

Strategy of Logistics To Improve Halal Food Industry in Middle East

Adhitya Cesar Yudhistira^{1*}, Irvan Fajar Nugroho², Basri Fahriza³,
Romi Vernado Kudato⁴, Prima Widiyanto⁵

^{1,2,3,4,5} Institut Transportasi dan Logistik Trisakti, Jakarta, Indonesia

*Corresponding author: adhityacesar98@gmail.com

Abstract. In modern era there is a changing of human needs for food, that will can make the business in halal food industry become interesting and increase significantly, especially in Middle East. The aim of this study is to improve business strategies the halal food industry of Indonesia in Middle East. This research was conducted in using SWOT Analysis, Internal Factors Analysis Summary, External Factors Analysis Summary, and creating SWOT Matrix to determined problem. The results conducted in the context of the right management strategy that can be used to improving Indonesia food Industry whose the decisions of the strategy might impact the logistics food industry of Indonesia.

Keywords: strategy of logistics, halal food industry, SWOT analysis

A. Introduction

In the modern area, Indonesia's food industry is exploding. Compared with other creative industries, the food industry is likely to sustain significant growth. Even in times of crisis, the industry is estimated to be viable. In addition, the food industry must have proper business strategies and make many innovations to boost both sales and profits and enable competition worldwide. But it is undeniable that the current and future competition rates are not a problem. The total populations of Muslim in the world is predicted to increase by 35% in the next 20 years, which increased from 1.6 billion in 2010 to 2.2 billion in 2030, As a whole, the increase in the number of Muslims in the world will increase 2-fold compared to the number of non-Muslims in the next two decades. The increase in the number of Muslims in the world is 1.5% per year and 0 for the development of non-Muslims in the world 7%, if this development continues to increase, the Muslim population in the world will reach 26.4% of the population estimated at 8.3 billion in 2030 to increase by 23.4% from the estimated world population growth in 2010 of 6, 9 billion, while the future Muslim population in this world will experience a slow increase compared to the previous two decades From 1990 to 2010, the Muslim population in the world experienced an average increase of 2.2% compared to the estimated level of 1.5% in 2010 to 2030 [1]

Halal products have now changed from universal, which consists of all definitions of how to produce products well and without any indication of where things can be avoided about halal halal products are not only to obey religious aqidah, but halal products at this time are expected to factor in health, hygiene and standardization of health in need of products or food. for businesses in the halal food industry.

Halal food is a largest segment serving the global Muslim population, while also gaining attention of a wider global audience, who are settling UAE, Saudi Arabia, South Africa, Tanzania and other counties from this region for the employment purpose. Since in these countries, people belong to different traditions and religious group, halal standards and certification procedures were developed to ensure that the Muslim consumers would trust and accept food manufactured by non-Muslim producers. The demand for halal food in Middle East (particularly UAE) is poised to grow in the region. Countries in the Middle East and Africa, are capitalizing upon the growing halal market.

The concept of halal and also toyyiban as 'wholesome' as stipulated in Islam covers nutrition, quality, cleanliness, and safety for everyone and not meant only for the Muslim society which can be practised in food production. For instance, the halal authentication of food products must cover the source of raw materials to the consumers. Accordingly, any activities along the supply chain such as handling, storage, and distribution must be shariah compliant in which halalan toyyiban concept can be applied. Any halal products cannot be mixed with haram products and must be segregated [2]. Halal is not static, but goes through evolution from a Muslim company, halal product, halal supply chain, to a halal value chain [3]. [4] mentioned that when producing Halal food it should start from the farm and the food must be nutritious and prepare with permissible ingredients in clean and hygienic manner. if a halal product is indicated to be unclean, the product becomes non-halal, which is definitely not recommended for consumption or use in our needs according to Islamic religious rules. Halal industries are very concerned from raw materials until finished goods, production systems, packaging, warehousing of halal products and distribution of goods. [5] Argues that the foundation of halal SCM is determined by three factors, namely direct contact with haram (prohibited), risk of contamination and perception of the Muslim consumer. In his model, risk is based on product characteristics, whereas perception is based on the market requirements. The product characteristics first of all specify if the product is bulky or unitized. Second, the temperature requirements are important: wet (chilled, frozen) or dry (ambient). The market requirements are determined through Islamic school of thought, local fatwas (religious rulings) and local customs. [6] stated that when preparing Halal food the process should be according to Islamic rules and the product integrity is maintain throughout the supply chain. Everything relates to the food preparation, handling and packaging must be Halal. [7], Indicated the existence of several factors that influencing the consumers' purchase decision and behavior of Halal food products. The factors are the consumers' religiousness, their confidence and trust towards Halal logo, the rising income levels, the higher education levels, the limitless access to information, increasing demand for convenience goods and rising concerns over health and nutritional values.

