosure of the nature of product, and the way the meat was slaughtered.

There are strong moves for this in Europe, in order to let the consumer decide on issues such as eating stunned and/or mechanically slaughtered animals, and I believe that in the USA it makes sense to anticipate this, and to act accordingly. Bringing Halal in line with general Health & Safety Regulations is going to be part of the next stage of development.

Consumer Power

We are starting to see a new level of marketing expertise being applied to Halal products, and also to attract the Muslim consumers, and this is going to lead to expansions in the market, creating higher demand.

'Halal consumer power' is emerging as a market force. The American company DinarStandard did a study on the American Muslim Market in 2011, making this information for the first time readily available. For example, the American Muslims have \$120 billion spending power collectively, and a considerable proportion of that is spent in the food sector.

The importance of American Muslim consumers is becoming apparent, and corporations are already

looking at this market to increase their profitability. The annual American Muslim Consumer Conference, which held its third conference in October 2011, demonstrated the growth of this market with companies like Best Buy and Walmart speaking from their stage. There was also a speaker from Ogilvy Noor which was created by the advertising giant Ogilvy specifically for this sector.

This is currently a market that is underserved and parallels have been drawn in the United States between the black and Hispanic markets, and the way that they have evolved, and it is now generally seen that the Muslim consumer market is going to follow similar trends and go from being niche to mainstream within the next few years in the US.

Common Values

If we think for a moment about what Halal represents in the marketplace, and look at the values that Halal represents, you will see that in the general market people want their products to be lawful, safe, nutritious, healthy, humane, equitable, and ecologically aware. They want this not only for their products and their services, they also want it for their companies and for the management of those companies, and from the leadership. This really is a call for ethical, moral and spiritual leadership. All of these traits can be subsumed under the heading of 'Halal'.

Why the development of the Halal market, and what we are calling the Halal Market Economy, is particularly relevant now, is because these Halal values now have commercial value within the development of the Halal market, and can overlap into other markets if the marketing is done correctly and with sensitivity.

Halal in the West

While there is still ongoing development in South East Asia and in the Middle East, there are also interesting developments taking place in the Western world.

We will see a new phase of Halal market growth that will be driven by Europe and North America.

The growth of the Halal market in these regions

will help to bring Halal into the global mainstream, influencing global corporate Halal strategies.

This will also play an important role not just in the development of Halal food products, but also with ingredients, flavorings and additives, to ensure they also are Halal compliant. The development of the market in the West is going to widen the spectrum of Halal products and services. At the same time it is going to encourage independence and transparency of the audit process, and support the development of Halal accreditation agencies.

Where there is no government regulating Halal standards and the way Halal procedures are verified it becomes increasingly important that there is a strong accreditation body which works with the industry, with the government, with the Muslim consumers, and with the certification bodies. The development of this body is actually more important in the Muslim minority countries of the Western world, than it is in the Muslim world.

The expansion of Halal in the West is also going to stimulate the awareness of Muslim consumer power. As the market gets developed more research work will also be done for it. More research data is emerging out of Western markets, where accurate information is still unavailable, than from the mainstream Muslim markets.

This in turn will give birth to some innovative Halal marketing strategies. All of these developments will help to push the Halal market to the next level, which will have ripples that will extend to the Middle East and South East Asia.

Halal Market Economy

Furthermore, what we are seeing as this happens and as the market develops is the emergence of a Halal Market Economy.

The convergence of the market for Halal products and services with the Islamic finance sector has started to create a new economic paradigm.

There is currently still too much disconnection between Halal goods and the services, and the Islamic finance sector. These are both large

emerging powerful Shariah compliant industries and the development of the closer relationship between the two is effectively inevitable. As the Halal Market Economy develops, each of these sectors is going to strengthen the other. The application of Shariah within the realm of commerce and finance is going to be driven forward by this convergence creating the notion of a Halal Market Economy.

