

HALAL TRANSPORTATION PROVIDERS FOR SUPPLY CHAIN MANAGEMENT IN HALAL INDUSTRY: A REVIEW

Nor Wazirah Radzman Shah, Azlina Muhammad, Sabariah Mohamad & Harlina
Suzana Jaafar,
norwazirah@gmail.com
Malaysia Institute of Transport (MITRANS)

Abstract

The emergence of Halal industry in Malaysia has a positive relation with Supply Chain Management. Logistics activities play a significant role as one of the important element throughout the supply chain process. In logistics activities, those industry players that were involved in the process are the manufacturers/suppliers, the mode of transportation, the storage/warehouse, the clients/customers and the third-party logistics (3PL) or sometimes known as the logistics service providers (LSP). This study attempts to review the surface of implementing Halal transportation providers especially for the Halal food industry in Malaysia. According to Halal Industry Development Corporation (HDC, 2009), among the elements of controlling ‘Halal’ in logistics activities is monitoring Halal performances in transportations activities that should comply with the Shariah principle. Malaysia has all the necessary infrastructure that aid the growth of the Halal industry, the concern lies in the operational practice by industry players in understanding the knowledge and related issues pertaining to the Halal supply chain in order to stay competitive in the growing business market.

Keywords: *Halal Industry, Supply Chain Management, Logistics Service Providers (LSP), Halal Transportation Providers*

PENGENALAN: PENYEDIA PENGANGKUTAN HALAL BAGI PENGURUSAN RANTAIAN BEKALAN DALAM INDUSTRI HALAL

Abstrak

Pengurusan Rantai Bekalan mempunyai hubungan yang amat positif dengan perkembangan industri Halal di Malaysia. Salah satu elemen yang memainkan peranan penting di sepanjang proses pengurusan rantai bekalan ini ialah aktiviti logistik. Dalam aktiviti logistik, antara pihak yang terlibat adalah seperti pengeluar/pembekal, kaedah pengangkutan, penyimpanan/gudang, pelanggan/pengguna dan juga logistik pihak ketiga atau lebih dikenali sebagai penyedia perkhidmatan logistik. Kajian ini bertujuan mengkaji pelaksanaan dalam penyediaan pengangkutan Halal terutamanya bagi industri makanan Halal di Malaysia. Menurut Perbadanan Pembangunan Industri Halal (HDC, 2009), diantara unsur-unsur untuk mengawal 'Halal' dalam aktiviti logistik bagi pengangkutan ialah pemantauan secara konsisten dan bersepadu yang perlu mematuhi prinsip Syariah. Malaysia mempunyai kemudahan infrastruktur yang diperlukan dalam membantu perkembangan industri Halal, tetapi perkara utama yang perlu diambil kira oleh para pemain industri ialah cara pengendalian operasi dalam memahami pengetahuan dan isu-isu yang berkaitan agar dapat kekal berdaya saing dalam pasaran yang semakin meningkat ini.

Kata Kunci: Industri Halal, Pengurusan Rantai Bekalan, Penyedia Perkhidmatan Logistik, Penyedia Pengangkutan Halal

INTRODUCTION

According to Jallad (2008); Wilson and Liu (2010), nowadays, Halal has expanded its definition to supply chain and logistics management rather than common understanding by the layman that Halal is only about food consumption. In a bigger picture, Halal industry mainly involves components of food and beverages, pharmaceuticals, cosmetics, healthcare products and services such as logistics, banking and tourism (Pahim et al. 2012).

Customer satisfaction is not the only objective when focusing on Halal food supply chain, but also to make sure that the whole process of the products goes through complete supply chain activities without harming the Halal status itself (Bahrudin, Illyas & Desa, 2011). According to Zulfakar, M. H., Anuar, M. M., & Ab Talib, M. S. (2014), the Halal products must be well-protected by all means from the starting point until it reaches the final destination, which is consumption by the customers. This is where the element of integrity took place where proactive actions must be taken by all parties involved in the supply chain process to avoid from any potential cross-contamination with the non-Halal

products. Customers are now aware of the Halal status and being nosy about the integrity throughout the whole supply chain process and whether it is Halal along the way.

Although Halal products has always been associated with the Muslims, survey has shown that the non-Muslims also consume these Halal products and Halal services due to the concept of Halal about safety, hygiene, and quality aspects as recommended in the way of life in Islam (Rezai et al., 2012; Marzuki et al., 2012; Aziz and Chok, 2013).