B. Research Method

This type of research is qualitative, so the authors use the SWOT methodology. SWOT analysis is used to formulate market segmentation strategies based on strengths, weaknesses, opportunities and threats of halal food industry in the middle east. The research using several stages of analysis is done by making the following steps:

- Identify Internal Factors
such as industry growth, brand identity, political factors, government policy, tax policy, raw material prices and shipping prices of products. Qualitative data was collected through Focussed Group Discussion (FGD) for Strengths and Weaknesses.
- Identify External Factors
External Factors Analysis was created together with related actors in the progress of the organization such as suppliers, major distributors, consumer's/end users, and also market segmentation and product shipping cost. Qualitative data was collected through Focused Group Discussion (FGD) for Opportunities and Threats.
- Internal Factors Data Collection
IFAS is a Summary of Internal Factor Analysis by weighing and ranking strengths and weaknesses so that we can determine the total results of strengths and weaknesses. IFAS is made through FGDs with internal stakeholders.
- External Factors Data Collection
EFAS is External Factor Analysis Summary by weighting and rating opportunities and threats so that we can determine the total results of Opportunities and Threats. EFAS is calculated with the same steps as IFAS.
- Creating IFAS and EFAS Analysis and plotted to SWOT Matrix Diagram

calculate the total amount of each IFAS and EFAS and placed into the SWOT matrix diagram. (1) when the total amount generated from IFAS and EFAS is in the position of the first quadrant, the company or organization needs to use an aggressive strategy; (2) when in the second quadrant position, the company or organization needs to use a conservative strategy; (3) when in the third quadrant position, the company or organization needs to use a defense strategy; (4) when in the fourth quadrant position, the company or organization needs to use a competitive strategy.

- Develop Chosen Strategy Mix within SWOT
the selection of strategies chosen or used, then developed into several market segmentation strategies, which need to be developed into programs and activities in key performance parameters.

C. Discussion and Result

1.1. SWOT Analysis

- Strengths: Advertising, strategic location, price, lower price, huge capacity, payment method, delivery service and fast complain procedure, quality of product location, cost control, employee morale is excellent of technology.
- Weaknesses: Hugh capital needed, less promotion, shipping the food, lack of expertise, store has no website.
- Opportunities: Demand for halal food on Middle East increasing the speed distribution, offering the life cycle, population of Middle East
- Threats: New competitors, changes in customer’s needs, price competition, falling product price in Industry similar capability of competing

1.2. IFAS (Internal Factor Analysis Summary)

IFAS is a data analysis method used in data retrieval to be carried out in research using internal factors that can be strengths or shortcomings that may occur. The result of IFAS is recapitulated per department as can be seen in Table 1.

Table 1. Internal factor analysis summary.

No	Factor	Attribute	Value	Weight	Value x Weight
1	Advertising	S	3	0.08	0.24
2	Strategic Location	S	3	0.06	0.18
3	Price Affordable	S	4	0.08	0.32
4	Goods Complain Procedure	S	3	0.06	0.18
5	Quality of Product	S	4	0.08	0.32
6	Location	S	4	0.08	0.32
7	Cost Control	S	3	0.08	0.24
8	Employee Morale Is Excellent	S	4	0.08	0.32
9	New Technology	S	3	0.06	0.18
10	Less Promotion	W	2	0,06	0,12
11.	High Capital Needed	W	4	0,08	0,32
12.	Shipping The Food	W	2	0,06	0,12
13.	Has No Website	W	3	0,08	0,24
14.	Lack Of Expertise	W	3	0,06	0,18
Total				1.00	
S refers to Strength, W refers to Weakness		S			2,30
		W			0.98