At this stage we are all in a marketplace, we all live in a consumer reality made up of goods and services, money, messages and information. In this respect corporations wield more power than the governments. The marketplace itself becomes an arena of power. The challenge for us all is to make this marketplace more Shariah compliant and more Halal, so this is part of the overall challenge that we face as Muslims.

As the market moves forward, this notion of Halal referring to meat, poultry and slaughter moves on to take in food, ingredients, packaging, all sorts of non food consumer goods like pharmaceutical logistics and the whole process of accreditation and verification, training and business management.

This works at the level of policy making, free trade agreements, financial investment and affects the media, and now all the social media, and really this is a global market and Halal has become a global marketforce. The question for us is, where do we want to take this?

If we look at the components within the global Halal market, what are the dynamics of the different components in action? We see that there are effectively six distinct but inter-related components:

1. *Governments*
2. *Industry*
3. *Finance*
4. *Compliance*
5. *Consumers*
6. *Communications*

Let us examine these one by one...

Governments

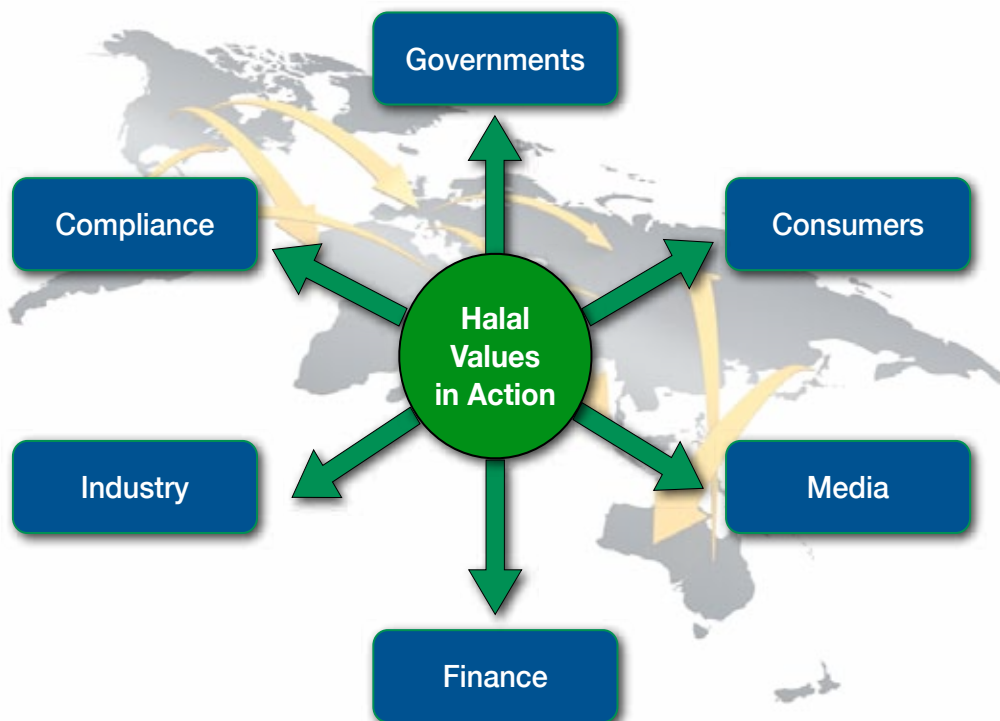
If you take a look at the role taken by governments, this applies to Muslim and non Muslim governments, where Halal actually has become a

policy issue, in terms of how Halal can actually stimulate the economy. This also includes all sorts of geopolitical and social issues as well. This is particularly true in the United States, obviously because of 9/11 and the issues to do with anti-Shariah movements, and such like. Halal has to maneuver within that framework. But from a government perspective Halal is already an issue to do with free trade agreements. When the US government goes overseas and speaks with

there are also the questions of inward investments. If a stronger Halal sector can be developed what are the opportunities for inward investment to come from the Muslim world into the United States to further develop some of the Halal businesses that are already established there.

