



STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT 2015/16

SUPPORTED BY:



دبي عاصمة الاقتصاد الإسلامي
DUBAI THE CAPITAL OF ISLAMIC ECONOMY

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GLOBAL ISLAMIC ECONOMY

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Fireworks explode on top of Malaysia's Petronas Twin Towers in Kuala Lumpur in this January 1, 2003. REUTERS/Bazuki Muhammad

In the name of God, the Most Merciful, the Most Beneficent

Executive Summary

Muslims today are reengaging their traditional values for modern times. Both in Muslim and non-Muslim majority societies, traditional values like modesty, the concept of halal, Islamic principles regulating finance are being negotiated for our modern context. The result is a burgeoning Islamic economy. **The State of the Global Islamic Economy Report 2015/16** brings you the latest developments and trends from this economy whilst also acting as a roadmap for you and your business to profit from this rising global market.

Momentum has been building since last year, the **Halal food** sector saw South Africa partnering with Malaysia as the Western Cape Fine Food Initiative and the Malaysian Industry Government Group for High Technology (MIGHT) signed a co-operation agreement to foster partnerships between the Halal industries of the two countries; further cooperation occurred between South Korea and Abu Dhabi with South Korea gaining additional access to the global Halal market; obstacles were removed as a 10 year old poultry ban for exporting poultry products to countries in the Middle East has been lifted from Pakistan that was imposed after the bird flu epidemic in 2004. In the **Islamic Finance** sector, corporate sukuk issuance levels remain robust in the core Islamic Finance markets as Malaysia's Bank Islam issued its first sukuk tranche worth \$83 million and Dubai's Noor bank marketed a \$500 million, five-year debut, U.S. dollar sukuk issue. Beyond sukuk, a Bahrain-Dubai joint venture closed its third Bombardier deal and Cameroon's Afriland First Bank launched its Islamic window as the availability of shariah-compliant financial products expands across the continent.

Halal travel continues to soar. On the aviation front, Fatonee Airlines, a new airline in southern Thailand, is now targeting Muslim customers by providing direct flights to Saudi Arabia for Hajj and Umrah. While Etihad

Airways and Tourism Malaysia have signed a global partnership agreement to boost inbound tourism to Malaysia. **Modest Fashion** is garnering major investment from global fashion brands such as Uniqlo, Mango and Tommy Hilfiger. Storytelling continues to succeed in the **Media & Recreation** sector, presently Fortress Film Clinic is promoting film industry in Dubai as can be seen through the examples of Mission Impossible, Fast & Furious and Star Wars sequels. For the future, a National Film Grant has been established by the Islamic Scholarship fund in the USA. Lastly, in the **Pharmaceuticals and Cosmetics** sector Malaysia is set to create the first Halal vaccine.

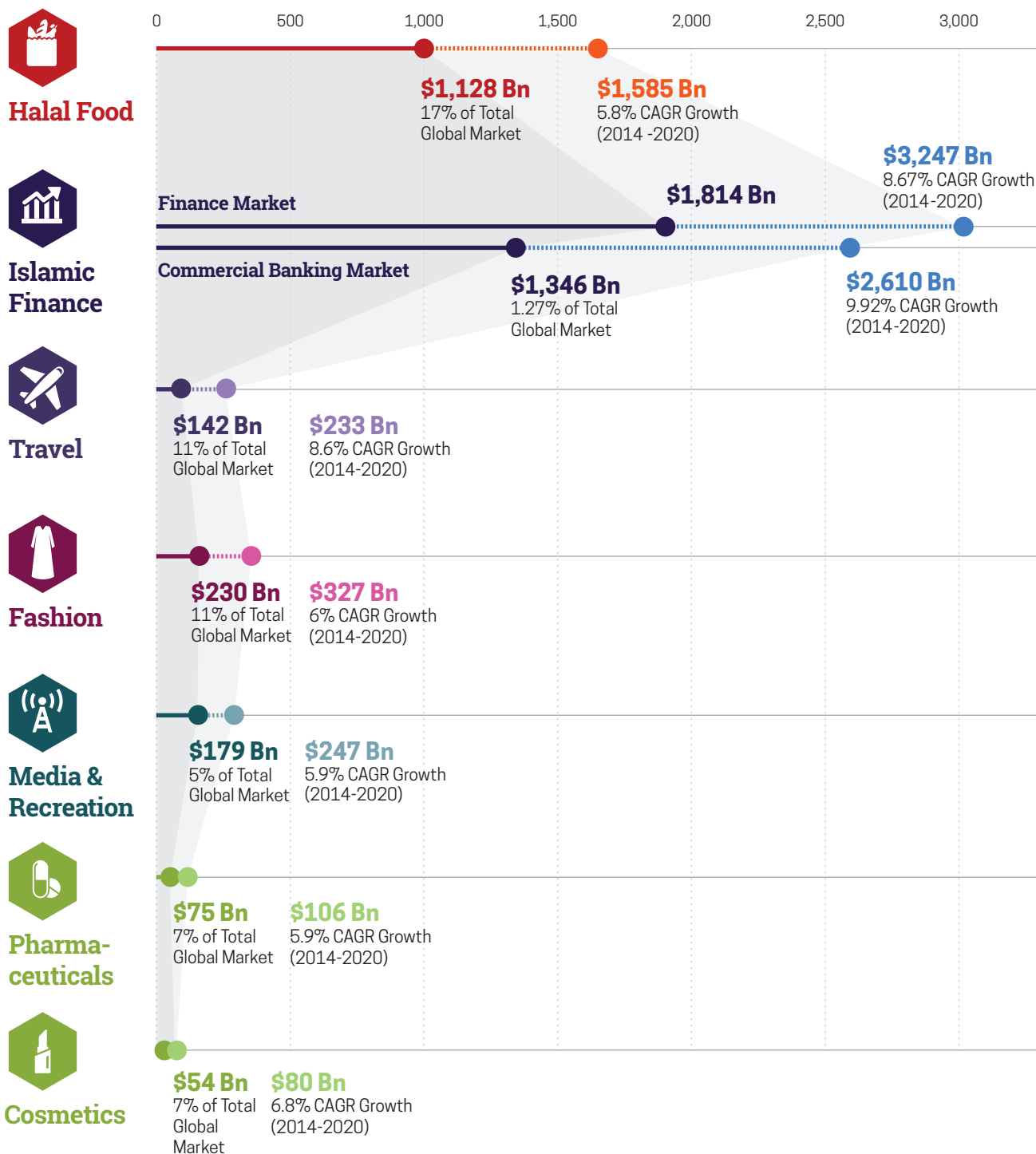
The Muslim consumer spending across these sectors in general is worth \$1.8 trillion in 2014, rising to \$2.6 trillion by 2020. This forms the potential market universe for the core Halal product and services categories. With a consumer base of predominantly young 1.7 billion Muslims around the world, growing at two times the rate of the global population, the Islamic economy is one of the fastest growing markets in the world. At a time where the IMF describes the global economy entering 'secular stagnation' due to a decline in investments and an ageing population, the Islamic economy stands in stark contrast offering the most viable solution to global economic growth and success in the 21st Century.



GLOBAL ISLAMIC ECONOMY

\$1.8 trillion of food & lifestyle sector expenditure (2014) projected to reach \$2.6 trillion (2020)

\$1.35 trillion in Islamic banking assets (2014) projected to reach \$2.6 trillion (2020)



References:

—● Existing Muslim Market* (2014, USD)

.....● Potential Market Size (2020, USD)

TOP 10 Countries

Global Islamic Economy
Indicator



- | | | |
|------------------------|------------|--------------|
| 2 United Arab Emirates | 5 Pakistan | 8 Qatar |
| 3 Bahrain | 6 Oman | 9 Jordan |
| 4 Saudi Arabia | 7 Kuwait | 10 Indonesia |



Total Global Market
(2014, USD)
\$6,755 Bn

TOP 5 Countries for the Halal Food Indicator

- | | | | | |
|-------------------|------------|------------------------|-------------|--------|
| 1 Malaysia | 2 Pakistan | 3 United Arab Emirates | 4 Australia | 5 Oman |
|-------------------|------------|------------------------|-------------|--------|



Global Banking Asset
(2014, USD)
\$105.7 Tn

TOP 5 Countries for the Islamic Finance Indicator

- | | | | | |
|-------------------|-----------|------------------------|----------------|--------|
| 1 Malaysia | 2 Bahrain | 3 United Arab Emirates | 4 Saudi Arabia | 5 Oman |
|-------------------|-----------|------------------------|----------------|--------|



Total Global Market
(2014, USD)
\$1,304 Bn

TOP 5 Countries for the Halal Travel Indicator

- | | | | | |
|-------------------|------------------------|-------------|------------|----------|
| 1 Malaysia | 2 United Arab Emirates | 3 Singapore | 4 Thailand | 5 Jordan |
|-------------------|------------------------|-------------|------------|----------|



Total Global Market
(2014, USD)
\$2,119 Bn

TOP 5 Countries for the Modest Fashion Indicator

- | | | | | |
|----------------|------------------------|---------|----------------|-------------|
| 1 China | 2 United Arab Emirates | 3 Italy | 4 Burkina Faso | 5 Sri Lanka |
|----------------|------------------------|---------|----------------|-------------|



Total Global Market
(2014, USD)
\$3,543 Bn

TOP 5 Countries for the Halal Media & Recreation Indicator

- | | | | | |
|--------------------|------------------------|-----------|------------------|----------|
| 1 Singapore | 2 United Arab Emirates | 3 Lebanon | 4 United Kingdom | 5 France |
|--------------------|------------------------|-----------|------------------|----------|



Total Global Market
(2014, USD)
\$1,111 Bn

TOP 5 Countries for the Halal Pharma & Cosmetics Indicator

- | | | | | |
|--------------------|---------|------------|------------|----------|
| 1 Singapore | 2 Egypt | 3 Malaysia | 4 Pakistan | 5 Jordan |
|--------------------|---------|------------|------------|----------|



Total Global Market
(2014, USD)
\$742 Bn

TOP 5 Countries for the Halal Pharma & Cosmetics Indicator

- | | | | | |
|--------------------|---------|------------|------------|----------|
| 1 Singapore | 2 Egypt | 3 Malaysia | 4 Pakistan | 5 Jordan |
|--------------------|---------|------------|------------|----------|

All estimates by DinarStandard Research & Advisory as follows (Islamic Finance current estimates ThomsonReuters 2014 Data). The GIE Indicator model at: <http://www.zawya.com/GIE/>. Projections were determined by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, showing high correlation. The regression determined a line of best fit that, using IMF GDP forecasts, projected industry growth. IMF Outlook Oct 2014 Database for baseline projections. DinarStandard Muslim market estimates & analysis.

Acknowledgements

Supported by:



DUBAI ISLAMIC ECONOMY DEVELOPMENT CENTRE

For the third consecutive year, the Dubai Islamic Economy Development Centre (DIEDC) in partnership with Thomson Reuters launches the 'State of the Global Islamic Economy Report' including the 'Global Islamic Economy Indicator (GIEI) 2015/2016,' as part of its priority to evolve as a one-stop-reference for the global Islamic economy. The report is a comprehensive study on the continued momentum of the Islamic economy focusing on the seven pillars that comprise the DIEDC's Islamic economy strategy.

Dubai Islamic Economy Development Centre (DIEDC) was established in December 2013 to make Dubai the 'Capital of Islamic Economy', as envisioned by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai.

DIEDC is equipped with the financial, administrative and legal tools to promote economic activities compatible with Islamic law in Dubai's goods and financial services sector, as well as the non-financial sector. In this capacity, it will conduct research and specialist studies to determine the contribution of shariah-compliant activities to the emirate's gross domestic product, and explore how to extend this contribution to boost the economy. DIEDC is also mandated to create new products and lines of service to law firms specializing in finance structuring.

Produced by:



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Thomson Reuters is the world's leading source of intelligent information and a committed stakeholder of the Islamic Economy. Thomson Reuters provides integrated knowledge services and solutions that enhance transparency, clarity and accessibility of the Islamic Economy to the global audience of businesses and professionals. We are proud to have been at the heart of Islamic banking since the first commercial Islamic bank was launched in 1975. Our involvement in developing reports such as the *State of the Global Islamic Economy Report 2013* demonstrate our institution's commitment to develop much needed knowledge solutions to increase transparency and improve collaboration across the industry.

In collaboration with:

DinarStandard

DINARSTANDARD™

DinarStandard™ is a growth strategy research and advisory firm empowering organizations for profitable and responsible global impact. DinarStandard specializes in the Halal/Tayyab food, Islamic/Ethical Finance, Halal travel, Islamic NGOs and OIC member country sectors. Since 2008, DinarStandard has been advising organizations globally on market expansion, business/investment strategy, and innovative marketing strategies. Its clients include global multi-nationals, Islamic financial institutions, Halal market startups and NGOs.

Report Team

Report Coordinator

Shaima Hasan

Research & Product Development Manager — Islamic Capital Markets specialist, Thomson Reuters

Report Advisors

Mustafa Adil

Acting Head of Islamic Finance, Thomson Reuters

Rafi-uddin Shikoh

Managing Director, DinarStandard

Project Consultant

Ammar Radhi

Research and Product Development Manager — Emerging Markets Specialist, Thomson Reuters

Report Author/Analyst

Haroon Latif

Director, Strategic Insights, DinarStandard

Travel/ Halal Food Analyst

Reem El-Shafaki

Senior Associate, DinarStandard

Salama Evans

Senior Associate, DinarStandard

Lead Research Analyst

Francis Dur

Associate, DinarStandard

Islamic Finance Analyst

Tayyab Ahmed

Senior Associate, DinarStandard

Halal Lifestyle Analysts

Afia Fitriati

Senior Associate, DinarStandard

Nahla Mesbah

Senior Associate, DinarStandard

Shariq Faraz

Associate, DinarStandard

Report Editor

Hammaad Chaudry

Associate, DinarStandard

Report Design

Studio of KUNG PIK LIU

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Report Purpose and Methodology

Context

The 2015-16 State of the Global Islamic Economy Report presents the continuance of building the momentum of the Islamic economy.

The 58 mostly-Muslim majority countries¹ of the world represent more than \$7.0 trillion GDP (current) in 2014, a 1.7 billion population growing at a faster pace than the global population and some of the fastest-growing global economies that stretch from Indonesia in the east to Turkey in the west with the Arabian Gulf states at their centre. Their influence stretches beyond Muslim-majority countries as more than 350 million Muslims reside as minorities in many nations, with largely affluent ones living in the West and large populations residing in the emerging nations of India, China, and Russia. All over the world, this fast growing and relatively young population of Muslims is increasingly asserting its faith-based sensitivities in the marketplace to products as varied as food, banking, and finance extending all the way to fashion, cosmetics, travel and healthcare.

Purpose

The purpose of the State of the Global Islamic Economy Report is to inspire and empower business leaders, entrepreneurs, government officials and industry bodies to evaluate and develop an actionable, practical, and high impact market strategy focused on the Global Islamic Economy.

Objectives

The content objectives of the Report are to:

1. Provide a global view of the Islamic economic landscape (profile its sectors, size them, and present current landscape and trends) and provide annual updates on this landscape.
2. Present specific market opportunity for each sector including current challenges and success criteria as well as provide annual updates.
3. Present frameworks for businesses, governments and industry bodies to evaluate and engage in the Global Islamic Economy's opportunities.
4. Present existing and emerging Centres of the Global Islamic Economy based on an Islamic Economy Development Indicator.

¹ Islamic Development Bank member 56 mostly Muslim-majority countries

Approach

The Reports' approach incorporates a top-down and bottom-up approach. This includes:

PRIMARY RESEARCH

Original research of Halal Food and lifestyle market-related companies and ecosystem institutions were conducted by leveraging the services of on-the-ground analysts from each global region. Thomson Reuters Islamic Finance Development Report research was leveraged for the Islamic Finance-related section. Expert interviews were also conducted to identify the market landscape, challenges, opportunities and key companies and institutions.

INTERVIEWS

The Report presents interviews with 12 related industry practitioners and influencers across major geographic markets to identify key sector challenges, trends, and opportunities. Additionally more than 12 industry experts were also engaged with for additional inputs.



Halal Food

—
Othman bin Mohd Yusoff,
Head of Halal Affairs
Nestlé (Malaysia)
—
Adnan Durrani, CEO
Saffron Road (USA)



Islamic Finance

—
Abayomi A. Alawode,
Head of Islamic Finance
Finance & Markets Global
Practice
World Bank Group



Travel

—
Laurent A. Voivenel,
CEO
**Hospitality Manage-
ment Holdings (UAE)**
—
Clarence Tan,
Senior Vice President —
Development, Asia,
Middle East and Africa
**Intercontinental
Hotel Group (Singapore)**



Fashion

—
Ms. Oya OKUR ERCİYEŞ,
Co-Founder & Mehmet
Metin Okur / CEO
**SefaMerve
(Turkey)**
—
Kerim Ture, Co-Founder
Modanisa (Turkey)
—
Windri Widiesta Dhari,
Founder
NurZahra (Indonesia)



Media and Recreation

—
Kashif Khan,
Executive Vice President
**Head of Business
Development (UAE)**
—
Aamer Naeem,
Editor in Chief
**British Muslim TV
(UK)**



Pharmaceuticals and Cosmetics

—
Dr. Stephan Heck,
Sr. Director Quality
Management
**DSM Nutritional
Products (Switzerland)**
—
Mauli Teli, CEO
Ecotrail (India)

Additional industry experts whose input was also gathered:

Food

Koen de Praetere, Founder, Halal Balancing, Belgium; Abdalhamid Evans, Founder, Imarat Consultants, UK

Pharma and Cosmetics

Professor Qasim Chaudhry, Visiting Professor at University of Chester, UK; Dr. Mah Hussain-Gambles MBE, Cosmetics Consultant, UK; Mohamad Faisal bin Ahmad Fadzil, Founder and Managing Director, Tanamera, Malaysia; Dr. M. Abid Masood, PhD Chem, Technical Director, Halal Food Council of Europe, UK; Leonard Ariff Abdul Shatur, Group Managing Director, Chemical Company of Malaysia Berhad; Dr. Mehboob Surve, Director, Lab Halal, UK

Travel

Irfan Ahmed, CEO, Irhal.com; Ufuk Seçgin, Marketing Manager, HalalBooking.com; Nabeel Shariff, Director, Serendipity Tailormade | Luxury Halal Travel

STRATEGY FRAMEWORKS

The Report presents strategy frameworks that are primarily derived from DinarStandard's Islamic economy related project experiences.

MARKET SIZING METHODOLOGY



1 Per Country, Global lifestyle spend by sector (excl. Finance), \$Bn

Key steps in the calculation (summary)



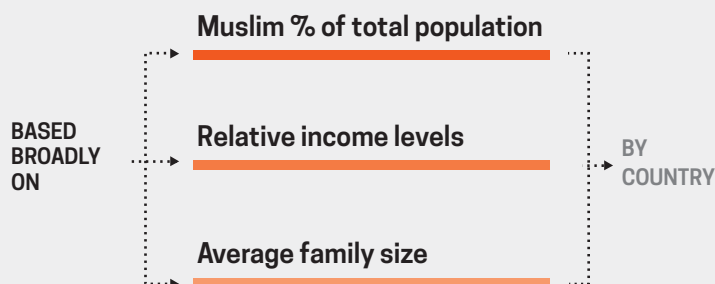
Key external sources

National databases; International Comparison Programs, UN World Trade Organization, World Bank, DS analysis and estimations



2 Muslim multiplier % Per country, global lifestyle spend by sector (excl. Finance), \$Bn

Key steps in the calculation (summary)



Key external sources

Census data; DS Analysis and estimations



Total Muslim Lifestyle spend market size, \$Bn



Halal penetration of Muslim markets, %

NOT ADDRESSED
IN THIS REPORT



Actual Islamic Lifestyle Economy market size, \$Bn

NOT ADDRESSED
IN THIS REPORT

ESTIMATES METHODOLOGY

The Islamic Economy sector estimates (Halal Food, Islamic Finance, modest fashion, travel, media and recreation, pharmaceuticals and cosmetics) are based on the **potential universe of the opportunity and focused on its core audience of Muslim consumers globally**. For each Country, total consumer spending in the particular sector by the estimated 'Muslim' population is considered as the universe of the potential Islamic economy sector. Actual existing global market size is only presented for Islamic Finance sector.

- For the global Muslim modest clothing, media and recreation market potential, global **Muslim expenditure on clothing/footwear and media/recreation** is sized to represent the potential universe for their respective markets. Expenditure data is baselined from World Banks' 2011 International Comparison Program (ICP). Global Muslim market estimates are applied based on DinarStandard's Muslim population estimates per country that are adjusted for income disparities. Projections are then derived based on the IMF Country GDP growth outlook adjusted for sector specific correlation.
- For the global Halal Food market potential, global **Muslim expenditure on Food & Non-alcoholic beverages** is considered. Expenditure data is baselined from the 2011 International Comparison Program.
- For the global Muslim travel market potential, global Muslim expenditure on **outbound travel expenditure** is considered. Expenditure data is base lined from 2014 UNWTO (World Tourism Organization) data.
- For the global Halal pharmaceutical and cosmetics market potential, global **Muslim expenditure on pharmaceuticals and cosmetics** is considered. Expenditure data is baselined from various national statistics agencies, pharmaceutical and cosmetics industry associations.
- The Islamic Finance current market estimates and projections are based on data from Thomson Reuters Islamic Finance market research.

GLOBAL MUSLIM MARKET ESTIMATES

They are applied based on DinarStandard's Muslim population estimates per country that are adjusted for income disparities.

UPDATE TO THE PROJECTIONS METHODOLOGY

This year the Report has updated its projections methodology to better reflect sector specific growth correlations against general GDP growth. This was determined by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, showing high correlation. The regression determined a line of best fit that, using IMF GDP forecasts, projected industry growth.

DinarStandard's industry value-chain segmentation is applied to analyze related industry trade data from the UN Comtrade Database 2014.

Note: all figures in the Report prefixed with a '\$' (e.g. \$141 million) represents USD currency, unless otherwise stated.



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A half moon over Malaysia's landmark Seri Wawasan Bridge in a clear sunset sky above Putrajaya on June 28, 2004. REUTERS/Bazuki Muhammad

The Global Islamic Economy Indicator (GIEI)

The Global Islamic Economy Indicator (GIEI)

The purpose of the Global Islamic Economy Indicator (GIEI) is to show the current development health of Islamic economy sectors. The GIEI is a composite weighted index comprised of six sector level indicators (Halal Food, Islamic Finance, Halal Travel, Modest Fashion, Halal Media and Recreation, and Halal Pharmaceuticals and Cosmetics) across 73 core countries. The Indicator is not a ranking of current size and growth of each market, but evaluates the quality of the overall Islamic economy ecosystem including social considerations each has relative to its size.² The ranking is weighted towards Islamic Finance and Halal Food ecosystems given their relative sizes to other sectors. Top countries vary per sector reflecting relative strengths in each of the sectors covered in this Report.

Malaysia, UAE and Bahrain

Malaysia, UAE and Bahrain continue to lead this composite index, standing out as having the healthiest Islamic economy ecosystem a country has relative to its size.

METHODOLOGY SUMMARY

Following are key methodology highlights. The full methodology is presented in the Appendix.

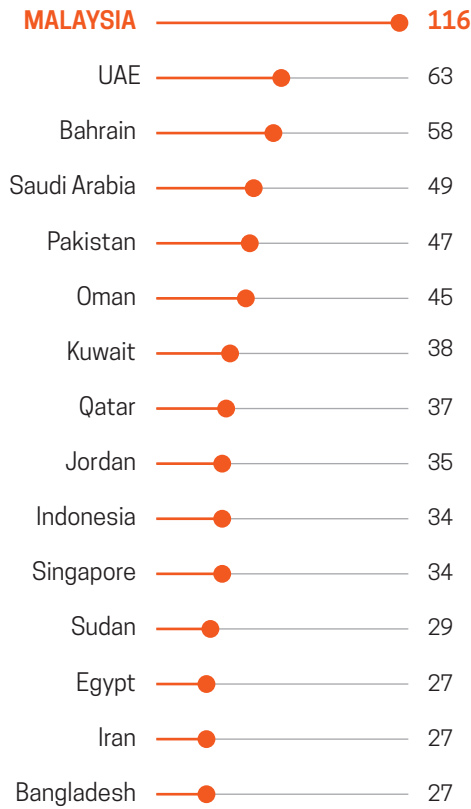
- A total of 73 countries were evaluated that included 57 OIC and 16 non-OIC countries.
- To evaluate the health of the GIE ecosystem per country, each sector was evaluated based on the following key metric categories, which were equally weighted: 1) supply/demand drivers relative to country size, 2) governance, 3) awareness, and 4) social considerations. (The governance criteria did not apply to Fashion and Media and Recreation sectors.) A total of 49 metrics were utilised.
- Each country's development health was adjusted to its relative size of the economy.
- The aggregate indicator and overall rank is **weighted to each sector's proportional economic size** (Islamic Finance and Halal Food are weighted heavily in the ranking given their relative sizes: 46% and 35% respectively).

Below are the top 15 countries in the GIE indicator overall as well as for individual Islamic economy sectors.

² Total of 49 metrics across categories of: financial, governance, awareness, and social considerations. See Appendix for full methodology



TOP 15 COUNTRIES GIE Indicator Score



TOP 10 Halal Food

- 1 MALAYSIA
- 2 PAKISTAN
- 3 UAE
- 4 AUSTRALIA
- 5 OMAN
- 6 BRAZIL
- 7 JORDAN
- 8 AZERBAIJAN
- 9 EGYPT
- 10 QATAR



TOP 10 Islamic Finance

- 1 MALAYSIA
- 2 BAHRAIN
- 3 UAE
- 4 SAUDI ARABIA
- 5 OMAN
- 6 PAKISTAN
- 7 KUWAIT
- 8 QATAR
- 9 INDONESIA
- 10 SUDAN



TOP 10 Halal Travel

- 1 MALAYSIA
- 2 UAE
- 3 SINGAPORE
- 4 THAILAND
- 5 JORDAN
- 6 MALDIVES
- 7 TURKEY
- 8 BAHRAIN
- 9 QATAR
- 10 SAUDI ARABIA



TOP 10 Modest Fashion

- 1 CHINA
- 2 UAE
- 3 ITALY
- 4 BURKINA FASO
- 5 SRI LANKA
- 6 SINGAPORE
- 7 TURKEY
- 8 TOGO
- 9 SENEGAL
- 10 FRANCE



TOP 10 Halal Media and Recreation

- 1 SINGAPORE
- 2 UAE
- 3 LEBANON
- 4 UK
- 5 FRANCE
- 6 GERMANY
- 7 BAHRAIN
- 8 USA
- 9 AUSTRALIA
- 10 CANADA



TOP 10 Halal Pharma and Cosmetics

- 1 SINGAPORE
- 2 EGYPT
- 3 MALAYSIA
- 4 PAKISTAN
- 5 JORDAN
- 6 UAE
- 7 INDONESIA
- 8 OMAN
- 9 SAUDI ARABIA
- 10 YEMEN

Top 15 Countries	GIEI Score	Halal Food	Islamic Finance	Travel	Fashion	Media & Recreation	Pharma & Cosmetics
Malaysia	116	78	176	86	20	40	50
United Arab Emirates	63	53	78	70	29	61	42
Bahrain	58	38	84	40	17	43	36
Saudi Arabia	49	40	66	36	12	28	37
Pakistan	47	56	51	20	18	9	48
Oman	45	49	51	24	16	31	38
Kuwait	38	40	43	24	14	36	28
Qatar	37	41	38	38	10	40	32
Jordan	35	44	29	45	19	26	45
Indonesia	34	40	35	34	20	8	40
Singapore	34	40	21	58	27	88	56
Sudan	29	33	33	19	10	11	23
Egypt	27	41	16	28	17	24	56
Iran	27	28	30	34	11	17	27
Bangladesh	27	26	31	10	22	3	26

Malaysia

Malaysia is the leading country in the Indicator by a large margin and hence the most developed Islamic economy ecosystem. It tops three of the six sub-sector indicators including the higher weighted Islamic Finance and Halal Food sectors. Malaysia's Islamic Finance global industry leadership with the most mature governance and a high asset-base gives it the biggest margin lead compared to the other five sector categories. Its leadership in the Halal Food space globally makes Malaysia a pioneer and continues to lead with the best global Halal standards, regulations and more importantly a compliance management process. It also has a strong Halal travel ecosystem by virtue of the high number of Muslim visitors and a very high level of awareness among the industry on Halal travel.

United Arab Emirates (UAE)

United Arab Emirates (UAE) is second on the Global Islamic Economy Indicator with strong scores in Halal Food, Islamic Finance and other sector ecosystems. It has particularly strong scores in Islamic Finance, Halal Food and Travel where it ranks as top three. Several initiatives under-taken by the Government to promote and develop the Islamic economy combined with being one of the safest destinations in the Middle East makes UAE a prominent hub in the Islamic Economy.

Bahrain

Bahrain is third on the Global Islamic Economy Indicator with strong scores mainly driven by its second position in the Islamic Finance sector. It also makes the top 10 in Travel and Recreation due to its strong Halal-friendly ecosystem in travel and social indicator in the Recreation (high internet penetration).

All GCC

All GCC countries list in the top 10, highlighting GCC countries prominence in the Islamic Economy ecosystem. This is led by their importance as Islamic Finance hubs, but they are also very relevant in other sectors of the Islamic economy.

Pakistan

Pakistan jumped the highest in ranking compared to last year (jumping +10) and ranks very high both in the higher weighted Islamic Finance, and Halal Food sectors as well as Pharmaceutical and Cosmetics sectors. These high scores have been led by strong governance initiatives as well as growing awareness in those sectors.

Indonesia and Jordan

Indonesia and Jordan round off the top 10 list in aggregate, although they are not in the top 10 for most of individual sector ranking. This occurs because they are very balanced and have a relatively high score in each of the aforementioned sectors, making their overall score higher than other countries. Their geographic proximity to Islamic economy hubs, such as Malaysia and GCC, allow Indonesia and Jordan to benefit from their development and growth.

Ups and Downs

Changes in the top 15 reflect that some economies are experiencing faster improvement in their Islamic economy ecosystem. **Pakistan** ranks among the top 5 (replacing Oman) and **Iran** is now among the top 15 (replacing Turkey) mainly due to the improvements in the finance and food indicators. **Oman** (lost its top 5 position) and **Turkey** (no longer in the top 15), dropping to #16 from #14 last year due to a lower score in three of the six indicators.

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A man prepares meals for students at a mosque at a university in Tehran
July 29, 2007. REUTERS/Morteza Nikoubazi



Halal Food Sector

Driven by growing demand, the Halal food market continues to build its momentum across the global food supply chain. This report estimates that global Muslim spending on food and beverages (F&B) **has increased 4.3% to reach \$1,128 billion in 2014**. This takes the potential core Halal food market to be 16.7% of global expenditure in 2014.

A testament to this sector's strength is that the success of the Halal food market remains constant across different cultures and continents. In Malaysia, Nestle Malaysia and its Halal Centre of Excellence have become the biggest producers of Halal products in the world. In the United States of America, Saffron Road with its Halal and organic produce has become the model of success for both Muslim and non Muslim aspiring entrepreneurs. From Asia to America, the Halal food sector is becoming a major source of growth in both the Islamic and wider global economy.

Of course, there are challenges as well. There is a continuing struggle for Halal food standards and accreditation, with more education required of such topics in OIC countries. The recent ban on Halal and Kosher slaughter in Denmark along with scare stories about Halal food in the media reflect a current attitude prevalent in Europe and increasingly in the United States that is suspicious of Muslim and Islamic customs and rituals in the public square. Engaging and overcoming these challenges will be pivotal to the future success of the Halal food sector.

BENCHMARK

How does global Muslim market compare to the rest of the world?

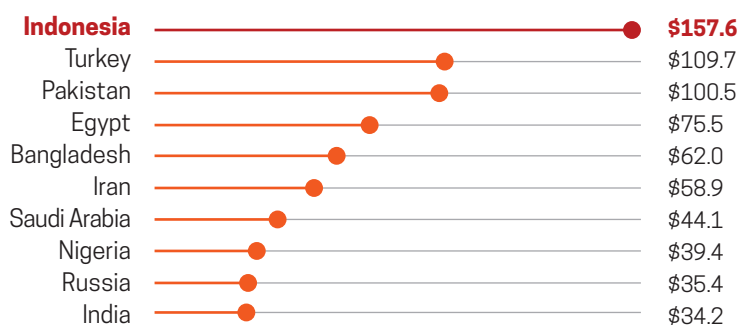
(2014 est., US\$ bill)



TOP MARKETS

Top Muslim consumer food expenditure markets

(2014 est., US\$ bill)



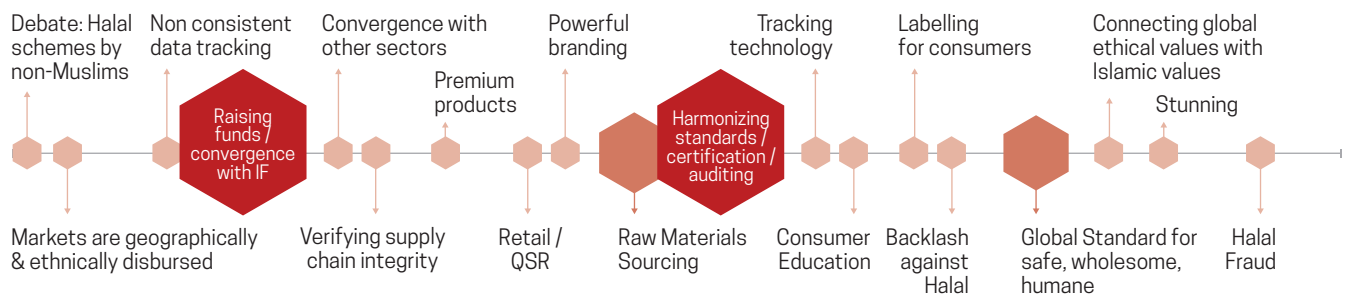
Halal food markets 'Tayyab' cross-over global opportunity²

Global organic food and beverages market expected to reach **\$104.5 billion** in 2015 @ 12.8% growth/year and almost 100% in 6 years.

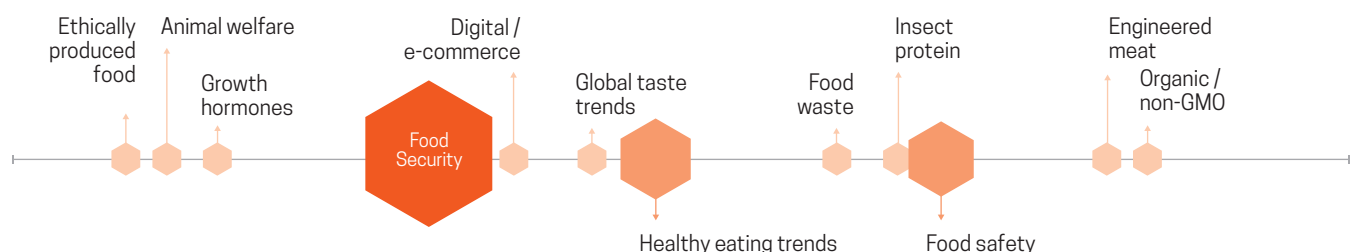
Halal food issues & opportunities map

The size of hexagons represents the impact (economic implication) of each issue

CORE HALAL MARKET



GLOBAL FOOD SECTOR

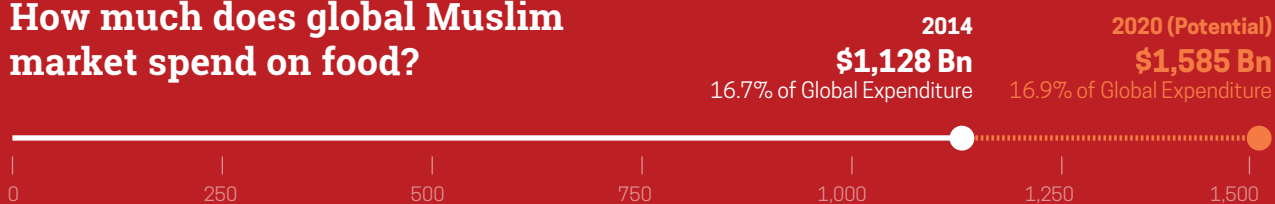


- Covers food & non-alcoholic beverage expenditure; Expenditure data baselined from 2011 International Comparison Program + National Statistics Agencies. See Report for full methodology. DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections
- Source: Global Organic Foods & Beverages Market Analysis By Products, Geography, Regulations, Pricing Trends, & Forecasts

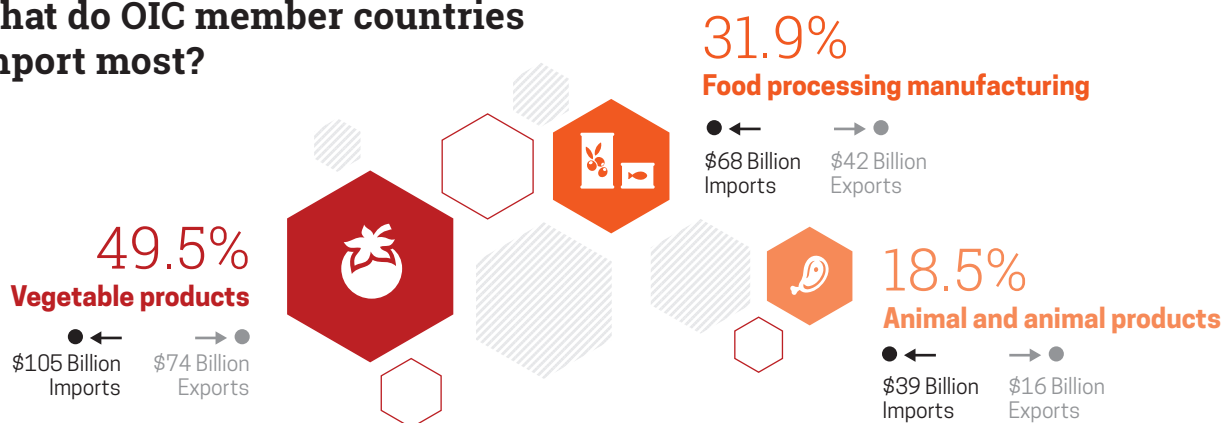
- (2010 – 2015), Markets and Markets
- Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC) Covers animal products, vegetable products, and processed food minus swine, spirits, tobacco. Not included: retailers/other distribution channels, machinery, supporting inputs, logistics, support services (eco-system)
- *OIC: Organization of Islamic Cooperation — 57 member countries

MARKET SIZE¹

How much does global Muslim market spend on food?