According to the results of research through the analysis method using IFAS, the internal factors used have different levels of weight and value for each factor regarding halal food

products in Indonesia. There are a number of factors that are considered to be deficiencies in the halal food market in Indonesia. However, many internal factors are very strong to support the expansion of the market for halal food products in Indonesia. The difference between strength and weakness is $2,30-0,98 = 1,32$

1.3. EFAS (External Factor Analysis Summary)

EFAS is a method of analyzing data used in data retrieval using external factors regarding problems that might be threats or opportunities that can occur in research. The result of EFAS is recapitulated per department as can be seen in Table 2.

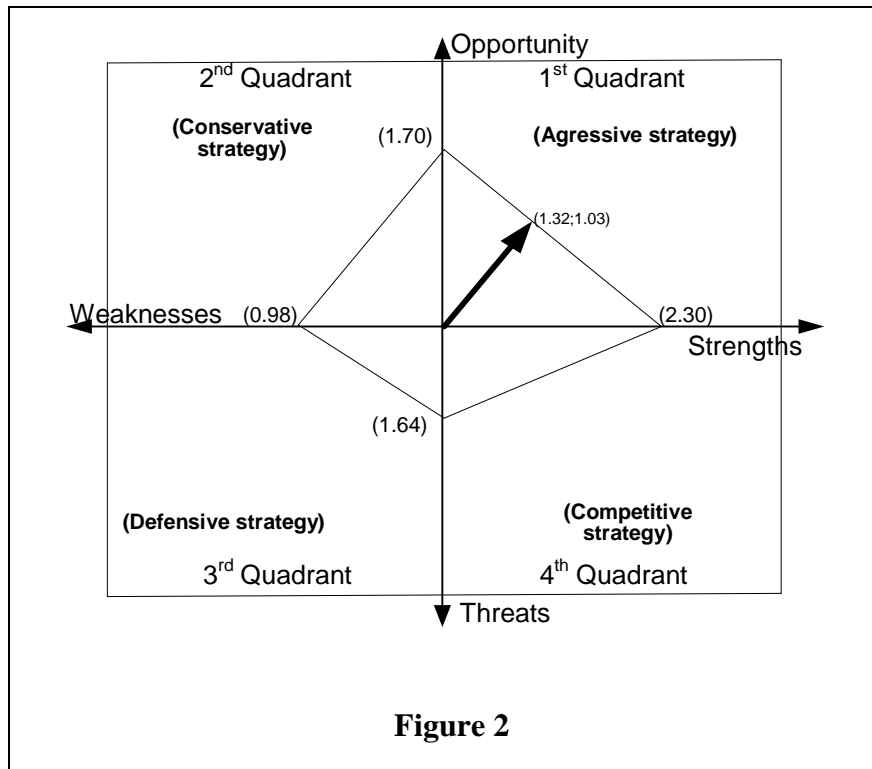
Table 2. External factor analysis summary.

No	Factor	Attribute	Value	Weight	Value x Weight	
1	Demand for halal food in Middle East	O	3	0.08	0.32	
2	Low competitor for halal food	O	2	0.06	0.28	
3	Increase the speed for distribution	O	3	0.06	0.21	
4	Altering the life cycles	O	4	0.08	0.21	
5	Population of Middle East	O	4	0.12	0.40	
6	good promotion	O	3	0.06	0.24	
7	Ease to entry into South East Asia Market through free market policy of AEC	O	3	0.08	0.28	
8	New competitors	T	3	0,08	0.10	
9	Change in Customers' needs	T	4	0.08	0.30	
10	Price competition	T	3	0.08	0.09	
11	Falling product price in Industry	T	2	0.06	0.18	
12	Similar capability of competing		3	0.08	0.24	
13	Customers losses	T	3			
		T				
Total			1.00			
O refers to Opportunities, T refers to Threats		O		1.70		
		T		1.64		

According to the results of the research through the analysis method using EFAS, the external factors used have different levels of weight and value on each factor regarding halal food products in the Middle East. There are a number of factors that are considered as shortcomings in the halal food market in the Middle East. However, many external factors are very strong to support the expansion of the market for halal food products in the Middle East. The difference between opportunity and threat is $1.94-0.91=1.03$.