The concept of Halal Logistics evolves from the supply chain management that covers the managing of Halal products from the suppliers/manufacturers up to the customers, that may sometimes involve different parties, places and non-Halal products too (Zulfakar, M. H., Anuar, M. M., & Ab Talib, M. S., 2014).

The principles of logistics are that, the products must be delivered to the customers at the right time, right quantity and in good condition (Zulfakar, M. H., Anuar, M. M., & Ab Talib, M. S., 2014), in order to be successful in implementing logistics management, it can be interpreted that the combination of these activities is important, particularly transportation, storage/warehousing, inventory management, material management, product scheduling and customer service. Therefore, by implementing Halal into logistics context, it is compulsory for those activities to comply with the Shariah principle especially during the storage and transportation of the Halal products (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

In the logistics activities, many industry players involved in the supply chain process such as the manufacturers/suppliers, mode of transportation been used, storage/warehouse, clients/customers and third-party logistics are completing each other to harmonious the link of Halal status so that it would not be broken until it reaches the customers.

This latter part of the discussion will look into the basic fundamental of logistics activities that is the transportation and why it is important especially when it comes to maintaining the Halal status of products along the way in supply chain management.

SUPPLY CHAIN MANAGEMENT (SCM)

As mentioned in the earlier part of this paper, logistics activities notably transportation really play a crucial role in the supply chain process. Therefore, Tezuka, K. (2011) defined Supply Chain Management (SCM) as a means for full utilization of supply chain through the combination of management. Besides transportation activity itself, supply chain management covers the operations of ordering process, raw materials supply, material handling, operation management, inventory management, information technology system and also customer management. In order to make a perfect logistics activity runs smoothly, it needs

the total optimization of flow for goods/services among the firms in the supply chain (Tezuka, K., 2011).

On the other hand, according to Chopra and Meindl (2001), SCM combined the management among the phase in the supply chain process to decrease the total cost. This explanation signifies that SCM contains the flows of goods/services, information and financial matter in the supply chain.

One of the objectives of SCM is to consolidate logistics activities across and within the firms, where at the end of the day, to cater the value for customers. Manufacturing industries are one of the basic examples to define what is supply chain management is all about. Each player in the supply chain will get input from the suppliers, undergo the certain process and the output will then be distributed to different customers (Habib, M., 2011).

As stipulated by Stevenson, W.J. (2002), SCM is needed for some reasons such as to improve organization operations, to raise profit, to develop a good quality of goods/services, to play well in the competitive market-strain, to be globally recognized firm, to strengthen customer loyalty and satisfaction, last but not least to indulge in the complicatedness of supply chain management. Tezuka, K. (2011) mentioned that the third party logistics (3PL) providers which are closely linked to SCM have recently increased speedily in number not only in Japan but as well as in the other countries.

TRANSPORTATION – LOGISTICS SERVICE PROVIDERS (LSP)

Referring to the context of transportation in logistics activities, there is a tendency for the Halal products to get mixed with non-Halal products during the operations. Cross-contamination may occur if there is no specific segregation especially if both Halal and non-Halal products were in the same container of a mode transportation been used. To avoid this incident, one basic solution is that, the manufacturers/suppliers used their own dedicated transportation for this type of logistics activity. Not only it will reduce the risk of cross-contamination, but it will also ease the delivery process to their customers/clients and the customers.

Coyle et al. (2011) defined transportation activities as the movement of goods from the starting point to the described destination that includes time and place utilities, that is, in the context of logistics activities, the movement of goods from the manufacturers until it reaches the customers. The relationships between good transportation system in logistics and supply chain management are interconnected and create not only the efficient and effective in logistics system but also can cut-down operation costs and upgrade the service quality for overall logistics performance (Tseng et al., 2005).

The expanding of supply chain business has aroused many firms to develop logistics as a part of their corporate strategy for cost and service advantages (McGinnis and Kohn, 2002). Currently, many manufacturers and retailers are seeking opportunities to outsource their logistics activities to logistics

service providers (LSPs) in order to introduce products and service innovations into the markets. Their actions seem to give impact to the trend of business firms using LSPs to satisfy the increasing demand for logistics services (Lieb and Miller, 2002). In short, LSP sits in the middle between the manufacturers/suppliers and the end-users/consumers.

Most of the food manufacturers in Malaysia that have their own dedicated transportation in doing supply chain are not much in existence (Zulfakar, M. H., Anuar, M. M., & Ab Talib, M. S., 2014). This is because these food producers prefer to outsource their logistics activities to the logistics service providers (LSP) or third-party logistics (3PL) services considering the low-cost operations it brings. Furthermore, it is because of the need for urgency that these manufacturers to fulfill and commit with the demands from the customers in delivering their services at the utmost business performance.