FOOD TRADE BY OIC COUNTRIES³

What do OIC member countries import most?

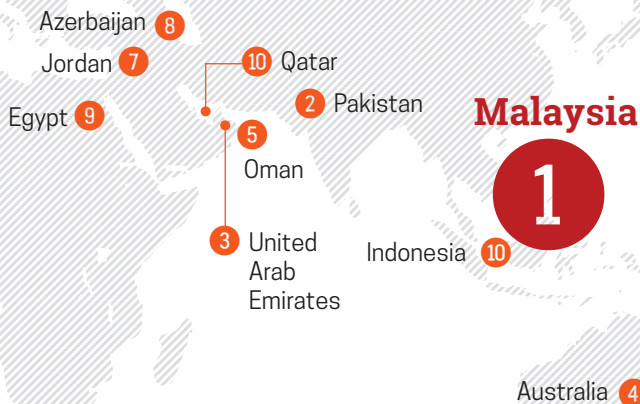


HALAL FOOD INDICATOR

Which countries have the best developed Islamic economy for Halal food?

*CRITERIA

1. Trade OIC Food Trade Relative to its size
2. Governance Regulation/Certification requirements
3. Awareness Media/Events
4. Social Food Price Index



Selected key players

Suppliers

Brf Brasil Foods Company
 Cargill
 Euro Foods Group (UK)

Food Processors/
Manufacturer

IFFCO (UAE)
 ARMAN (China)
 Brahim's Holdings (Malaysia)

Retailers

LuLu Hypermarket (UAE)
 Carrefour
 Tesco (UK)
 BIM (Turkey)
 Marrybrown (Malaysia)

Logistics / Zones

MISC Integrated Logistic (Malaysia)
 Global Halal Logistics (France)
 JAFZA Halal Zone

Regulators / Certifiers

JAKIM (Malaysia)
 MUI (Indonesia)
 SMIIC (OIC)
 IFANCA (USA)
 HFA (UK)

Emerging Halal Brands

The Halal Guys (USA)
 Honest Chops (USA)
 ieat (UK)
 Chicken Cottage (UK)
 Al Islami (UAE)
 Saffron Road (USA)
 Mumtaz (UK)
 Isla Delice (France)

The Halal Food Indicator (HFI)

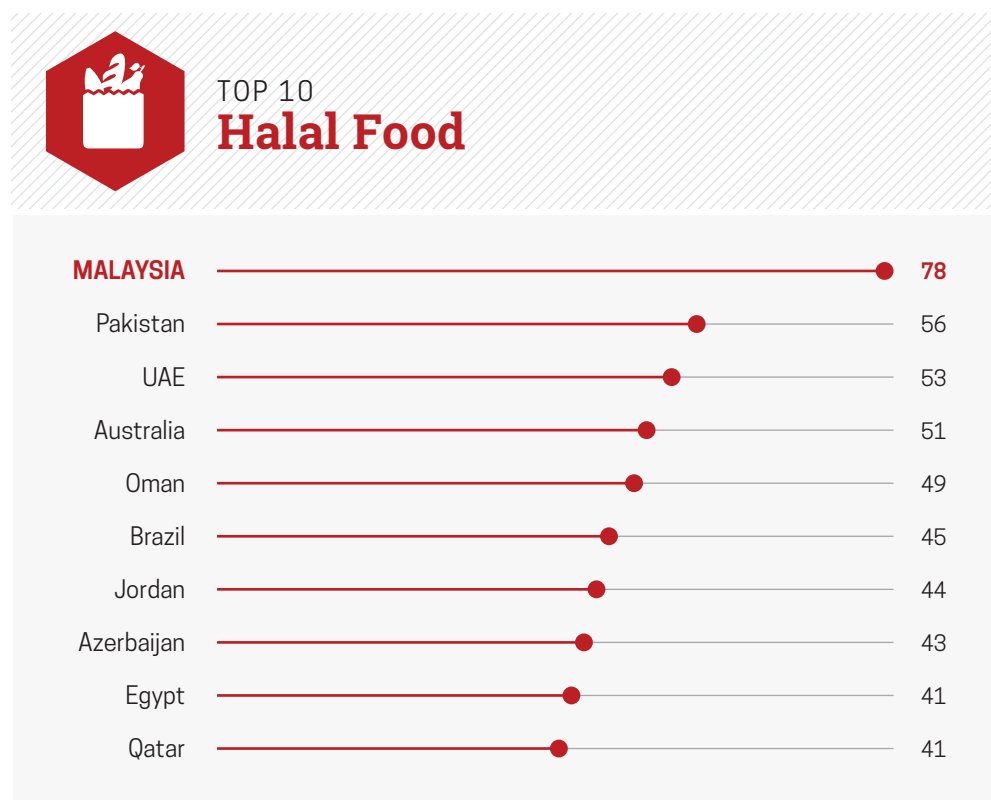
The 2015 State of the Global Islamic Economy Report revisits the Halal Food Indicator (HFI) to evaluate countries' health and development of their Halal Food ecosystem. The indicator does not focus on the overall size and growth trajectory of a country in the Halal Food sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, Pakistan and UAE lead the Halal Food indicator ranking that focuses on the health of the Halal Food ecosystem a country has relative to its size and including its related social considerations.

The Indicator equally weights four metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (Meat/Live Animal exports to OIC countries)
- Governance (Halal regulations and certifications)
- Awareness (number of related news articles and events)
- Social (food pricing index)

Below are the top 10 countries in the Halal Food Indicator.



	Sector Score	Meat Export to OIC Score	Gov Score	Aware Score	Social Score	GIE Ranking
Malaysia	78	2	100	154	57	1
Pakistan	56	15	100	35	74	5
United Arab Emirates	53	7	100	59	46	2
Australia	51	109	67	2	25	18
Oman	49	36	100	4	55	6
Brazil	45	108	33	1	38	25
Jordan	44	58	67	0	51	9
Azerbaijan	43	0	100	0	70	23
Egypt	41	2	100	0	62	13
Qatar	41	7	100	8	48	8

Malaysia

Malaysia a well-recognized pioneer in the Halal Food space, leads the ranking with a healthy Halal food ecosystem. While its meat exports to OIC relative to its size ranks low, Malaysia does have healthy overall food exports to OIC. The strong awareness through media coverage and events coupled with its market leading regulations and compliance processes make Malaysia the most developed Halal Food economy.

Pakistan

Pakistan has the second best score on the HFI led by its low food price index as well as having good regulations. It ranks as the highest non-OIC (or non-Muslim majority) country. Also the strong awareness through media coverage and events has propelled Pakistan to high ranking on the HFI.

United Arab Emirates

United Arab Emirates ranks third on the HFI also by virtue of tremendous media and industry attention, as well as its regulatory and compliance processes. All other GCC countries also make the top 10 list mainly due to the social metric of food price index being low relative to the price of the generic consumption basket

while having Halal Food related government controls in place. The majority of local governments in the GCC control food price to keep inflation low, such as UAE, Qatar and Kuwait.^{3,4,5}

Australia and Brazil

Australia and Brazil are first and second in the meat exports to OIC score (adjusted for the size of their economy) but rank #4 and #6 respectively. They rank lower given low scores on awareness and social metric from high food prices.

Ups and Downs

Pakistan ranks second mainly due to its improvements in the social and awareness indicators while **Brazil** (included this year) ascends to the top 10 as it leads the exports to OIC countries (although it shows a similar score to Australia as it is adjusted to the country population and GDP).

³ <http://gulfnews.com/news/uae/government/uae-fixes-prices-of-500-staple-grocery-items-for-2015-1.1419645>

⁴ http://al-shorfa.com/en_GB/articles/meii/features/main/2011/07/30/feature-02 and <http://sla-qatar.blogspot.co.uk/2014/06/residents-shocked-by-sudden-increase-in.html>

⁵ <http://www.cnbc.com/2015/08/25/reuters-america-kuwait-boycott-forces-down-price-of-king-of-fish.html>

Current Landscape And Trends

Market size and profile – Global Muslim consumer spending on food & beverage at \$1,128 billion (17% of global expenditure)⁶:

This Report estimates global Muslim spending on food and beverages (F&B) to be \$1,128 billion in 2014. The total global F&B spending during the same period is estimated to be \$6,755 billion in 2014, making the Muslim food market 16.7% of global expenditure.

Comparatively, this is a 4.3% increase from 2013 Muslim F&B expenditure that was \$1,081 billion (*reflecting the adjusted projections methodology*). The Muslim Food expenditure is expected to grow to \$1,585 billion market by 2020 and will account for 16.9% of global expenditure. This equates to a 2014-20 CAGR growth of 5.8%.

This Report does not put forth an actual Halal-certified global food consumption estimate given inconsistency of standardisations and no consistent data tracking across food ingredients, raw meats, and processed food sectors. However, given that the Halal verification in most OIC member countries on all food imports is managed at the government level and local production is mostly Halal, an estimate based on the food consumption of the Muslim populations in OIC countries and elsewhere would result in **Halal Food consumption in OIC countries alone to be \$947 billion in 2014.**

This estimate however is unreliable as not every OIC member country is consistently and in a transparent way, managing the full value chain of Halal certification of food production and imports. The trend however continues to be positive, as the initiative from the Institute of Standards and Metrology for Muslim Countries (SMIIC,) under the auspices of the OIC is bringing consistency in Halal Food certification standards.

Based on total food consumption, the top countries with Muslim food consumption are Indonesia (\$158 billion), Turkey (\$110 billion), Pakistan (\$100.5 billion), and Iran (\$59 billion) based on 2014 estimates.

Comparatively, the collective global Muslim F&B market is larger than the F&B consumption of the top geographical markets in 2014, such as China (\$797.8 billion), United States (\$741.2 billion), Japan (\$367.3 billion) and India (\$335.7 billion).

Geographically 16% of Muslim food consumption is in non-OIC member countries.

⁶ Sources: IMF, ICP data and DinarStandard analysis. See methodology section for full details.

Halal Food Market Developments

NEW MARKETS/ INVESTMENTS

- **Blakemore Wholesale have partnered with Ghanim International UK Ltd to supply Bruneihalal fresh Halal meat** to retail and catering customers. Bruneihalal is a brand owned by the Government of Brunei Darussalam who authorise Ghanim International Limited to deliver the brand to UK and Europe. A new meat cutting and a new processing plant were established in the first quarter of 2015 in Birmingham for Bruneihalal. Bruneihalal also launched a new range of frozen products in Tesco in the UK.
- **Nestlé plans to invest over US\$120 million to open a production facility in Dubai.**⁷ The facility will manufacture coffee and culinary products that will serve the Middle Eastern markets. It is expected to be operational by 2017.
- **Brunei and China will set up three industrial parks in the Southern Guangxi province, one of which will be for Halal food production.** Brunei is also creating what is set to be the largest concentration of firms producing Halal products in the world through its Brunei BioInnovation Corridor. The corridor has been established to promote the development of Halal-certified industries in Brunei and is focusing on Halal food products, cosmetics, pharmaceuticals, biotechnology and logistics.⁸
- **South Korea and Abu Dhabi signed a memorandum of understanding on cooperation on Halal food products,** which would give South Korea access to the global Halal market⁹. South Korea plans to double its export of Halal food products to \$1.2 billion by 2017. The government plans to create a “Halal food complex” inside the Foodpolis national food cluster, attracting companies looking to export high-quality Halal food items to the Middle East and Southeast Asia. Foodpolis will operate three main state-of-the-art
- R&D centers, each dedicated to ensuring food safety, quality and packaging.¹⁰
- **South Africa partners with Malaysia to develop a Halal food hub:** The Western Cape Fine Food Initiative and the Malaysian Industry Government Group for High Technology (MIGHT) signed a co-operation agreement to foster partnerships between the Halal industries of the two countries.¹¹
- **Arman Muslim Foods Industrial Group of Xinjiang, Ltd, a leading Chinese producer and retailer of Muslim food products, signed an agreement with Malaysian company TPM Biotech,** a wholly-owned subsidiary of Technology Park Malaysia, for the Malaysian company to provide a feasibility study and training on Halal to Arman. Subsequently if things progress well, both companies would enter into a joint venture.¹²
- **A 10-year-old poultry ban for exporting poultry products to countries in the Middle East has been lifted from Pakistan.** The ban had been imposed after the bird flu epidemic in 2004.¹³
- **A bill is being placed with the Philippines senate to institute the Philippine Halal Export Development and Promotion Program.** With the onset of the regional economic integration under the ASEAN Economic Community Philippines is pursuing a Halal export legal framework to take advantage of the growing Halal market.¹⁴
- **The Dubai Islamic Economy Development Centre (DIEDC) launched new initiatives to achieve Dubai’s Islamic Economy goals.** New initiatives include the launch of an international centre for governance of Islamic companies, an international

7 Nestlé to open new factory in UAE. Just-food, June 2015
 8 Brunei’s Halal industry centre targets Midland businesses, Birmingham Post, April 2015
 9 Park holds talks with Abu Dhabi crown prince, The Korea Herald, March 2015

10 Food industry cluster to model creative economy. The Korea Times, April 2015
 11 Malaysia: Minister officiates agreement boosting SA Halal food hub, HalalFocus, April, 2015
 12 TPM Biotech eyes \$US1.5 million Revenue from Arman Collaborations, Bernama, April 2015
 13 Prospects for Poultry Export to ME Brighten, Dawn, March 2015
 14 Philippines Seek Bill to Allow Halal Industry to Grow. HalalFocus, June 2015

centre for accreditation of Halal products and the launch of the first-of-its-kind digital portal on the Islamic economy.¹⁵

- **In Turkey, total mergers and acquisitions in the food and drink sector in 2014 was \$541 million**, with 33 transactions. Some of the key transactions are: Ak Gıda, a key milk, yoghurt and cheese supplier for BIM Retail Chain and Ulker brands, was sold for \$1 billion to the French company Groupe Lactalis in the beginning of May 2015; Japanese meat & poultry giant Nippon Ham acquired 60% of Turkey's Ege-Tav, which is a key egg producer for hatching and poultry, for \$60 million in December 2014.

NEW PRODUCT DEVELOPMENTS

- **Scandinavian company HKScan created the Aafiyah range of Halal poultry products launched** in UK in Sainsbury's nationwide in April 2015. HKScan, is one of the leading meat producers in Northern Europe, with net sales of approximately \$2.2 billion. Their Halal only range emerged when they saw a gap in the UK market with second generation Muslims requiring readily prepared Halal meals.
- **KQF launches UK's first HMC-certified 'Halal Macon Rashers'** — strips of smoked beef or chicken that can be used in exactly the same way as bacon.¹⁶ The product is sold in large UK retailers and is also exported to EU countries. KQF also launched new German-inspired Halal Hot Dogs after aligning with a German specialist in sausage manufacturing.
- **There is a speculation that Turkey's sugar beet processor giant Konya Şeker's well known brand Torku is preparing to enter the coke market** to compete with Coca-Cola and Pepsi. A few years ago, Pepsi, Coca-Cola or one of the other foreign coke firm has applied to TSE for Halal certification, but TSE declined the application as they didn't want to give their formula. Experts say, Torku Cola would easily get Halal certification from TSE as they provide their formula.

REGULATIONS

- **ESMA will develop a Halal logistics standard.** To boost the Halal industry locally and internationally, the UAE standards body will develop Shairah-compliant standards for supply chain activities such as handling, storage and distribution.¹⁷
- **Push for common Halal standard in Denmark.** The Danish Agriculture & Food Council has invited the country's leading meat industry players to round-table talks. To accelerate the development of common standards, the council has organized a seminar centered on Halal meat slaughtering, production and export with a special focus on Halal rules in Malaysia.¹⁸
- **Malaysia is cooperating with Indonesia on Halal certification.** So far, Halal labelling has been a barrier to cooperation between the two countries with each country not accepting the other's certification.¹⁹ The Department of Standards Malaysia has established a Working Group on Halal products and services with its counterparts in Indonesia and Thailand to harmonize Halal standards within the ASEAN region. The goal is to have a common regional Halal standard in preparation for establishment of a single international standardization body.²⁰
- **Following the European Committee for Standardization (CEN) Halal Food Standard meeting in Cordoba in April 2015** the President of GIMDES Halal Certification Turkey sent a letter out to Halal certifying bodies (HCB) and Muslim organizations denouncing the CEN TC425 Halal Standard Project, saying that no standards for Halal procedures used by the Muslim community may be owned by a non-Muslim organization. He organized a HCB 'Unity Meeting against Non-Muslims interference in Halal Matters' in June 2015. The declarations from this meeting can be found on the GIMDES website.²¹ However, CEN TC425 Halal Standard only provides the framework for producing a European standard and does not deal with the accreditation, auditing and certification of standards.²²

15 DIEDC sets ambitious course to achieve Dubai's Islamic Economy Goals, Zawya January 2015

16 KQF launches UK's first HMC-certified 'Halal Macon Rashers', HalalFocus, January 2015

17 ESMA will develop Halal logistics standard. Gulf News, June 2015

18 Push for common Halal standard in Denmark, GlobalMeatNews.com, May 2015

19 Malaysia aims to intensify cooperation with Indonesia on Halal certification, HalalFocus, April 2015

20 WHS: Harmonising Halal Standards with the ASEAN Region, HalalFocus, April 2015.

21 www.halalcertificationturkey.com

22 Koen de Praetere, Founder, Halal Balancing, Belgium

- **The past year Australia has seen vocal opposition to Halal certification from domestic groups** trying to link Halal certification fees to terrorist funding. Australian brands, including Byron Bay Cookies, Paul's Iced Coffee, Vegemite and The Fleurieu Milk and Yoghurt Company, were the subject of online attacks prompting Fleurieu Milk and Yoghurt Company to withdraw their certification. However, they reinstated it again in June to win back a US\$50,000 contract with Emirates.²³ The Senate launched a six-month inquiry into all food certification schemes, including Halal certification, when pushed by two Australian senators.²⁴
- **Global Food Industries (GFI), part of the Albatha Group became the first company to obtain the UAE's Halal Mark.** Australia and New Zealand were the first importers of meat to be subject to the new standards. The Emirates Authority for Standardisation & Metrology (ESMA) says that within two years all food imports will need the Halal mark to pass through the country.
- **The Halal Certified Management System (HCMS), a system that streamlines the Halal certification process, was launched in 2015, a collaboration between Jakim and DagangHalal Bhd (DHB), a global halal e-commerce company.** The system includes a QR code on the Halal certificate that helps Halal certification bodies verify the authenticity of the certificate.²⁵
- **Dubai Municipality will set up a Halal food program to test the efficacy of Halal products.** The program will help evaluate the efficiency of labs in testing Halal food and beverage products, and will help support conformity assessment bodies in the issuance of certificates for Halal products.²⁶
- **Pakistan is considering introducing a bill to establish a Halal food regulatory body.** The bill, which will be called 'The Pakistan Halal Authority Bill 2015', will ensure that imported packaged food items being sold in the market are Halal.²⁷
- **Dubai Industrial City and the Emirates Authority for Standardization and Metrology (ESMA) announced a strategic partnership** aimed at promoting the national Halal mark within the United Arab Emirates, as well as the exchange of knowledge and expertise. Under the terms of the partnership, ESMA will gain access to the over 600 factories and business partners located in Dubai Industrial City that are interested in the Halal certification.
- **Halal certification helped quadruple Egyptian dairy sales to Malaysia.** Greenland Group of Food Industries entered ITC's Enhancing Arab Capacity for Trade (EnACT) program which certified Greenland's products as Halal. Once certified, Greenland quadrupled its sales to Malaysia, a country that operates one of the strictest Halal labelling schemes in the world. It also found several new markets including Azerbaijan, Indonesia and Singapore. Sales of Halal-labelled products now make up a quarter of the exports of Greenland, which is Egypt's largest dairy company.²⁸
- **The EU Commission released an EU Study on information to consumers on the stunning of animals in June 2015.** The report was based on feedback from 13,500 respondents (500 from each of the EU-27 member states) to attempt to ascertain if meat products need labelling information on the method of slaughter, primarily whether stunned or un-stunned. When asked directly whether they would like to know more about slaughter methods, 72% expressed varying degrees of interest. 45% thought that there should be clarification on the labels. The report concluded that there is little dissatisfaction with the current labelling, the issue was of a concern to a small number of vocal consumers and that most consumers were unaware of the Halal slaughter process.
- **In the UK, Aldi apologised after selling pork products labelled as 'Halal'.** The product, made by Scottish company Punjab Pakora, had a Halal stamp on the label, despite also being labeled

23 Halal Cert Management System Opens New Chapter in Halal Industry, MalaysianDigest.com, March 2015

24 Australia: Senate to investigate Halal certification, HalalFocus, May, 2015

25 Halal Cert Management System Opens New Chapter in Halal Industry, MalaysianDigest.com, March 2015

26 Municipality to set up halal food programme, Gulf News, March 2015

27 Govt drafting Halal food authority bill, Dawn, March 2015

28 Halal certification helped quadruple Egyptian dairy sales to Malaysia. AllAfrica.com, January 2015



An Indonesian Muslim woman selects meat at a local market in Jakarta
November 1, 2005. REUTERS/Enny Nuraheni

as containing pork blood and skins under the ingredients. Aldi subsequently apologised and offered to refund any unhappy customers.²⁹

- **UK farming minister is pledging to reconsider ditching tighter rules on the religious slaughter of animals.** He said that he would review a decision made last year to shelve EU laws intended to ensure that chickens were unconscious before being killed according to Islamic tradition.
- **A UK abattoir was secretly filmed during Halal slaughter showing malpractice** of the slaughter procedures by inflicting abusive behaviour on the animals which is forbidden in the Halal code. The footage heightened demand for all animals to be stunned before slaughter, and for CCTV cameras to be placed in all abattoirs.³⁰

- **As sanctions are being lifted from Iran, the country will be able to increase its Halal food exports.** In 2014, Iran's Halal food exports were worth only \$400 million³¹, however, now that sanctions are being lifted, Iran will be able to establish trade relationships with more countries in the region. All food produced in Iran is Halal, and about 1,000 food products have the Halal World Institute's Halal label, which is approved in 57 Islamic world countries.
- **Midamar reaches plea agreement with the government.** The founder/officers of Midamar, a Halal food company based in the United States, have reached final settlement agreements with the US Department of Justice and USDA resolving charges stemming from a December 2014 indictment of the company.³²

²⁹ Aldi apologises after selling products containing pork that were labeled 'Halal'. The Independent, May 2015.

³⁰ Abattoir filmed in malpractice of halal slaughter says it takes 'animal welfare extraordinarily seriously', The Independent, March 2015

³¹ Iran plans to increase share in global Halal food market, Daily Times, July 2015

³² Plea Agreements Could Lead to Second Iowa Halal Trial Being Scratched, Food Safety News, September 2015

Key Challenges and Opportunities

Challenges

- **There is ongoing confusion surrounding Halal standards, primarily because they are being produced by so many different government-linked organizations;** private organizations and independent Halal certification bodies (HCB's); national standards bodies, regional bodies such as ASEAN, GSO and the EU; and international bodies such as the SMIC/OIC initiative. The challenge for manufacturers is to determine which standard will actually provide market access, and in too many cases multiple certificates are necessary for exporters.
- **The absence of any viable international schemes to accredit Halal certification bodies (HCBs) has long been a problem for the Halal industry.** The majority of Halal food is being produced in Non-Muslim majority countries, and is certified by independent HCB's that operate with little regulatory oversight. Current accreditation initiatives, such as being developed by SMIC, GSO and ESMA are all moves in the right direction, more coordination between the accreditation bodies is needed to avoid unnecessary duplication or competition.
- **Difficulty in obtaining Shariah-compliant funding.** Companies wishing to scale or to vertically integrate their supply chain face challenges in obtaining shariah-compliant funding.

Opportunities

- **Leading standardization bodies are taking steps to harmonize Halal Standards** within their region. Standards Malaysia is seeking to harmonize Halal standards within the ASEAN region; OIC'S SMIC is trying to have a unified Halal standard within OIC countries; and the European Committee for Standardization (CEN) is trying to have a unified standard for Europe. If these steps are successful within the next few years, though there won't be a unified global standard, at least there will be a limited number of regional standards.
- **Despite the uncertainties in the regulatory framework, the Halal food sector remains vibrant,** and is fast becoming an arena of innovation. A new generation of entrepreneurs are driving change in all aspects, from product development to packaging, marketing and use of social media.
- **Online technologies enable global market access to be a viable reality even for small start-ups,** and a new generation of global urban Muslim customers are looking for products and services that address their religious preferences and their digitally connected lives.
- **OIC countries that have expertise in Halal food processes have an opportunity to develop partnerships with non-OIC countries** eager to strengthen their Halal capabilities. Countries such as China, South Korea and South Africa are already partnering with Malaysia and the UAE to develop their Halal capabilities.

- **An opportunity to develop tracking technology.** Verifying supply-chain integrity is a major challenge that comes up when we speak to experts in this space. One way to overcome this is by developing tracking technology that raw meat and food ingredients to their source. The Brazilian Meat Exporting Industries Association (ABIEC) developed a device called the e-seal that tracks meat cargo passing through their ports.
- **An increased demand for hormone free meat.** Regulators differ on whether hormone treated meat is permissible. There is debate among experts on how safe such meat is for human consumption, with concerns of cancer, and other side effects. Following interest from customers on hormones, the UAE supermarket chain Spinneys, is the first to sell hormone free meat.³³
- **Halal food has the opportunity to be the global standard for safe, wholesome, humane food** if producers fully adhered to the concept of Halal and Tayyib as in the tenets of Islam. There is an increased global demand for organic and natural food which is starting to appear among Muslim consumers, especially the younger millennial generation. While it may involve the higher cost of producing farm-raised, organic-fed meat, versus of the cheaper options many Muslims may look for; despite these challenges, this is a long term goal Muslim producers should strive to achieve. Included in this is the potential of developing premier quality innovative Halal brands for this new generation of Muslim consumers.
- **Develop premium organic product lines. There is an increased global demand for organic and natural food.** This heightened interest is also starting to appear among Muslim consumers, especially the younger millennial generation.
- **Develop strong brands.** There is much room for improvement in the branding of even popular brands. Product quality, marketing messaging, packaging and overall communication can be greatly enhanced. This provides an opportunity for either existing brands to step up their game as well as for new players to differentiate through powerful branding.
- **Investment opportunities in Halal food value chain integration.** Many companies in the Halal food market are small and fragmented. Financing vertical integration of the supply chain, from slaughterhouses to distributors is an investment opportunity that should provide lucrative returns for the investors as well as develop strong companies in this space.
- **Opportunity for meat producers to enter the Turkish market because of high profit margins in the industry.** The government has increased its support to livestock production in recent years. However, fast urbanization and the changing food culture; the 40 million tourist flow; and accommodating over 2 million Syrian refugees, caused lack of supply for meat. As high food inflation impedes meat consumption, it is expected that new meat producers will enter the market to share high profit margins in the industry.

Just as organic was a fringe market 10 years ago, but is now found in mainstream supermarkets, and just like made-in-Japan in the 50's was synonymous with low quality, but with the combined efforts of Japanese manufacturer, backed by national support, it now stands for the highest quality.

33 OIC stresses need for sole regulator of Halal certification. Bernama, April 2015



Interview



Othman bin Mohd Yusoff
Head of Halal Affairs
Nestlé Malaysia (Malaysia)



Please tell us about the Halal business by Nestlé worldwide, and how Nestlé Malaysia fits into that with its Halal Centre of Excellence.

Nestlé is the world's largest food and beverage manufacturer and a leader in Nutrition, Health and Wellness, is headquartered in Switzerland. To-date, 159 of Nestlé's 468 factories worldwide are certified Halal. Nestlé Malaysia as the biggest producer of Halal products in the Nestlé world, manufactures more than 300 Halal food and beverage products that are exported to over 50 countries. In view of the increasing demand of Halal products globally, Nestlé is committed to the needs and opportunities of growing in this sector.

Through the Halal Centre of Excellence, Nestlé Malaysia extends support in giving technical advice and assistance to any Nestlé company to implement Halal processes and eventually obtain certification from the relevant Halal authorities. We also engage with relevant stakeholders and government agencies in Halal and have been instrumental in the development of Malaysian Halal Standards, which has served as a benchmark for Halal standards around the world. We have also a joint effort with local Government agencies namely HDC (Halal Industry Development Corporation) and SMECORP (Small and Medium Entrepreneurs Corporation) of Malaysia in mentoring the local Small and Medium Entrepreneurs in Halal best practices.

The philosophy of the Halal Centre of Excellence is that Halal benefits everyone, and it must be done right all the time. Therefore, knowledge, commitment, and integrity are among the key ingredients for success in maintaining a Halal business.

What kind of training program has been developed at Nestlé for Halal?

Halal guidelines and training especially in Nestlé Malaysia has been developed since the early 1980s. As the pioneers, Nestlé Malaysia took its best practices to our Global Head Office in Switzerland in 1995 and established comprehensive guidelines of inter-market supply of Halal products for implementation in Nestlé markets that aspire to venture into supplying Halal products globally.

Apart from this, we have developed several training manuals and programs to ensure a comprehensive understanding of Halal is embedded in our employees. Among those are the Basic Halal Requirement based on MS1500:2009 which highlights the essence of the Malaysian Halal Standard.

We also share with our employees the progress of Halal Implementation in Nestlé Malaysia from every aspect of a food producer; in food manufacturing, marketing, and advertisement, amongst others. On a periodic basis, we conduct specific Halal training for targeted groups who are heavily involved in

the Halal Assurance System, such as for our Factory team, Innovation team and also our Marketing team. The Halal Assurance System modules take into consideration the relevant information we have experienced, gathered, and shared with our correspondents such as the Government authorities, as well as local and international stakeholders.

As the industry lead for Halal, we collaborate with other industry players in exchanging knowledge and building a strong Halal foundation within the industry. Internationally, these good practices are shared with our counterparts in other Nestlé companies and suppliers across the globe.

Are there any new developments in Nestlé regarding Halal and new products that they have certified?

This year we have achieved a new milestone by gaining certification for our newly built Sri Muda plant in Shah Alam which hosts Halal dedicated lines. Annually, we have developed and launched quite a number of new innovation products, and a dedicated team is tasked to work closely in accomplishing smooth Halal application processes with close monitoring at every steps of the product development process. Some of the new products we introduced were Kit Kat Rubies, which launched Kit Kat in to the premium gifting segment; and a new range of our premium ice cream, La Cremeria stick range.



Photo courtesy: Nestlé Malaysia



Interview



Adnan Durrani
Chief Executive Officer
American Halal/Saffron Road (USA)



Please tell us about your company.

American Halal is a natural and organic Halal food company that operates under the brand name, “Saffron Road”. The Company was founded in 2010 and is now the leading premium U.S. brand in the all-natural and Halal market. In September 2010, Whole Foods Market, the largest natural food retailer in the United States with \$14 billion in sales, rolled out the Company’s product line in all of their 330 stores nationwide in 50 states.

With ethical consumerism and Islam at its foundation and pluralistic values as its compass, Saffron Road is the incubation of a natural food company, which excludes no faiths or cultures. Our mission is to restore the “spiritual sacredness to food”.

Saffron Road currently distributes approximately fifty-five (55) high quality, all natural, anti-biotic and hormone free, Halal frozen meals and shelf-stable (non-refrigerated) tetra broths and organic snacks into 12,000 retail stores nationwide and throughout North America. Saffron Road’s products can have the following printed on each product label: Certified Halal, 100% Natural, Antibiotic Free, Hormone Free, Non-GMO Verified, Certified Humane, and Gluten Free. In 2013, Saffron Road made history by being the first Non-GMO verified frozen entrée in the world.

How has your growth trajectory been?

While I cannot share specific operating results, let me say that we have been on a very rapid growth rate from the get-go. AC. Nelson, SPINS and IRI all nationally rank us as “The Fastest Growth brand of All Natural Entrees in U.S.A”, among ALL frozen entrees (not just Halal, but including all of Nestle, Heinz, and Con-Agra’s brands). **We will do over \$40 million in Retail Sales this year and are projected to grow over 50% next year, insha’Allah.** We sell at 2 times the shelf velocity per product of our billion dollar competitors (Nestle, Heinz, ConAgra, Kellogg, Hain) , even though our price point is 90% to 120% HIGHER per product than these major CPG brands.

What has been your marketing strategy?

Guerilla marketing. That is, primarily using social media as our consumer awareness platform and then tying those to our in store promotional programs. We also work closely with socially responsible and charitable foundations — such as Islamic Relief, Whole Planet Foundation, and Whole Kids Foundation. For example, we donated 5% of all Whole Food Sales during Ramadan to Whole Planet Foundation to provide salad bars to schools for impoverished children. Most of marketing efforts are grass roots, with impact activism to benefit the less privileged, yet synchronous with our retail partner programs. We build large displays with our major retailers — including Kroger, Safeway, Publix, and many others.

What are the major challenges and opportunities in the Halal and Tayyib space?

One of the challenges is convincing Muslims to pay for a quality product. Why is it that Muslims will demand a lower price for Halal meats, where in the Jewish Ummah, Kosher is often sold at 2X to 3X the price of conventional and this is totally acceptable to both Jewish and Non-Jewish customers? This may also be due to the poor quality and lack of innovation previously in the Halal sector, which had indeed forced consumers and producers to race to the bottom of the food chain. However, I see a lot of promise in the young millennial consumers, especially among the American Muslim diaspora.

All the research shows that American young consumers are willing to spend a much bigger % of their food budget on premium Natural products that adhere to strict Tayyeb standards, that are authentic, and which are transparent. I certainly think tightening

standards would help- or perhaps having multiple Halal standards and levels (e.g. 5 Star rating, say 1 star for machine slaughtered and products NOT anti-biotic free). Truth in labelling and then letting the consumers have FULL DISCLOSURE is always a good thing. But more important than institutional standards is making sure we as Muslim entrepreneurs stick to holistic and pure values- consumers in today's world of social media will reward those that do.

There is a huge opportunity for Halal to take leadership in the organic and especially grass fed (pasture raised) supply segment- both of which have been gaining a lot of success recently in the U.S. and Europe. There is a large farming movement in the Western World to go back to the earth- to source Natural, Organic, and Non-GMO ingredients. Halal certifiers and suppliers need to invest in farms, infrastructure, logistics, and scientific research to pollinate the Halal eco-system towards a global Tayyeb ethos.



Photo courtesy: Saffron Road



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View of Frankfurt am Main skyline at sunset in Germany



Islamic Finance Sector

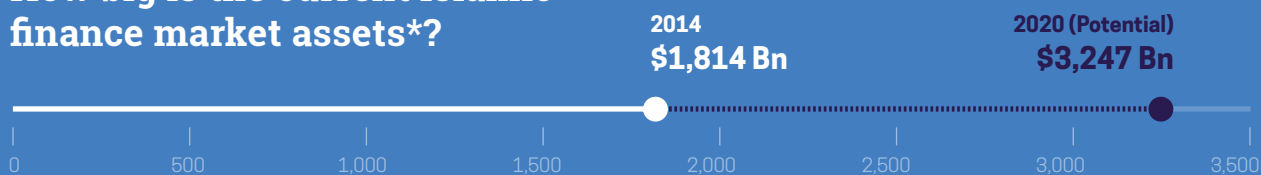
One of the most visible components of the Islamic Economy, the Islamic Finance Sector follows the trend and continues to grow from previous years. **Islamic finance assets are estimated at \$1.81 trillion in 2014, compared to \$1.65 trillion in 2013.** Further growth can be seen by the fact that new markets are very much in abundance around the world. Several African countries are launching debut sovereign Sukuk, whilst Islamic banking windows in Africa are increasing as well. East Asian countries are working further toward adapting their regulatory frameworks to enable their domestic markets to tap Islamic financing. Central Asian sovereigns (such as Kazakhstan and Azerbaijan) and European banks (in Russia and Germany) are also tying up with Islamic finance through debut sovereign Sukuk and Islamic banking windows, respectively.

As always, there are challenges within this sector that one must take into consideration, especially in relation to the strong global macroeconomic headwinds that will strongly affect Islamic finance countries. There is the issue of mediocre growth within the global economy at large that will inevitably impact Islamic finance, as OIC countries are more vulnerable due to national structure imbalances and regional political risk. Add to this that unemployment remains particularly high in Northern Africa and Western Asia, than we can see there is a potential dilemma in needing to resolve issues of unemployment in a “new mediocre” era of global economic growth. Furthermore, the issue of low oil prices and the potential of US interest rates impacting the interest rates of OIC countries and we see it will not all be smooth sailing.

MARKET SIZE¹

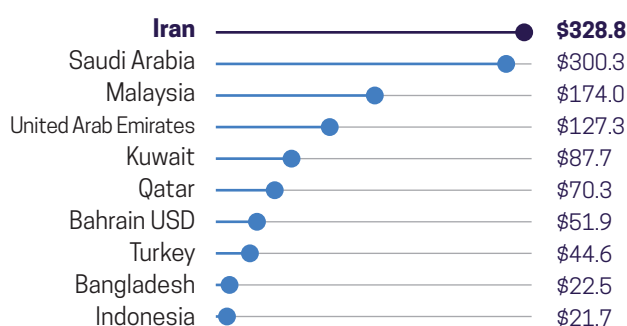
How big is the current Islamic finance market assets*?