There are also questions of employment. If you can create a new market sector this can also create jobs. And Halal has the capacity to become an

THE HALAL MARKET COMPONENTS



countries in the Muslim world, they would like to export more of their agricultural produce, and this of course means it has to be Halal. So as they engage with the issues involved in free trade agreements, they are forced to look at Halal, and find out what Halal is, and how do they comply and what are the standards, and what needs to be done. These issues come up for the government officers that are working on these FTAs and on trade missions.

Halal also becomes an issue to do with not only export earnings, of selling into these markets, but

engine for economic stimulus. It is important that the government understands these issues, so in terms of moving the Halal agenda forward in the United States it is going to be extremely important that the government recognize a) that there is a weakness in the Halal system, and b) the extent of the opportunities that will emerge if the American Halal industry is strengthened. And the most important issue to do with strengthening it is that the process of certification has to be made clear and transparent, and it also has to be verifiable. It cannot be something which continues to be

unregulated.

Compliance

If we go on to look at the issues of compliance, what we can see is that certification as a cottage industry is going to come to an end. We are going to see the emergence of clear standards that have been developed according to the standards development procedures that are recommended by the ISO and by the various standard development agencies in different countries. We are going to see independent third party audits emerging and transparent transactions where the business relating to audits and certification is going to become much more transparent. This whole process will be overseen by accreditation agencies who will regulate the process by which Halal standards are developed, Halal audits are conducted, and Halal certificates are issued.

In non-Muslim countries, all of this will have to be done in close collaboration with the existing Standards development agencies, such as American National Standards Institute ANSI in the USA. It cannot be done outside of the existing frameworks; it has to be taken to the next level.

There are also new developments taking place with discussions starting on port-to-port protocols whereby different transport hubs agree between themselves on the Halal protocols that they will enforce. These would also become important drivers in the market from the logistics side.

What we are also seeing is the development of projects like the SAMI Halal index, and the idea of Halal criteria becoming a screen for index linked investments funds. As these develop, the procedures by which Halal acts as a screen, and the definitions of Halal in this context are going to become increasingly granular, and will also need to be much more tightly controlled, because funds will be linked to these indices.

Industry

If we look at the industry we can see that Halal is going mainstream, and at the same time the mainstream market is going Halal. So you have niche companies moving more and more into the mainstream, so that instead of selling just in the ethnic corner stores in Muslim areas, and only

selling in their own country, they begin selling into mainstream markets, through major retail outlets, or they start exporting their products into different markets overseas with government support.

At the same time there is the perspective from the mainstream side of the fence where the retailers are deciding to sell Halal products to serve the Muslim consumers in their area. So those two processes of Halal going mainstream and mainstream going Halal are both going on at the same time.

At a higher level, Halal has become a boardroom issue. It is being discussed at executive level and the major corporations that have not already taken a stance or engaged with Halal are now discussing that maybe they ought to have position papers on Halal. They are starting to make corporate decisions on where they stand.

For example, when a large company like Kraft which may not have been thinking about Halal, bought Mars, whose products were already Halal certified for the GCC market, they had to quickly get around the table on the Halal issue to understand it, and also see how Kraft might get involved.

Halal also involves risk assessment, because there are clearly certain high risks within the Halal sector. If you say a product is Halal and it is found not to be, then this of course has an affect not only on the bottom line, but potentially on the share price, and the reputation of the company.

Nestlé had this problem in Europe last year, and they needed to quickly come up with a statement on the issue, and remedy the matter as soon as possible. Fortunately the products were not Nestlé labeled, just Nestlé owned, but their name was dragged through the mud when accusations of pork being detected in these Halal certified products was made public. Because of incidents like this, we will see risk management emerging in the Halal sector.

Industry plays an extremely important role, because the standards that industry accepts become the ones which are used by the market. If you look at the way the British Retail Consortium (BRC) standards were developed and used within the UK, they were based on an agreement between the four major supermarkets that these were the standards

they all would accept. That means that if you are a food producer you will have to comply with BRC standards, or you are not going to get your products into the supermarkets that control 96% of all the retailing in the country.