1.4. SWOT Matrix Diagram Analysis

Based on calculated data from IFAS, Strength is 2,30, whether Weakness is 0,98 and the differences between them are 1,32. Based on the EFAS, Opportunity is 1.70, whether Threat is 1,64 and the differences between them are 0,06. These data were then plotted to Diagram in Figure 2.



As per shown in Figure 2, the chosen strategy is in 1st quadrant (aggressive / SO strategy) and the strategy needed to be executed as follow:

- Improving internal factors which are a weakness in the halal food product market in Indonesia. and maintaining other internal factors that have been considered to be a force in the halal food product market in Indonesia.
- Changing threats from external factors becomes an opportunity that can help Indonesia to expand the market segmentation of halal food products into the Middle East halal food market and has the strength to face competition with halal food products that already exist in the Middle East. We must overcome these threats and even turn them into opportunities for the development of Indonesia's halal food market to enter the Middle East market. because the more opportunities they have, the more opportunities there will be so that they can win the competition.

D. Conclusions

Based on what we have observed, we found that the Indonesia is ranked first as a halal food consumer in the world. At present, Indonesia is experiencing a very rapid development of halal food products. However, we have not maximally entered international markets such as the Middle East market which in fact is a country with a majority Muslim population. The potential of the Middle East market should be an opportunity for Indonesia to expand market segmentation into the Middle East market along with the development of halal food products in Indonesia. The strength of the Indonesian halal food product market is very large coupled with very open opportunities to be able to compete in the Middle East market. However, weaknesses and threats are very dependent on government policies, tax rates, political situations, distribution prices, and unsupportive marketing.

In our opinion, Indonesian halal products can enter the Middle East market where Indonesia is the largest Islamic State but currently with the largest Muslim country in Indonesia but still lacking in exports of halal products, with this Indonesia must be able to compete with halal

export countries such as Malaysia, because Indonesian halal products are no less good than other products because the majority of products in Indonesia already have halal labels because the majority of Muslim residents who will definitely consume halal products are guaranteed raw materials, cleanliness and protecting the quality of halal products. With this, Indonesia must maintain the quality of raw materials and set targets. This must be achieved so that Indonesian halal products can compete with other countries by determining the location of good marketing, the right distribution of goods, the right time, the right quality, the right price, the right quantity, with this research we get the results of analysis using efas and ifas which describe the results that currently Indonesia is in the position of the first quadrant where Indonesia must use an aggressive strategy to compete in the halal industry itself, so that Indonesian halal food products can be implemented targeting the market in the Middle East.

References

- [1] Pew, "The Future of the Global Muslim Population," *Pew Research Center*, 2011. [Online]. Available: <http://www.pewforum.org/2011/01/27/the-future-of-the-global-muslim-population/>.
- [2] E. N. Omar and H. S. Jaafar, "Halal supply chain in the food industry - A conceptual model," in *ISBEIA 2011 - 2011 IEEE Symposium on Business, Engineering and Industrial Applications*, 2011.
- [3] M. Tieman, M. C. Ghazali, and J. G. A. J. van der Vorst, "Consumer perception on halal meat logistics," *Br. Food J.*, 2013.
- [4] S. O. bin S. Agil and M. Z. B. M. Nor, "Positioning the Halal Food Industry : The Case of Malaysia," *Nida Case Res. J.*, vol. 4, no. 8, pp. 157–174, 2012.
- [5] M. Tieman, J. G. A. J. van der Vorst, and M. C. Ghazali, "Principles in halal supply chain management," *J. Islam. Mark.*, vol. 3, no. 3, pp. 217–243, 2012.
- [6] A. Batu and J. Regenstein, "Halal Food Certification Challenges and Their Implications For Muslim Societies Worldwide," *Int. Period. Lang. Lit. Hist. Turkish or Turkic*, 2014.
- [7] L. Sungkar, "Consumer awareness: Thoughts and trends across the globe," *Halal J.*, pp. 3–10, 2010.