*Does not include undisclosed assets of most Islamic windows

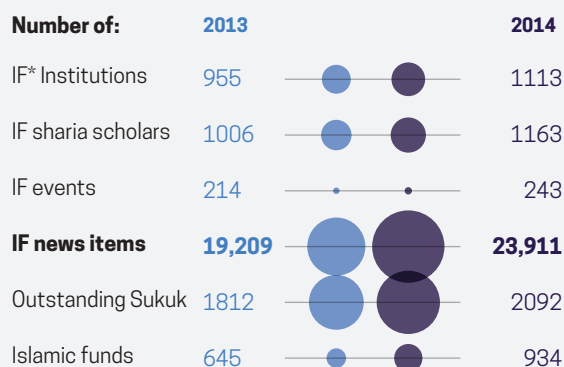


TOP MARKETS (2014 est., US\$ bill assets)

Top Islamic finance markets—commercial banking

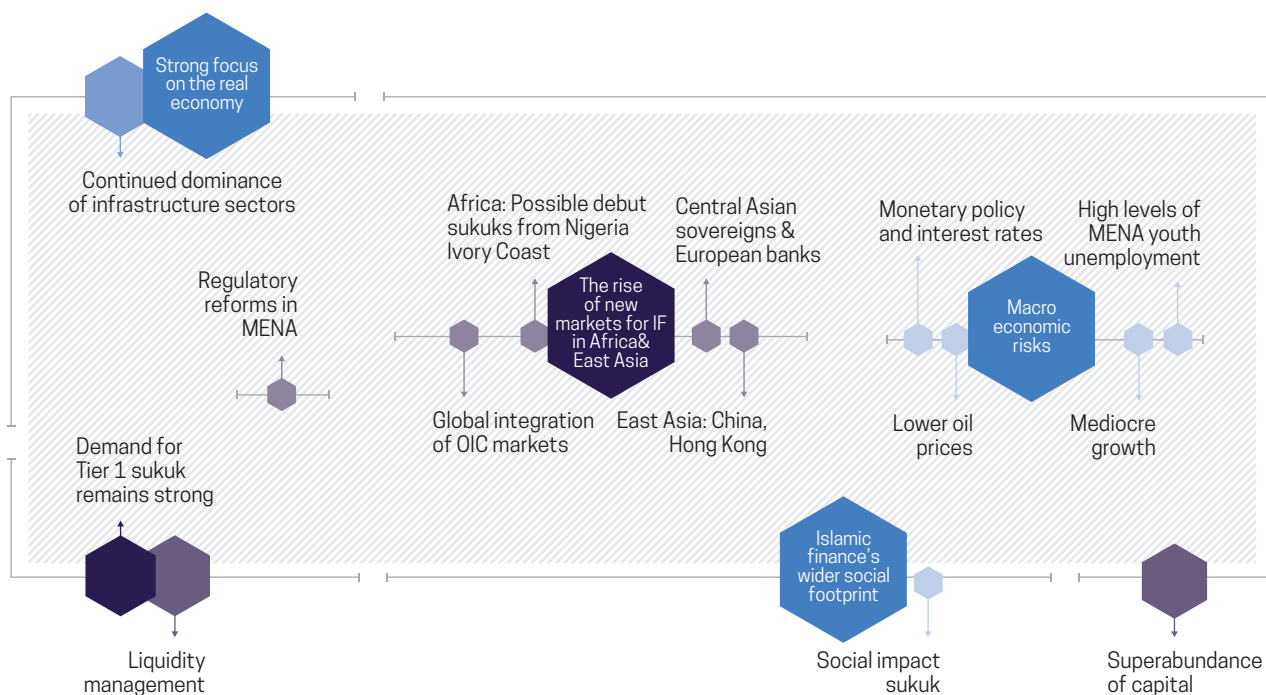


Select growth indicators



Islamic finance issues & opportunities map

The size of hexagons represents the impact (economic implication) of each issue



1. Source: Thomson Reuters Islamic Finance 2014–15 Data

How big is the current Islamic commercial banking assets?

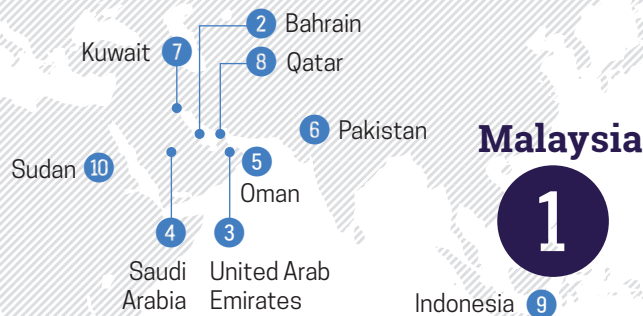


THE ISLAMIC FINANCE INDICATOR

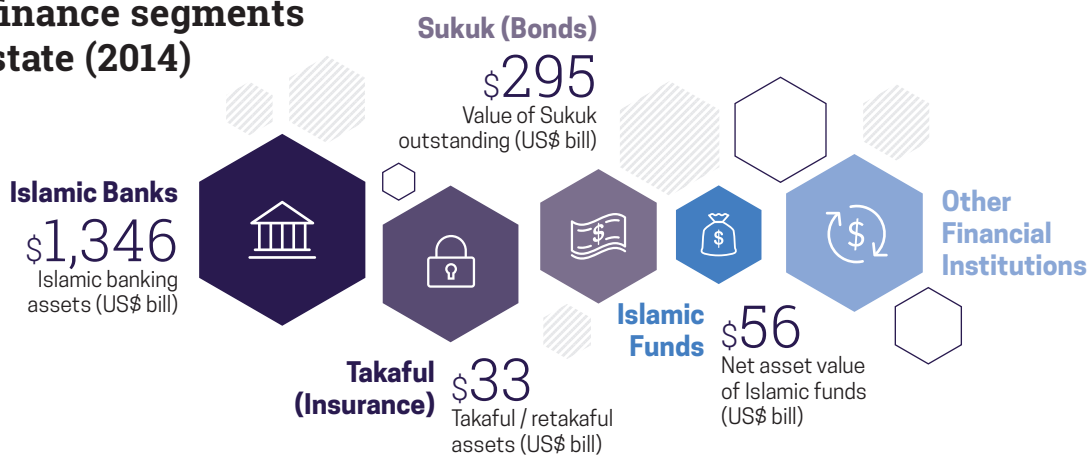
Which countries have the best developed Islamic economy for Islamic finance?

*CRITERIA (From a total of 73 select countries)

1. Financial (Size Islamic Finance Assets and Number of Islamic Finance Institutions);
2. Governance (e.g. Regulations for Islamic Finance and Disclosure Index Score);
3. Awareness (Number of related News Articles, Islamic Finance Education Institutions, Research papers, and events);
4. Social (Value of Zakat and Charity and CSR Disclosure Index Score).



Islamic finance segments current state (2014)



Selected key players

Commercial Banks

Al Rajhi Bank, Bank Maskan, Kuwait Finance House, Bank Mellat, Maybank Islamic Berhad, Bank Melli Iran, National Commercial Bank, Dubai Islamic Bank

Standard Setters/ Regulators

AAOIFI, Islamic Financial Services Board (IFSB), International Islamic Liquidity Management Corporation (IILM), National Regulators

Takaful

Etiqa Takaful Bhd, The Company for Cooperative Insurance, Syarikat Takaful Malaysia Bhd, The Mediterranean and Gulf Cooperative Insurance and Reinsurance Co., Islamic Arab Insurance Company (Salama), Takaful Ikhlas Sendirian Berhad, BUPA Arabia for Cooperative Insurance

Microfinance/ Crowdfunding

Al Amal Microfinance, Alhukwat (Pakistan), Shekra, Kiva, Yomken

Islamic Funds

SEDCO, Arabesque, AlAhli Saudi Riyal Trade, Al Rajhi Capital SAR Commodity, International Trade Finance Fd (Sunbullah SAR), Amana Growth Fund

Waqf

AlRajhi Endowment, Awqaf Saudi Arabia, Awqaf South Africa, Awqaf and Minors Affairs Foundation (AMAF)

Sukuk Arrangers

Emirates NBD, CIMB Group, Standard Chartered PLC, HSBC Holdings PLC, Saudi National Commercial Bank, National Bank of Abu Dhabi, Maybank

Education & Research

INCEIF (International Centre for Education in Islamic Finance), Islamic Research & Training Institute (IRTI)

The Islamic Finance Indicator (IFI)

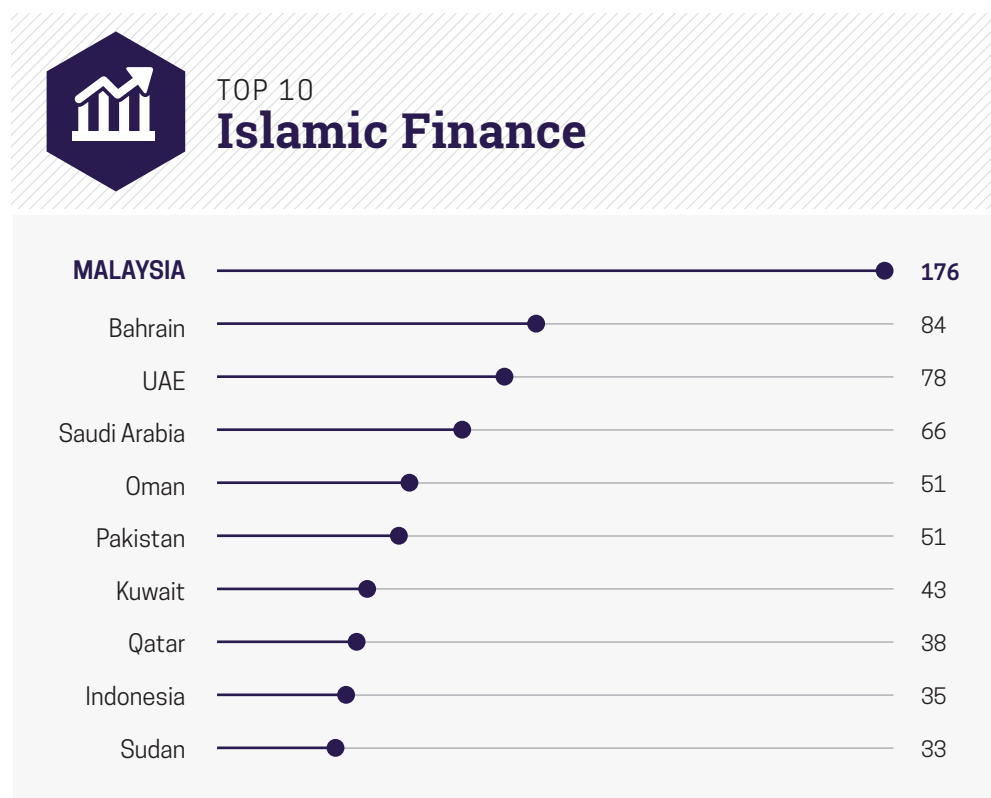
The 2015 State of the Global Islamic Economy Report revisits the Islamic Finance indicator to evaluate countries' health and development of their Islamic Finance ecosystem. The indicator does not focus on the overall size and growth trajectory of a country in this sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, Bahrain, and United Arab Emirates maintain the leadership in the Islamic Finance indicator ranking that focuses on the health of the Islamic Finance ecosystem in a country relative to its size and including its related social considerations.

The ranking was calculated according to four criteria:

- Financial (e.g. size of Islamic Finance assets and number of Islamic Finance institutions);
- Governance (e.g. regulations for Islamic Finance and disclosure index score);
- Awareness (e.g. number of related news articles, Islamic Finance education institutions, research papers, and events); and
- Social (e.g. value of Zakat and charity and CSR disclosure index score).

Below are the top 10 countries in the Islamic Finance indicator.



Below are the sub-scores for the 10 countries that have the highest rank in Islamic Finance.

	Sector Score	Asset size	Governance	Aware	Social
Malaysia	176	269	110	278	45
Bahrain	84	52	92	138	55
United Arab Emirates	78	52	65	147	49
Saudi Arabia	66	100	25	46	95
Oman	51	6	68	77	54
Pakistan	51	18	70	91	23
Kuwait	43	62	40	29	39
Qatar	38	36	38	45	31
Indonesia	35	23	68	16	32
Sudan	33	17	70	19	27

Malaysia

Malaysia, leads the list by a wide margin as it tops three of the four criteria (financial, governance, and awareness) among 73 countries evaluated. It tops the criteria of financial, which is an index of countries scored by the size of its Islamic Finance assets and number of Islamic Finance institutions across banking, Sukuk, Takaful, and funds. It is also adjusted to the countries' relative size of economy. Malaysia also leads the list in governance and awareness scores. On the 'social' metric, which evaluates a country on 'value of charity/Zakat' and 'CSR disclosure', it ranks sixth.

Bahrain

Bahrain is second on the list. While it scores fourth on financial criteria, its governance is second only to Malaysia. Bahrain also ranks as top 3 in Awareness and Social criteria which shows the health of Bahrain's ecosystem while it seeks to boost its portion of assets being managed from its jurisdiction.

United Arab Emirates

United Arab Emirates is third on the list with strong governance, awareness, and social scores. While it has significant Islamic Finance assets and a number of institutions relative to its size, it scores lower on governance scores compared to Bahrain while it is second in social criteria.

All GCC

All GCC countries are very well positioned in this rank as all of them are present in the top 10. This can be attributed to easier access to funds (i.e. surplus budgets and oil revenues) which allows them to further develop Islamic Finance, the aggressive government spending on infrastructure projects, and growth in domestic consumption following increases in public salaries and state pensions.

Bangladesh, Pakistan and Sudan

Bangladesh, Pakistan and Sudan score high on governance criteria, ranking third, fourth and fifth. Pakistan's strong governance and awareness performance enabled it to reach the sixth position and compensate its low asset size.

Although indicators seem to be positively correlated in some countries, with a high rank in some indicators, they fall short in other indicators. For example, even though **Oman** ranks fifth regarding Islamic Finance it ranks very low in the financial criteria as it has a low number of Islamic Finance assets and institutions (even after being adjusted to their dimension) when compared to other countries.

Ups and Downs

No entries or exits in this year's top 10 but some countries changed their relative position. **Saudi Arabia** switched positions with **Oman** and now ranks fourth due to its strong improvement across all Islamic finance metrics.

Current Landscape And Trends



Market size and profile – A \$1.8 trillion existing Islamic finance market (assets, 2014):

The existing Islamic Finance market stands at an estimated \$1.81 trillion in assets based on 2014 disclosed assets by all Islamic Finance institutions (full Shariah-compliant as well as those with Shariah 'windows') covering commercial banking, funds, Sukuk, Takaful, and other segments.³⁴ The breakdown by category is as follows: \$1,346 billion for commercial banking, \$33.4 billion for Takaful (insurance), \$295 billion for Sukuk (bonds) outstanding, \$56 billion in funds, and \$84 billion for other.

Banking and Takaful assets led growth year-on-year with 12% and 10% growth respectively, while Sukuk and Funds experienced a more modest growth of 6% and 7% respectively. However, there was a 45% increase in reported number of new funds increasing from 645 reported in 2013 to 934 in 2014.

The total Islamic finance assets are projected to reach \$3.25 trillion by 2020. Islamic commercial banking assets are projected to reach \$2,610 billion by 2020.

Other industry ecosystem Indicators, such as news coverage and industry events, showed strong growth reflecting strong growth momentum. There was a 24% increase in industry news coverage and 14% increase in number of events.

³⁴ Thomson Reuters Analysis

Islamic Finance Developments & Trends:

SOVEREIGN SUKUK DEBUTS — AFRICA AWAKENS

- **Senegal president asks Saudi-based IDB to help organise sukuk bond:** Senegalese President Macky Sall asked the Saudi Arabia-based Islamic Development Bank (IDB) to help his West African country tap the Islamic finance market for a second time as it seeks to organise financing for infrastructure projects.
- **IDB arm to lead manage 300 billion CFA franc sukuk programme for Ivory Coast:** The Islamic Corporation for the Development of the Private Sector (ICD), an arm of the Jeddah-based Islamic Development Bank, said it would lead manage a 300 billion CFA franc (\$480 million) Islamic bond programme for Ivory Coast.
- **Africa builds an appetite for Islamic finance:** According to the head of the Islamic Corporation for the Development of the Private Sector (ICD), Nigeria. Despite strong growth in the Middle East and Southeast Asia, Islamic finance has lagged in Africa, home to a quarter of the world's Muslims, presenting an opportunity for ICD, the private sector arm of the Jeddah-based Islamic Development Bank.
- **Kenya to issue its debut sukuk in 2015/16 financial year:** Kenya plans to issue its debut sukuk in the financial year ending June 2016 after it opted to borrow an additional \$750 million from its maiden \$2 billion Eurobond issued in June 2014.
- **Egypt aims to issue sukuk in early 2015/2016:** According to its Finance Minister, Egypt hopes to issue, at the very least, an ijara-structured sukuk at the beginning of the 2015/2016 fiscal year.
- **Moroccan parliament approves Islamic finance legislation:** Morocco's parliament gave final approval to an Islamic finance bill that will allow the creation of Islamic banks and enable private firms to issue Islamic debt.

EAST ASIA: THE FAR EAST CONTINUES TO COURT ISLAMIC FINANCE

- **Singapore sees role for sukuk in infrastructure financing:** According to the Monetary Authority of Singapore, Sukuk financing is ideal for infrastructure projects and will complement ongoing work by Singapore to enhance the bankability of infrastructure projects in the region.
- **China's ICBC eyes Islamic finance in tie-up with IDB:** The Jeddah-based Islamic Development Bank said it was teaming up with an arm of Industrial and Commercial Bank of China to look for business opportunities, in a sign of growing Chinese interest in Islamic finance.
- **IDB puts Islamic finance on AIIB drawing board:** The Islamic Development Bank (IDB) is in discussions with Chinese officials to study the use of Islamic financing in the planned Asian Infrastructure Investment Bank (AIIB).
- **Japan looks for growth and influence from Islamic finance boom:** Japan is the latest global financial hub to start making inroads into Islamic finance, a move that could help strengthen regional economic ties and give its lenders an edge in winning business in markets whose growth prospects far outpace their home turf.
- **Japan's FSA explores opening market to Islamic finance:** Japan's Financial Services Agency (FSA) is considering relaxing rules to allow banks to provide Islamic financial products in its domestic market for the first time.
- **Hong Kong works to keep Islamic finance momentum as firms balk:** Hong Kong's government is trying to maintain the territory's momentum toward becoming an Islamic finance centre, as other potential sukuk issuers show little enthusiasm.

EURASIA: CENTRAL ASIAN SOVEREIGNS AND EUROPEAN BANKS TYING UP WITH ISLAMIC FINANCE

- **Kazakhstan adopts Islamic finance laws, eyes first sovereign sukuk:** Kazakhstan's parliament approved new Islamic finance laws, moving a step closer to launching the oil-producing nation's first sovereign Islamic bond — possibly in early 2016.
- **Azerbaijan's biggest bank plans \$200-\$300 million sukuk bonds in 2015:** International Bank of Azerbaijan (IBA), the country's largest and the only state-owned bank, plans to issue \$200-\$300 million debut Islamic bonds (sukuk) this year.
- **Russia looks to replace Western loans with Islamic finance:** Russian banks are already showing interest in this alternative form of credit. Islamic finance will help Russian companies make up for their credit shortage, which was in large part caused by the cooling of relations between Russia and the West.
- **Kuveyt Turk preps July launch of Germany's first Islamic bank:** Turkish lender Kuveyt Turk said it would launch Germany's first full-fledged Islamic bank in July, a first step intended at offering shairah-compliant retail banking services across the continent.

OTHER RECENT ISLAMIC FINANCE DEVELOPMENTS: TRANSACTIONS, FINANCINGS AND WINDOWS

- **Bahrain-Dubai joint venture closes third Bombardier deal:** A Bahrain-Dubai joint venture closed a \$94 million deal at list prices for the lease of three Bombardier Q400 NextGen planes, its third shairah-compliant aviation deal since December.³⁵
- **Ibdar Bank, Ethiopian Airlines close \$100million Islamic financing deal:** Bahrain-based Ibdar Bank closed a \$100 million deal with Ethiopian Airlines for the lease of four Bombardier Q400 NextGen planes, the first shairah-compliant transaction in Africa's aviation sector.³⁶
- **Saudi Kayan signs two Islamic financing deals totalling \$700 million:** Saudi Kayan Petrochemical Company, an affiliate of Saudi Basic Industries Corp

(SABIC), signed two Islamic financing deals totalling 2.63 billion riyals (\$700 million).³⁷

- **Turkey unit of Kuwait Finance House secures \$350 million Islamic loan:** The Turkish subsidiary of Kuwait Finance House (KFH) secured a \$350 million syndicated Islamic loan.³⁸
- **Noor Bank closes AED 1.2 billion Islamic Syndicated Facility for Stanford Marine Group:** Noor Bank successfully closed an AED 1.2 billion Islamic Syndicated Structured Finance Facility for offshore vessel Stanford Asia Holding Company ('Stanford'), a subsidiary of Stanford Marine Group (SNG).³⁹
- **Tunisia's Banque Zitouna raises capital via stake sale to IDB:** Tunisia's Banque Zitouna completed a capital raising of 18.5 million dinars (\$9.7 million) by issuing common shares to the Islamic Development Bank (IDB), injecting much-needed cash for the bank's expansion strategy.⁴⁰
- **Bahrain investment firm Arcapita completes \$100 million fundraising:** Bahrain-based Islamic investment firm Arcapita completed a \$100 million fundraising from new and existing shareholders in the Gulf just over a year after it emerged from Chapter 11 bankruptcy.⁴¹
- **Saudi's Marafiq signs 2.5 billion riyal Islamic loan:** DUBAI, Dec 3 (Reuters) — Marafiq, a utility services provider to two industrial cities in Saudi Arabia, signed a 2.5 billion riyal (\$666.1 million) Islamic loan, which will partly be used to expand capacities in its existing projects.⁴²

- **ICD in deal to open 'Islamic window' in Chad:** The Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of the Islamic Development Bank Group (IBG), signed an

35 "Bahrain-Dubai Joint Venture Closes Third Bombardier Deal," April 30, 2015, <http://www.reuters.com/article/2015/04/30/islam-financing-airlines-idUSL5N0XR1FL20150430>.

36 "Ibdar Bank, Ethiopian Airlines Close \$100m Islamic Financing Deal," December 1, 2014, <http://www.reuters.com/article/2014/12/01/ethiopian-air-financing-idUSL6N0TL02P20141201>.

37 "Saudi Kayan Signs Two Islamic Financing Deals Totalling \$700 Mln," November 20, 2014, <http://www.reuters.com/article/2014/11/20/saudi-kayan-loans-idUSL6N0TA1GZ20141120>.

38 "Turkey Unit of Kuwait Finance House Secures \$350 Mln Islamic Loan," December 31, 2014, <http://www.reuters.com/article/2014/12/31/kuwait-finance-loans-idUSL6N0UF0K520141231>.

39 "Noor Bank Closes Dh1.2b Islamic Syndicated Loan," June 16, 2015, https://projects.zawya.com/Noor_Bank_closes_Dh12b_Islamic_syndicated_loan/story/GN.16062015.170661/.

40 "Tunisia's Banque Zitouna Raises Capital via Stake Sale to IDB," January 20, 2015, <http://www.reuters.com/article/2015/01/20/banque-zitouna-equity-is-islam-dev-bank-idUSL6N0UZ0FI20150120>.

41 "Bahrain Investment Firm Arcapita Completes \$100 Mln Fundraising," November 18, 2014, https://www.zawya.com/story/Bahrain_investment_firm_Arcapita_completes_100 mln_fundraising-TR20141118nL6N0T81JDX2/.

42 "Saudi's Marafiq Says Signs 2.5 Bln Riyal Islamic Loan," December 3, 2014, https://www.zawya.com/story/Saudis_Marafiq_says_signs_25_bln_riyal_Islamic_loan-TR20141203nL6N0TN2SXX2/.

agreement with a Chadian-Libyan bank The Banque Commerciale du Chari (BCC) for the establishment of an 'Islamic window' in Chad.⁴³

- **Cameroon's Afriland First Bank launches Islamic window:** Feb 23 (Reuters) — Cameroon's Afriland First Bank, the country's largest financial group, launched the Central African state's first Islamic window as the availability of shairah-compliant financial products expands across the continent.

OTHER RECENT ISLAMIC FINANCE DEVELOPMENTS: FURTHER SOVEREIGN SUKUK ISSUANCES

- **Indonesia sells 2.690 trln rupiah of Islamic bonds, above target:** Indonesia's finance ministry sold 2.690 trillion rupiah (\$201.53 million) of Islamic bonds at an auction, above an indicative target of 2 trillion rupiah.
- **Malaysia's Khazanah completes first issuance of ethical sukuk:** Malaysia's sovereign fund Khazanah Nasional Bhd raised 100 million ringgit (\$27.1 million) from its first issuance of ethical sukuk on Thursday.⁴⁴
- **Hong Kong sells US\$1 billion of Islamic bonds in regional hub bid:** Hong Kong sold US\$1 billion of Islamic bonds in its second sukuk issue since the city's debut in 2014, as it seeks to become a regional Shariah-compliant finance hub.⁴⁵
- **UAE emirate Ras al-Khaimah sets IPTs for 10-yr dollar sukuk — leads:** The Emirate of Ras al-Khaimah has set initial price thoughts for a benchmark U.S. dollar-denominated 10-year sukuk, which could price as early as Tuesday, a document from lead arrangers showed.⁴⁶

CORPORATE SUKUK ISSUANCE LEVELS REMAIN ROBUST IN CORE ISLAMIC FINANCE MARKETS

- **Malaysia's Bank Islam issues first sukuk tranche worth \$83 million:** Malaysia's Bank Islam issued its first sukuk tranche worth 300 million ringgit

(\$83.13 million) under its 1 billion ringgit sukuk murabahah programme.⁴⁷

- **Dubai's Noor bank sets price thoughts for \$500 million 5-yr debut dollar sukuk:** Dubai's Noor Bank marketed a \$500 million, five-year debut U.S. dollar sukuk issue.⁴⁸
- **Emirates airline sets guidance for \$913 million UK-guaranteed sukuk:** Emirates, the Dubai-based airline, set initial price thoughts for a \$913 million sukuk issue that will be guaranteed by Britain's export credit agency.⁴⁹
- **UAE's Sharjah Islamic Bank prices \$500 million 5-yr sukuk:** Sharjah Islamic Bank (SIB) priced a \$500 million sukuk of five years duration.⁵⁰
- **Dubai Islamic Bank sells a Tier 1 sukuk:** Dubai Islamic Bank (DIB), the largest shairah-compliant bank in the United Arab Emirates, priced a dollar-denominated sukuk that will enhance its core Tier 1 capital.⁵¹
- **Malaysia Airports issues a 1 billion ringgit sukuk:** Malaysia Airports Holdings Bhd issued a 1 billion ringgit (\$290 million) Islamic bond at an annual rate of 5.75 percent.⁵²
- **Saudi's Advanced Petrochemical sells 1 billion riyal debut sukuk:** Saudi Arabia's Advanced Petrochemical Co. completed the sale of a 1 billion riyal (\$266.5 million) Islamic bond, its debut sukuk issuance.⁵³

43 ICD in deal to open 'Islamic window' in Chad — Trade Arabia, Jun 12, 2015.

44 "Malaysia's Khazanah Completes First Issuance of Ethical Sukuk," June 4, 2015, <http://www.reuters.com/article/2015/06/04/malaysia-khazanah-idUSL3NOVQ32120150604>.

45 "Hong Kong Sells US\$1 Billion of Islamic Bonds in Regional Hub Bid," May 28, 2015, <http://www.besidestimes.com.sg/banking-finance/hong-kong-sells-us1-billion-of-islamic-bonds-in-regional-hub-bid>.

46 "UAE Emirate Ras Al-Khaimah Sets IPTs for 10-Yr Dollar Sukuk — Leads," March 24, 2015, https://www.zawya.com/story/UAE_emirate_Ras_alKhaimah_sets_IPTs_for_10yr_dollar_sukuk_leads-TR20150324nL6N0WP1Q0X3/.

47 "Malaysia's Bank Islam Issues First Sukuk Tranche Worth \$83 Million," April 22, 2015, <http://www.reuters.com/article/2015/04/22/malaysia-sukuk-bimb-holdings-idUSL4NOXJ4ID20150422>.

48 "Dubai's Noor Bank Sets Price Thoughts for \$500 Mln 5-Yr Debut Dollar Sukuk," April 21, 2015, https://www.zawya.com/story/Dubais_Noor_bank_sets_price_thoughts_for_500 mln_5yr_debut_dollar_sukuk-TR20150421nL5NOXH1QUX3/.

49 "Emirates Airline Sets Guidance for \$913 Mln UK-Guaranteed Sukuk," March 23, 2015, https://www.zawya.com/story/Emirates_airline_sets_guidance_for_913 mln_UKguaranteed_sukuk-TR20150323nL6NOWI0H1X4/.

50 UAE's Sharjah Islamic Bank Prices \$500 Mln 5-Yr Sukuk — Leads," March 11, 2015, <http://www.reuters.com/article/2015/03/11/sharjah-is-la-bnk-sukuk-idUSL5N0WC32T20150311>.

51 "UPDATE 1-Dubai Islamic Bank to Sell Tier 1 Sukuk on Wednesday," January 13, 2015, https://www.zawya.com/story/UPDATE_1Dubai_Islamic_Bank_to_sell_Tier_1_sukuk_on_Wednesday-TR20150113nL3NOUS44YX2/.

52 "Malaysia Airports Prices 1 Bln Rgt Sukuk at 5.75 Pct," December 4, 2014, https://www.zawya.com/story/Malaysia_Airports_prices_1_bln_rgt_sukuk_at_575_pct-TR20141204nL3NOT03SMX2/.

53 "Saudi's Advanced Petrochemical Sells 1 Bln Riyal Debut Sukuk," November 18, 2014, https://www.zawya.com/story/Saudis_Advanced_Petrochemical_sells_1_bln_riyal_debut_sukuk-TR20141118nL6N0T80G1X2/.

Key Challenges and Opportunities

Challenges (Global Macroeconomic)

MEDIOCRE GROWTH AND HIGH LEVELS OF UNEMPLOYMENT

- **In a nutshell:** In 2014, the global economy grew by a mere 2.6%. With the world economy forecast to grow by 3.1% in 2015 and 3.3% in 2016, the existing new normal or “new mediocre” era of global economic growth looks set to continue for the foreseeable future. In addition, unemployment remains particularly high in Northern Africa and Western Asia.
- **Likely impact on Islamic Finance:** Low growth rates are symptomatic of wider problems for developing economies, such as national structural imbalances and regional geopolitical risk. OIC countries are particularly vulnerable to these weaknesses, and this situation could have a negative impact on how fast the Islamic finance sector continues to expand. Also, several OIC countries are still suffering from high levels of unemployment, and will undoubtedly feel much pressure to combat this negative trend by creating many more jobs. In this regard, Islamic finance instruments, such as Sukuk, could potentially be of much use: these instruments could bolster job creation efforts by acting as a lightning rod that channels greater investment into real economic growth for OIC economies in sectors such as infrastructure and Halal food.

LOWER OIL PRICES

- **In a nutshell:** International oil prices fell by more than 50% to a six-year low in January 2015. Although prices have stabilized somewhat, the two main drivers of the current supply-side glut of oil remain: increased supply by non-OPEC countries (the US in particular) and the absence of production cutbacks by traditional oil-exporting countries. Lower oil prices hit OIC economies particularly hard: in 2014, budget deficits in oil-exporting Middle Eastern countries almost doubled, from 2.7% in 2013 to 5.2% in 2014. This presents a broader dilemma to OIC governments: how can they best preserve current significant increases in public finances without compromising their long-term fiscal sustainability? It is a precarious balance to strike: over the short term, fiscal support for aggregate demand is a key priority, so that public finance enables much-needed development (for instance, in sectors such as infrastructure and education). Over the long-term however, fiscal sustainability takes precedence.
- **Likely impact on Islamic Finance:** For the Islamic finance sector, the negative implications of this situation are clear: Islamic finance could well experience a downturn in the remaining months of 2015. Quite simply, sustained low oil prices will make it harder for OIC countries to successfully balance their budgets, which will likely result in significant reductions in OIC public finance expenditures. Several OIC economies are significant oil exporters, and their heavy reliance on oil income to generate fiscal revenues means that lower oil prices make it difficult to balance short-term fiscal demands with long-term fiscal stability.

MONETARY POLICY AND INTEREST RATES: TO RAISE OR NOT TO RAISE?

- **In a nutshell:** US interest rates will play a key role in determining the extent of potential financial stability risks and global contagion effects. How far to change interest rates, and when to implement these changes, remains a difficult compromise between two extreme positions. On the one hand, delaying interest rate rises could translate into higher volatility in financial markets by foster asset mispricing and financial stability risks. On the other hand, hastening interest rate rises prematurely could spark increases in credit spreads

that could weaken the still fragile global recovery. The implications for emerging economies would likely be significant: the chilling effect of a toxic trifecta of macroeconomic risks — anaemic real sector growth, lower capital inflows, and worsening domestic finances sparked by expected US interest rate rises — would combine to create a strong downward pressure on emerging economies.

- **Likely impact on Islamic Finance:** The continued presence of significant macroeconomic and geopolitical hazards do not augur well for the Islamic finance sector. Economically, major OIC countries such as Indonesia and Turkey, like other emerging markets, remain fairly exposed to this damaging trifecta of low real sector growth, reduced capital inflows and the bruising effects of expected US interest rate rises. Geopolitically, ongoing crises in Iraq, Libya and Syria have had surprisingly little impact thus far on the global economy. The most likely explanation seems to be that the current glut in global oil supply has strongly mitigated prevailing fears of these conflicts triggering deleterious oil supply declines. Still, the geopolitical risk remains a heightened one for OIC countries particular, given that several existing live armed conflicts are playing out in OIC countries.

Opportunities

- **The rise of new markets for IF in Africa and East Asia:** The IF market space continues to blossom in 2015, as African and East Asian sovereigns issue or announce debut sukuk. These new markets present lucrative and substantial opportunities for Islamic finance to make significant inroads in several key emerging economies. In Africa, countries such as Nigeria and Ivory Coast are looking to follow Senegal's footsteps by issuing sovereign sukuk. Senegal itself is also looking to issue another sovereign sukuk, and Kenya also plans to issue a debut sukuk by June 2016. Moreover, Cameroon and Chad are making concerted forays into Islamic finance by opening new "Islamic windows". In addition, North African countries such as Egypt and Morocco are close to issuing debut sovereign sukuk within the next 12 months.
- In East Asia, China, Singapore, Hong Kong and Japan are all showing increasing interest in Islamic finance. For instance, China is working with the Islamic Development Bank (IDB) on multiple fronts, including both for domestic financing purposes and multilateral purposes through the possible use of Islamic finance within the framework of the recently-launched Asian Infrastructure Investment Bank (AIIB). Singapore and Japan are both exploring regulatory accommodations for Islamic finance that will enable them to tap Islamic financing for their domestic markets. Hong Kong's government is also seeking to build on the momentum generated by its 2014 debut sukuk to help encourage corporate issues by Hong Kong based companies.
- **Islamic Finance's wider social footprint:** Islamic Finance is increasingly realising some of the long-neglected aspirations of core Islamic Economic principles through the growth of socially responsible shairah-compliant investments. Some of these include Khazanah's social impact sukuk in the education sector, asset-based CMBS sukuk, and innovative new forms of shairah-compliant finance such as crowdsourced finance for start-ups in Indonesia and a vaccine fund for immunisations
- **Superabundance of capital:** Sovereign sukuk remain in demand, indicating that there is still much capital chasing lower but more stable returns over a longer horizon
- **Strong focus on the real economy:** Corporate sukuk in infrastructure-related sectors such as real estate, construction, utilities and telecoms remain popular with investors, as the global economic outlook remains benign
- **Liquidity Management:** As the Basel III Reforms continue to come into effect, GCC and SE Asia based banks continue to shore up their capital adequacy through issues of Tier-1 sukuk.



Interview



Abayomi A. Alawode

Head of Islamic Finance, Finance & Markets Global Practice
World Bank Group



Why has World Bank taken a keen interest in the growth of Islamic Finance?

The World Bank is committed to finding solutions to the developmental challenges facing our client countries. From our perspective, Islamic finance offers innovative instruments that are well suited to addressing a range of financing needs. For instance, the emphasis on partnership/equity type financing together with risk-sharing makes Islamic finance relevant to financing SMEs, which typically lack access to financing because they do not have collateral. In addition, Islamic finance has the potential to improve overall financial inclusion for households. In sum, the recognition of this potential drives our involvement in this rapidly growing area.

What are some of the key areas of shared interest that the World Bank and Islamic Finance institutions work closely on?

The International Finance Corporation (IFC), which is the private sector arm of the World Bank Group provides technical assistance and advisory services to Islamic financial institutions. In some cases, it has also invested directly in Islamic banks. The World Bank's Finance and Markets Global Practice focuses mainly on providing technical assistance and knowledge/advisory services to regulators and policy makers in our client countries. We also work with Islamic finance standard setters such as IFSB, AAOIFI and IIFM in strengthening the institutional foundations of Islamic finance.

However, we have collaborated with private Islamic financial institutions on joint research work or joint conferences and seminars on Islamic finance topics, such as "Development of Sukuk Markets" and "Islamic Finance and Poverty Reduction"

The Centre in Istanbul is our Knowledge Hub for Islamic finance, focused on research, training and advisory services to our client countries.

In 2014, the World Bank guaranteed a landmark social impact financial instrument dubbed the "vaccine sukuk". Can you briefly explain the innovative features of this specific sukuk structure and social impact?