Step by step we are going to see similar dynamics emerging in the Halal sector where the standards that the major corporations comply with are going to be the ones that hold true within the industry.

We can see parallels within the organic sector, fair trade, and various ecological movements, including animal welfare. The standards that the industry embraces are the ones that really get traction in the marketplace. Halal is going to have to go the same way, meaning the SMEs are going to have to raise their game because they are always competing with those major corporations.

In terms of how the Halal sector is going to evolve, because of the competition in food retailing, the major retailers are continually looking for new, unserved market niches. In that sense, the Halal sector becomes an evolution of the ethnic food market that was, and still is, a very successful strategy for the retailers.

In fact, the ethnic food sector became the doorway for Halal to enter quietly into the mainstream market. Because people travel globally so much now, and have become familiar with eating many different cuisines, curries, kebabs and other similar foods from the Muslim world have become mainstream food items on the supermarket shelves by consumer demand for these items. Many of these items are now also labeled Halal, to attract the Muslim consumers into the mainstream, making this sector very lucrative for the big retailers.

The big stores have traditionally always taken market share away from the neighborhood stores. They have done it in the past, and the same process is going on now with Halal food. These supermarkets are going to start taking business away from the local Halal store by introducing Halal food onto their shelves.

This is already being done in certain areas of the UK where there is a high ratio of Muslim shoppers. In some instances there are separate Halal stores within the superstore where the company has

insisted on their meat products not being put on the shelves with non-Halal meat products, which is another way to retain company branding and Halal integrity. This enables these smaller companies to stay in business.

The Muslim consumer is still wary of the Halal integrity of supermarkets own label sourced Halal meat products. So having a recognized Halal audited logo on these products would be beneficial for the supermarket, to gain consumer confidence. We recognize that Muslims are already shopping in these supermarkets, with time constraints forcing people to find things all under one roof, so we should look at the best way to ensure that if Halal food is on offer for them, it has been verifiably certified and audited. The supermarkets will support this initiative, because they are used to conforming to standards, and it is a protection for them when working with a sector that is currently unregulated and therefore inherently more risky.

From the industry perspective it is very important that they take an active part in promoting what Halal actually is, not only for the Muslim clients but also non-Muslim clients who may be wary of Halal meat products. It is not to industry's benefit when talk by animal rights advocates about barbaric animal slaughtering practices gets focused on their store or restaurant supplying Halal food.

They need to have the answers, and if stunning is required, they need to make it clear to those consumers who find stunning an issue that their meat has been stunned for what they feel are humane reasons. Negative press that comes out on the slaughter of Halal animals is only able to happen because the integrity of Halal has not been standardized and labeled correctly for the consumers.

It is important that scientific research is being done now to enable test results to be shown on the effects of stunning or non-stunning of animals before slaughter, and other debatable Halal issues surrounding ingredients like alcohol and gelatin, and the multitude of additives unrecognizable to the consumer when reading the label.

This laboratory research will help the Halal market to move into the future with clear regulations, and labeling, that is required for mainstream products,

and not leave the grey areas which are currently causing doubt and a lack of transparency in the Halal sector. The final security for the retailers and consumers in this will be third party auditing.

It is in the interest of big industries to promote a good image of Halal and I think we will see more of this in the future. What now looks in the West like a total attack on Halal, can be turned around to its advantage by correcting all the weaknesses in the supply chain highlighted by the anti Halal crusaders. The Halal industry now knows what needs to be done to put things right.

Finance

From the Islamic finance point of view, finance and Halal have been in silos, and separated from each other. They are both enormous, Shariah compliant industries, and a convergence has already started. I believe there is going to be a strong and continuing trend for this convergence that will take place over the next decade.