Due to this, the responsibility to ensure that Halal status of the products to remain unbroken until it reaches the customers is now obliged to the LSP during the logistics activities. Putting aside the value of integrity, the knowledge, and level of awareness about Halal are also crucial for LSP players to consider while doing business in the supply chain.

According to Zulfakar, M. H., Anuar, M. M., & Ab Talib, M. S. (2014), few of LSP in Malaysia that have their own dedicated transportation already certified Halal especially to cater the demands of Halal food products from their clients. They are Kontena Nasional Berhad (KN), MISC Integrated Logistics, Century Logistics and the latest is Nippon Express.

LOGISTICS IN HALAL INDUSTRY

Table 1: MS2400 Series on Halalan-Toyyiban Assurance Pipeline

Malaysian Standards (MS)	Description
MS2400 series on Halalan-Toyyiban Assurance Pipeline	
MS2400-1:2010, Halalan-Toyyiban Assurance Pipeline - Management System Requirements for Transportation of Goods and/or Cargo Chain Services	This MS prescribes management system requirements for assurance of the Halalan-Toyyiban integrity of goods and/or cargo being handled through the various mode of transportation.
MS2400-2:2010, Halalan-Toyyiban Assurance Pipeline - Management System Requirements for Warehousing and Related Activities	This MS prescribes management system requirements for assurance of the Halalan-Toyyiban integrity of products, goods, and/or cargo during the warehousing and related activities through the entire process from receiving to delivery.

MS2400-3:2010, Halalan-Toyyiban Assurance Pipeline - Management System Requirements for Retailing	This MS prescribes management system requirements for assurance of the Halalan-Toyyiban integrity of products and/or goods at the retailing stage of the Halalan-Toyyiban Assurance Pipeline.
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Source: Department of Standards Malaysia (<http://www.jsm.gov.my/standards>)

The Malaysian Standard for Halal Logistics (MS2400:2010) provides the guidelines on Halal Logistics based on the Shariah law for logistics providers to specialize in transportation, warehousing and retailing. The requirements for Halal Logistics involve specifications throughout processing, handling, distribution, storage, display, serving, packaging and labeling of the products from the source to the point of consumption (Zulfakar et al., 2012 and Che Man et al., 2007).

Halal Logistics is much alike the conventional logistics activities, it is just that by adapting Halal element into the logistics system, industry players urged to comply with the guidelines and requirements stipulated in the MS2400:2010 (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

On the other hand, Tan, M. I. I., Razali, R. N., & Husny, Z. J. (2012, March) mentioned the one thing that differentiates between conventional transportation and Halal transportation is the need to comply with Shariah principle as the fundamental guidelines of Halal Standard in the logistics activities. Since the government of Malaysia and related authority bodies has introduced Halal Standard, those who are involved in the business especially the industry players have to act accordingly and are bound by the regulations when they offer their services to the customers.

According to The Malaysia Investment Development Authority (MIDA), global Halal food industry is predicted to worth between US\$600 billion to US\$2.1 trillion with annual growth rate of 4.8 percent, it is estimated to be US\$6.4 trillion worth by 2030. This kind of motivation puts Malaysia to become proactive in the Halal market doing Halal Logistics (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

BENEFITS OF HALAL TRANSPORTATION PROVIDERS

Wilding and Juriado (2004) made an investigation regarding customer perceptions on key logistics outsourcing. It is found that the use of LSPs has usually had a positive impact on companies' performance on cost. Cost reduction may be achieved by reducing transaction costs through integration that will improve the accuracy of the information exchanged. Furthermore, delivering a good service quality and be responsive to any of the customer problems' with accurate solutions seems beneficial for the LSP players in maintaining their performance.

An LSP that keeps its clients satisfied with its ability to solve problems, keeps accurate records, delivers services on time and communicates effectively can increase customer satisfaction (Leuthesser and Kohli, 1995) and loyalty, which has often been viewed as a proxy for maintaining and enhancing market share (Innis and La Londe, 1994).

In 2010, Halal Industry Development Corporation (HDC) has launched many Halal programs for LSPs. Not to mention the government also offered an investment tax allowance of 100% of qualifying capital expenditure incurred within a period of five (5) years for Halal certified LSPs. This is in order to encourage new investments in Halal logistics services for the export market and also to increase the use of modern and state-of-the-art machinery, ICT and equipment in producing high quality of Halal services.