The Vaccine Sukuk was issued by a separate international organization called the International Finance Facility for Immunization (IFFIm). The World Bank structured and arranged the Vaccine Sukuk for IFFIm, in its capacity as IFFIm's Treasury Manager, but did not guarantee the issue. The proceeds of the Vaccine Sukuk are used to finance the immunization of children in many of the poorest countries of the world. It was the largest debut sukuk ever by a supranational issuer as well as a rare highly-rated floating rate sukuk.

In your view, what are some of the key challenges in the Islamic Finance sector?

Despite significant growth in recent years, Islamic finance faces several challenges which may prevent the industry from reaching its

true potential. Some of the most pressing include challenges of liquidity risk management, uncertainties about the legal underpinnings of contracts, limited adoption of regulatory and accounting standards, shortage of skilled professionals, and the lack of standardization of structures and documents. I think the concentration of Islamic finance in the banking business also requires attention, so that we can develop non-bank forms of Islamic finance such as Islamic money and capital markets, Takaful, and Islamic funds. One final challenge that I see is the dominance of Murabaha in Islamic bank financing. Since a value proposition of Islamic finance is its risk-sharing, partnership characteristic, we need to see more Musharaka and Mudaraba financing. This is not easy to address, given the risk management issues, but this is a nut we need to crack.

For a key Islamic Finance-focused stakeholder like the Islamic Development Bank (IDB), does the World Bank offer any significant comparative advantages as a partner over the newly established Asian Infrastructure Investment Bank (AIIB)?

The challenge of financing infrastructure in developing countries is a massive one that no Multilateral Development Bank can tackle alone. It requires a concerted effort on different fronts, so the World Bank should not be seen as competing with the AIIB. We all need to work together to close the infrastructure investment gap and raise living standards in the developing world.

Is there anything else you would like to mention about the World Bank's work on Islamic Finance projects?

In the coming years, the World Bank Group will further expand its work in this area, with engagements covering the provision of financial services (lending, investments and guarantees), knowledge and advisory services as well as engagements with global standard setters and stakeholders.



DMCC

TRADEFLOW

ENABLING TRANSPARENT AND EFFICIENT TRADE

Inventory Financing

Our platform enables commodity owners to pledge their stored goods as collateral in return for secured trade finance.

Commodity Murabaha

We provide financial institutions and their clients, the ability to conduct fully Sharia compliant commodity Murabaha trade, using goods that are exclusively located in UAE-based, Halal certified storage facilities.

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To join our innovative platform call +971 4 424 9600 or email tradeflow@dmcc.ae

dmcc.ae/tradeflow



Leadership Article



AN INNOVATIVE ONLINE EXCHANGE FOR PHYSICAL COMMODITIES IN THE UAE

By Sanjeev Dutta
Director — Tea, Tradeflow
DMCC



Since its establishment in 2002, Dubai Multi Commodities Centre (DMCC) has played a pioneering role in stimulating the flow of commodities trade through Dubai. DMCC has helped transform Dubai and the UAE into a global commodities trading hub.

DMCC Tradeflow Overview

One of the key cornerstones of DMCC's success over the years has been DMCC Tradeflow, an innovative online platform for physical commodities that facilitates electronic transfer of ownership through tradable warrants. In 2008, the global economy constricted and trade finance followed suit, with lending being dramatically scaled back. DMCC recognised this change in demand, requirement and as a result, DMCC Tradeflow was developed as the ideal solution to address this market need.

Since its launch in 2012, Tradeflow has registered and facilitated a significant number of pledges and title transfers related to a wide range of commodities including gold, oil, steel, agricultural products, rice, and spices stored in rated warehouses around the UAE. Furthermore and in order to facilitate Islamic liquidity management and financing by Islamic banks, DMCC Tradeflow started to offer its members a transparent and standardized environment for the trade of UAE-stored

Halal commodities. The web-based platform provides industry participants with access to the physical commodities and the ability to undertake multi-commodity and multi-currency trades globally.

All features of the platform have been developed according to international trade finance and banking best practices, in addition to facilitating financial institutions' compliance with Basel III stipulations. Moreover, as a direct result of demands from financiers from around the world DMCC Tradeflow also has the ability to adapt its platform to market demands, allowing for the addition of Islamic finance products to the platform as deemed fit.

DMCC Tradeflow has a strong network of global clients who utilize the platform for transactions across the GCC, Levant and South-East Asia. The platform has recently expanded into various markets including Central Asia, Europe and North America.

DMCC Tradeflow Features

DMCC Tradeflow is currently the only central registry for ownership of commodities in the UAE. A crucial component of inventory-based financing, it provides state-of-the-art security and technology with increased functionality for users and commodity traders. Idle inventory not only yields nothing, it also incurs unnecessary storage and insurance expenditure. Tradeflow can turn this idle inventory into productive assets.

Through DMCC Tradeflow, owners of goods stored in rated warehouses in the UAE can request warehouse keepers the storage operators to issue "DMCC Tradeflow Warrants" - electronic negotiable title documents, the first of their kind in the region - which represent the ownership of their goods. The warrant acts as proof that commodities of a specified quantity are stored at a DMCC-approved storage area. These warrants can also be used by the owners to pledge beneficial ownership or transfer title of the stored goods to financiers as collateral in return for working capital. This significantly reduces risks for the banks, which in turn yields greater liquidity in the market.

Utilisation of the Tradeflow Warrant is not limited to inventory financing through pledge or title transfer on any given commodity.

DMCC Tradeflow is currently the only central registry for ownership of commodities in the UAE. A crucial component of inventory based financing, it provides state-of-the-art security and technology with increased functionality for users and commodity traders.



The warrant can be used for other types of financing such as jewellery financing, loans for gold, loans for diamonds, commodity Murabaha and escrow services. Loans for diamonds have just recently been developed to help boost the lending market in Dubai's diamonds industry.

Commodity Murabaha

The growing demand for Islamic finance across the globe has created a requirement for products and services that support Islamic banks in conducting Shairah compliant business. Asset-backed 'Commodity Murabaha' transactions are central to driving this demand. Commodity Murabaha is an asset-backed transaction that allows Islamic lenders to place their surplus liquidity without using an interest-based mechanism. In a Commodity Murabaha contract, the Islamic lender buys commodities and sells them on a cash plus profit basis to its client.

To ensure the platform fully complies with the Commodity Murabaha lending structure, DMCC Tradeflow teamed up with Dar Al Sharia, one of the leading Islamic finance consultants in the UAE. The DMCC Tradeflow platform also received a fatwa from Dr. Hussein Hamed Hassan - considered the father of modern Islamic banking, - who issued a fatwa stating that

DMCC Tradeflow commodity Murabaha is a Shariah compliant module.

The Murabaha mechanism requires significant amounts of assets in order to underlie transactions, as well as platforms that provide the title transfer of assets in a quick, efficient and Shairah-compliant way. DMCC's close relationships with major commodity suppliers, and Tradeflow's role as the central registry for the provision of clear title ownership of commodities, make them a natural fit for meeting the Islamic finance industry's requirements. The commodities available on DMCC Tradeflow include oil products, foodstuffs and base metals and if required these goods can be inspected easily by Shairah Scholars, helping to provide comfort and transparency regarding the actual goods.

The system allows Islamic banks, their clients and commodity suppliers to electronically carry out their roles in connection to conducting a Commodity Murabaha transaction; for example, the selling and buying of assets accompanied by the legal acceptance of the relevant contracts. All participants in Commodity Murabaha transactions are governed by Islamic rules and regulations as drawn up by DMCC in accordance with the principles of Shairah and UAE law.

ABOUT DMCC

Established in 2002 as a strategic initiative of the Government of Dubai with a mandate to provide the physical, market and financial infrastructure required to set up and operate a thriving commodities marketplace, today we are officially recognised as the largest Free Zone in the United Arab Emirates with over 11,000 registered companies under license.

ABOUT THE AUTHOR

Currently heading the DMCC Tea Centre and DMCC Tradeflow, the dedicated online platform for registering possession and ownership of commodities stored in UAE-based storage facilities, Sanjeev Dutta has been with DMCC since its establishment.

Bringing over two decades of multi industry expertise in both audit and consulting as a Chartered Accountant with PwC, India and KPMG, Bahrain and Oman, Sanjeev was instrumental in the setting up and spearheading DMCC's finance department in 2005, and has subsequently taken on a range of both financial and operational roles within DMCC. At one point the Chief Financial Officer for Dubai Gold & Commodities Exchange, Dutta was most recently Director of Control, with overall responsibility for financial controls, corporate governance and risk management. Sanjeev is also a member of DMCC's leadership team, responsible for contributing to the organisation's general management, strategic direction and growth initiatives.

In his capacity as Director of the DMCC Tea Centre and DMCC Tradeflow Sanjeev's role also involves continuously innovating the commodities markets to ensure that DMCC remains at the forefront of global trade. He is also involved in actively expanding the tea trade business as well as in developing and enhancing mechanisms for trade financing for industry participants through the DMCC Tradeflow platform.

Sanjeev oversees the DMCC Tea Centre's strategic operations and ensuring Dubai remains an attractive proposition in the global tea trade. A DMCC initiative, the Tea Centre was created in 2005 to promote the expansion of the global tea trade in accordance with international best practices.

He is also responsible for implementing and developing DMCC's services to the commodities Trade Finance and Islamic Finance industries through DMCC's physical commodities trading platform, DMCC Tradeflow.



Resort in Maldives



Travel Sector

From Al Ghazali's advice for Muslims to travel, to Ibn Battuta's famous adventures, the concept of travelling is deeply embodied within Muslim heritage. It should be of no surprise then that today Muslim friendly travel has transcended the paradigm of the Islamic economy to become a major sector within the wider global economy itself. This Report estimates global Muslim spending on travel (outbound) **to be \$142 billion in 2014 (excluding Hajj and Umrah) making the Muslim travel market 11% of global expenditure.** This is a **6.3%** increase from last year. If this market were a country, it would be the **third largest** source of travel just behind China and the U.S. respectively. Any wonder why even non-Muslim markets from Spain to Japan are vying to invest in this market?

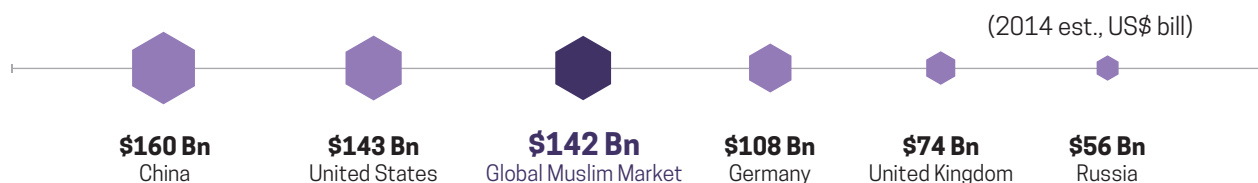
Numerous successes highlight the growing importance of this sector.

Halalbooking.com, a travel search and booking website for Halal-conscious travellers has achieved tremendous success, with their bookings for their Turkey based hotels amounting to millions per resort. **Yamsafer**, a hotel booking startup from Palestine, raised a \$3.5 million from Global Founders Capital. Certainly, there are some challenges to take into account, such as catering to both Muslims and non-Muslims at the same time and being able to appeal to the Muslim traveller without alienating non-Muslims. Nevertheless, the global trends indicate a prosperous future for this sector as none other than the home of the Islamic Economy, Dubai, is currently building hotels faster than any other city in the world.

The great legacy of Muslim travel lives on.

BENCHMARK

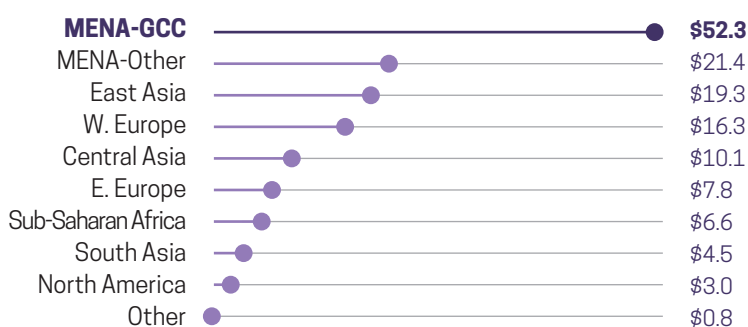
How does global Muslim market compare to the rest of the world?



TOP MARKETS

Top Muslim traveling expenditure markets

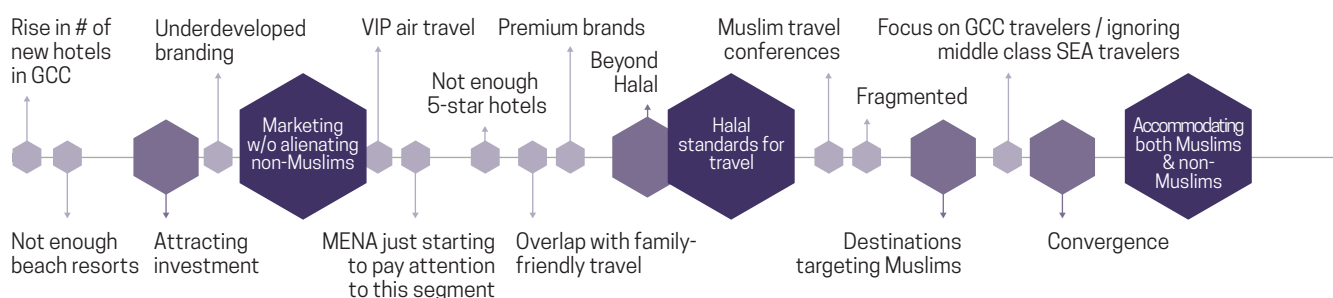
(2014 est., US\$ bill)



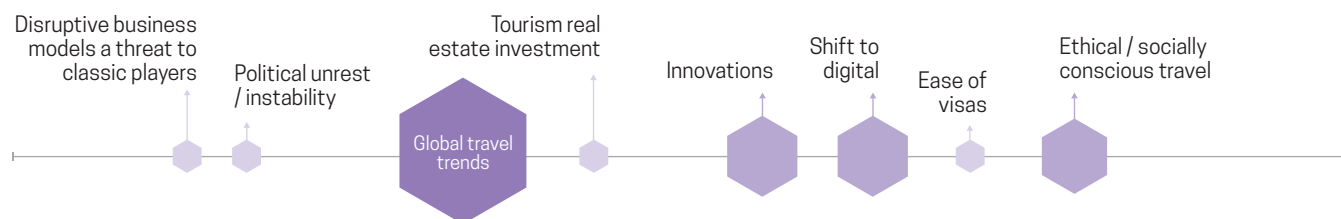
GCC travelers are 3% of the global Muslim population but, represent **37% of the travel spend in 2014**

Muslim-friendly travel issues & opportunities map

CORE MUSLIM TRAVEL MARKET



GLOBAL TRAVEL SECTOR

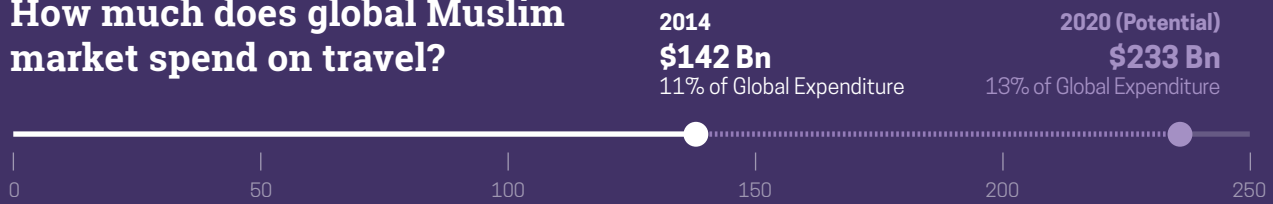


The size of hexagons represents the impact (economic implication) of each issue

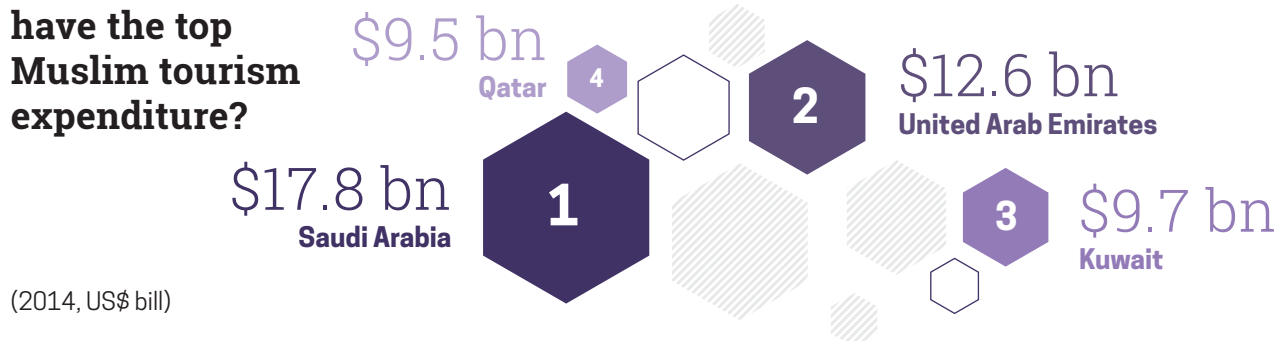
1. Expenditure data Baseline from 2014 UNWTO data, DinarStandard Muslim market estimates; Sector correlated IMF Outlook Oct 2014 Database for projections estimates & analysis; IMF Outlook Oct 2014 Database for projections

MARKET SIZE¹

How much does global Muslim market spend on travel?



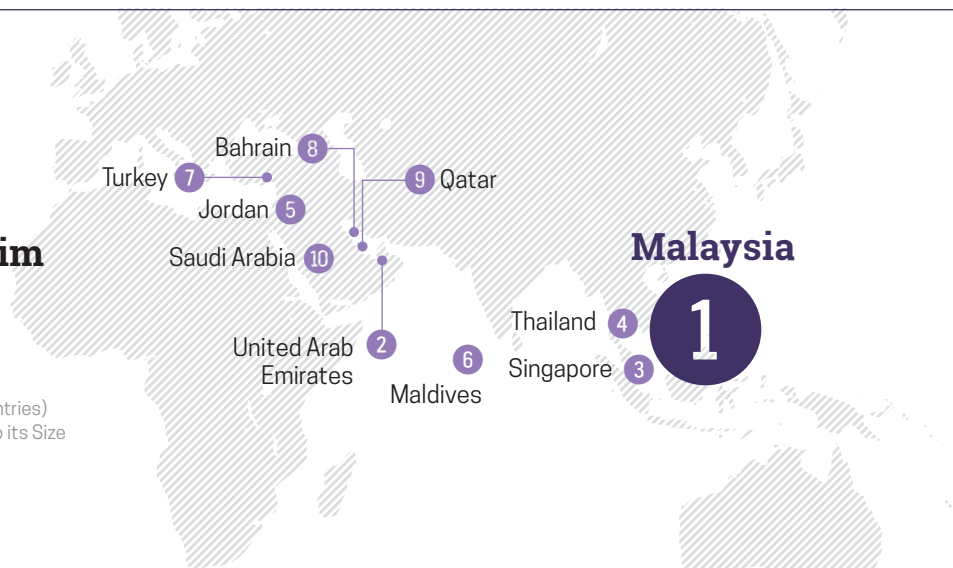
Which countries have the top Muslim tourism expenditure?



THE TRAVEL INDICATOR

Which countries have the best developed Islamic economy for Muslim travel?

*CRITERIA (From a total of 73 select countries)
 1. Trade: Inbound Muslim Travel relative to its Size
 2. Governance: Halal Friendly Ecosystem
 3. Awareness: Media/Events
 4. Social: Contribution to Employment



Selected key players

Airlines

Thai Airline
 Singapore Airline
 Many international Airlines offer 'Muslim Meals' (MOML)

Etihad

Turkish Airline
 Many Muslim market Airlines have 'Halal' food
 Airport prayer space
 Ramadan services
 Inflight audio

Hotels/Resorts

Marriot International
 Fairmont (Singapore)
 Many international hotels offer Halal food, Prayer directions/mats

Al Jawhara Hotel (UAE)

Adenya Resort (Turkey)
 Shaza Hotels (GCC)
 Sofyan Hotel (Indonesia)
 Many Muslim market hotels offer Halal food, Prayer directions/mats, no-alcohol on premise, Prayer rooms, Ramadan services, Gender based swimming

Destinations

Andalucia, Spain
 Many international destinations highlight local Halal food options and Family-friendly attractions

UAE

Indonesia
 Maldives
 Malaysia
 Turkey
 Many Muslim market destinations highlight Family-friendly attractions, alcohol free environment, Family/gender specific beach options

Specialty Muslim Tourism Companies*

Kuoni Group Travel Experts (GTE)
 Serendipity Tailormade (UK)
 Premium Europe AG
 Andalucia Routes
 Holiday Bosnia
 *Themed travel packages

Digital Guides/Ratings*

HalalTrip.com
 HalalBooking.com
 irHal.com
 CrescentRating
 *Include specialized guides, reviews, destination profiles and ratings, themed travel packages

The Halal Travel Indicator (HTI)

The 2015 State of the Global Islamic Economy Report revisits the Halal Travel Indicator to evaluate countries' health and development of its Muslim market travel ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) Indicator. The Halal Travel Indicator does not focus on the overall size and growth trajectory of a country in this sector; instead it evaluates countries on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, UAE and Singapore continue to lead the Halal Travel Indicator ranking that focuses on the health of the Muslim-friendly travel ecosystem a country has relative to its size.

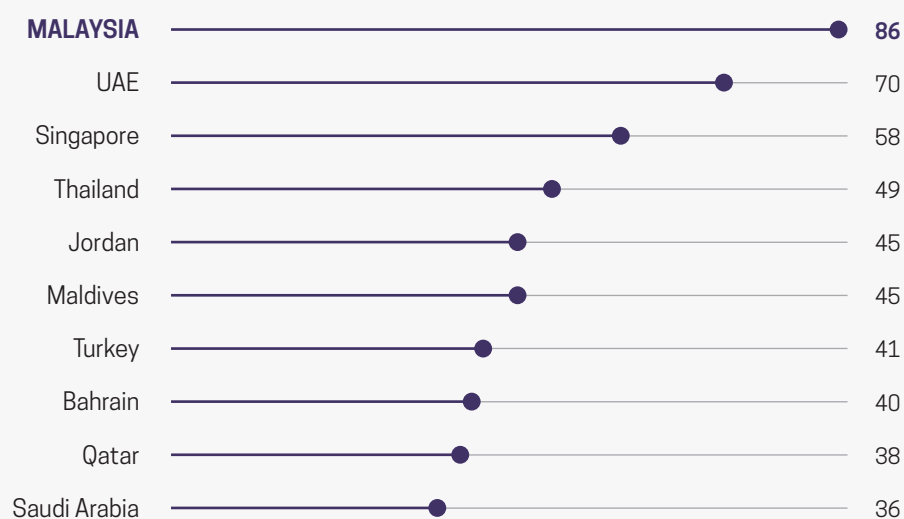
The indicator equally weights four metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (inbound Muslim tourists)
- Governance (Halal-friendly ecosystem)
- Awareness (number of related news articles and events)
- Social (travel sectors contribution to employment)

Below are the top 10 countries in the Halal Travel Indicator.



TOP 10 Halal Travel



	Sector Score	Inbound Muslim Travel Score	Halal-friendly ecosystem	Awareness Score	Social Score	GIE Ranking
Malaysia	86	125	100	91	26	1
United Arab Emirates	70	105	100	58	17	2
Singapore	58	108	100	8	16	11
Thailand	49	62	100	6	29	24
Jordan	45	40	100	7	33	9
Maldives	45	10	0	8	160	27
Turkey	41	71	67	8	17	16
Bahrain	40	40	100	0	19	3
Qatar	38	41	100	0	10	8
Saudi Arabia	36	30	100	4	8	4

Malaysia

Malaysia leads the Halal Travel indicator ranking by a comfortable margin from the rest (although lower than last year). Its top ranking is driven by its large inbound Muslim traveller base relative to its size, strong Halal-friendly ecosystem as well as its high awareness and promotion of tourism towards Muslim travellers.

United Arab Emirates (UAE)

The United Arab Emirates (UAE) ranks second as they are one of the world's fastest-growing travel destinations and enjoy a unique geographic position between Muslims in the East and West. Building on this natural affinity, UAE scores high on its Halal-friendly ecosystem and second highest in awareness and promotion of tourism towards Muslim travellers.

Singapore

Singapore continues to rank as third. This is primarily due to high volume of inbound Muslim tourists relative to its size (primarily coming from Malaysia/ Indonesia) as well as a strong Halal-friendly ecosystem. The low awareness score in Singapore highlights its potential to further develop this market.

Thailand

Thailand is ranked fourth mainly because of its medium average score in all metrics. Its proximity with Muslim countries and the strong Halal-friendly ecosystem allows it to attract Muslim tourists. The low awareness score suggests that there is a potential to grow and attract more Muslim tourists.

Jordan

Jordan conversely is another country that ranks high because of its medium average score consistency in all metrics. Jordan indicators also show that the awareness of the market is low even though it has a strong Halal-friendly ecosystem.

Maldives

Maldives, a Muslim majority country which mostly depends on tourism income, comes up next on the list primarily because of its 87% employment dependency on the sector. Maldives, however, scored low on other metrics showing the potential it has to further develop this market.

Ups and Downs

Thailand now ranks as a top five (replacing **Turkey**) due to its increased awareness and improvements in the social score. **Saudi Arabia** replaces **Tunisia** in the top 10 as it increased its awareness score.

Current Landscape & Trends



Market size and profile – Global Muslim consumer spending on travel (outbound) – \$142 billion in 2014 (11% of global expenditure)

This Report estimates global Muslim spending on travel (outbound) to be \$142 billion in 2014 (excluding Hajj and Umrah).⁵⁴ Total global spending during the same period is estimated to be \$1,304 billion in 2014 making the Muslim travel market to be 11% of global expenditure.

Comparatively this is a 6.3% increase from the 2013 Muslim travel expenditure that was \$134 billion (updated based on adjusted methodology). Muslim outbound tourism expenditure is expected to grow to \$233 billion market by 2020.

In aggregate, the Muslim travel spending is third largest when compared to largest travel source countries — just after China (\$160 billion) and the United States (\$143 billion.)

Top source countries of Muslim tourists based on 2014 expenditure were: Saudi Arabia (\$17.8 billion), United Arab Emirates (\$12.6 billion), Kuwait (\$9.7 billion), Qatar (\$9.5 billion), Indonesia (\$7.6 billion) and Iran (\$7.5 billion).

Regionally, Muslim Tourism expenditure was the highest in the following regions: MENA-GCC (\$52 billion), MENA-Other (\$21 billion) and East Asia (\$19 billion) followed by Western Europe (\$16 billion) and Central Asia (\$10 billion). MENA-GCC represent 37% of the total Muslim travel spend even-though they are only 3% of the global Muslim population.

⁵⁴ Expenditure data baselined from 2014 UNWTO data; International Monetary Fund (IMF) Outlook April 2015 database for projections; Muslim market estimates based on DinarStandard Muslim market estimates and analysis

Recent Industry Activities & Trends:

REGULATION/INDUSTRY TRENDS

- **Malaysia released its Muslim Friendly Hospitality Services (MFHS) Standard** in early 2015. The Muslim Friendly Hospitality Services (MFHS) standard, issued by Standards Malaysia, is Malaysia's first standard dedicated for the Islamic tourism sector.⁵⁵
- **More Halal Travel Conferences are taking place.** In 2014, Granada, Spain hosted the first Halal Tourism Conference to be held in Europe; the 2015 conference will be held in Turkey in December of 2015. Abu Dhabi will host The World Halal Travel Summit & Exhibition (WHTS) in October of 2015. Supported by the Abu Dhabi Tourism and Culture Authority, WHTS incorporates two sub-events: ITHMAR15 will focus on investment in the Halal travel sector, while TURATH15 will exclusively focus on cultural tourism. Croatia will host the Halal Tourism & Trade congress in March 2016 as part of its celebration of the 100-year anniversary of the issue of the "Law of recognition of Islam as the equal religion to all other religions" by the Croatian Government.⁵⁶
- **CrescentRating has launched an eBook on the "Terms & Definitions on the Muslim Travel Market"** which attempts to bring some consistency to the terms used in the Muslim-friendly travel segment.

AVIATION

- **Three American Airlines have complained about what they call unfair subsidies given to some of the top GCC carriers.** Delta Air Lines, United Airlines and American Airlines have alleged that their rivals: Emirates, Qatar Airways and Etihad Airways have received more than \$42 billion in financial support from their governments since 2004. They want the United States government to have discussions with the Gulf states about

fair-competition provisions in the Open Skies treaties the United States has signed with those governments.⁵⁷ The debate made its way to Europe, however, European airports and tourism boards have sided with the Gulf carriers.⁵⁸

- **A new airline in southern Thailand targets Muslims.** Fatonee Airlines provides direct flights to Saudi Arabia for pilgrims traveling for Hajj and Umrah. Previously pilgrims traveling from the predominantly Muslim southern border provinces had to fly north to Bangkok for connecting flights to Saudi Arabia.⁵⁹
- **Etihad Airways and Tourism Malaysia have signed a global partnership agreement to boost inbound tourism to Malaysia.** Under the agreement, the airline and Tourism Malaysia will conduct joint marketing activities targeting Malaysia's leading inbound visitor markets — the UK, US, and Europe. There will also be a focus on the Middle East region, including activities in the UAE, Saudi Arabia, Egypt, Oman, Bahrain, Qatar and Kuwait.⁶⁰
- **Firefly, a subsidiary of Malaysia Airlines, along with Circle K, a convenience store, launched a set of ready-to-go Halal meals** that passengers can bring on-board flights from Subang's Skypark International Airport in Malaysia.⁶¹

DESTINATIONS

- **Croatia is seeing an increase in travellers from the GCC** in part due to new direct routes between Dubai and Zagreb operated by flydubai. Qatar Airways has also added two additional flights. In 2016, Croatia will celebrate the 100-year anniversary of the issue of the "Law of recognition of Islam as the equal religion to all other religions" by the Croatian Government. Croatia will also capitalize on the country's health and wellbeing

⁵⁵ Discover Malaysia: Your Muslim Friendly Destination, www.itc.gov.my

⁵⁶ GCC Visitors To Push Croatian Tourism Receipts To Record US\$8 Billion, Zawya, May 2015

⁵⁷ US Airlines Escalate Battle Against Their Gulf Rivals, Skift,

⁵⁸ European Airports and Tourism Boards Side With Gulf Carriers in Open Skies Spat, Skift, June 2015

⁵⁹ New Airline in Southern Thailand Targets Muslims, Benar News, May 2015

⁶⁰ Malaysia partners with Etihad Airways for tourism initiative, Breaking Travel News, June 2015

⁶¹ Hot meal option now made available to passengers, www.fireflyz.com.my, November 2014



Mt. Fuji with red pagoda in autumn, Fujiyoshida, Japan

credentials by targeting the highly lucrative medical tourism market, a growth market for outbound tourism throughout the GCC.

- **Indonesia:** Lombok, an Indonesian island known as the “island of 1,000 mosques” is capitalizing on its Islamic heritage, in the form of shrines dedicated to ancient Muslim preachers, the abundance of places of worship, to attract wealthy Middle Eastern tourists. Nine of the hotels in Lombok have obtained the Shariah certification. Authorities there are planning to build a huge Islamic centre that will contain a mosque, a hotel and a study centre, and specially trained tour guides. The Indonesian government has produced tourist guides promoting Indonesia as a Muslim-friendly destination, and both the Aceh province in Western Indonesia, which is the only part of the country to enforce Islamic Shariah laws, as well as Jakarta, are both targeting Middle Eastern tourists.

To avoid putting off non-Muslim visitors to Lombok, as well as avoid offending Muslim tourists by the skimpy outfits worn by sunbathers, the local government has identified areas that are suited to Muslim guests, where Western tourists need to cover up, whereas, party hotspots in the area, such as the tiny Gili Trawangan island off the West coast of Lombok will remain unaffected.

- **The City Council of Cordoba has launched a project called “Cordoba Halal”**, which is part of Cordoba’s Tourism Strategic Plan for the next five years, and aims to develop Halal tourism in the city. The Council has hired Nur & Duha, a Madrid-based travel company that is the only Halal certified travel company in Spain, and the first in Europe to work on this project. The project involves sensitizing the local population on the economic benefits of Halal tourism; raising awareness of hotels and restaurants on the opportunities offered by Halal tourism; training tourist guides; and developing and marketing “Cordoba Halal” tour packages.
- **Saudi Arabia is turning the birthplace of Wahhabism into a tourist spot.** The Diriyah Gate project, which is on the outskirts of Riyadh, involves the restoration of the mosque where Sheikh Mohammed bin Abdulwahab, the founder of Wahhabism, used to be Imam. A commercial complex consisting of shops, restaurants and heritage hotels will also be launched, and several museums will be opened. The project also includes

the establishment of Sheikh Mohammed bin Abdulwahab Cultural Foundation. The project is expected to be completed in two years for a total budget of about half-billion dollars.⁶²

- **The Tourism Authority of Thailand launched its first mobile App for Muslim travellers.** The “Thailand Muslim Friendly Destination” App lists mosques, Halal restaurants, hotels as well as shopping centres with prayer rooms. Initially launched in English and Thai, it will later include Arabic and Bahasa Indonesia. The Tourism Authority of Thailand has produced a number of guidebooks that list Halal certified restaurants and Islamic sites.⁶³
- **Tourism Australia signed a five-year, \$22.5 million marketing deal with Etihad Airways to promote Australia to leisure and business travellers in key overseas markets.** The new Memorandum of Understanding signed in June 2015, extends an existing three-year deal worth \$9 million that expires this year. The primary focus of the deal will be promoting Australia to international leisure and business travellers within Europe — specifically rolling out new tourism campaigns in the United Kingdom, Germany, France and Italy. The agreement will also cover targeted support for Tourism Australia’s trade and business events program.⁶⁴
- **Tourism Australia partnered with HalalTrip to produce a Muslim visitors’ guide to Australia.** The guide provides information on “the best places to visit, shop, dine and pray” in the eight regions of Australia. There are sections in the booklet listing halal food outlets and mosques in each of regions. The guidebook was released as a printed booklet as well as a downloadable eBook optimized for tablets and iPads. The eBook also provides links to more information on HalalTrip site. **South Korea** has also partnered with HalalTrip to produce a visitor guide to Muslim travellers. Similarly, the Singapore Tourism Board has launched a Halal travel guidebook for Muslim travellers from Indonesia.

- **Japan is actively seeking to become more Muslim-friendly to attract Muslim travellers** especially from neighbouring Malaysia and Indonesia. Japan has been working with

⁶² Saudis Turn Birthplace of Wahhabism Ideology Into Tourist Spot, The New York Times, May 2015

⁶³ TAT to Launch App for Muslim Visitors, Thai News, June 2015

⁶⁴ Tourism Australia and Etihad Airways deal provides a \$30 million boost for Australia Tourism, Zawya, June 2015

CrescentRating, in conducting workshops as well as research studies, to build its capabilities towards the Muslim market.

- **Saudi Arabia plans to launch a “Umrah Plus” program in November 2015, which will allow pilgrims to visit tourist sites in the Kingdom.** Currently, foreign Umrah pilgrims are only allowed to visit Makkah, Madinah and Jeddah.⁶⁵ Saudi Arabia is seeking to position itself as a tourist destination, not just for religious pilgrims. The country’s attractions include pristine beaches along the Red Sea coast, and several archaeological sites. Saudi Arabia’s new focus on tourism is partly because the infrastructure, which was built for pilgrims, is already there, as well as an effort towards economic diversification.⁶⁶

HOSPITALITY

- **Hospitality Management Holdings, a hotel management company focusing on the Muslim market,** aims to further increase its focus on the mid-market segment and to increase its portfolio of hotels targeting this segment by 30% over the next five years. This includes having a hotel in every GCC country while doubling their portfolio in the UAE and KSA.⁶⁷
- **Mecca will be home to the world’s largest hotel in 2017.** The Abraj Kudai, which will be located about a mile from the Grand Mosque, will have 10,000 rooms, 70 restaurants, a shopping mall, a bus station, a conference centre, a lavish ballroom and four helipads, and will have one of the largest domes in the world. It will also have royal suites, prayer halls and a convention centre. The project, which is valued at \$3.5 billion, is funded by the Saudi Ministry of Finance and designed by the Dar Al-Handasah group. Will such luxury however, with this new hotel as well as other luxury hotels soil the spiritual aspect of going on Hajj?⁶⁸
- **Newly opened Abu Dhabi hotel, Burj Al Sarab, part of Jannah Hotels and Resorts group is targeting the Halal tourism market.** The hotel does not serve alcohol, has separate gym and pool hours for men and women to cater to GCC tourists. The group has plans to open a three-star hotel in Dubai in 2016 to cater to the increasing demand for more affordable

accommodation. As part of the group’s expansion plans, it is targeting to have 30 properties by 2020 and plans to build five more hotels in the UAE in 2016, and is looking to expand beyond the country’s borders.⁶⁹

- **Jannah Hotels and Resorts, an Abu Dhabi-based hotel operator opened a new Burj Al Sarab hotel in Abu Dhabi.**
- **Five new Halal beach resorts have opened in Antalya, on the Southern coast of Turkey, in 2015.** Antalya has arguably the world’s highest concentration of Halal beach resorts in the world, with currently around 15 Halal-friendly resorts in Antalya, and between 50-70 in Turkey as a whole.
- **Top world hotel chains are investing heavily in Turkey;** Accor, Best Western, Hyatt, Intercontinental, Starwood, Ramada Hilton, Marriott, and Wyndham has opened new hotels in 2014.
- **Turkish Standards Institute (TSI) started providing Halal Hotel Certification in June 2014.** The first hotel to acquire a Halal certification is Bera Hotel in Antalya city.