An good example of this is the new SAMI Halal Index, only recently launched in 2011. It tracks the performance of publically listed Halal food companies within the Muslim world. What this means effectively is that Halal becomes an asset class, in the same way that real estate or electronics are an asset class. With the emergence of index linked funds there will be the opportunity for people to become consumer investors. So they are not just passive consumers, they can easily invest in the Halal companies whose products they consume. This enables a stronger relationship between the consumer and corporation to be built.

We will see the beginning of venture capital coming into the Halal food sector from the side of Islamic finance. There are moves in general from within the world of Islamic finance at the highest levels stating that Islamic finance needs to have a stronger engagement with what they call the 'real economy'.

Part of how this will happen is through the engagement of Islamic finance with the consumer markets, whereby Islamic banks are not just engaged with banking, they get engaged with production, sales and trade.

Acquisitions, venture capital and IPOs will start taking place within the Halal industry, because

increasingly, the Islamic finance institutions and high net worth individuals want to make sure that their investments are Halal. Sukuks will also be raised by companies that are in the Halal sector.

I believe micro finance will also be developed as a viable sub-sector of the Islamic finance market, whereby SMEs and small projects in the poorer economies in the Muslim world will see Islamic micro finance come in to drive some of these smaller projects which in turn will have an impact on the economy.

Issues to do with food security for the Muslim world also will play an important role here. The majority of the Muslim world depends on imports for its food security. If we are talking about investments in food security for the Muslim world, we are effectively talking about a convergence of Halal food and Islamic finance at a very high level. This may be in terms of the procurement of food producing land in other countries, and strategic alliances to secure the importation of that food.

This will also see the movement of some of the very large sovereign wealth funds that we have got in the Muslim world, moving into the Halal sector to do with strategic issues around the Halal food sector. So all of these issues relate to the way that Islamic finance is going to evolve in this way.

Media

The media will also play a very important role, because media shapes opinion. Media tells people what to think. It determines the way that they think about things, the terms they use to discuss various issues and the opinions that they arrive at. The media is going to be how you reach the Muslim consumer, how you reach this currently uncategorised customer. If you are a food producer now, and you want to reach Muslim consumers in many parts of the world, you would not know exactly which kind of media you could use.

This is particularly true in the Muslim minority markets in the Western world, but I think we are going to see media evolving to provide the platforms to reach the Muslim consumers for businesses engaged in the Halal sector. Similarly, as media becomes more social, and the importance of social media increases, this is going to have an impact on how the Halal market develops.

There is also going to be a more proactive engagement with culture in future. Muslims are now engaging with the cultures of the Western world, and not being passive consumers of culture. The creation of content that is actually driven by values, that are in line with the values of the Muslims. But these values are also universal values of people who believe in God and in the inherent goodness of human beings, and who would also agree with these shared values.

I think we are seeing media moving in this direction as well. This will have an impact on the Halal sector because it provides access to reach the consumers in a different way.

What we are seeing now in the Western world is a notion of a post-cultural Islam. Islam began in the Western world with immigrants from Asia, Africa and the Middle East, but as we move into second and third generations we find that Islam is not connected to what would be their hereditary culture in the same way.

It becomes cultural fusion, cross-cultural within the multiracial societies in the world today. In many respects the Muslims relate strongly with the culture they grew up in, rather than the ancestral culture that their parents feel that they belong to. This has an affect on the way that the goods and services used by this generation are produced, sold and marketed.

Because the luxury of a woman being able to stay at home and raise children and cook for the family in the way that many Muslim women have done in the past is no long economically viable, or desired, in most Western societies, the age of fast food, and convenience food is also a very lucrative market for the Halal sector. Many young Muslim women have not inherited the art of cooking that their mothers had, and the supermarkets and fast food outlets are coming up with the Halal quick alternatives.

Consumers

When you look at the Muslim consumers around the world, the estimate is now 1.6 billion. People talk about the economies of India and China being 'billion plus' consumer markets. If you put the Muslim consumer market alongside that they are being referred to as 'the third billion', more

culturally and geographically diverse yet curiously bound together by common elements that they share and which are really not negotiable for them.