Currently, the potential doing business in the Halal industry is above expectation, with the size of 1.6 billion Muslims and an estimated market of more than US\$600 billion (RM2.1 trillion) that makes it one big opportunity for not only manufacturers but also to those industry players that provides transportation services to clients and customers. With the tax exemptions offered by the government, more LSP players will be reassured to invest in Halal Logistics industry (Tan et al., 2012b). Other than the support from the government agency of Malaysia, the Department of Islamic Development (JAKIM), international government agencies from other countries such as Majlis Ugama Islam Singapore (MUIS) and Brunei Halal (Brunei Darussalam), indicates that Halal industry is a good business to venture (Adams, 2011).

CHALLENGES FOR HALAL TRANSPORTATION PROVIDERS

In order for the conventional LSP to practice Halal Logistics, there are few challenges that they have to face. According to Syazwan Ab Talib, M., & Bakar Abdul Hamid, A. (2014), the low degree of cooperation between Halal certification authority and LSP players is one of the noticeable flaws.

Another challenge is the lack of synergy by Halal authority's agency in implementing the enforcement to logistics players. This is supported by Shafie and Othman (2006) saying that the inadequacy of Halal enforcement officers/personnel performing their responsibilities that will create threats and weakness while monitoring the wholesomeness of Halal Logistics activities.

Not only that, some of the LSP finds it difficult to implement Halal practice due to the lack of information sharing among suppliers and community. Jaafar et al. (2011) add this situation is more crucial at the retail level especially the small size retailers due to lack of control and monitoring by the responsible institution at their level.

Halal Logistics activities are new to some of the LSP players as it is slightly different from the conventional practice. Extra knowledge in Shariah principle and familiarity in doing Halal transportation, Halal warehousing,

procurement, packaging, material handling and Halal retailing might be a handicap to those who are brand-new exposed to the Halal environment system. For an example, the requirement to do *_samak* (ritual cleansing) of containers is needed if it happens to be that both Halal and non-Halal products detected to have been using the same transportation providers before. This is when the need of a clarification is essential in ensuring the Halal status is still unbroken along the supply chain process (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

In any business structure, the transition from current practice to a new system does give some impact to the organization. For conventional transportation providers to implement Halal Logistics in their business, of course, there will be an extra cost of management incurred that lead to some issues for the organization to deal with. The question of whether there are sufficient human resources, complete training to be provided, the employee's readiness to managing change and the capacity of the company to fulfill the mandatory requirements stipulated in MS2400: 2010 Part 1: Transportation is ordering to uphold the Halal Logistics implementation into their business.

The Halal logistics industry in Malaysia is still new especially for the requirements to comply with for the MS2400: 2010 Part I: Transportation. Transportation services firms confront with improper material flow consisting inventory policy, scheduling of fleet, routing of vehicles, consolidation, and warehousing in order to implement the Halal practice.

DISCUSSION AND CONCLUSION

In 2013, a business consulting firm, Frost & Sullivan forecasted that Malaysia's logistics industry will enjoy 9.5 percent growth with estimation value of US\$45.1 billion. Imagine the opportunities that will automatically benefit the Halal Logistics industry in Malaysia. Resulting from the high numbers of potential Halal LSP players strengthens the credibility of Malaysia to stay proactive in the Halal industry (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

According to the study by Grim and Karim (2011) on Muslims population, it estimated that in 2010, Muslims population was 1.6 billion and it is estimated by 2030, the population will rise to 2.2 billion, contributing up to 26.4 percent of world's population. Looking into the context of Malaysia, the Muslims population by the year 2030 will be at 22 million, an increment of 33 percent from its 17.1 million in 2010 (Rogers, 2011). This generates great opportunities for Halal LSP as Muslims population remark to be potential consumers in the Halal industry (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

In order for this Halal LSP to fulfill and cater the growing demand from the customers, Jaafar et al. (2011) mentioned that Halal LSP should be innovative and proactive in providing their services regardless the dedicated assets, standard hygienic practice, and preserving the safety and quality of the goods and services.

In conclusion, to achieve successfulness in implementing Halal Logistics by the LSP, it does not fall into the responsibility of a single entity. As the concept of logistics in the supply chain is concerned, all parties that involve throughout the activities from the starting point until end-users, the value of integrity, support and collaboration among each other is important and interrelated. Halal LSP, Halal authorities, the governments, manufacturers/suppliers, clients/buyers and consumers each plays a crucial role when it comes to practicing Halal Logistics in the Halal industry as a whole (Syazwan Ab Talib, M., & Bakar Abdul Hamid, A., 2014).

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