TRAVEL AGENCIES/ DIGITAL MARKETING PLATFORMS

- **Yamsafer, a hotel booking start-up from Palestine, raised a \$3.5 million Series B round** from Global Founders Capital, the European investment fund set up in 2013 by Rocket Internet founders Oliver and Marc Samwer. Yamsafer, which targets the Middle East market. Offers a “cardless bookings” feature, where customers do not need a credit card to guarantee or confirm a hotel reservation, but instead are required to make payment once they arrive at the hotel. The feature is currently available in select cities. The feature has been introduced due to the significantly low credit card penetration rates in the MENA region, compared to more mature markets.⁷⁰
- **HalalBooking.com, a travel booking website for Halal-conscious travellers is expanding its portfolio in the city hotel category** through integrations with the largest channel management systems such as RateTiger and TravelClick and thus will be able to feature many more hotel on their


⁶⁵ Come November, Umrah Pilgrims Can Don Tourist Hats, Arab News, July 2015
⁶⁶ Saudi Arabia is in the best position to redefine tourism, The WorldFolio, June 2015

⁶⁷ Opinion: Biggest growth in mid-market Halal Tourism, Halal Focus, May 2015
⁶⁸ Makkah Hotel To Dwarf Rivals, Arab News, May 2015

⁶⁹ Jannah Hotels targets bigger slice of Halal pie, Gulf News, May 2015



⁷⁰ Global Founders Capital Invests in Middle East Hotel Booking Startup Yamsafer, TechCrunch, June 2015

website. They will add hotels in all major touristic destinations globally. Top priority destinations are all major European cities, North Africa, Arabian Peninsula and Asia Pacific countries. They expect to have over 500 – 1,000 hotels from 30 countries on our website within the next year. HalalBooking.com is also expanding its affiliate agency network. They currently have over 400 travel agencies that use their booking engine.

-  **Serendipity Tailormade, a UK-based travel company has added new destinations to its offerings.** In late 2014, they soft launched tours to New Zealand, which have been very well received as an adventurous destination for the well-seasoned Muslim traveller. Serendipity Tailormade is working with Abu Dhabi Tourism and Culture Authority to engage Muslim travellers.

-  **Holiday Bosnia, a Dubai-based company that offers philanthropic trips to Bosnia in which travellers interact with the local community and may partake in a wide range of charitable projects, has launched new programs in 2015.** The company will run youth camps for school students in the Middle East and from around the world in which they will have an opportunity to interact with youth groups and students in Bosnia

and Herzegovina. The program combines education, activity in nature, community work and leadership development. In terms of local employment generation, the company will be training young Bosnians to work in the country's rapidly growing tourism and hospitality industry. They are also working in partnership with local companies on a range of initiatives to provide small business loans and training for local young individuals so they may generate income from the organic agriculture industry — particularly honey production.

-  **Muslim Travel Warehouse, a global B2B platform for the Muslim Travel market was launched in 2015 by CrescentRating.** It provides travel agencies that cater to Muslim travellers with a portfolio of Muslim friendly tour packages, excursions and activities. All packages and activities are rated by CrescentRating on the level of services included. At the time of writing the report, over 500 worldwide travel agents have joined the platform, which includes packages for over 30 destinations worldwide, which is set to increase to 50 by the end of 2015.
-  **Irhal, a Muslim-friendly travel website has soft launched a mobile app.** The app, which will formally launch by the end of 2015 will include city guides.

Key Challenges and Opportunities



Challenges

- **Accommodating both Muslims and non-Muslims at the same destination.** This is especially relevant to beach destinations, where Muslims want to avoid gazing at bikini-clad Westerners, while some non-Muslims prefer to party freely without being followed by watchful eyes. One approach to avoid this is designating separate areas for Muslims and others for non-Muslims. The Indonesian island, Lombok does precisely that. To avoid putting off non-Muslim visitors to Lombok, as well as avoid offending Muslim tourists by the skimpy outfits worn by sunbathers, the local government has identified areas that are suited to Muslim guests, where Western tourists need to cover up, whereas, party hotspots in the area, such as the tiny Gili Trawangan island off the West coast of Lombok remain unaffected.

➤ **Marketing to Muslim travellers without alienating non-Muslims.** Hotels and destinations that cater to Muslim tourists certainly do not want to attract the Muslim traveller segment at the expense of other markets, and therefore one dilemma is what their marketing strategy should be. One approach is to market themselves as a family-friendly hotel/destination without using the terms “Muslim” or “Halal”. Al Jawhara, a Dubai-based hotel group is doing just that. In their ads, Jawhara promotes its “unique family oriented hospitality”, despite the fact that the hotel clearly caters to Muslim needs. Another hotel group that successfully accommodates Muslim needs while being inclusive and not branding itself as a Halal hotel is Shaza Hotels. The luxury hotel operator focuses on authentic Arabian hospitality while being values-driven, and therefore appeals to both Muslims and non-Muslims alike. Another way to avoid the dilemma of marketing to Muslims while non-alienating others, is to market to the Muslim audience through targeted marketing channels, such as Muslim media, local publications in Muslim majority countries, as well as targeted ad campaigns.

➤ **Raising Financing.** Some investors are still reluctant to invest in Muslim-friendly dry hotels and resorts as they fear there will be a loss of revenue in food and beverage. Laurent Voivenel of Hospitality Management Holdings believes that a dry hotel can yield the same profits as one that serves alcohol if the owners focus on banqueting.

Non-real estate travel ventures face an even harder struggle to secure shairah-compliant financing as investors shy away from such projects. The founder of Irhal, a website that provides city guides for Muslim travellers, has been struggling to secure financing. He recently declined an offer of \$100K from Dubai Silicon Oasis as part of the Dubai government’s initiative to fund companies in the Islamic economy space, because the amount was not enough to achieve their next milestone. They are seeking at least \$1 million in financing. Irfan Ahmad, CEO of Irhal, is now

seeking US investment and as of the writing of this report is participating in the MassChallenge 2015, the world’s largest startup accelerator based in Boston, Massachusetts, in the United States, and is the only started from the Arab world selected to participate.

➤ One successful example is Yamsafer, a hotel booking start-up from Palestine that raised \$3.5 million Series B round from Global Founders Capital, the European investment fund set up in 2013 by Rocket Internet founders Oliver and Marc Samwer.

➤ **Being Muslim-friendly/Halal means different things to different people.** The travel industry has not agreed on what the terms Halal Holiday or Muslim-friendly resort mean and each player is applying his or her own interpretation of the terms. To Sofyan Hotels, a group of Shariah-compliant three and four-star hotels in Indonesia catering to Muslim guests means broadcasting the call to prayers within the hotel rooms, conducting congregational prayers, and showing religious programming on their TV screens in the dining areas. To the Dorchester hotel in London, it means offering Halal food and shifting the times of operational staff during Ramadan to accommodate late-night requests of fasting guests. To the beach resorts in Southern Turkey, it means dedicating swimming pools, beaches and spa areas for women only, in addition to providing Halal food and implementing a no alcohol policy.

The terms used to describe catering to the needs of Muslim travellers differ from one player to another. HalalBooking.com use the term “Halal Holidays”; CrescentRating prefer the term Muslim-friendly travel; Holiday Bosnia prefers to call the sector Islamic Travel; while several Dubai-based hotels prefer to use the term “Family-Friendly” especially in their marketing material. In an attempt to bring some consistency to the terms used in the Muslim-friendly travel segment, CrescentRating has launched an eBook on the “Terms & Definitions on the Muslim Travel Market.”

Opportunities

- **Dry hotels can make up for missed revenue from the sale of alcohol by focusing on banqueting.** Mr. Laurent Voivenel of Hospitality Management Holdings believes that a dry hotel can yield the same profits as one that serves alcohol if the owners focus on banqueting. Owners should allocate maximum space to banqueting facilities instead of having too many food and beverage outlets.
- **Convergence with other travel sub-sectors or other Islamic economy sectors.** One example of the conversion of destination marketing with airlines is Tourism Australia and Tourism Malaysia, whom each signed marketing deals with Etihad Airways. Another example is MasterCard, a global technology company in the payments industry that offered travel-related benefits to its Shariah-compliant cardholders in South East Asia, and partnered with CrescentRating to co-develop the 'MasterCard-CrescentRating Global Muslim Travel Index.' (Disclosure: MasterCard is a client of DinarStandard, Lead Research/ Author of this Report.)
- **An opportunity to develop Muslim-friendly resorts.** There is a growing demand for Muslim-friendly resorts. HalalBooking.com have been marketing Halal-friendly resorts in Turkey for the past 6 years. They started seeing bookings in the millions in 2014 per resort, and hope to reach 10 million per hotel for many of the hotels by the end of 2015 and in 2016. The popularity of these Halal-friendly resorts has led the Antalya region, on the Southern coast of Turkey to add five new resorts in 2015, thereby increasing their total number of Halal-friendly resorts to fifteen. According to HalalBooking.com, the margins for all-inclusive Halal-friendly resorts are significantly higher than their mainstream counterparts, given that, alcohol, which is a high cost item, is taken away from the equation, resulting in millions of dollars in profit in one season for an all-inclusive resort. According to HalalBooking.com, more investors are becoming aware of the concept of Halal holidays, and they expect we will start seeing new hotels, resorts and villa complexes appearing in many more countries.
- **An opportunity to target the rising middle class, especially in South East Asia.** Many industry players are still targeting wealthy travellers from the GCC. While this makes sense for premium brands. There is a huge opportunity in developing mid-tier products for the mid-market segment. Mr. Laurent Voivenel of Hospitality Management Holdings believes that the long-term sustainability of the tourism industry depends on developing the budget sector that caters to the growing middle class.
- **Opportunity to focus on themes such as voluntourism, eco-tourism, ethical tourism and experiential travel.** Travel companies that cater to the Muslim market can differentiate themselves by providing themed trips that tie-in with the growing global trend towards ethical tourism and experiential travel, which are in-line with the teachings of Islam. One Muslim travel company that is involved in voluntourism and socially responsible travel is Holiday Bosnia. A Dubai-based company, Holiday Bosnia offers philanthropic trips to Bosnia in which travellers interact with the local community and may partake in charitable work, as well as donate to community projects.
- **Opportunity to offer peripheral travel services such as travel insurance.** According to Nabeel Shariff of Serendipity Tailormade and Luxury Halal Travel, many of their clients and partners are interested in purchasing travel insurance to protect themselves from hefty medical bills if needed abroad, repatriation costs (especially in the wake of events in Tunisia and the like), and even as simple as lost baggage, but are reluctant to purchase regular travel insurance products.
- **An opportunity to invest in Halal resorts in Turkey.** Demand is high from domestic, OIC, and European Muslims for Halal resorts in Turkey. There is currently an investment gap and an opportunity for investors to invest in new touristic real estate projects in Turkey.





Interview



Laurent A. Voivenel

CEO

HMH — Hospitality Management Holdings (UAE)



Please tell us about your company in a few sentences (what you do, who your target market is, what is your corporate philosophy, what does your brand stand for etc.).

HMH — Hospitality Management Holdings was founded in Dubai in 2003 by His Excellency Sheikh Faisal Bin Sultan Al Qassimi, His Excellency Sheikh Mohammed bin Faisal Al Qassimi and Mr Michel Pierre Jean Noblet. They had the vision at the time to create the Middle East's first dry hotel chain offering Halal-friendly, alcohol-free 'safe' environment. We are a fully-integrated hotel management company. Our hotel brands cater to varied market segments from budget to luxury and include: The Ajman Palace Hotel (luxury 5-star), Coral Hotels & Resorts (4–5 star that represents 75% of our portfolio), Corp Hotels (3–4 star), EWA Hotel Apartments (3–4 star), and ECOS Hotels (budget brand). With 20 hotels, we are present today in 15 cities across seven countries in the MENA region.

You plan to expand in the mid-market segment with your ECOS no-frills brand, what are the economics of focusing on the middle-class market? Which particular markets are you focusing on?

Long-term sustainability of the tourism industry no doubt depends on development of budget sector catering to growing middle class. Existing hotel stock in the Middle East

is predominantly geared towards luxury and up-market accommodation leaving a huge gap and opportunity for budget hotels

By 2030, globally the middle class will more than double in size, from 2 billion today to 4.9 billion. For every person who could afford to stay at a 5-star hotel, there are more than 100 who could not according to Deloitte and Touche Middle East. Therefore, there is need to accelerate the development of mid-market hotels in order to fulfil the demand created by growing middle classes in key source markets of Asia and Africa.

Given the staggering demand, we see massive potential for ECOS Hotels that is a 'no frills' B & B brand tying together a unique economic and ecological concept. It is a smart choice for investors offering strong investment opportunity because of lower construction and operating costs and quick and high return on investment.

Your hotel guests are a mix of Western non-Muslims and Muslims, how do you accommodate both types of guests at your hotels?

At HMH we have taken a 'Halal-friendly' and not 'Halal-only' approach. One of our key strengths has been to understand and anticipate the needs, beliefs, perceptions of our associates and customers to see what they need and to ensure we deliver those needs as promised.

Being an alcohol-free chain of hotels, we are in the safe environment philosophy ensuring our guests a clean, healthy and secure atmosphere where even single women travelers feel completely at ease. A lot of companies worldwide prefer to put up their executive in dry hotels. Similarly, a whole lot of leisure travellers chose to stay in a safe environment and are not necessarily looking for alcohol. Non-Muslim travellers feel equally comfortable and welcomed in our hotels.

Our typical customers are savvy travelers (both leisure and corporate) looking for value for money — basically, smart accommodation at the right price. Equally essential for them is a safe environment more so for families and single women travelers.

Can you share with us your growth numbers?

We have been experiencing steady growth despite tough market conditions. Despite the challenges, we saw a 10 to 12 per cent growth in revenue in destinations such as UAE, KSA, Lebanon, and Sudan. The same was not the case in Iraq and Jordan.

Other destinations like Baghdad, Amman, Beirut, Khartoum, Port Sudan, etc. produced mixed results with seasonal dips depending on the market conditions often determined by the political situation in the region.

What are your plans for the future?

By 2020, our aim is to:

- ✎ Have a hotel in every GCC country
- ✎ Double our portfolio in the UAE
- ✎ Expand presence in existing destinations
- ✎ Grow our mid-market and budget segment by 30%
- ✎ Open in new destinations such as India, China, Malaysia, Indonesia, Egypt and other parts of Africa
- ✎ Multiply by three our inventory of keys



Interview



Clarence Tan

Senior Vice President, Development, Asia, Middle East and Africa
Intercontinental Hotel Group (Singapore)



Please tell us about your company and how you are accommodating Muslim guests at your hotels.

IHG is a hotel management company; we manage and franchise hotels across our brand portfolio in AMEA. We have tailored our hotels to meet the needs of our Muslim customers in terms of prayers needs, Halal food and required facilities; more so in Muslim and Arab countries but there are definitely some key aspects you can expect across our hotels to ensure our Muslim customers are looked after.

We recently signed a 5,154 room Holiday Inn in Mecca and are cementing our capability and presence there as the largest hotel operator in Saudi Arabia, and we would like to continue to be market leaders in key markets like Saudi and the Middle East. There is some customization but our brands are generally very consistent across AMEA.

What has been your marketing strategy with regards to the Muslim market?

As well as an extensive Middle East and South East Asia presence in markets including Malaysia, Indonesia, we are investing to localise our web and on-line booking channels for the Arabic-speaking market. We already have an Arabic front-end to our websites and expect to have full end-to-end Arabic language capability by the end of 2015 across both desktop and mobile platforms.

In the future, hotel groups will have to continue to innovate to attract and be responsive to this growing and important global market. Continuing to evolve food and beverage offerings, supporting new emerging market Muslim travellers from South East Asia, especially with tailored services, language and culturally-sensitive services, will all become the norm; IHG has already launched a China Ready/Welcome China programme for new Chinese travellers and hopes to extend culturally relevant services to other important key markets in the future.

Can you share with us your revenue growth numbers for the past few years? What are you expecting in the next few years?

We generally do not share financial data especially in close season. We remain bullish in UAE and Saudi Arabia. 62% of the world's Muslim population live in Asia, with Indonesia having the largest at 10.2 million. With the Extend Umrah Tourism Program, the 10.2 million Muslim arrivals recorded in 2014 in Saudi Arabia will likely be eclipsed year on year.

What have been your growth drivers?

Our industry is characterized by building a consistent brand experience and delivering on our promise to our owners. As such, we have been successful in growing our hotel portfolio as we have created a strong relationship with both our business partners and our

customers, creating loyalty to our brands. Our growth drivers are as follows:

Longevity: we were the first international company to enter the Middle East in **1961**. With the InterContinental Phoenicia Beirut.

Brand performance strengths: We have great differentiated brands that cater for various segments of our business with track record of advocacy from our guests and high level of performance for our Owners and investors

Relationships: We develop strong relationships with our owners over time and understand their business, motivation and aspirations well.

What have been your growth challenges, and what future opportunities do you see in the Muslim-friendly travel space for the industry as a whole?

Growth is hampered by the usual political and geographical issues post Arab Spring. Unity in the Middle East is also key to the continued economic progress in the region. In terms of opportunities, without doubt, this is a fast growing segment worldwide. Offering Halal food products and having prayer mats available is becoming more and more the norm in hotels across the globe. In destinations where we have a high percentage of Muslim guests (i.e. London) the majority of hotels are well equipped with such requests.



Exterior of InterContinental Hotel — Dubai Festival City
Photo courtesy: InterContinental Hotel Group



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A Malaysian shops for clothes in Kuala Lumpur on August 9, 2004.
REUTERS/Bazuki Muhammad



Fashion Sector

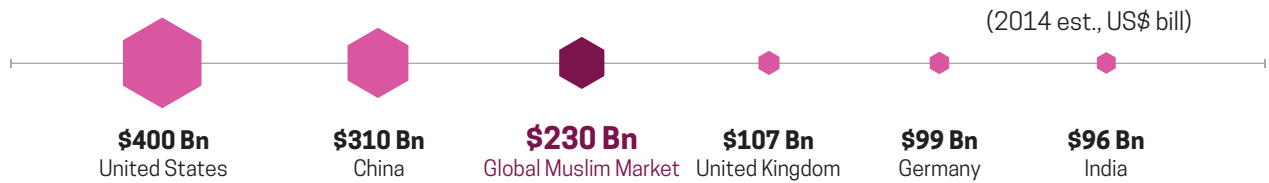
Modest fashion is in vogue. The wider fashion industry is facing financial pressures due to the global recession. Yet, in contrast, the modest fashion sector continues to grow, with Muslim consumer clothing market representing the core potential universe for it. This report estimates **global Muslim consumer spending on clothing to be \$230 billion in 2014**, making the Muslim clothing market 11% of global expenditure, with a growth rate of 3.8% compared to last year.

The sheer size of the market is commanding attention and investment from across the world. Major mainstream fashion players from **Uniqlo, Mango to Tommy Hilfiger** have followed **DKNY** in investing in this sector. This is whilst Muslim fashion companies also continue to grow and thrive. E-commerce platforms such as **Hijup, Modanisa** are receiving investments to grow their user base, while online store **Aab** has progressed to move into a brick and mortar place.

There are challenges coming from both within the Muslim market and outside. From within there is an increasing reservation about the over commercialization of what is essentially meant to be a religious mandate. From the outside, as seen from the examples above, non-Muslim global companies are increasing competition in this market to the extent that smaller Muslim fashion companies may suffer. Nevertheless, when previously considered niche markets such as modest sports apparel are offered at traditional British fashion houses such as **House of Fraser**, one can be left in no doubt that a few challenges will by no means stand in the way of this ever prospering sector.

BENCHMARK

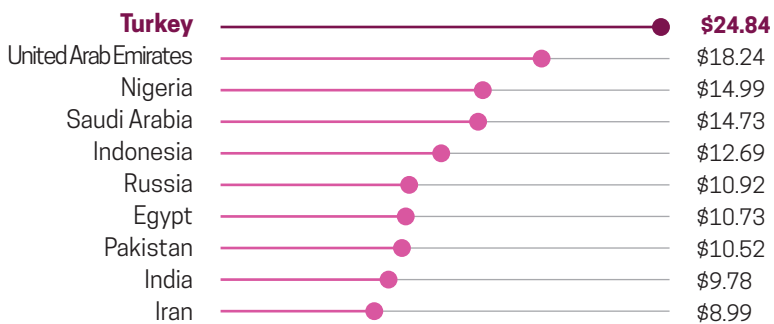
How does global Muslim market compare to top global clothing markets?



TOP MARKETS

Top Muslim clothing consumption markets

(2014 est., US\$ bill)



Countries that export most clothing to OIC countries



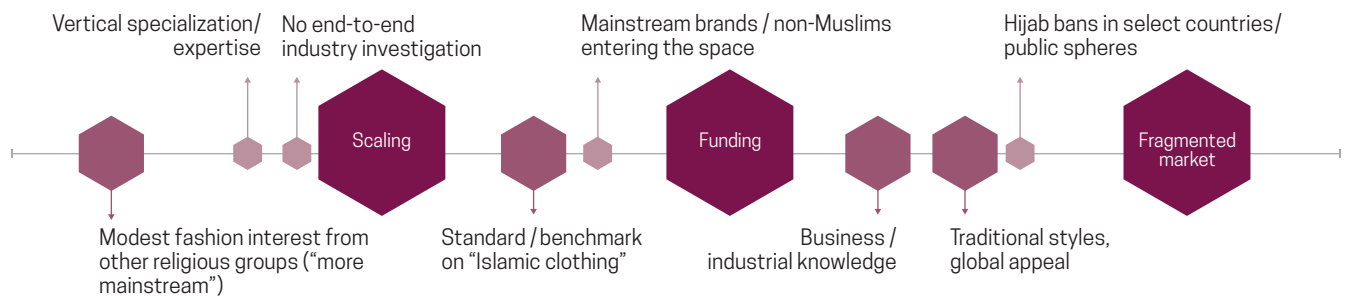
China \$ 28,629 mln

India \$ 3,872 mln

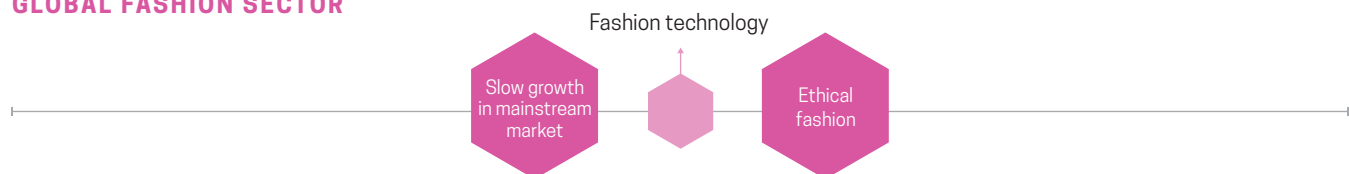
Turkey \$ 2,338 mln

Modest fashion issues & opportunities map

CORE MUSLIM FASHION MARKET



GLOBAL FASHION SECTOR

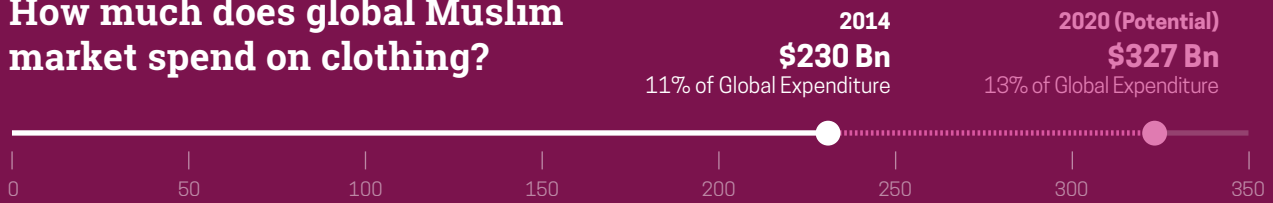


The size of hexagons represents the impact (economic implication) of each issue

1. Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology.

MARKET SIZE¹

How much does global Muslim market spend on clothing?



OIC markets clothing trade breakdown

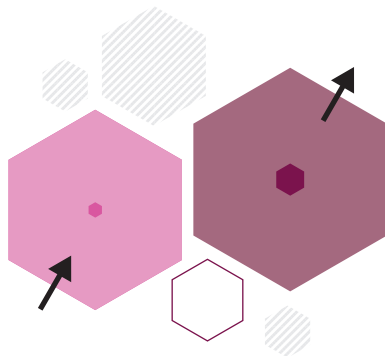
(2014, US\$ bill)

\$429 bn

Global Imports

\$33 bn

OIC Imports



\$479 bn

Global Exports

\$69 bn

OIC Exports

\$69 bn

Value-added clothing exports by OIC countries (13% of global exports)

\$36 bn

Value-added clothing trade surplus by OIC countries in 2014

THE FASHION INDICATOR

Which countries have the best developed Islamic economy for fashion?



*CRITERIA (From a total of 73 select countries)

1. Trade: Clothing Export to OIC Countries
2. Awareness: Number of News articles & Events
3. Social: Clothing Prices Index; Labor Fairness Index

Selected key players

Brands

Modnisa (Turkey)
Fashion brand for Muslim wear
 Ahiida (Australia)
Modest swimwear
 Irada (Russia)
Largest producers of Islamic wear in the Russian
 Bokitta (Lebanon)
Pioneers of "hassle-free hijab"

Events

Islamic Fashion Fair (Indonesia)
 Islamic Fashion Festival (Malaysia)
 2014 Headwrap Expo (USA)

Media

Aquila Style (Singapore)
 Azizah Magazine (US)
 Ala (Turkey)
 Noor (Indonesia)

Designers

DKNY Ramadan 2014 Collection
 Melinda Looi
 Joe Chia and Silas Liew
 Dian Pelangi (Indonesia)



Leadership Article



HOW SHOULD THE BRANDS EXPRESS THEMSELVES TO THE CONSERVATIVE FRACTION IN GLOBAL MARKET?

By Mehmet Metin Okur
Founder & CEO
SefaMeve

sefamerve.com

Today, conservative clothing has become a sector that is attracting the attention of both newly developing and globally scaled brands. Especially Muslims living in Africa, Middle East, and Asian countries are target groups for big companies in addition to local brands. Far East and Europe should also be added to this list given the serious demand in these regions to Islamic apparel. Serious demand thereof. Indeed, total spending by Muslims in Germany, England and France equals to an amount of larger than 25 Billion Dollars.

When we look at the current potential of the sector, we find that, as stated by Thomson Reuters, Muslim consumers spent 224 Billion Dollars in 2012. This number reached to 226 Billion Dollars in 2013, and the amount of clothing expenditure is expected to reach to 484 Billion Dollars in 2019. Given also the rapid increase in the young Muslim population, these numbers naturally whet global brands' appetite.

Yet while the salient growth rate of the market attracts established brands, some initiatives are prevented due to both operational setbacks and political instability, especially in African and Middle Eastern countries. For example, in areas where underdeveloped credit card systems oblige retailing, e-commerce has been able to develop much. New solutions are needed in accordance with the development levels of the countries. These areas in fact can be considered as the biggest markets for the future, both for

conservative clothing and e-commerce. In this respect, where it is not easy to reach more than 400 million Muslims that can be characterized as being conservative, obstacles before the brands shall be cleared.

Brands like *Chanel*, *Armani*, *Dolce&Gabbana*, *DKNY* and *Tommy Hilfiger*, which are not traditionally conservative, but tending towards the conservative clothing sector as the market grows significantly shall not struggle finding customers for themselves in this sector. Yet when we consider this on the basis of customer expectations and the products offered by the brands, we should keep in mind that;

I. Global Fashion Comprehension;

Fashion changes continuously; it aims to differ; it offers products reflecting life styles of the consumers, and it is market oriented. When global brands enter into conservative clothing sector with the original fashion comprehension

they have, this may erroneously force them to push for compulsive change. Conservative clothing is a reflection of a life style that has been carried from one generation to other throughout centuries. It is a comprehension based on tradition and simplicity, avoiding glossiness and embellishment. As such, global brands may couch traditional sentiments and tastes to the present by small touches, but they should avoid radical change that would undermine generational values and that would harm religious sensibilities.

II. Meeting Innovative Expectations;

Fashion and conservative clothing are not on the same. Yet, the meeting of the religious expectations arising from necessity with innovative solutions can be interpreted as a part of both comprehensions. For example, every woman in our day has the freedom of working out. However we find out that veiled women were not accepted in Olympics until 2004 because of their lifestyles. The point to be paid attention is that dresses offering solution and allowing working out were not actually available. This problem has not been solved completely yet. Covered women who were not able to find dresses which allows working out in daily life now reach the freedom of working out thanks to these kind of new innovative designs. Taking this and many similar model innovative practices and certain criteria into account, needs of the conservative fraction shall be met.

Global brands tending towards conservative clothing must analyze religious sensibilities that have continued for hundreds of years, take steps accordingly. However, another point that must be kept in mind is that there is a need for global brands targeting conservative fashion only, and soon we will be witnessing such brands turn into fashion giants...



III. Undefined International Standards;

One major issue that needs to be addressed today is the lack of defined standard for the conservative clothing market. Brands tending towards conservative clothing define the criteria according to varied factors, and this stirs some religious apprehensions for the consumers. Making sure that items are religion appropriate — e.g. fabric not being transparent, length not being under a certain proportion — involves a great amount of sensibility. If brands do not diverge from these criteria too much, the target group will trust the brand more.

IV. Comprehension of Conservatism and Conservative Clothing;

Preferences of Muslims adapting conservative comprehension but having different choices for clothing and conservative Muslims dressing in accordance with religious criteria may differ naturally. In this sense, the two masses should be separated from each other. If the crowd that the brand is addressing designates a religious lifestyle, the criteria to be referenced by the brand shall be likewise.

ABOUT SEFAMERVE

SefaMerve was first established in 2012, when the company began to advertise through Facebook. The website reached approx. 4.1 million users in 3 years. Ranking among the top three e-commerce websites in Turkey to ship abroad, SefaMerve's journey towards international success continues while it offers modest, chic and affordable clothes that are in line with hijab attire. The company receives orders from over 50 countries, mainly in Europe and the Middle East. SefaMerve is the biggest Brand in terms of hijab clothes in the World as an online company. Company Founder is Mrs. Oya Okur Erciyeş, CEO is Mr. Mehmet Metin Okur.

ABOUT THE AUTHOR

Metin Okur was born on March 13, 1971, in Karamürsel, Turkey. He continued his education in Izmit, 30 km away from his home. In 1988, he won Gazi University Electrical Engineering Department and moved to Ankara.

His professional life began with getting acquainted with 3D animation, which he had never heard of before, and this became his occupation for many years. When he came to Istanbul from Ankara after his graduation, he met Üstün Barışta, whom he considers as his "Second Father" and the person who changed his life. Having an insufficient engineering and artistic point of view, Metin Okur was educated one on one in the fields of Anatolian Art History, Film Esthetics and 3D Animation, and Color Knowledge by Üstün Barışta for 4 years.

Between 1994 and 2002, he worked in over 2000 commercials, productions and animations. Meanwhile, he became the partner of the company Marjinal, where he has been working as a freelancer for 3 years. His media career started with Show TV in 1995 and shaped in a crucial way after meeting Zeynep Karamehmet and with Show TV's corporate identity to be changed into 3D from 2D. This interactive journey beginning with Teletext, resulted in being awarded with "Concept TV".

After quitting Show TV in 2005, Metin Okur launched a new company "Mobilarge". They provided infrastructural Mobile services to the TV channels and Mobile VAS services with Turkcell, Vodafone and Avea. This small sized enterprise became partners with Doğan TV Holding after 2 years and started serving 47 TV channels. In 2010, they started working on payment systems, banking micro finance over Payby.me after transferring shares in Doğan TV, free of cost. Payby.me is now providing payment systems services to companies such as Facebook in many countries.

Metin Okur started the project "Sefamerve.com" with his sister who lived in Canada for 12 years and studied on Fashion in 2012. In two years, Sefamerve.com became a company with offices in 3 continents and distributing to 47 countries. Also awarded with Top 100 Startup Businesses of Europe in March 2013, then Top 100 Startup Businesses of the World in November 2013 given by Red Herring. As a company with no investment, Sefamerve.com is heading to 1 billion dollars in the next 5 years.



Photo courtesy: SefaMerve

The Modest Fashion Indicator (MFI)



The 2015 State of the Global Islamic Economy Report revisits the Modest Fashion Indicator (MFI) to evaluate countries' health and development of their modest fashion ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

China, United Arab Emirates, and Italy lead this year's Modest Fashion Indicator ranking that focuses on the health of the modest fashion ecosystem in a country that is relative to its size and includes its related social considerations.

The indicator equally weights three metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

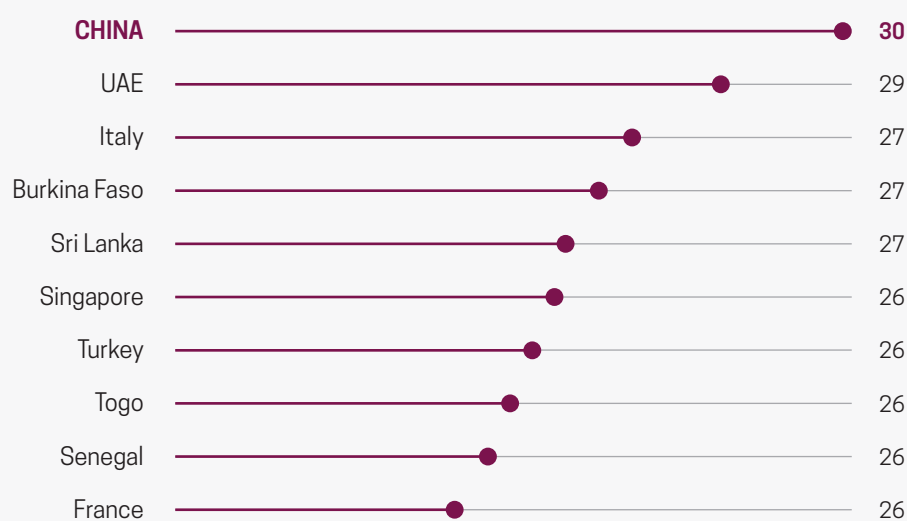
- Supply drivers relative to country size (clothing export to OIC countries)
- Awareness (Number of news articles and events)
- Social (clothing pricing index and labour fairness index)

Below are the top 10 countries in the Modest Fashion Indicator.



TOP 10

Modest Fashion



China

China leads the list by virtue of its high clothing exports to Organisation of Islamic Cooperation (OIC) countries. Its clothing exports to OIC countries were \$28 billion in 2014 leading by a wide margin from second highest among the covered countries, India whose clothing exports to OIC were \$3.9 billion. China meanwhile scored very low in the awareness and social score.

UAE

UAE is next on the list given its high exports to OIC markets relative to its size as well as its continued high market awareness evident in Dubai's push to become an Islamic economy hub.

Italy

Italy follows UAE also due to its exports to OIC countries as well as high social scores.

Some conclusions that can be made are: 1) most of the top 10 countries are high clothing export markets and have very little industry awareness about the modest clothing market fashion trend, 2) some countries have low exports but compensate by providing fair labor conditions and having low prices and 3) The low awareness in some of the top countries present an opportunity to develop the **modest fashion segment**.

Current Landscape And Trends

Market size and profile – Global Muslim consumer spending on clothing at \$230 billion (11% of global expenditure)⁷¹:

The clothing market for Muslims is very much part of the vast global clothing and accessories industry and value-chain. This Report estimates global Muslim consumer spending on apparels to be \$230 billion in 2014. This was a modest growth of 3.8% compared to last year⁷². The total global spending during the same period is estimated to be \$2,119 billion in 2014, making the Muslim clothing market 11% of global expenditure.

Muslim clothing and footwear expenditure is expected to reach \$327 billion by 2020. This represents a CAGR growth rate of 6% between 2014-20.

If this market were a country, it would be ranked third after the largest two markets in the world — the United States spending (\$400 billion), and China (\$310 billion) in 2014.

Top countries with Muslim consumers clothing consumption (based on 2014 data) are Turkey (\$25 billion), United Arab Emirates (\$18 billion), Nigeria (\$15 billion), Saudi Arabia (\$14.7 billion) and Indonesia (\$12.7 billion), and, among these countries, UAE stands out as a high consumer clothing expenditure country with a relatively small population.

A significant size of the Muslim clothing market also exists in countries where Muslims are minorities. Muslims in Western Europe (Germany, France, UK and Italy) plus North America (U.S., Canada) collectively spent an estimated \$22 billion on clothing and footwear in 2014. This would make the western Muslim clothing market second after Turkey. U.S. Muslims lead the western Muslim clothing market with an estimated \$6.8 billion in clothing and footwear expenditure.

Recent industry developments

A number of e-commerce players are growing and expanding:

- **Modanisa, a Turkey-based Muslim fashion e-commerce site, received \$5.5 million investment from STC Ventures**, the venture capital arm of the Saudi Telecom Company, and Aslanoba Capital, its previous round investor. This investment represents a foray by the Saudis into the Turkish market, considered as the largest and fastest growing market in the region.⁷³ Modanisa claims to offer over 30,000 products from some 300 brands and ships to more than 57 countries worldwide⁷⁴.
- **HijUp, an Islamic fashion e-commerce site based in Indonesia, received an undisclosed amount of funding from 500 Startups, Fenox Venture Capital, and Skystar Capital**⁷⁵.

⁷¹ Sources: IMF, ICP data and DinarStandard analysis. See methodology section for full details.

⁷² Based on adjusted 2013 numbers due to updated methodology.

⁷³ Turkey's Modanisa Islamic fashion ecommerce announces \$5.5M investment led by STC Ventures, Wamda, March 2015.

⁷⁴ Rabia Z designs for Turkish women, Daily Sabah, June 2015.