This is still very much an unrecognized power. We see it emerging in different parts of the world, but the power of the Muslim consumers is still very much untapped. The skill with which producers, manufacturers and other entities are able to engage with this latent Muslim consumer power will also reflect their success.

We are seeing generational shifts taking place, and it is almost like opening a new chapter with a different set of rules emerging. All of the nations of the world are in flux for different reasons. Part of what we find within that is there are these online communities forming so that people in different parts of the world become extremely connected through their engagement with online communities. The unfolding of the Halal market, and the role the consumer plays within this market, is to a large extent going to be defined online.

There are still these undefined areas somewhere between strict Shariah compliance, and the grey areas of consumer preference, but a lot of the products and services that are emerging now are going to fit into that grey area. It is what the consumers want but it is not solely relying on what the strict letter of law defines. In that sense we are in a market where the dynamics are so far not clearly charted.

It is really up to the people who are most able to understand those dynamics and see where they are going, to draw up strategies based on that. Whether they are governments, countries or companies, they are the ones that are likely to have success.



If we summarise this, we can identify four major trends that we can see taking place that are going to define the next decade in the marketplace.

1. The first is the reality of consumer power.

There is a huge Muslim market, and the recognition of this reality by policy makers at government level, by industry leaders, and the consumer themselves is increasing.

The more this is recognized, the more it is going to have an impact on the market, because numbers count, size matters and 1.5 billion consumers have a lot of clout. New consumer networks will be created causing the way that Halal goods and services are developed and marketed to change over the next ten years.

2. The second trend we are seeing relates to the melting pot of values.

This is highlighted by what we will call Global Urban Muslims, living in cities all over the world, sharing values with other people, even though they have completely different cultures. The emergence of global culture has had its impact on the Muslim world, creating Muslims who share values and cultural influences whether they live in Chicago or Kuala Lumpur, or Dubai or Cape Town.

This is being seen most prominently at the moment in places like Qatar, Dubai and Abu Dhabi who are in a race to create cultural displays, art galleries and films to give substance to the largest growing populations in the world. New media platforms are emerging with new media content that reflect these values.

With the emergence of the new post cultural Islam we are seeing new East/West relationships developing, where the East is drawing from the West and the West is also drawing things from the East, creating this new fusion of cultures.

3. The third trend that we are seeing is the fusion of food and finance.

Halal is becoming an investment asset class, Islamic funds are getting more engaged with the Halal sector. We see new opportunities, mergers & acquisitions. For example corporations that were

not Halal, going Halal in order to stay alive in difficult markets.

We are going to see index linked funds and cross-pollination between Shariah scholars. There is a highly evolved class of Shariah scholars within the Islamic finance sector, and I think we will also find more specialist Halal scholars within the Halal industry. They will define the terms and the structures and the kinds of things which are acceptable within the Halal food and products area. We will see new Halal regulatory structures emerging in both the Muslim and non-Muslim world.

4. The fourth trend that we will be seeing will be the emergence of accreditation.

The Halal market is still largely unregulated, particularly in the Western world which is where the majority of Halal food is produced for the market. Accreditation agencies will come into play, and this will mean the end of unregulated certification.

We are going to see clear, verifiable standards that will be readily available from the different standards development bodies, with third party independent audits that will eliminate a lot of the conflicts of interest which exist at the moment.

We will also see networks created between manufacturers, retailers and also in the area of logistics between ports with new protocols being created. And much more effective supply chain track and trace procedures put in place for the transportation of Halal goods around the world.

Alongside this, Halal as a way of screening investments is also going to start, requiring extremely clear and well defined definitions for Halal.



All of these trends indicate the coming of age of the Halal market, an evolution from an unregulated arena with products and services of questionable quality into a mature, well regulated market which will be identified by adherence to the highest standards in terms of both quality and ethical behavior.