⁷⁵ HijUp Muslim fashion ecommerce gets funded by 500 Startups, Fenox VC, and Skystar Capital, Tech in Asia, Feb 2015.

A second round of funding by 500 Startups, Fenox Venture Capital and Emtek followed only 5 months later.⁷⁶

- ✎ **East Essence, an Islamic clothing company based in the USA, is expanding into the India market by partnering with e-commerce marketplace Snapdeal and opening a manufacturing facility in Noida**⁷⁷. The firm will open an online store at Snapdeal and plans to make India a manufacturing hub for its international markets.
- ✎ **Aab, an Islamic fashion online retailer, has opened its first physical store in London.** The launch of this inaugural boutique is shortly followed by an announcement of the brand's expansion plans into the Dubai market in the next 12-18 months.⁷⁸
- ✎ **Muslimmarket.com, a Muslim-centric e-commerce site, is launched.** Muslimmarket aims to be the leading marketplace for halal lifestyle products in Indonesia⁷⁹.

Iran's first fashion week took place in Teheran seemed to mark a reduced fashion policing by the government as well as increasing interest in fashion design among Iranian women. Seven designers participated in the show that featured men and women's fashion⁸⁰.

One of Indonesia's biggest retailers, Matahari Department Store (MDS), has opened its 318th and 139th stores in the premises of two Pasaraya malls in Jakarta. Pasaraya malls are popular among middle class Muslims in Jakarta due to its extensive modest fashion offerings and comfortable prayer space. MDS has opened in Pasaraya Manggarai and Pasaraya Blok M just a few weeks before Ramadan⁸¹.

Pakistani multinational luxury fashion house Khaadi is planning to open a 22,000-square-foot store at Karachi's Dolmen City Mall after opening 3 stores in

London in 2014⁸². Currently, Khaadi operates 45 stores across Pakistan, Malaysia, the UK and the UAE⁸³.

NEW PRODUCT DEVELOPMENTS

"Comfort" and "versatility" are winning keywords when it comes to innovation in the Muslim fashion space:

- ✎ **SHUKR has unveiled a new collection labelled Easy Care**, which uses a new blend of fabrics to allow for easy washing and minimal ironing⁸⁴.
- ✎ **A crowdfunding campaign on Kickstarter for Veil, claimed to be "the first climate adapting hijab", was over subscribed within days.** Ahmad Ghanem, Veil's founder, says that the scarves being produced by Veil are made of technologically advanced fabrics that reflect up to 80% of heat rays. The company also uses laser technology to seal the edges of the scarves, which prevents chafing and gives customers accurate cut and optimal comfort. All of the manufacturing and raw materials are American in origin⁸⁵.

More players are serving the modest sportswear space, a largely untapped vertical:

- ✎ **House of Fraser, a British department store group with over 60 stores across the United Kingdom and Ireland, has started selling sports hijabs under the Shorso brand.** This is the first time that modest sportswear has been stocked by a high street store in Britain⁸⁶.
- ✎ Turkish modest fashion webstore Sefamerve has been developing sports apparel for Muslim women, especially those who participate in extreme sports. For example, the company sponsors and helps to design the outfit for UAE weightlifter Amna Al-Haddad for the 2016 Rio Summer Olympics⁸⁷. Representatives of the company, Oya Okur

⁷⁶ Indonesia's HijUp bags second round of seed funding at 7 figures, Tech in Asia, July 2015.

⁷⁷ World's largest Islamic clothing co to partner Snapdeal & set up store on their portal, ETRetail, May 2014.

⁷⁸ Islamic fashion brand Aab to launch Dubai store, Arabian Business, March 2015.

⁷⁹ Jual Produk Dhuafa, Situs Muslim Market Didukung Baznas dan DD, Republika Online, August 2015.

⁸⁰ Iran holds first ever fashion week, Al-Monitor, March 2015.

⁸¹ Matahari Department Store Opens 138th Outlet, The Jakarta Globe, June 2015

⁸² The rat-race to London - Khaadi strides ahead, the others just sells lawn, The Express Tribune, March 2015.

⁸³ <https://en.wikipedia.org/wiki/Khaadi>.

⁸⁴ SHUKR unveils new Easy Care Islamic Clothing line, PRLog, Nov 2014.

⁸⁵ www.veilhijab.com

⁸⁶ Sports Hijabs: The High Street Fashion Brand Transforming Muslim Women's Lives, Marie Claire, June 2015.

⁸⁷ Rio Olimpiyatları'nda Türk imzası, Surekilihaber.com, May 2015.

Erciyeş and Mehmet Metin Okur, commented on this collaboration:

- Three French entrepreneurs launched Rajoul, a modest swimwear brand. Its inaugural product, AwraSwim, is a swim short that covers the part of the body from the navel to the knee. The collection is launched in 2015 in Dubai. The company claims that 15 percent of its online clients are non-Muslims⁸⁸.

Global brands are starting to tip their toes in the Muslim fashion space by following the path of DKNY, which last year launched a Ramadan collection:

- Clothing retailer Uniqlo has teamed up with fashion blogger and designer Hana Tajima to create Uniqlo x Hana Tajima Collection, a casual modest wear line. The collection was launched in select Uniqlo stores across Southeast Asia (Malaysia, Singapore, Indonesia and Thailand) and online just in time for Ramadan 2015⁸⁹.
- Spanish fashion label Mango has launched a special collection for Ramadan 2015 in all Arab countries where the brand is present. The collection is unveiled under the theme “The Perfect Guest” and consists mainly of evening wear⁹⁰.
- American brand Tommy Hilfiger has unveiled its Ramadan and Eid Capsule Collection at select stores across the Middle East in June 2015. The collection features modest pieces for women and limited designs for little girls age 6-12⁹¹.
- Zalora, one of the largest fashion e-commerce site in Southeast Asia, continues to invest in its modest fashion offerings. In Indonesia, where 15 percent of the company’s revenue comes from Muslim wear, this year Zalora is collaborating with designers Jenahara Nasution, Ria Miranda and Restu Anggraeni to create an exclusive Spring/Summer 2015 collection⁹². In Malaysia, Zalora is collaborating with designer Rizalman to create an exclusive traditional baju kurung collection for Eid⁹³.

Coloured abayas are getting traction. Non-black

abayas are becoming a trend among women in Saudi Arabia and the UAE⁹⁴.

UAE designer Rabia Z has launched a line of hand-painted, 100 percent silk scarf collection in collaboration with Turkish e-commerce site Modanisa⁹⁵.

In the digital space, Instagram and YouTube are increasingly outpacing other online channels to become the go-to source for Muslim/modest fashion inspiration⁹⁶. Some influential personalities in this space are YazTheSpaz (USA), Dina Torkia (UK), Ascia AKF (Kuwait) and Shea Rasol (Malaysia). Some of these digital personalities have started businesses around the fame that they have gained online. For example, Dina Torkia has recently collaborated with British fashion label Liberty on their scarf collection⁹⁷.

REGULATIONS

- The US Supreme Court has ruled in favor of a young Muslim woman who was denied a job at Abercrombie & Fitch in 2008 because she wore a headscarf⁹⁸.** Abercrombie & Fitch says it has updated

some of its hiring and personnel policies since Samantha Elauf’s lawsuit.

- FIBA, the international basketball’s governing body, has announced a two-year testing phase that would let players wear religious head coverings in some competitions.** Previous FIBA rules only allowed a player to wear a 5-centimetre headband to control hair and sweat. The new policy change allows Muslims, Sikhs and players from other religious groups who wear head coverings to participate in the sport⁹⁹. However, this new rule is seen as causing confusion and uncertainty for players wanting to play at a professional level. As a case in point, the Qatari women’s basketball team was forced to formally withdraw from the 2014 Asian Games due to a dispute with organizers over the team’s decision to wear their hijabs on the court¹⁰⁰.

- The Russian Supreme Court has upheld a ban**

88 The Directory: Modest swimwear for men launches, Gulf News, Jan 2015.
89 Uniqlo outfits ‘stylish’ hijabs, dresses for the modern and modest women, The Guardian, July 2015.
90 Mango, DKNY: ces marques de vêtements qui surfent sur le Ramadan, Metronews, June 2015.
91 Tommy Hilfiger Launches Women’s Capsule Collection for Ramadan, Dubai PR Network, June 2015.
92 Zalora Joins The Islamic Fashion Boom, The Jakarta Globe, Apr 2015.
93 Rizalman for Zalora Sets to Sizzle, Astro Awani, June 2015.

94 Saudi women are giving the abaya a colourful makeover, The National, June 2015.
95 Rabia Z designs for Turkish women, Daily Sabah, June 2015.
96 Your Hijab Fashion on Instagram, The New York Times, Aug 2014.
97 How Fashion is Courting The Muslim Pound, The Guardian, June 2015.
98 Supreme Court Rules For Woman Denied Abercrombie & Fitch Job Over Headscarf, NPR, June 2015.
99 Basketball: FIBA allows religious head coverings on trial basis, The Star, Sep 2014.
100 FIBA’s rules on head coverings are screwing over athletes and basketball, Vice Sports, Sep 2014.

on pupils wearing the hijab in schools in the Mordovia region, rejecting appeal brought by Muslim Tatars¹⁰¹. The Mordovian Muslim community claimed that the ban on religious headgear in schools violated the constitutional principle of freedom of conscience. However, as in previous similar cases, the judge ruled that the ban on wearing headscarves did not infringe anyone's constitutional rights. The Mordovian government's order banned not only hijabs, but also any clear demonstration of any attributes of any religion¹⁰².

- ✎ **The Moroccan government and industry are working to create a fully-integrated textile and garment industry from yarn spinning to final product within 15 years to serve Europe's fast fashion segment and the Moroccan domestic demand for traditional attires such as caftans and djellabahs.** Spain accounts for 38 – 40 per cent of Morocco's fast fashion export sales, while the traditional clothing market is currently worth 50 per cent of the domestic market, with annual value expected to grow to around US\$7.4 billion¹⁰³.

CO-BRANDING

- ✎ **Indonesian fashion label Elzatta has signed up Raef Haggag, an American artist under the Awakening label to be its brand ambassador.** Raef represents Zatta Men, the brand's menswear line, and will wear the label on his performances¹⁰⁴. Elzatta is a fast-growing Muslim fashion brand that targets Indonesia's middle class.

TRADE DEVELOPMENT

Business incubators catering to modest fashion development are sprouting. Some examples are:

- ✎ **Indonesia Fashion Forward (IFF), Indonesia.** IFF is a collaborative project between Jakarta Fashion Week, The Ministry of Tourism and Creative Economy Indonesia, The British Council, and Center for Fashion Enterprise (CFE) London. This curative and intensive program serves as a capacity building course for designers to enable them to compete at regional and global level. Indonesian modest fashion designers who are graduates of this program are Dian Pelangi, Jenahara and NurZahra¹⁰⁵.

- ✎ **Roudha Center, Qatar.** This non-profit organization offers programs and advocacy efforts for women looking to open their own businesses or grow their existing ones, including in the area of fashion design¹⁰⁶.

- ✎ **Haute Arabia, UK/KSA.** Haute Arabia is an online platform serving two purposes: as an e-commerce platform and a hub of information exchange and creative inspiration for emerging designers in the modest fashion space. Annually, it also hosts an awarding event, The Modest Fashion Awards¹⁰⁷.

- ✎ **ModLi, an online marketplace dedicated for modest fashion is launched.** Created by a Jewish Israeli woman, Nava Brief-Fried, ModLi claims to be "the Etsy for modest fashion". Currently, most of the designers joining the marketplace are from Israel and the United States. However, Brief-Fried said that a significant majority of ModLi's customers are not Jewish but Christians, Mormons and Muslims¹⁰⁸.

- ✎ **SefaMerve becomes the first Turkish company to join Ecommerce Europe.** Ecommerce Europe is the association representing 25,000+ companies selling goods and/or services online to consumers in Europe whose mission is to stimulate cross-border e-commerce in the region¹⁰⁹. Sefamerve representatives also say that the company run distribution centres in the Netherlands and Morocco.

101 Russian Supreme Court upholds ban on hijab, WorldBulletin.net, Feb 2015.
 102 Supreme Court upholds hijab ban in Russian region's schools, RT.com, Feb 2015.
 103 Morocco plans to grow fast fashion exports, African Review, June 2015.
 104 Raef Haggag Duta Zatta Men, Gatra, Apr 2015.
 105 www.jakartafashionweek.co.id/en/indonesia.fashion.forward

106 www.roudha.org
 107 www.hautearabia.com
 108 Jewish woman launches modest online marketplace for women around the world, Deseret News, Feb 2015.
 109 www.ecommerce-europe.eu

Key Challenges and Opportunities



Challenges

- ✎ **The Muslim fashion industry is increasingly facing criticism for its seeming over-commercialization of a religious mandate¹¹⁰.** There needs to be a concerted branding effort by industry players to redefine “modest/Muslim/Islamic fashion”. Inherent in this effort is the need to adopt a wider perspective in incorporating Islamic values throughout the whole modest fashion value chain — from raw materials to retail.
- ✎ **Lack of funding leads to lack of vertical integration and slow adaptability.** Backward integration with manufacturers and suppliers is still rarely found among Muslim fashion industry players, which creates a challenge to scale as well as to adapt to fast-changing trends and fashion technology.
- ✎ **Payment, customs and logistics issues hamper the growth of digital commerce.** Online channels are the ideal platform for stakeholders in a fragmented market such as the Islamic fashion space to connect and trade with players from all corners of the globe. However, this opportunity is hampered by lack of unified payment platforms, varying customs rules and logistics issues that vary from one country to another. As expressed by Oya Okur Erciyeş and Mehmet Metin Okur of Sefamerve: *“There have been several problems with [the current] payment tools. Shipping fees [to developing countries] are expensive. This situation can both stand as a barrier to overcome and become an investment opportunity which can be worked on.”*
- ✎ **Increasing competition.** The Muslim fashion space is generating interest from non-Muslims as well as global brands such as DKNY, Tommy Hilfiger and Mango. Smaller players may find it increasingly challenging to survive in this business given the heightened competition. Ability to reach economies of scale efficiently and adapt to ever-changing market trends and technology are some of the key criteria to thrive in this space.
- ✎ **Fragmented market.** Muslim consumers are a very heterogeneous market in terms of socioeconomic class and fashion preference. Scaling from one geographic area to another requires various adaptations to existing product offerings and business processes, which may be challenging for small scale players.

¹¹⁰ *The abaya, fashion and the iron cage of capitalism*, The National, June 2015

Opportunities

- ✎ **Mainstream proposition for modest fashion.** Modesty is a universal virtue that resonates with people of many faiths. At the same time, the interest for covered clothing is increasingly coming from bloggers, public figures and customers from different faiths and religious groups¹¹¹. This poses an opportunity for designers and retailers to offer a broader and more inclusive selling proposition while offering products that stay true to the spirit of modesty.
- ✎ **Vertical specializations.** There is plenty of room for growth to develop new labels in a number of largely untapped verticals such as sports apparel, menswear, maternity wear, clothing for teenagers and tweens, work attires and plus size fashion.
- ✎ **Versatile clothing for modern Muslim lifestyle.** As exemplified by the cases of Shukr's Easy Care line and Veil, the climate adapting hijab, there is a great demand for hijabs and modest wear with versatile and adaptive elements that suit the needs of modern Muslims and Muslimahs. Opportunities in this area include clothing with detachable elements and the use of innovative fabrics in a variety of verticals.
- ✎ **Fusing traditional elements with modern design.** Moroccan caftan has undergone a transformation from traditional attire into a stylish piece of fashion with a global appeal. Given the richness and diversity of Muslim cultures, there is a wide spectrum of opportunity to combine traditional clothing, fabrics and other traditional elements with current designs and marketing strategy to appeal to a much larger market. This can be done whilst at the same time empowering local communities and collaborating with the local tourism industry.
- ✎ **By implementing Islamic values throughout the industry value chain, Muslim fashion industry players have the opportunity — and responsibility — to be leaders in the area of ethical fashion to truly reflect the term “Islamic fashion”.** Moving beyond discussions about the aesthetics of modest fashion, the Muslim fashion industry has the opportunity to transcend the current fashion industry standards and practices to reflect other Islamic values such as justice, humanity, and care for the environment. Areas of opportunities include:

 - **Eco-friendly clothing.** There is plenty of room for exploration and innovation with organic yarn and fabrics as well as recycled materials. By deploying various available and emerging technology (see Innovation section), players in the Muslim fashion space also have the opportunity to provide information on provenance, carbon footprints, and other sustainability-related information to an increasingly savvy and environmentally conscious group of customers.
 - **Empowerment of marginal communities.** As a case in point, Migrants du Monde is a luxury label from Morocco that features hand-embroidered Moroccan caftans made by refugees who hail from Iraq, Syria and Congo. The cooperative helps the refugees earn a living and get back their lives¹¹². Given that there are 60 million refugees around the world today — most of which are coming from Muslim territories — initiatives such as Migrants du Monde are not only important, but essential in Muslim communities.

¹¹¹ Modesty does not have to be frumpy, says the 'fabologist', Times of Israel, Nov 2014

¹¹² www.migrantsdumonde.com



Interview



Ms. Oya Okur Erciyeş

Co-Founder

SefaMerve (Turkey)

Mehmet Metin Okur

CEO

SefaMerve (Turkey)

sefamerve.com

Please share your customer demographics. Where do most of your customers currently come from?

Our target population consists of young conservative women. We are addressing mostly university students ranging in age from 18 to 35. We have 4.5 million members from different parts of the world: 50% coming from Turkey, 10% Europe and 40% other countries. 99% of our customers are women.

Where do you think are the areas (this can be a geographic area or a fashion category, for example) and customer groups with the highest growth potentials?

Our conservative members live mostly in developing markets. In these developing markets, online sector hasn't grown enough. There have been several problems with payment tools (credit card penetration, cash on delivery...). Shipping fees are expensive. This situation can both stand as a barrier to overcome and be an investment opportunity which can be worked on. Geographically, North Africa, Middle East, Far East and Europe are the biggest markets.

Sports apparel seems to be a vertical that Sefamerve has been focusing on lately. Please share with us why.

The first sportswoman could participate in the Olympic Games in 1900s but the first conservative sportswoman with hijab could do this in 2004. There is a 100-year delay in question. In 2015, there aren't any cloths designed specifically for sportswomen with hijab. Although it has been 11 years, there is nobody who has ever designed a product for them.

Our motivation is to present products that our sisters can wear without feeling guilty about their appearance and, we are emphasizing again, without being estranged from religious criteria. In addition, they will be able to play sports, go to swimming, be part of public sphere.

As Sefamerve expands to EU countries, what is your plan to adapt to different market's requirements and preferences?

In 2014-2015, we continue to grow by 60%.. The position that we hold in Europe and other markets is not commercial position. Fashion and style have never been our priority. Our main priority is to present innovative and solution oriented products. At present, we ship packages to 50 countries. The fact that we are near Europe and we led many operations in 14 countries strengthens our hand

Price competitiveness is one of Sefamerve's key differentiators compared to other competitors. How do you balance a modest profit margin and an aggressive expansion of the business?

Our biggest strength is the purchase, adverts and operation power. In our sector, our commercial conversion rate is three times more than the market average and our bounce rate which is the percentage of visitors who enter the site and then leave right away, is four times less than the sector average. This shows that we are making effective advertising. In e-commerce sector, there are many firms who has 2-3 times more traffic than we have but has half the turnover we have.

How important is social media for your business?

We are a transparent company. In order to have transparency, we contact our members via Facebook that is open to public. On Sefamerve Facebook page, there are 4.2 million women. 500.000 people talk about our page in a week. Our base is not fashion, trend or trade. We are human-centered brand. Allah granted this to us.



Photo courtesy: SefaMerve



Interview



Windri Widiesta Dhari
NurZahra (Indonesia)

NurZahra

When was the label NurZahra conceived and how would you rate the growth (in terms of sales, for example) of the brand year on year?

NurZahra brand established in 2009. Sales growth from first year until now 100% every year. Due to growing of channel of distributions yearly, brand positioning and production capacity.

As an upscale hijab label, tell us about the opportunities and challenges in this space.

The opportunities for premium modest fashion brand has big potential knowing that premium modest fashion brand around the world are not very many, especially for Asia Market. Most local premium modest fashion brand are usually small company and not having the full team to help develop the branding locally and internationally.

When looking at NurZahra's value chain which points in your experience are the most difficult to manage and why?

The 1st to 3rd year in the business the most challenges were the productions. Having the right suppliers for exclusive fabric selections and having the best manufactures were very difficult due to a minimum quantity order in their policy and terms of payments. Now the challenges are more in channel of distributions since the best malls for premium retailers need at least 2 years deposit with a very high service charge for space rentals.

How do you respond to copycats (ie. when you see other labels copying your creations)?

If they do copy our design and pattern they still cannot have the same products. The chance of other copying NurZahra creations for the prints will be very hard, since we produce currently exclusive prints only. For example our scarves line we only produce exclusively 100 scarves using technic batik but still each scarves individually different since all prints are produce handmade. We currently have thousands of patterns in our studio. However for bigger production to print not using batik, we design our own signature patterns for every season.

What are some key learning points that you can share with aspiring Muslim fashion designers and entrepreneurs?

- a) The key drivers of success will be our entrepreneurial skills and our commitment to running a business,
- b) Asked ourselves do we have something unique to offer the market?
- c) One last and very important thing is "Patience" — "Through patience, great things are accomplished".



Turkish models, covered from head to heel, display headscarves as part of a fashion show by designer Abdurrahim Celikten, who is known for his Islamic style, in Ankara March 3, 2008. REUTERS/Umit Bektas



Leadership Article



FASHION SYSTEM: FROM THE KINGDOM OF BRAND TO THE POWER OF THE FINAL CONSUMER

By Paolo Costanzo
Chairman
Infinita Group



All over the world fashion is ever-changing, never static, always in flux. There are multiple reasons for this, such as; change of trends; the consumer's need to wear new items for each season; the constant request for elegance, style and functionality all at once; the recent demand for eco-materials and so on. With this in mind, it is evident that no successful brand can remain profitable in the fashion market without taking into account and incorporating this constant need for change and innovation. Yet, the way this innovation has been introduced in fashion collections in the past few decades has been deeply altered. Having a sound understanding of this evolution can be integral to one's future success in this incredibly variable market.

At the beginning of the Fashion System Era, there was the so-called kingdom of brands such as, Christian Dior, Coco Chanel, YSL. They were the undisputable kings and queens of creating the latest tastes in fashion, especially Dior, who was the first one to really innovate. For each season, he was capable of creating an entire new collection with a new name, press kit and photos to give to the specialized press (VOGUE above all). With Dior, fashion became a very well designed marketing system. Just think of all the licensing (perfume, bags, gloves, etc...) that contained the Dior logo. That was the period when brands ruled the world and final customers were following them with a

sort of unconditional faith that lead to the "total look" experience. Women preferably wanted to wear a dress, hat, shoes and other accessories all from the same brand, as a warranty of unique style and elegance. In other words, fashion creators were a sort of Oligopoly dictating rules, such as length of skirts, which colors were in vogue and so on. A sort of dictatorship of acquired taste.

When "Prêt-à-Porter" pulled up alongside "Haute Couture" something slightly changed. Fashion was no longer solely intended for the rich and luxury market but was becoming more affordable to the largest segment of consumers. The power of the retail chain was

beginning to become evident. The presence of these collections in the right stores was becoming really important and strategic for the commercial success of a brand. If your collections weren't present at Harrods and Selfridges, then you did not have a big chance to win the UK market.

H&M and Zara represent a particular evolution. Big retail chains that are able to quickly reply to the great fashion brands new trends, launching at the beginning of each season up to 12 different collections. Then monitoring which ones are the most appreciated and purchased by the final consumer so to be able to rapidly supply the stores only with the most requested items, thanks to their "ready-to-make" approach. This leads to the latest evolution of the fashion system, characterized by a big change in the final consumer attitude.

Nowadays, there is the Kingdom of the Final Customer who requests a personalized item and is much less faithful to a specific brand, but likes trying new luxury experiences and other brands, no more wearing the "total look" and often willing the "mix and match" purchasing. In other words combining, with a sense of aesthetic, a Luxury Brand dress with a Zara or H&M scarf, hat, bag or any other accessory.

We believe this sector has still a great potential to express and we are more than confident that our contribution with the Italian fashion makers will support its successful development worldwide.



This implies a stronger effort for brands to monitor such a changeable market.

In other words, a fashion brand must innovate and be flexible at the same time, to satisfy the request of a global market of consumers, adapting a new collection to the specific taste of a local market.

The only way to compete in such a variable global market is to intercept in time the changing mood of the final customer and give him/her the unique freedom to personalize the final item with a bespoke product.

To win the game, (i.e. to guarantee the constant satisfaction of the ever changing mind of the customer) it is essential to count on a network of specialized Artisans Fashion Makers, of renowned flexibility. The only ones used with capability in fine dressmaking to the specific requests and taste of the final customer.

Only when counting on a referred reliable list of fashion makers of such talent, can you be guaranteed to win the challenge. The Italian fashion makers, based on a secular tradition of specialized and renowned artisans, are undoubtedly among the best in the world. It

is widely known that several French fashion brands have decided to assign the production of their shoes collection to Italian specialized fine artisans of renowned reliability.

Through the combination of an adequate network of Italian makers and technology (e-commerce platforms and product setting programs) it is possible to provide end customers with customized products and with a “touch of exclusivity” at a reasonable price according to cultural differences, opinions and lifestyle of consumers.

In this way it is also possible to provide a wide range of fashionable clothes as an answer to the lack of options that still qualifies the market. There is a great opportunity to fill this gap in the market and also meet a demand that continues to increase amongst the modest clothes wearing population.

INFINITA Group has consolidated a relationship on selected Italian fashion artisans network and can play an important role in identifying the most suitable ones for the Modest Islamic Fashion market.

ABOUT INFINITA GROUP

Infinita Group is an e-commerce player focused in fashion, accessory, lifestyle and design excellent high quality products.

Infinita Group believes that any single person can show his own personality through fashion and design. Fashion and design must be equivalent to respect for culture, opinions and lifestyle of consumers. We from Infinita Group know this can be accomplished:

- by identifying and fostering the best Italian makers in the clothing, accessories, lifestyle and design sectors;
- by escorting makers along a knowledge path regarding the Modest Fashion principles;
- by starting a distribution and awareness path for their products at an international level.

Through the combination of our own network of Italian makers and of technology (e-commerce platforms and product setting programs), Infinita Group provides end customers with customized products and with a "touch of exclusivity" at reasonable prices.

This allows to:

- create a direct interaction between makers and end consumers;
- best meet the customers' needs;
- deliver a unique purchase experience;
- produce a business model which is sustainable and without wastes.

Through the website www.fashionis.com, Infinita Group is opening a specific section dedicated to Modest Fashion which will include:

- a range of products manufactured by Italian makers, totally "made in Italy";
- a choice of products by the leading Luxury Brands, consistent with the Modest Fashion principles;
- other Brands of Modest Fashion sharing the business model belonging To Infinitagroup

Infinita Group is open to new partnerships in UAE with the support of our network of several actors working in the fashion and design sector — actors fully responsive to the requirements by Modest Fashion — in order to foster those products and services supporting the development of this important market segment.

ABOUT THE AUTHOR

Paolo Costanzo, chairman of Infinita Group and founder of Costanzo & Associati is a Certified Public Accountant and financial advisor. He teaches various training courses and participates in seminars. He is also an expert of extraordinary finance transactions, listing processes and governance systems. He is the author of several publications on corporate disclosure, corporate governance, company law and income taxation; he often collaborates with national newspapers and participated in drafting the parliamentary bill to grant Government authorisation to reform the national tax system.



Leadership Article



TURKEY ON TOP OF THE GLOBAL 'MODEST FASHION' MARKET

Kerim Ture
Co-Founder
Modanisa (Turkey)

modanisa 

Turkey, with its trade volume, is currently the world's biggest Islamic clothing and accessory market. Being a constantly developing sector with new brands entering the market, Turkey is going to continue its significance through innovative designs and world-standard production.

The changing perception and increased product variety in modest fashion wear in recent years is making room for the gradual expansion of the market with designers inclining toward this field. World-scale brands starting to produce designs and collections aimed at this field is an indication of even more intense competition in the future. In the meantime, with its current volume, Turkey is the world's largest Islamic wear and accessory market. With new brands entering the sector, the market in Turkey is continuously growing. World-standard production and innovative designs are also factors leading to international success. Increasing interest in online shopping is also one of the most important factors heating up the market. Because women are better able to express their wants, expectations and needs. It is also an advantage for women to easily access what they want, when they want, wherever in the world. In the following period, with the momentum of world-successful brands, Turkey will continue to take place among the major players of this market.

Different countries have different demands

The demand for brands designing products aimed to cater for the modest dress style is

high both locally and from abroad. The products offered by brands give hijabi women worldwide access to the latest fashion. Women who prefer to dress conservatively while they closely follow fashion trends are able to best meet their expectations and needs as well as their differing requests in Turkey.

While customers in Europe and the United States prefer more plain outfits and more pastel colors, North African countries prefer the more vibrant colors. The long and generally black embroidered dresses are in high demand in the Middle East, however, long tunics are the latest popular choice for women in Turkey. Millions of women in Turkey and abroad prefer Turkish brands to meet their everyday clothing, eveningwear, shawl, scarf and accessory needs. For example, Modanisa.com, Turkey's first and the world's biggest online modestwear store, currently ships to 75 countries. The online store takes the lead in Turkey with its product variety, daily number of visitors and product sale capacity.

As well as being able to get an idea regarding the latest fashion trends from brands' online stores, customers abroad are also able to easily and securely shop via these

websites. The variety and quality of products in addition to styles reflecting trends are factors that determine women's choices. Combining rich product selection with quality fabrics all the while presenting them to customers at reasonable prices appears to be the most important feature, due to the diversity of its customers.

One of the most important points to which the sector needs to pay attention is "quality". The increase in the number of brands seeing the growth potential in the market as an opportunity all the while making concessions on quality will cost them the customer's trust.

Highest interest from the Middle East

Saudi Arabia, the Arab Emirates and Jordan in the Middle East as well as Egypt are countries showing the greatest interest in the market. The number of customers and people visiting online stores from the Middle East is increasing by the day. The social media accounts of brands are also under close watch in Middle East countries. Based on this, Modanisa.com posts on Facebook in Arabic, French and English in addition to its original language, Turkish.

The company is in collaboration with Middle Eastern designers to offer products better suited to the needs, expectations and styles of Middle Eastern women. An exclusive line by renowned fashion designer Rabia Z from Dubai, a leading name in the sector, is offered to customers on Modanisa.com.

Internet and Social Media are the prominent factors leading the change of Islamic fashion from an ethnic clothing to a global mainstream fashion. Women all over the world are searching for latest trends in conservative style to look elegant, while following the dress codes of Islam. Serving this global need with a one-stop-shop with product variety, collections reflecting the trends and nonetheless, quality and excellent service is the key to the success in this rapidly developing modest fashion market.



The Middle East's interest in Turkey is followed by numerous European countries, the U.S. and Australia. Quick delivery to these countries and the use of local payment systems are also factors providing great advantage.

World's most popular online modestwear store in Turkey

According to the "Global Islamic Economy Report," the world's most popular conservative fashion site among 25 global websites being in Turkey is a clear indicator of the point the country has reached. Modanisa.com is Turkey's first online fashion store catering for women, who prefer the modern look with a modest touch, can find thousands of options to suit their style. The online store offers 20,000 products and over 300 brands that are giving women worldwide, who choose to dress modestly, the option to look good at reasonable prices. With 200 new models released daily, the website also serves as a fashion magazine, giving women the opportunity to keep a finger on the pulse of modest fashion, while providing a unique platform for brands and designers to reach their target audience.

Modanisa.com's annual fourfold growth average since its launch gives information regarding the potential of the market. In addition to reaching 400 million Muslim women worldwide, Turkey's aim is to help women combine the love of fashion with the dress

code of Islam. Modanisa is a leader in Turkish fashion brands' ventures in markets abroad.

The rapid growth of the market and brands has drawn the attention of investors in this direction. Modanisa.com first received \$3 million from Aslanoba Capital, followed by a \$5.5 million investment from Saudi Telecom Group's venture capital fund STC Ventures and Aslanoba Capital, the result of the fast development of the brand and the appeal of the \$200 million Islamic clothing market.

Mobile life lending impetus to the sector

The "hijab fashion" industry has gained greater momentum compared to 10 years ago. With the increased involvement of the Internet in everyday life, women who prefer to dress modestly are better able to express what they want and demand more options. Online stores have started to surpass normal stores in terms of turnover. Modest fashion brands have also increased their e-commerce investments. The convenience of online stores has led to an increase in the demand from customers living outside metropolitan cities.

Facebook, online fashion shows, the hijab fashion options in other countries, sharing the new hijab fashion collections of new designers online has brought great dynamism to the Turkish market.

The dynamism in recent years has led companies that grew in previous years without having to change the colors or styles in their collections, to change their strategies. Although online shopping in the past was approached with caution, quality-focused brands have a significant role in the increase of online shopping. With the past year, mobile options are also starting to have a significant place in our lives. Currently more than 70 percent of Modanisa.com's website traffic comes from mobile channels. The rate is

much higher in our site traffic from abroad. Brands are active on social media platforms such as Facebook, Instagram and Pinterest. Social media accounts are used not only for announcements, but also used by customers as customer service centers. The new collections and products also introduced through these channels reach wider masses and reactions are received immediately. At this rate, it seems Muslims fashion will be more than ethnic clothing, becoming part of the global mainstream fashion.

ABOUT MODANISA

Modanisa is Turkey based online fashion and beauty retailer, offering branded products including modern Muslim women's-wear, accessories, jewellery, and beauty products. On our website, women of all ages can find a great number of fashionable items.

Modanisa.com has 300 brands and more than 22 designers selling through their platform. They have 4.5 million Modanisa.com visitors each month, 109 full-time employees, while 35 percent of Modanisa's sales are international. They have had two rounds of investment from Aslanoba Capital.

ABOUT THE AUTHOR

Kerim Ture is an entrepreneur & angel investor. He founded Modanisa.com with 3 of his friends in 2011 to provide 'choice in style' for Muslim women and to be the platform for Modest Fashion brands and designers

Today, Modanisa attracts 6M visitors per month and works with 300+ brands, designers and serves to 75 countries.

Kerim has a lifelong passion for entrepreneurship, meeting different cultures and improving society by empowering women and entrepreneurs. He serves on the Board of Directors of Etohum, the leading startup accelerator in Istanbul and Youth Republic, an award winning Marcom agency in Turkey. He holds a masters degree in Communications from Boston University.



Seeing the ° Big Picture;

*The Global
Brand of
Conservative
Fashion
Industry*

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1. Today, conservative clothing has become a sector attracting the attention of both newly developing and globally scaled brands.

2. Global brands tending towards conservative clothing must analyze religious sensibilities that have continued for hundreds of years, take steps accordingly.

3. Yet while the salient growth rate of the market attracts established brands, some initiatives are prevented due to both operational setbacks and political instability, especially in African and Middle Eastern countries.

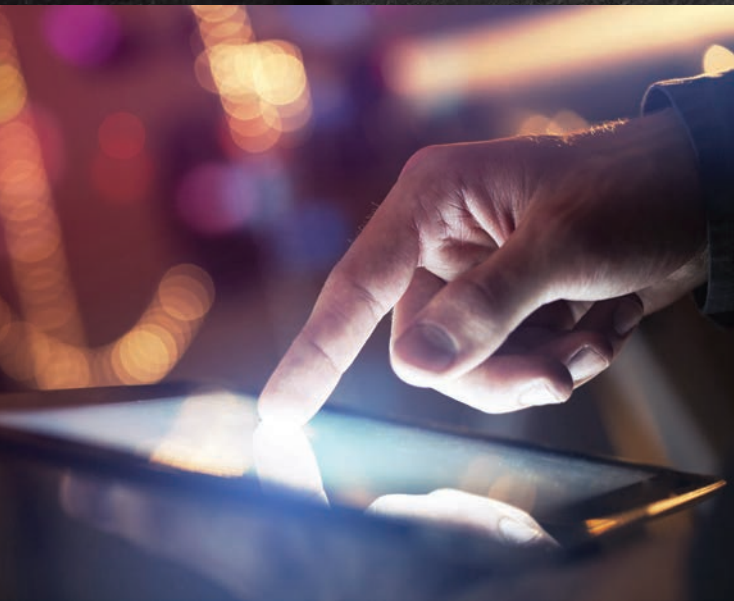
4. In this respect, where it is not easy to reach more than 400

million Muslims that can be characterized as being conservative, obstacles before the brands shall be cleared.

5. When global brands enter into conservative clothing sector with the original fashion comprehension they have, this may erroneously force them to push for compulsive change.

6. One major issue that needs to be addressed today is the lack of defined standard for the conservative clothing. Brands tending towards conservative clothing define the criteria according to varied factors, and this arouses some religious apprehensions for the consumers.

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Sheikh Mohammed bin Rashid Al Maktoum (L), vice-president of the UAE and ruler of Dubai, speaks to U.S. actor Tom Cruise. REUTERS/Jumana El Heloueh



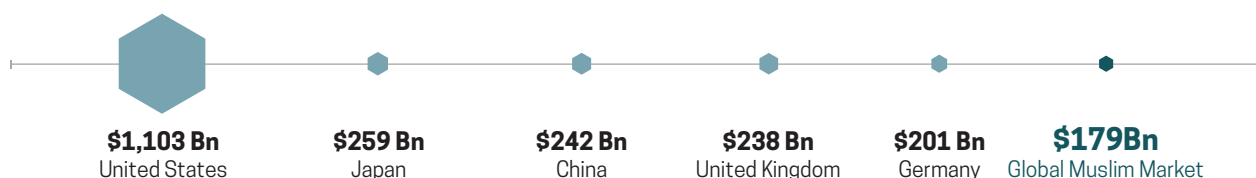
Media and Recreation Sector

Although Ibn Sina and Ibn Rushd, known as Avicenna and Averroes in the West respectively, were some of the chief interpreters of Aristotle's *Poetics* and also responsible for bringing it into mainstream Medieval Latin literature in Europe, it seemed they themselves had very little time for it. Unlike the rest of Aristotle's works, *Poetics*, that has gone onto become one of the foundational texts of much of Western storytelling, did not impress some of Muslim history's finest polymaths. A reason for this was that the Muslim world had its own unique and successful storytelling traditions, exemplified by *Hamzanama* and others. This great tradition seems to be reinventing itself in modern times through ventures such as **Alchemiya**, that offer an online video-on-demand TV service focused on quality Islamic content. This report estimates Muslim populations globally to have spent a total of **\$179 billion on Recreation and Culture in 2014** (this includes all media genre's not just 'Islamic themed' representing the potential opportunity universe of core Muslim consumers.)

Fortress Film Clinic is leading in taking Dubai and UAE as an emerging premier movie production destination as seen through major productions such as ***Mission Impossible, Fast & Furious and Star Wars sequels***. A new Muslim lifestyle magazine **Muallim** aiming to address the religious concerns of Muslim families was launched in India. Not to be seconded by anyone, **Kamala Khan, the Muslim superhero Marvel** introduced in 2013, is set to make her videogame debut. Challenges to do with censorship exist along with other obstacles but with digital media acting as a platform for this sector and increasing worldwide interest in the Islamic arts, the future for the Media & Recreation sector is bright.

How does global Muslim market compare to the world?

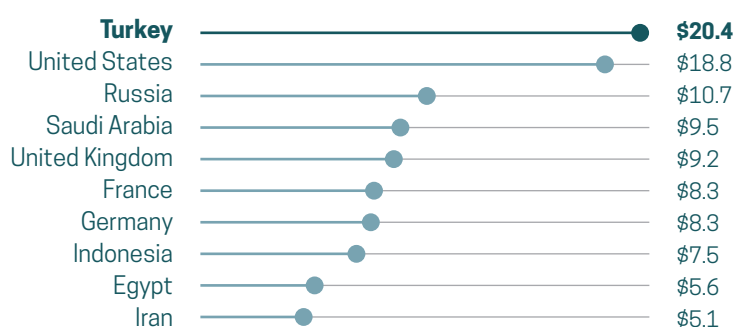
(2014 est., US\$ bill)



TOP MARKETS

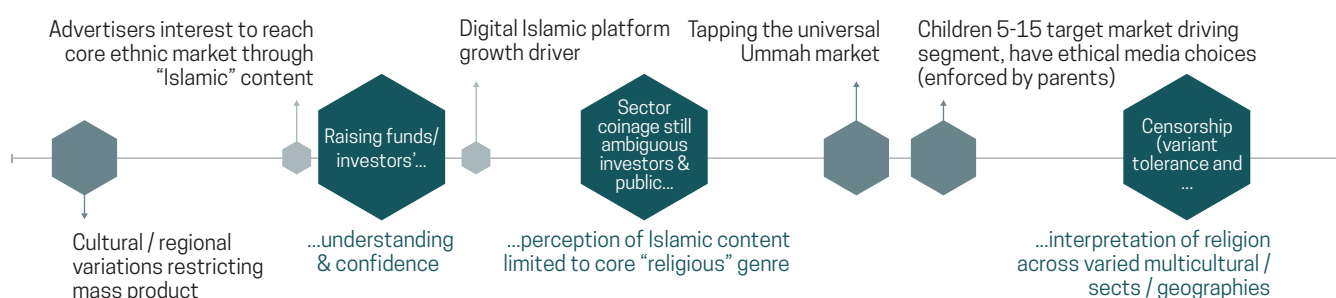
Top media & recreation Muslim expenditure countries

(2014 est., US\$ bill)

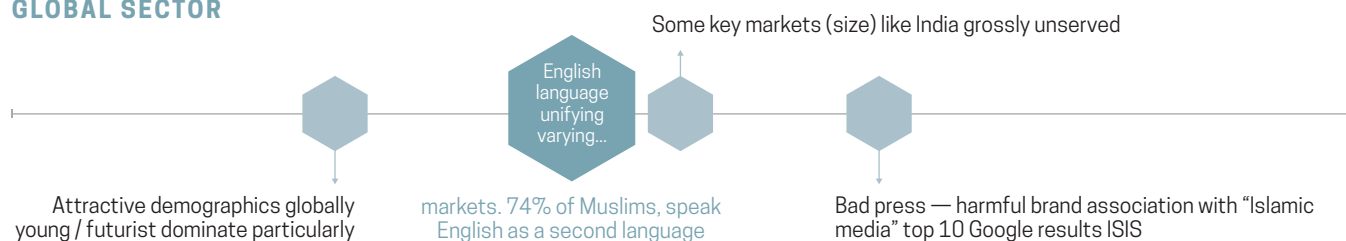


Islamic media issues & opportunities map

CORE MUSLIM MARKET



GLOBAL SECTOR



The size of hexagons represents the impact (economic implication) of each issue

1. Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology.

MARKET SIZE¹

How much does global Muslim market spend on recreation and cultural activities?

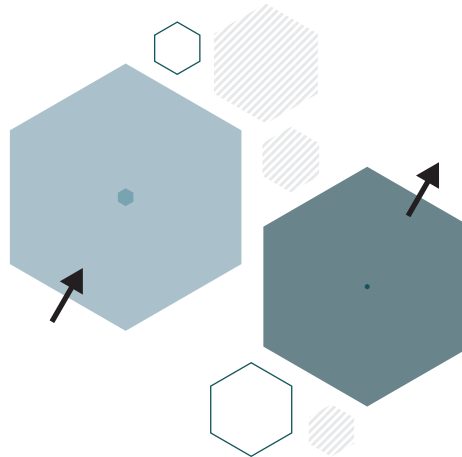


Media & recreation trade value of OIC* member countries

(2014, US\$ bill)

\$194 bn
Global Imports

\$13 bn
OIC Imports



\$174 bn
Global Exports

\$4 bn
OIC Exports

(* Only for print (news, books, other) toys, games, sports, cultural recreational services, media and other information services)

*CRITERIA (From a total of 73 select countries)

1. Supply drivers relative to country size (Recreation exports to OIC)
2. Awareness (Number of News Articles and events)
3. Social (Internet access Index)

Singapore

1

United Kingdom

4

France

5

Germany

6

10 Canada

8 United States

3 Lebanon

Bahrain

2

United Arab Emirates

India

10

Australia

9

THE MEDIA & RECREATION INDICATOR

Which countries have the best developed Islamic economy for media?

Selected key players

Online Information/Apps

Aquila Style (Singapore)
Illume (USA)
ProductiveMuslim (online/global)
Zabihah.com (online/global)
Al-Kanz (France)

Print (news, magazine, books)

Ala (Turkey)
Horizon (USA)
Muallim (India)

TV & Radio

'Omar' Ramadan Series (MBC)
IslamChannel (UK)
The 99 (Kuwait)

Music/Nasheed

Awakening Records
Maher Zain
Sami Yusuf
Native Deen
Raihan

Film

Prophet Muhammad [pbuh] Movie, Alnoor Holding (Qatar)
Selam (Turkey)
Kazan International Muslim Film Festival

The Halal Media and Recreation Indicator (MFI)

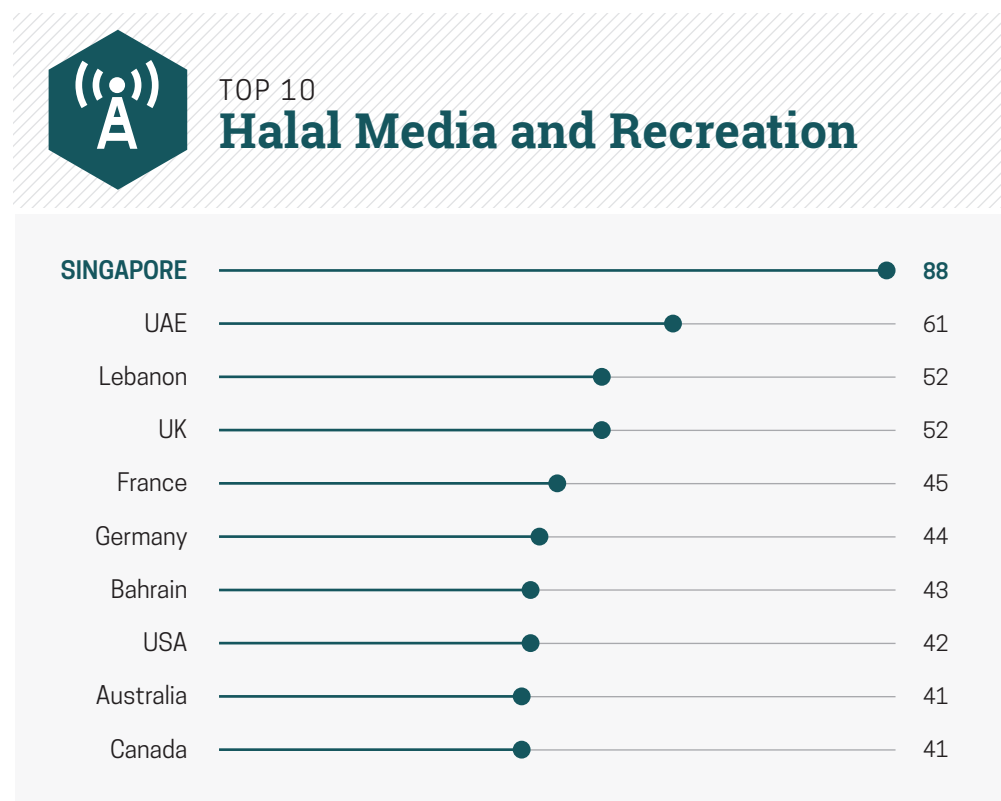
The 2015 State of the Global Islamic Economy Report revisits the Halal Media and Recreation Indicator to evaluate countries' health and development of their family-friendly/Islamic media and recreation ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Singapore, United Arab Emirates, and Lebanon lead this year's Halal Media and Recreation Indicator ranking that focuses on the health of the family-friendly/Halal media and recreation ecosystem a country has relative to its size, including its related social considerations.

The indicator equally weights three metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (recreation exports to OIC¹¹³)
- Awareness (number of news articles and events)
- Social (Internet access Index)

Below are the top 10 countries in the Halal Media and Recreation indicator.



¹¹³ Using UNCTAD Trade map data categories covering: Product/Services codes: 37 (Photographic or Cinematographic Goods); 49 (Printed Books, Newspapers, Pictures etc.) 95 (Toys, Games, Sports Recquisites); 287 (Personal, cultural and recreational services)

Below are the 10 countries that have the highest rank in Recreation.

	Sector Score	Recreation Exports to OIC	Awareness	Social	GIE Ranking
Singapore	88	164	0	101	11
United Arab Emirates	61	48	14	122	2
Lebanon	52	58	0	98	31
United Kingdom	52	30	0	125	21
France	45	23	0	114	39
Germany	44	15	0	117	47
Bahrain	43	3	0	125	3
United States	42	6	1	117	48
Australia	41	8	0	115	18
Canada	41	3	0	119	41

Singapore

Singapore ranks first mainly due to its exports being high relative to its size. As a centre of media production, many of these exports are to South East Asia Muslim countries. As a developed economy, Singapore has a very high Internet penetration rate also which is why it scores so high in the social indicator.

United Kingdom

United Kingdom is fourth on the list by virtue of its sizeable exports to OIC countries as well as strong digital infrastructure making its social indicator very strong. It can be noted that, due to the strong presence of the Islamic community, UK possesses a high number of Islamic-themed dedicated TV/broadcast channels.

United Arab Emirates

United Arab Emirates ranks very high in all three indicator categories (supply, awareness and social) that no other country in top 10 shares. The UAE's fast growth in the Internet connectivity contributes to this as well.¹¹⁴

France, Germany and United States

France, Germany and United States also appear in the top 10 mainly due to their very high Internet penetration (social indicator), although they also have some exports to OIC countries.

Lebanon

Lebanon, due to its strong media industry and as a major exporter to OIC countries, it is one of the highest exports (adjusted to the GDP and total population). This is associated with the social indicator (high internet penetration), which places Lebanon as one of the main countries in the Media and Recreation sector.

Ups and Downs

Ups and Downs: Lebanon ascends to the top 3 as it shows a favourable development in the recreational exports to OIC countries. **Malaysia** exits the top 10 due to its lower awareness score. **Canada** (which is a new country in our indicator list) and makes its debut as a top 10 country due to its high Social score.

¹¹⁴ World Bank

Current Landscape and Trends



Market size and profile – Global Muslim consumer spending on recreation & culture services at \$179 billion (5% of global expenditure)¹¹⁵:

This Report estimates Muslim populations globally to have spent a total of \$179 billion on *Recreation and Culture*¹¹⁶ in 2014. This expenditure is expected to reach \$247 billion by 2020 (5.8% of global expenditure). Global spending on Recreation and Culture was expected to be US\$ 3.5 trillion in 2014. While this does not represent actual Islamic-themed media segment size, it does represent the potential opportunity universe of core Muslim consumers.

If the collective Muslim Media and Recreation market is compared as a country, it would be the sixth largest in the world compared to countries globally; with United States consumers spending the most (\$1,103 billion in 2014). Japan, China, UK and Germany are the next largest markets. China saw the biggest jump becoming the third largest after achieving a five year growth of 70%.

Top countries with Muslim consumers' recreation consumption (based on 2014 data) Turkey (\$20.4 billion), United States (\$19 billion), Russia (\$10.7 billion), Saudi Arabia (\$9.5 billion), and United Kingdom (\$9.2 billion).

Significant size of Muslim Media and Recreation market also exists in countries where Muslims are minorities — especially western markets. Muslims in Western Europe (Germany, France, UK) plus North America (U.S., Canada) collectively spent an estimated \$49.21 billion on Media and Recreation in 2014. **This would make the western Muslim media and recreation market the largest when compared to the largest country Turkey.**

¹¹⁵ Sources: IMF, ICP data and DinarStandard analysis. See methodology section for full details.

¹¹⁶ Recreational and cultural services; gardens and pets; newspapers, books, and stationery; package holidays; expenditures on audiovisual, photographic, and information-processing equipment; other major durables for recreation and culture.

Latest Trends & Developments

- A one million dollar community funded studio for **the One Path Network** was established in Australia. A range of prominent Muslims including the grand mufti of Australia, Dr Ibrahim Abu Mohamed, and Associate Professor Mohamad Abdalla from Griffith University have endorsed the project, established to provide counterview to the mainstream media coverage of the community.¹¹⁷
- **Muslim Face** a new social media website initiative tailored for Muslim needs has been announced by group of Muslim entrepreneurs. Muslim Face in the words of its founders is an online network that is “socially responsible, safe for families and respectful to religious values”. Although similar initiative in the past like SalamWorld and MuXlim have failed to gain grounds.¹¹⁸
- **British Muslim Radio** the first Muslim oriented radio Station is to be launched in the UK. The station is part of license awarded by Ofcom UK media regulatory authority to Sound Digital to broadcast 14 stations nationally from mid-2016. The station will broadcast programming in English, Urdu, Punjabi, Gujarati and Bengali targeting the multicultural Muslim community in the UK.¹¹⁹
- A **National Film Grant** has been established by Islamic Scholarship Fund USA specifically aiming to facilitate and support Muslims entering the world of film, to create artistic, engaging and positive stories about Muslims. The award includes a grant, and also mentorship/networking support from industry professionals to help further the advancement of awarded projects.¹²⁰
- **Fortress Film Clinic**, a joint venture company has been setup to help promote film industry in the Middle East. The new company is taking root at a time when Dubai and UAE are emerging as premier movie production destinations for local and international movie maker with big major productions such as **Mission Impossible, Fast & Furious and Star Wars sequels** being filmed in the Emirates. The company will be headed by Mohamed Hefzy, a renowned producer and scriptwriter and a leading name in the industry.¹²¹
- Similar to religiously themed **Musalsalat (Drama series)** popularity in the Arab world, Islamic sinetron, locally known as **Sinetron Religi**, which offers Muslims religious guidance in dealing with life’s trials and tribulations are gaining prime time broadcasts in Indonesia. In an attempt to gain as broad a Muslim audience and advertising from heterogeneous Muslim Indonesians, these sinetron religi do not have a single dominant narrative, blurring the division between ‘traditionalist’, ‘modernist’, ‘conservative’ and ‘liberal’ interpretations of Islamic doctrines. Notable successes have been *Rahasia Ilahi (God’s Secret)*.¹²²
- The Islamic inspired trend is gaining traction in the films sector too in Indonesia, with project like *Ayat-ayat Cinta (Verses of Love; Bramantyo)* gaining immense popularity in the past. **Religious-themed movie** it seems is a new recipe for blockbuster in the Indonesian film industry currently. Some recent films in this genre include:
 - ❑ *99 Cahaya di Langit Eropa (99 Lights on The European Sky)*¹²³
 - ❑ *Hijab*¹²⁴
 - ❑ *Haji Backpacker (Backpacking Hajj)*¹²⁵
 - ❑ *Hijabers in Love*¹²⁶
- **The Islam Channel** has launched a spin off to its English channel with the launch of Islam Urdu channel in the UK. The channel aims to target over a million Urdu speaking south Asian audience through its new platform with engaging and informative content which reflects the ever-growing and diverse cultural backgrounds. Islam Channel Urdu

117 Muslim community establishes \$1 million television studio, the One Path Network. ABC.NET

118 Muslim Face A new social media website Techjuice Feb 2015

119 UK Muslims to get first radio station. Tribune March 2015

120 ISF National Film Grant Islamic Scholarship Fund 2015

121 Fortress Film Clinic joint venture to promote film industry Zawya July 2015

122 Sinetron Regi gaining prime time broadcast, Inside Indonesia July 2015

123 ‘99 Cahaya di Langit Eropa: the Final Edition’ Siap Tayang, Republika Online, Okt 2014

124 Hanung Bramantyo dan Zaskia Adya Mecca ‘Duet’ di Film Hijab, Liputan 6, Jan 2015

125 Habiskan Dana Rp 11 Miliar, Haji Backpacker Siap Tayang, VIVA.co.id, 29 Sep 2014

126 Hijabers in Love, Fenomena Hijab di Indonesia, Okezone, 30 August 2014



Mohammed Assaf, UNRWA Regional Youth Ambassador and Winner of Arab Idol 2013, performs during the 51st edition of the International Festival of Carthage at the Roman Theatre of Carthage in Tunis, Tunisia July 26, 2015. REUTERS/Zoubeir Souissi

programming content includes current affairs, lifestyle, entertainment, documentaries along with religious programming with lectures from world renowned scholars.¹²⁷

- A new Islamic thematic channel saw its launch in Africa. Uganda based **Salam TV** was launched this year. Abdul Karim Karisa the station managing director said Salam TV has come to add value, educate and promote Islam which has been looked at as a radical religion in the region. The faith based television will be under the umbrella of StarTimes, a pay television service provider in Uganda.¹²⁸
- A new **Muslim lifestyle magazine ‘Muallim’** aiming to address the religious concerns of Muslim families across the world was launched in India. Muallim primarily addresses issues regarding Islamic education and moral upbringing, spirituality, creed, and jurisprudence. Our insightful and thought-provoking feature articles address a variety of subjects related to our daily lives and lend a Muslim perspective to the issues and concerns of our modern lifestyles.¹²⁹
- A new **Islam focused digital magazine** has launched in the US with the specific intention of reaching younger readership. The magazine **Haqiqah**, or “The Truth,” was launched through the efforts of website ImamsOnline. The title aims to educate younger generations of Muslims about the dangers of fanaticism that pervade religious sectors around the world.¹³⁰
- **Kamala Khan**, the Marvel introduced Muslim superhero in 2013 is all set to make her videogame debut. Since her introduction in the past year and a half, Kamala has very rapidly become a favourite for all kinds of readers. Her very first issue is still an international bestseller according to Marvel, and she’s also been featured in team-ups with other fan favourites like Spider-Man. Kamala’s has been widely lauded by fans and critics alike as a positive example of the diversity that’s possible in comics. Now she’s destined to become a favourite for gamers, too: Kamala will soon be featured in “Marvel Puzzle Quest,” Marvel’s free-to-play match-3 adventure game.¹³¹
- A new gaming initiative **NA3M (New Arab Media)** has been launched in Saudi Arabia with a mission to change the stereotypical image of Arabs and Muslims in the gaming world. Backed by Saudi Prince Fahad Al Saud who grew up playing video games, but as an Arab, did not always identify with the on screen villains many of them depicted as Middle Eastern. The launch is part of a new generation of developers trying to end negative stereotypes about their communities in the gaming industry.¹³²
- **Islamic music industry** keeps on its steady growth. New Muslim artists are entering into this evolving and growing niche. Whether it is American Muslim artist Mo Sabri’s with his viral song “I believe in Jesus” or UK’s Saif Adam, who is now rising to prominence with his newly released debut album, *Heart*, inspired by the love for his religion. Success of these emerging talents is representative of change within the music industry, with mainstream companies beginning to note and endorse artist from the Islamic genre.¹³³
- **Booming Video Game Market in MENA.** The Middle East videogame market is set to be worth \$4.4 billion — equal to the regional television industry — by 2022 according to estimates by Strategy&, formerly Booz & Company. Booming demand for smartphone and Arabic-language games makes the sector the fastest-growing in the Middle East media and is estimated to triple from its current value of \$1.6 bn in days ahead.¹³⁴

127 Islam Urdu channel makes launch July 2015 Media247

128 First Islamic channel launched in Uganda July 2015 UGO News

129 Islamic Life style magazine launched in India Al Muallim July 2015

130 Digital Magazine Haqiqah Spreads Message of Islamic Beliefs. Good Reader March 2015

131 Kamala Khan of Marvel makes videogame debut MTV News March 2015

132 Videogame to change western Arab stereotype World Bulletin April 2015

133 The rise and rise of Islamic Music Al Jazeera July 2015

134 Arab video market worth Television Al Arabiya Nov 2014

Key Challenges and Opportunities



Photo courtesy: British Muslim TV

Challenges

➤ **Investors & public perception:** public perception and understanding to the format of Islamic content is widely skewed towards a “religious” only educational perspective, thus limiting funding opportunities for other categories and areas. For content to qualify as Islamic, it need not be restricted to media creating awareness and understanding about the faith alone. The genre can very well encompass mainstream entertainment typologies such as lifestyle; infotainment, etc through ‘value based’ content creation that is in harmony with universal values inasmuch complying with ethical codes of the faith.

➤ **Censorship:** Although promising, the Islamic-themed genres are highly sensitive with regards to the multicultural global audiences’ expectations and reactions, with some of the best work produced being mired in controversies from music to movies. There are strong sectarian views and a varied understanding of religious views within the Muslim world that have to be taken into account before launching big projects aimed at multi-markets. This year Iran’s most expensive movie project based on Prophet Muhammad’s (PBUH) childhood come under fire for depicting the Prophet by showing the back of his head.¹³⁵ The yet to be released film is receiving heavy criticism from the Sunni quarters.

Any form of media content coined as Islamic, by default invites a higher level of scrutiny and sometimes leads to heated debates in terms of permissibility and therefore acceptance. While the lines are not extremely rigid, this could limit the range available for entertainers.

➤ **Bad press:** The other challenge pertains to the negative global perceptions relating to geopolitics and Islam. This is affecting acceptance of Islam-inspired global media beyond the Muslim world. A quick Google search on the world Islamic will provide top results associated with negative press.

➤ **Financing** remains a major hurdle for Islamic media initiatives. Alchemiya offering an online video-on-demand TV service focused on quality Islamic content is relying on crowdfunding to finance its project. According to Founder CEO Naveed Akhtar “Finding and working with investors who genuinely understand this medium is a major challenge”. There is a dire need for Islamic institutional funding to support this promising sector.

¹³⁵ <http://www.dailymail.co.uk/news/article-3010564/Iran-film-portrays-Prophet-Muhammad-drawing-criticism.html>

Opportunities

- **English language unifying varying markets.** Across the globe 74 percent, the vast majority of Muslims speak English as a second language. The language uniformity has been capitalised by many media platforms to target global Muslim audience. Thematic religious channels such as Peace TV (India) Huda TV (Egypt) have made successful inroads across the Muslim world. These channels are realizing the potential of wider global Muslim audiences. Music artists such as Sami Yusuf, Maher Zain have also been able to capture international Muslim audience producing content in English.
- **Digital Islamic platform growth driver:** Digital revolution through social media, mobile and broadband technologies, smartphones has catalysed the digital Islamic media space. The new media wave has resulted in immense rise and popularity of Digital Islamic Media platforms such as Islamic lifestyle magazines, Islamic travel sites, Islamic Fashion blogs, and Islamic lifestyle app solutions.
- **Growing demand for value based content in Games industry.** Saudi Arabia recently introduced rating systems for the video game industry recognizing the widely influencing entertainment platform which mostly targets young impressionable minds¹³⁶. The games rating will certify content for restricting games that feature anti-Islamic messages, violence, sex, etc. The strict policy framework of upholding cultural sensibilities and denying market entry to contentious gaming content has provided stimulus to game-localization trend and also help demand-creation for indigenous IPs in the Muslim world. Given that the economics of the trade do not justify development of exclusive Muslims/Arab market oriented games; these companies like Syndigate ME and Rubicon are mitigating the situation by customizing international content to comply with the local standards.
- **Attractive demographics:** Muslims are today close to 23% of the world's population. The fact that the Muslim population is on average younger with a median age of 23 years across all regions, compared to a global average of around 28 makes them extremely attractive for advertisers. The younger 'Futurist' Muslim market in lucrative markets such GCC are expected to be avid consumers and growth drivers for both online and offline Islamic media content.
- **Emerging markets:** the fastest media market growth is taking place in major Islamic markets such as Indonesia, MENA, Pakistan, Turkey, India and Malaysia, all with an estimated growth of around 10 – 15 per cent CAGR, more than double the global rate in many cases. This suggests a strong base and potential for Islamic Media penetration and consumption.
- **Islamic arts:** the heightened and continued interest in Islamic arts, whether outside the Muslim world or within, promises a revival and provides opportunities in this area.¹³⁷ With an increased global interest in this area, support verticals such as auction houses, private retail, dealers, fairs and exhibitions are becoming serious about the Islamic culture. Many prominent museums such as LA County Museum of Art, NYC Metropolitan Museum of Art, Louvre museum and fully dedicated upcoming Islamic museums as in Qatar have started giving due leverage to this art form¹³⁸.

136 <http://www.vgstations.com/en/news/item/3684-saudi-arabia-creates-islamic-rating-system-for-video-games-seeking-to-ban-multiple-titles.html>

137 Global Trends in Contemporary Islamic Art, H-NET, June 2014.

138 https://www2.deloitte.com/content/dam/Deloitte/xs/Documents/financial-services/me_Islamic-Digital-Services.pdf



Interview



Mohammad Al-Qahtany
Managing Director
Abwab Capital (UAE)



Kashif Khan
Executive Vice
President and Head of
Business Development
Abwab Capital (UAE)



Please tell us how your firm aims to encourage entrepreneurship in digital Islamic economy and support innovation?

We actively seek out talented entrepreneurs, who have good ideas and plans for Islamic digital ventures. We help these entrepreneurs not just with obtaining investments, but also with guidance and support with their businesses.

Is Abwab Capital is planning to establish a dedicated fund for promoting growth in Islamic Media sector?

We believe that there is a dearth of good Islamic content, especially on digital platforms and for younger audiences from the Millennial generation. Our fund will focus on funding and incubating media businesses that address these needs.

Why have you ventured in a much uncharted space, more so from a local investment point of view lacking market confidence?

Whilst it's an uncharted space in our region, it's a booming space from a global perspective. We aim to capitalize on this opportunity, as digital media sectors experience high growth. In order to mitigate any risks, we have formed a team of global

media industry experts who will guide us with these investments, and our entrepreneurs with their ventures.

GCC particularly UAE is emerging as a premier movie production destination for local and international film production. Do you believe these developments will act as catalysts in promoting local investors' confidence in engaging with the media sector?

Absolutely. In addition to the Hollywood and Bollywood productions in this region, there is also a lot of great local content coming out of this region and new digital media platforms being built. These developments should certainly encourage local investors.

What message do you have for entrepreneurs in this space to improve 'investment readiness' among creative businesses and articulate their value to potential investors like yourselves?

Our advice would be to not try and "re-invent the wheel" and look towards the west for established business models and roadmaps for inspiration. There is a huge "concept arbitrage" opportunity where you can see what works in Europe and the US, and replicate it for this region.



Founder and Chief Executive Officer Naif Al-Mutawa poses in front of cartoon characters created by his publishing company Teshkeel. REUTERS/Brian Snyder



Interview



Aamer Naeem
Editor in Chief
British Muslim TV

**BRITISH
MUSLIM TV**

Please tell us about your channel?

British Muslim TV is available free to view on Sky 845 in the UK, via Vision TV on channel 244 on Freeview and also streaming free worldwide on www.britishmuslim.tv. There is also a subscription based video on demand service also available from the same website. Offering religious, lifestyle, educational and entertaining Muslim friendly content, it is a real alternative for viewing for Muslims and Non-Muslims alike.

As a thematic channel focusing on British Muslims, how do you manage the challenge of catering to a niche that is 'united by faith' but at the same time is widely diverse and multicultural?

We have a real range of programming to cater for diverse needs. Always conscious to take an inclusive approach and sensitive to the diversity implicit within the Muslim community we offer a range of interesting and relevant content for British Muslims. We have no sectarian leaning, the only leaning we have is one of a British Muslim relevance. Although a Sunni lead organisation, we invite Sunni and Shia; Sufi and Salafi; Muslim and Non-Muslim guests and presenters. The team is equally as diverse, with staff and presenters from over a dozen countries of origin and across various religious schools of thought.

There are 20 plus dedicated Muslim TV channels in the UK with majority being overtly faith oriented in their programming? How do you position yourself in what comes across as a fairly crowded space?

We have four main objectives:

- A. To help contribute towards the narrative to be Confidently Muslim and Comfortably British. This differentiates a lot of content from other channels in this space as it ensures the conversations we have are relevant to Muslims in the West as well as ensures a more contemporary feel to the programming on offer.
- B. To be completely non-sectarian. Again differentiating from most other channels in the sector which have a leaning towards one group or another. We also have regular intra-faith and inter-faith programming too.
- C. Improving the quality of production in the genre. We are keen to ensure the best quality of camera work, edit and production. We try not to compare ourselves to other channels in the genre but against the best channels in the market place.
- D. To be a playground to help nurture new talent. To help build the capacity of new producers, editors, presenters and film makers. We've invested heavily in new talent incubation it has really mutually benefited all concerned.



Please expand on the ‘modern and Halal entertainment’ that you promise to bring to your audience?

Islamic TV is often full of back to back lectures and khutbahs. We too offer a selection of the same. However we have also diversified the offering to include other genres which equally entertain and educate. We have shows like Curious Foodies and Halal Kitchen which showcase quaint and interesting eating places and dishes; Urban Spirit which searches for Muslims in the main Urban centres of the UK who add to the local cultural language of the city; Half My Faith All My Struggle, which is a

fly on the wall documentary following the lives of 12 individuals and their search for marriage partners; Live on Stage and Faith Inspired Music are two shows which showcase existing and new nasheed artists and comedians and much much more.

Can you elaborate on your current business model?

Our current business model relies heavily on advertising revenue. However our recent subscription based on demand service is another potential regular source of income to help sustain our work. are doing.



Two Egyptian women buy "breathable" nail polish from a store in a Dubai shopping mall November 18, 2013. REUTERS/Ahmed Jadallah



Pharmaceuticals and Cosmetics Sector

In the Islamic tradition one of the ways a Muslim knows and develops a connection with God is through the names that God has used to describe Himself in the Qur'an. One of those names is Al-Shaafi, translated as The Healer. Add to this the magnificent history Muslims have in regards to scientific innovation and discoveries in Islamic Golden Age during the Middle Ages, then it is only natural that similar successful innovations and discoveries are being made within the Pharmaceuticals and Cosmetics sector today. Muslims are influencing this space by their significant purchasing power. Global Muslim spending on pharmaceuticals is estimated **to be \$75 billion in 2014 which is 6.7% of global expenditure.**

Success stories are plentiful. Malaysia will produce the first Halal vaccine in collaboration with a company from Saudi Arabia, a Brazilian company is introducing Halal skincare for diabetics and ESMA has launched its Halal mark for certification of Halal cosmetics. As always there are challenges, it is not easy getting funding for research and development; Muslims are not always properly trained in good manufacturing practices; there is use of ingredients in Pharmaceuticals and Cosmetics that can be toxic to humans, that should be a cause of concern for Muslims and is one of the many challenges to overcome.

Yet, where there are challenges there is also opportunity. Of course, resolving issues of gelatine can prove to be very useful for the daily lives of Muslims and profitable for businesses. This is still very much a community that is invested in healing and scientific innovation, this is why the potential Muslim pharmaceuticals expenditure is expected to reach \$110 billion by 2020 and will account for 7.8% of global expenditure.

PHARMACEUTICAL BENCHMARK

How does global Muslim market compare the world?

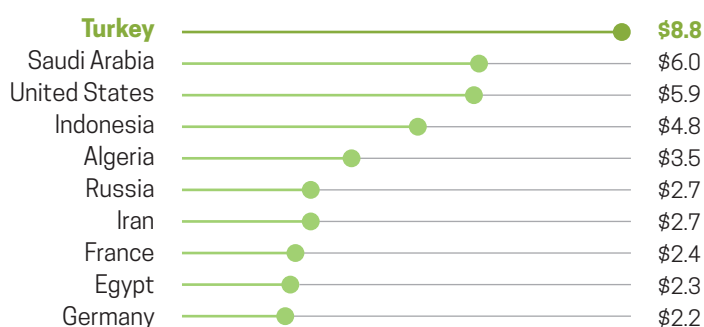
(2014 est., US\$ bill)



TOP MARKETS

Top countries with Muslim consumer pharma expenditure

(2014 est., US\$ bill)



Countries that export most pharmaceutical products to OIC



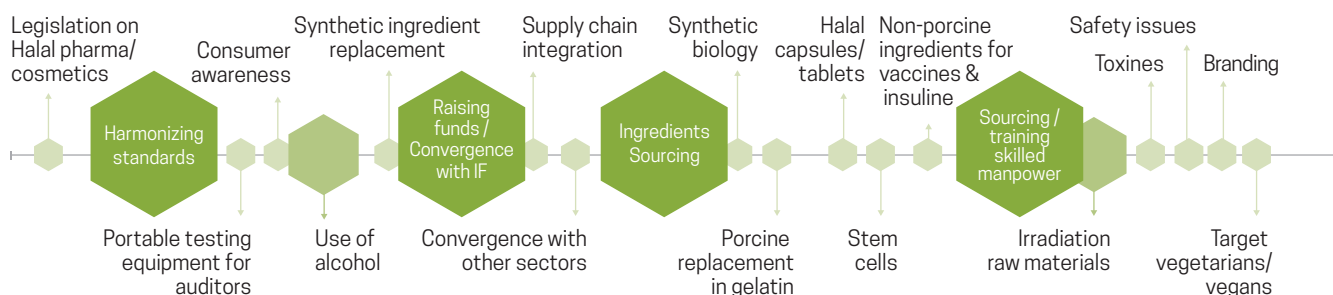
France \$ 4,947 mln

Germany \$ 3,900 mln

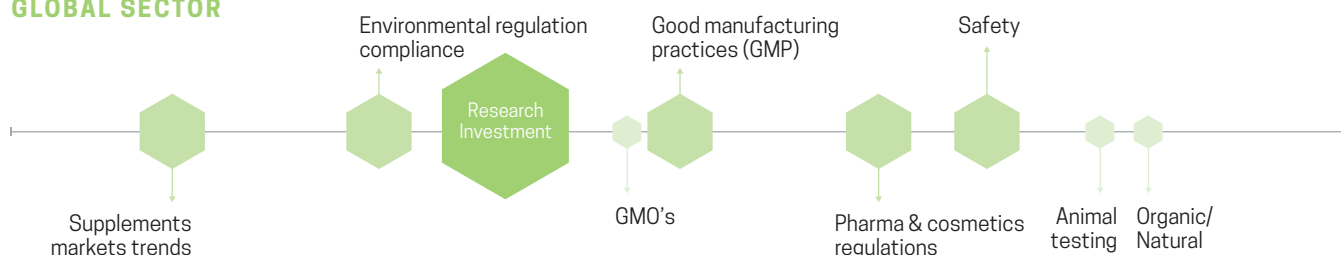
UK \$ 1,890 mln

Halal pharmaceuticals issues & opportunities map

CORE MUSLIM MARKET



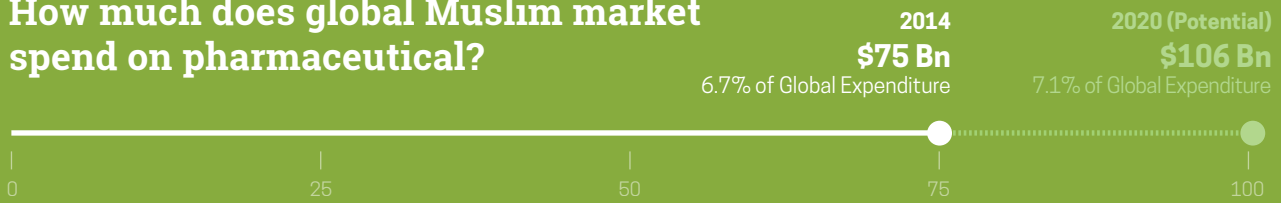
GLOBAL SECTOR



The size of hexagons represents the impact (economic implication) of each issue

1. Expenditure data based on various National Statistics Agencies/ Pharma Industry Associations and UN Comtrade Data, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology."

*OIC: Organization of Islamic Cooperation — 57 member countries

MARKET SIZE¹**How much does global Muslim market spend on pharmaceutical?****Pharmaceutical manufacturing trade value of OIC* member countries** (2014, US\$ bill)

* Only for pharmaceutical manufacturing sectors

HALAL PHARMACEUTICAL INDICATOR

Which countries have the best developed Islamic economy for Halal pharmaceuticals & cosmetics?

**CRITERIA (From a total of 73 select countries)

1. Trade: Pharma & Cosmetics exports to OIC relative to country size
2. Governance: Regulation/ Certification requirements
3. Awareness: Media/Events
4. Social: Pharma & Cosmetics Pricing Index

**Selected key players****Global Brands**

Pfizer (USA)
 Novartis AG (Switzerland)
 Merck & Co. Inc. (USA)
 Sanofi (France)
 GlaxoSmith (UK)

OIC-based Top Pharma

Eczacıbaşı Holdings (Turkey)
 Selçuk Ecza Deposu (Turkey)
 Kalbe Farma (Indonesia)
 Hikma Pharmaceuticals (Jordan)
 CCM Chemicals Sdn Bhd (Malaysia)
 Julphar (UAE)

Specialty Halal Pharma Companies

AJ Pharma [Vaccines] (Malaysia / Saudi Arabia)
 Noor Vitamins (USA)
 Safwa Health (Malaysia)
 BACFO Pharmaceuticals [Herbal] (India)

Source: DinarStandard — Top 100 Businesses of the Muslim World list

Cosmetics / Personal Care

COSMETICS / PERSONAL CARE BENCHMARK

How does global Muslim market compare the world?

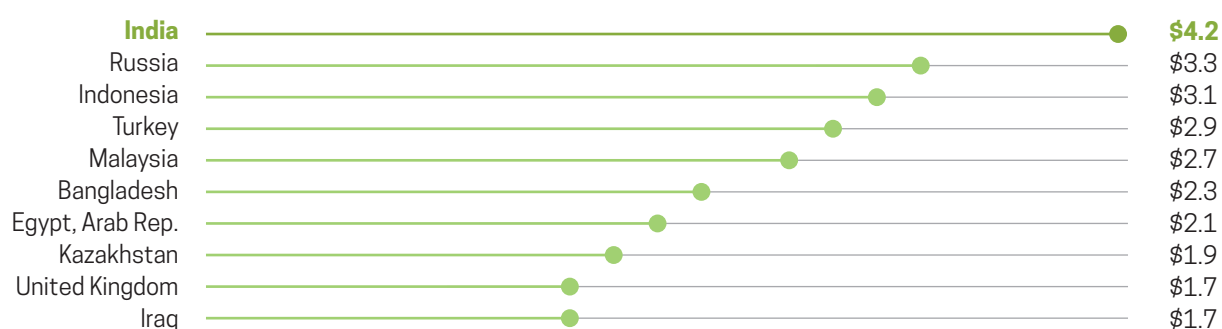
(2014 est., US\$ bill)



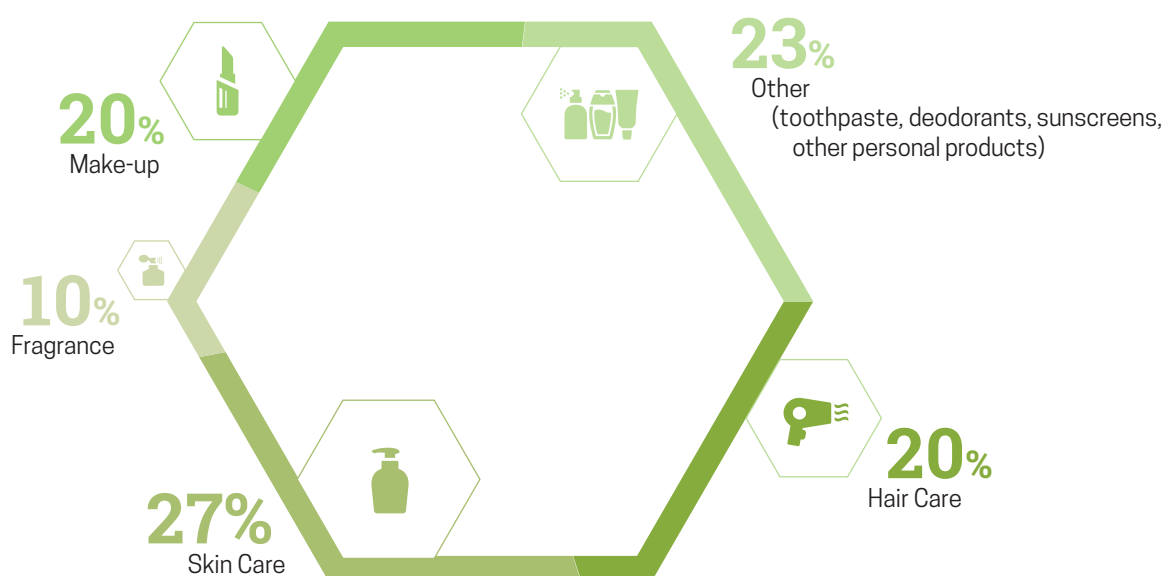
TOP MARKETS

Top countries with Muslim consumer cosmetics/personal care expenditure

(2014 est., US\$ bill)



Global cosmetics/personal care segment breakdown



Source: ChemistCorner

1. Expenditure data from national industry associations, national statistics agencies, Eurostats and DinarStandard Analysis, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology.

*OIC: Organization of Islamic Cooperation — 57 member countries

MARKET SIZE¹

How much does global Muslim market spend on cosmetics/personal care?

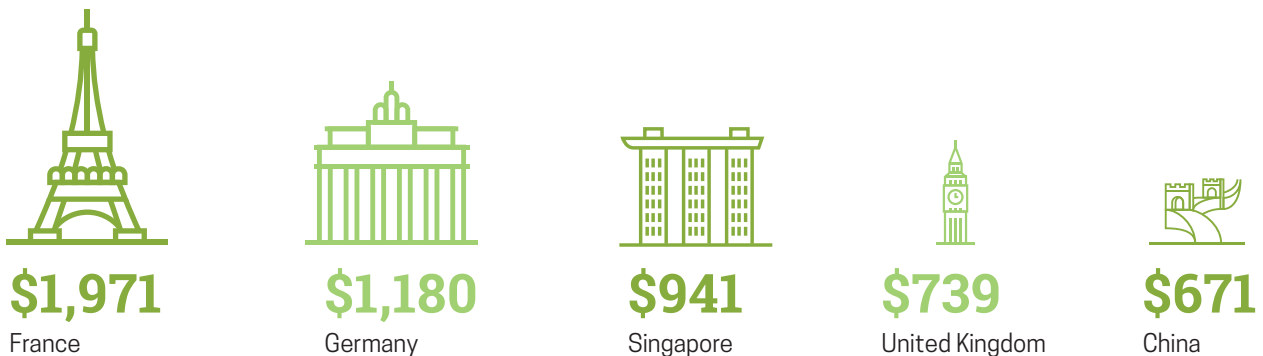


Cosmetics/personal care manufacturing trade value of OIC* member countries (2014, US\$ bill)



* Only for Essential oils, perfumes, cosmetics, toiletries manufacturing

Which countries export most cosmetics/personal care products to OIC countries? (2014 est., US\$ bill)



Selected key players

Source: DinarStandard DS5000 database

Global brands

Colgate — Palmolive
Avon
BASF
Procter & Gamble
Unilever
L'Oreal

OIC-Based Cosmetic Companies

Farmasi (Turkey)
Wardah (Indonesia)
Hayat Kimya Sanayi A S (Turkey)
Evyap Sabun Yag Gliserin (Turkey)
Lam Soon (Malaysia)
Mandom (Indonesia)

Specialty Halal Personal Care/
Cosmetic Products/Companies

Sunsilk's Clean & Fresh
[shampoo designed for women
who veil their hair]
Inglot [permeable nail polish]

Halal Certified Cosmetics Line

IVY (Malaysia)
Saaf Cosmetics (UK)
One Pure (UAE)
Inika (Australia)

The Halal Pharmaceuticals and Cosmetics Indicator

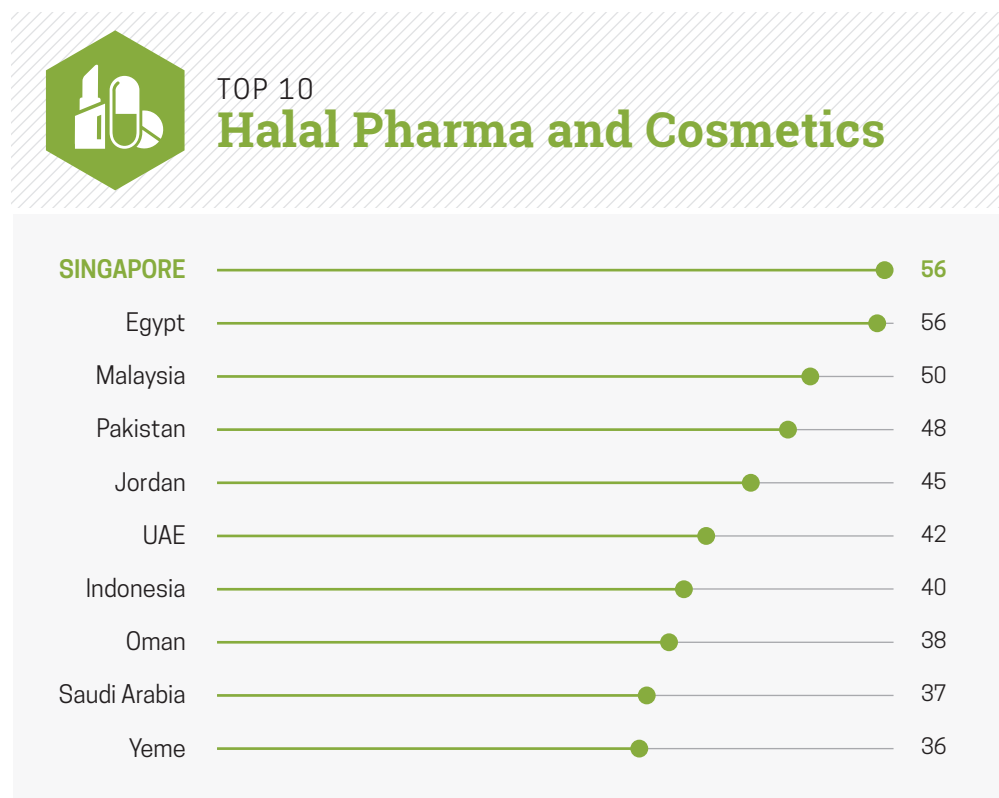
The 2015 State of the Global Islamic Economy Report revisits the Halal Pharmaceuticals and Cosmetics Indicator to evaluate countries' health and development of their Halal pharmaceuticals and cosmetics ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector, instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Singapore, Egypt and Malaysia lead this year's Halal Pharmaceuticals and Cosmetics Indicator ranking that focuses on the health of the Halal pharmaceuticals and cosmetics ecosystem a country has relative to its size and its related social considerations.

The indicator equally weights three metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (pharmaceuticals and cosmetics export to OIC)
- Governance (Halal regulations and compliance)
- Awareness (number of news articles and events)
- Social (pharmaceuticals and cosmetics pricing index)

Below are the top 10 countries in the Halal Pharmaceuticals and Cosmetics Indicator.



	Sector Score	Exports to OIC Score	Governance	Awareness Score	Social Score	GIE Ranking
Singapore	56	116	83	0	25	11
Egypt	56	40	100	0	84	13
Malaysia	50	10	100	46	45	1
Pakistan	48	4	100	2	87	5
Jordan	45	59	67	0	55	9
United Arab Emirates	42	26	100	14	26	2
Indonesia	40	6	100	5	47	10
Oman	38	6	100	0	46	6
Saudi Arabia	37	0	100	6	41	4
Yemen	36	0	83	0	61	22

Singapore

Singapore tops this indicator because, considering its size, it is a very active exporter of pharmaceuticals and cosmetic products to OIC countries, particularly cosmetics. Because it is a very developed country, its median income is very high which increases the prices of cosmetic and pharmaceutical products but it has a low rank regarding the social indicator.

Egypt

Egypt ranks as second in this year's indicator because of its governance and the social indicators. Cosmetic and pharmaceutical products in Egypt are affordable, thus the high social indicator.

Malaysia

Malaysia ranks third leading the awareness score and having a strong governance. It is indeed regarded as an important hub for Halal pharmaceuticals and cosmetics¹³⁹ with strong government and industry support. It was the first country to create Halal pharmaceuticals guidelines.¹⁴⁰ Even though it is a very important hub for Halal pharmaceutical and cosmetic

products it does not rank as one of the main exporters to OIC countries relative to its size.

Pakistan

Pakistan is fourth on the list and its main strengths in the pharmaceuticals and cosmetics sector are the governance and social indicators. Active local manufacturing and government subsidies support low prices. Meanwhile, it does have an active Halal governance and compliance set-up.

It is no coincidence that three of the **GCC** countries rank in our top 10 list (two are in the top 10 and the remaining are in the top 25). The GCC, due to its internal factors (high purchasing power and high urbanization and expatriate presence) are experiencing a growth in the pharmaceuticals and cosmetics industry that is likely to continue.¹⁴¹

Ups and Downs

Ups and Downs: **Singapore** replaces **Malaysia** as the leading country in this indicator mainly to a drop in Malaysia's awareness score. Also the decrease in the awareness score caused the replacement of **Brunei** in the top 10 by **Yemen**.

¹³⁹ http://www.hdcglobal.com/publisher/halal_park_about

¹⁴⁰ http://www.investkl.gov.my/News-@-Malaysia_Creates_History_With_First_Halal_Pharmaceuticals_Guidelines.aspx

¹⁴¹ DinarStandard research and analysis

Current Landscape and Trends



Pharmaceuticals Market size and profile – \$75 billion market (7 % of global expenditure)

This Report estimates global Muslim spending on pharmaceuticals to be \$75 billion in 2014 which is 7% of global expenditure. Total global spending on pharmaceuticals was estimated to be \$1,111 billion in 2014.

The potential Muslim pharmaceuticals expenditure is expected to reach \$106 billion by 2020. The equates to a 2014-20 CAGR growth rate of 5.9%.

If this market were a country, it would be ranked fourth after the United States (\$345 billion), Japan (\$112 billion) and China (\$107 billion) in 2014 spending.

Top countries with Muslim pharmaceutical consumers are Turkey (\$8.8 billion), Saudi Arabia (\$6 Billion), United States (\$5.9 billion) Indonesia (\$4.8 billion) and Algeria (\$3.56 billion) based on 2014 data.

Muslim Minority countries such as United States (\$6 billion), France (\$2.39 billion), Germany (\$2.19 billion), Italy (\$0.7 billion) and the United Kingdom (\$1.4 billion) account for a total expenditure of \$12.6 billion. **The combination of these western Muslim-minority countries' Muslim pharmaceuticals market make them larger than the largest Muslim consumer pharmaceuticals consumption market, which is Turkey.**

Cosmetics market size and profile – \$54 billion market (7% of global expenditure)

This Report estimates global Muslim spending on cosmetics to be \$54 billion in 2014 which is 7% of global expenditure. The sector includes hair care, skin care, fragrance, makeup and other personal care segments (toothpaste, deodorants, others). Total global spending on cosmetics is estimated to be \$742 billion in 2014. The Muslim cosmetics market is expected to increase to \$80 billion by 2020. This equates to a 2014-20 CAGR growth of 6.8%.

Comparatively, the global Muslim cosmetics market is the fourth largest market compared to top countries. Cosmetics expenditure is the highest in United States (\$81 billion), followed by Japan (\$79 billion) and China (\$60 billion).

Top countries with Muslim cosmetics consumers are India (\$4.2 billion), Russia (\$3.3 billion), Indonesia (\$3.1 billion), and Malaysia (\$2.7 billion), and Turkey (\$2.9 billion) based on 2014 estimates.

Muslim-minority countries such as India (\$4.2 billion), Russia (\$3.3 billion), UK (\$1.7 billion), France (\$1.7 billion), United States (\$1.4 billion), Italy (\$0.8 billion) and Canada (\$0.6 billion) account for a total expenditure of \$13.8 billion. **Collectively, these western Muslim markets are larger in cosmetics spending than the largest Muslim-majority cosmetics market — Turkey.**

Halal Pharmaceutical developments

- **A Halal law for medicine is being debated in the Indonesian government** but they are currently indecisive in passing it. It is unlikely that the law will be passed before 2016. Many drug manufacturers in Indonesia (including vaccines) import raw materials and hence the origin of products (Haram or Halal) is unclear. This will likely slow down Halal investment pickup in this sector in Indonesia.¹⁴² There are already regulations in place for Cosmetic Import Control in Indonesia. Since April 2011 regulations on documents, and a Certificate of Analysis (results of the quality control done by the manufacturer) are required to receive an Import License. An import License is not required in Malaysia.
- **Malaysia plans to produce the world's first Halal vaccine in collaboration with a Saudi company.** The Halal Industry Development Corporation (HDC) are providing the facilities and infrastructure for Halal vaccine production for the Saudi firm, AJ Biologics, a subsidiary of AJ Pharma Holding, at Enstek Halal Park, Negri Sembilan. The Saudi company has started investments towards developing the plant under its third phase at a cost of RM300 million. There are currently no vaccine producers throughout the world with a Halal certification. Some of the vaccines produced by the company will be plant based and will be labelled as such.¹⁴³

¹⁴² *Halal Certification a Bitter Pill for Pharma*, Jakarta Globe, February 2015

¹⁴³ *Malaysia Plans Halal Vaccine Production*, The Malaysian Reserve, November 2014; *Next Big Malaysian Push: Halal Vaccine*, April 2015

- **Brunei company, Simpor Pharma Sdn Bhd., launched its initial range of Halal health supplements in June 2015.** Simpor Pharma is a \$26 million joint-venture among Viva Pharmaceutical Inc. (Canada), private equity fund Aureous (Brunei) Capital Sdn Bhd and a group of local investors.¹⁴⁴The Brunei Economic Development Board (BEDB) helped to put together Halal guidelines with local authorities to promote Brunei as a destination for Halal pharmaceutical manufacturing back in 2010. Viva Canada, a pharmaceutical company from Canada, took up the opportunity and built their state-of-the-art facility to manufacture and supply Halal generic drugs and nutraceuticals to Muslim markets in Asia in 2013.
- **CCM Duopharma Biotech Bhd (CCMD) recently acquired six pharmaceutical units from parent company, Chemical Company of Malaysia Bhd (CCM) and is focusing on growing its biotherapy pipeline** by exploring new niche therapeutic areas, such as biologicals and biotherapies, specifically erythropoietin (EPO) and insulin, targeting for it to contribute 30% of CCMD's revenue base by 2020.¹⁴⁵On its halal pharmaceutical segment, CCMD will continue to leverage its position as a pioneer in the Halal segment and through active involvement in Halal initiatives and collaborations with leading Halal advocates locally and abroad.
- **The University of Karachi's International Centre for Chemical and Biological Sciences has set up a special laboratory at its Industrial Analytical Centre, dedicated to the testing of Halal products** (food, cosmetics and pharmaceuticals).

Halal Cosmetics developments

- **Tanamera Tropical Spa Products were awarded the National Mark of Malaysian Brand** that depicts, quality, excellence and distinction of products and services by Malaysian companies in July. This award is based on stringent quality standards. Tanamera are currently planning expansion into Kuwait, Qatar, Canada, Bangladesh and Australia. With a new children's range of products for babies already recently launched, at the end of 2015 they will be launching a new

Lifestyle range of products, including a natural aromatherapy anti-bacterial spray.

- **Iba, India's first Halal certified cosmetics brand, launched several stores throughout India.** The products were launched in 2014, followed by establishing their Halal Cosmetics stores. In addition to being Halal, the products are organic and free of animal-derived products. They are also free of any harsh chemicals and animal cruelty.
- **Brazilian company introduces Halal certified diabetic cosmeceuticals.** We are revolutionising the diabetes care market with our Apoema® Diabetes Pro Care Halal Certified product line which we scientifically created for the prevention and treatment of diabetes-related issues, says Bernd H. Weber, SVP of IAH Comercio de Cosmeticos Ltda. in Sao Paulo, Brazil. This clinically-proven diabetic product line was created in response to the global dilemma of the ever-increasing number of currently 387 million people globally diagnosed with diabetes. These innovative, all natural, Amazon-based, Halal certified products are expected to have an enormous positive social impact, and subsequently lower Government health-care spending, in countries with a high concentration of diabetic sufferers.¹⁴⁶
- **Indonesian company Wardah** produces and markets alcohol-free and fragrance-free skincare products (sunscreen, moisturizer, lip balm etc) and also positions their products for Hajj/Umrah pilgrims. They partner with Hajj/Umrah travel agents to market the products for them. The owners also operate one of the largest skin/beauty clinics in Indonesia.





- **Nails Inc, a UK company specializing in nail polish, has produced a limited edition wash-off nail polish range called H2GO.** Developed using a water base, it was especially created to be Halal-friendly, and can be easily washed off before prayer. The 6-piece range was launched on the eve of Ramadan in 2015¹⁴⁷. Previously, Polish cosmetics company Inglot had introduced its Halal certified O2M breathable nail polish line, and BCI marketed the nail polish line "H", the first to receive Halal certification in the Middle East.

¹⁴⁴ Simpor Pharma launches first range of halal supplements, The Brunei Times, June 2015

¹⁴⁵ CCM Duopharma sets to grow Biotherapeutics portfolio, The Sun Daily, May 2015

¹⁴⁶ Bernd H. Weber, SVP of IAH Comercio de Cosmeticos Ltda. in Sao Paulo, Brazil. Website: <http://www.diabetesprocare.com.br/>

¹⁴⁷ Nails Inc. H2GO wash off nail polish, BeautyAlmanac, June 2015

-  **ESMA launched its Halal mark for certification of Halal cosmetics** at Beautyworld Middle East in May 2015.¹⁴⁸ With a number of companies looking for Halal certification for their products ESMA will provide this opportunity to them in order to ensure that their products are Shariah-compliant and compatible for exports. Last year alone, UAE residents spent nine per cent more on personal care products to Dh 5.3 billion (\$1.445 billion) according to Euromonitor International and it is set to increase over the next 5 years.
-  **Wellness traditions from the Islamic world are highlighted in the Global Spa Trends for 2015 report** produced by Spafinder Wellness Inc. The report highlights treatments such as rasul mud room treatments, and sand bathing, and black seed-infused skincare. London's K West Hotel & Spa recently launched a "Baobab Feel Good" treatment using baobab-based scrubs and oils, followed by a Baobab smoothies (Baobab is a fruit that grows in Africa and the Arabian Peninsula that consists of a nutrient-packed powdery center).
-  **The focus of Cosmoprof Worldwide Bologna 2016, a leading international beauty industry forum and exhibition, will be Halal cosmetics.** An exhibition area, part of the pavilion dedicated to natural cosmetics, will be dedicated to Halal certified cosmetics companies. This initiative has been developed in partnership with the Italian Halal certification body, WHAD — World Halal Development. Cosmoprof Worldwide Bologna 2016's interest in highlighting Halal cosmetics is due to the fact that according to WHAD, 80% of the beauty products sold in the GCC are produced in Europe, specifically in Italy and France. In addition there is a high demand for Halal cosmetics in South East Asia.¹⁴⁹
-  Turkish Standards Institute has identified Halal standards in the cosmetic industry and started to approve Halal cosmetic products since mid 2014. The Turkish government requires Turkish cosmetic firms to get a Best Production Practices certificate before exporting to Europe. This certificate also covers Halal requirements.

148 All cosmetics sold in the UAE are Halal by default: Esma. Emirates 24/7, May 2015

149 New @Cosmoprof 2016 – Focus on the Halal Cosmetics, www.cosmoprof.com, May 2015

Key Challenges and Opportunities



A nurse takes the temperature of her colleague before she starts her shift at a hospital in Bandar Seri Begawan, May 6, 2009. REUTERS/Ahim Rani

Challenges

- **Identifying the source of medicines.** Fortunately, gone are the days when pig placenta was used in anti-ageing cosmetics or mare urine to manufacture the contraceptive pill, thanks to increasing consumer demands for cruelty and animal free products. There is a preference for using non-animal ingredients now, owing to consumer awareness due to vegetarian and vegan lobbying. The 'mad cow' and bird flu epidemics have also impacted the use of animal-based ingredients. Most, if not all, antibiotics on the market are synthetic, making them cheaper and available in large quantities to meet global demand. The main problem is at the formulation stage where these antibiotics and other medicines are blended/packaged/encapsulated in ingredients that are not Halal.
- **Rapid developments in synthetic biology in the future are causing concern** — i.e. from microorganisms and plants of the future that have been genetically engineered to the extreme to contain large parts, and potentially complete, edited/synthetic genomes (in other words man-made designer microorganisms and plants). This will not only impact antibiotics but also future food produced from such 'synthetic' organisms. Though this is for the future, authorities are already looking into how to regulate such developments.¹⁵⁰
- **Many Muslim auditors are not trained in Good Manufacturing Practices (GMP) guidelines, which are important for maintaining quality.** The use of Good Manufacturing Practices (GMP) guidelines that correspond with a country's legislation for cosmetics and

¹⁵⁰ Professor Qasim Chaudhry, Visiting Professor at University of Chester, UK

personal care products have been designed to improve product quality and tractability to protect human life and help ensure that products are pure and healthy (*tayyib*). It is not just a case of detecting haram ingredients but also the unethical *masbooh* ingredients (best to avoid) because of damaging effects from them absorbed through the skin or internally with medication. Many Muslim auditors may not be trained in GMP guidelines so may miss potential points of contamination. Ensuring that Halal auditors and technical experts have this training is essential for the growth of Halal certified personal care and pharmaceuticals.

➤ **Good Manufacturing Practices (GMP) regulations for pharmaceuticals and cosmetics require that companies normalize reproduction for quality control, which has resulted in a shift to synthetic replacements of natural ingredients.**

These regulations have affected the homeopathic and natural medicines market as they are required to have a license which can cost up to \$156K. For that reason many small medicine brands had to stop trading. However regulations are not so strict on personal care. Synthetic replacements are already used in personal care and have been for a long time to replace many of the natural ingredients that may have been dubious in the past. Since natural ingredients are expensive and difficult to control, natural essential oils are used less now, and split into synthetic components to comply with the new GMP regulations for cosmetics to normalize reproduction for quality control.¹⁵¹

➤ **Alcohol which is used in various forms**, both for the maintenance of machinery and in the products themselves, is one aspect in Halal standard guidelines that differs between countries. Whether the views can be standardized on this remains to be seen.

➤ **The use of ingredients in cosmetics that are toxic to the human being** may be considered to be Haram in Halal certification as they are not *tayyib*. For example, some of the ingredients used in skin whitening creams, such as hydroquinone

and mercury come under this category. These ingredients are banned in many countries but are still in use in some countries. They are considered toxic inside the body so are also harmful on the outside of the body. They kill the melanin cells that, among other things, can cause cancer.¹⁵²

➤ **Challenge to get funding for research and development.** Horizon 2020 is the biggest EU Research and Innovation program ever with nearly €80 billion of funding available over 7 years (2014 to 2020). The main problem with Horizon 2020 (and other government and European funding schemes) is not that they are very competitive but that they are very thematic — i.e. the call subjects are not 'open'. The topics are decided upon and prioritized by the authorities a good couple of years in advance. When the topics of the calls come out the type of research we intend to do in Halal is not called for and hence we cannot fit our Halal ideas directly to a topic 'on the table'. We need to influence the future calls by invoking some ways to getting the topics important to the Muslim and other faith communities.

➤ **According to Dr Mohamed Issa, CEO, Noor Pharmaceuticals, the most complex part of the pharmaceutical process is the innovative side of the business** in which a company will have to discover a product and have legal guidelines to protect the intellectual property of the product. Then the product will then go through small scale production and be tested for stability, then be certified. From there the product will go through clinical development, which is seen as the most difficult stage of the process with pre-clinical work to test molecules, ingredients and formulations in three different phases, before finally going through regulatory submission, which requires local and global regulatory expertise in order for the product to be successful worldwide.

151 Dr. Mah Hussain-Gambles MBA, Cosmetics Consultant, UK

152 Mohamad Faisal bin Ahmad Fadzil, Founder and Managing Director, Tanamera, Malaysia

Opportunities

➤ **Animal derived ingredients in pharmaceuticals are increasingly being replaced by synthetics.**

This is mainly due to consumer demand and animal rights activity in the West. Removing animal ingredients from products simplifies the process of certifying the products as Halal since animal ingredients have been removed from the equation. In the pharmaceutical industry, Quality Assurance/Control requirements for actives (drug) and excipients (ingredients used to bind the drug in a tablet/capsule or syrup form) is the foundation of GMP regulations that are now enforced. Unlike the Cosmetics industry, where 'natural' or organic products are increasingly the norm, to control for purity and accurate 'active' levels, pharmaceutical ingredients tend to be synthetically/lab produced so that each batch is consistent in terms of appearance, quality and 'activity'. This can be an opportunity for manufacturers to supply synthetic molecules with similar composition and efficacy to ones that may have originally been porcine based.¹⁵³

➤ **Opportunity for the production of Halal vaccines.**

Especially required is the vaccine for meningitis, for those who perform the hajj pilgrimage as they are currently pork-based. Malaysia plans to produce the world's first Halal vaccine in collaboration with a Saudi company.

➤ **There are many opportunities to educate both consumers and producers in Muslim countries about the transdermal (skin penetrating) nature of some types of cosmetics.**

In western countries, there are safety guidelines that require any new types of ingredients in cosmetics, such as nanoparticles, be fully tested to show that they are safe in humans. In Muslim countries, these safety considerations are secondary to Halal considerations. We tend to look at ingredients from porcine sources as being considered Haram, or Najis (ritually unclean) as they can be washed off the skin. However, safety in humans should also be a consideration in Halal guidelines for cosmetics. New technologies, like nanoparticles being used in creams, face powders, etc., are currently being debated by the

European Medicines Agency (EMA) from a safety perspective, but in Muslim countries we are lagging far behind the West. Currently, research on new technologies, materials and their safety in humans is exclusively done by the non-Muslim countries and funded by non-Muslims. This is an excellent opportunity for Muslim scientists and investors to lead and gain expertise in research in these fields to promote and determine the Halal status of these technologies.¹⁵⁴

➤ **Opportunity to market Halal cosmetics to non-Muslim consumers.**

Most Halal cosmetics focus on natural ingredients, eco-friendliness and fair trade. Some are also vegan, so there is an opportunity to market them to non-Muslims. Both UK-based PHB Ethical Beauty and Ecotrail, the Indian company behind the Iba brand, target a wider consumer base with products that are not only Halal certified but also cruelty-free, and free from harsh chemicals and in the case of Iba are organic and free of animal-derived products.

➤ **Opportunity to resolve the issue of the scarcity of Halal gelatine**

by working out a practical solution to utilize the relevant parts from sacrificed animals during Hajj.¹⁵⁵ Halal options could also be available from using vegetable derived substitutes. For example, the pharma industry has become fixated with using gelatine for capsule production because it is low cost, cheap and has been used for many years. The market needs educating for more natural alternatives such as alginates, pectins, etc which can be reformulated to offer the same physical properties.¹⁵⁶

➤ **There is a need to develop and publish a Halal Pharmacopoeia**

and other references for industry players to supplement Halal pharmaceutical standards.¹⁵⁷

➤ **The five keys to becoming a successful pharmaceutical company**

are: Having the best sourcing and manufacturing capabilities; the second is to find the best regulatory team to understand and navigate regulations; the third is to find the best marketing team to understand

¹⁵³ Dr. Mah Hussain-Gambles MBA, Cosmetics Consultant, UK

¹⁵⁴ Dr M. Abid Masood, PhD CChem, Technical Director, HFCE, UK

¹⁵⁵ Leonard Ariff Abdul Shatur, Group Managing Director, Chemical Company of Malaysia Berhad, July 2015

¹⁵⁶ Dr Mehboob Surve, Director, Lab Halal, UK

¹⁵⁷ Chemical Company of Malaysia Berhad, July 2015

deep customer insights; the fourth is for customer insights to lead the core product line; and the fifth is to have a consistent Research and Development (R&D) investment to create new and innovative products.¹⁵⁸

- **Inter-Islamic country fast track registration of pharmaceutical products** in order to expedite and boost the growth of the Halal pharmaceutical industry for the benefit of the Ummah.¹⁵⁹

¹⁵⁸ *Tips on how to become a successful Halal certified Pharma company.* Dr Mohamed Noor, CEO, Noor Pharmaceuticals. May 2015

¹⁵⁹ *Chemical Company of Malaysia Berhad*, July 2015



Interview



Dr. Stephan Heck

Sr. Director Quality Management
DSM Nutritional Products (Switzerland)



Please tell us about your company.

Royal DSM is a global science-based company active in health, nutrition and materials. DSM delivers innovative solutions such as food and dietary supplements, personal care, feed, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM and its associated companies deliver annual net sales of about \$10 billion with approximately 25,000 employees. In context with Halal we want to become the No.1 provider of halal nutritional ingredients for the Islamic world.

Are all your nutritional ingredients certified Halal, or only for select markets? When did you first start certifying products Halal?

First certifications went back to the 90s, but it was in 2008 when we decided to implement a Halal strategy combined with a global certification scheme. The core of the strategy has been that we implemented a Halal Assurance System as part of our Quality Management System.

The majority of our product portfolio has been certified Halal. However, since not all certificates are equally recognized in the individual Halal markets we have a selected approach where we look into the target markets and which certification works best. We are working closely together with the leading Halal certification bodies worldwide. Our challenge is that there is a lack of mutual recognition of the Halal certification bodies.

What about food packaging, does Halal come into this with solvents and ingredients used that could potentially cause cross contamination?

An essential part of our Halal Assurance System is a professional and comprehensive risk assessment to identify and mitigate any risks which could violate the Halalness of our products. This includes a strict supplier qualification for all incoming goods including auxiliaries, packaging materials and processing aids, a change control process and a trained track and trace procedure. Next to qualified and trained employees transparency is key to minimize any risks.

What has been your marketing strategy with regards to the Muslim market?

We don't see the need for an individual marketing strategy for the Muslim market. What I mean with this is that you will find everywhere consumers who value Halal not only in specific regions or countries. Furthermore, the majorities are Muslims but also non-Muslims recognize Halal as a valuable safety and quality product attribute. At the end all consumers want to have safe and high quality products based on transparent and sustainable processes respecting their religious needs — providing peace of mind.

Do you see any ways that Halal certification might be improved for global businesses like yours to create uniformity with your certification, making international trade easier?

Not short term. The pre-condition would be the alignment on a truly global Halal certification standard. To come to that will be a long and challenging journey since you need to respect all Halal requirements for the individual Muslim communities. This is not a subject where you can work with compromises like in politics. Either it is Halal and fully respect the religious needs of the communities or it's not.

What are some of the challenges in the Halal personal care/pharma space? What are future opportunities in the ingredients space?

Awareness. As a Non-Muslim traditionally you consider Halal as a dietary rule only. It takes some education to understand that it's more: Halal is an attitude.

With this understanding you see the business opportunity also for the personal care/pharma area.

In terms of opportunities, for DSM as a truly global and high quality player in the nutritional ingredient markets there are many opportunities by just following the societal trends. One trend is the urbanization and increasing life standards which impacts nutritional behaviors. Consumers are getting more health conscious about their diet and looking for convenient food at the same time.



Interview



Mauli Teli
CEO
Ecotrail (India)



Please tell us about your company.

Ecotrail Personal Care launched India's first Halal cosmetics brand — Iba Halal Care in the Indian market in 2014. It all started when the two of us, myself and my sister — Grishma Teli — who were both working in US in management consulting and biotech research and development respectively, quit our jobs and moved back to our hometown in India with a dream to start a cosmetics and personal care company focused eco-ethical products. The launch of Iba Halal cosmetics is the result of almost 2 years of ideation, research, market understanding and product development by our team at Ecotrail. We observed that while the word 'Halal' may have a limited understanding in the minds of Indian consumers at present, the world is rapidly becoming aware of its true meaning and its appeal as a symbol of purity, integrity and authenticity. Halal is a way of life and not just about food. It extends to the way one lives, does business, behaves and even to personal care products.

We discovered that not known to many were the myriad of non-halal ingredients such as pig fat, other animal derived ingredients such as lanolin, keratin, gelatin, as well as alcohol, and harsh chemicals like sulfates and parabens that go into many popular brand cosmetics available in the market.

Iba Halal Care embraces an eco-ethical philosophy; Iba products are not merely natural but also pure and hygienically manufactured, vegan and animal cruelty free. They have been formulated to meet the ethical needs

of all consumers, including Muslims, Jains, vegetarians and vegans.

You recently opened several cosmetics stores in India exclusive to your brand, tell us about your experience.

We opened with two stores in Ahmedabad last Sept. In May of 2015 we opened our franchisee store in Aurangabad, Maharashtra. We are now setting ourselves up to expand rapidly by opening 10 – 12 new franchisee stores by end of 2015 – 16 fiscal year along with roll-out of shop-in-shop counters and online sales. We are also looking at exports to markets such as Dubai & rest of ME, South Africa and Australia. So a lot of plans for double digit growth are underway.

In addition to being Halal, your products are also vegan and cruelty free, do you find that your products appeal to a wider consumer base than just the Muslim market?

While our target customer segment is the Muslim consumer, since they best understand the Halal philosophy, others too have embraced our concept and brand. Being vegan and cruelty-free appeals to those following a vegetarian and vegan lifestyle as well, plus once they understand the true meaning of halal and the fact that it is a universal tenet applicable to all aspects of life and not just food, customers are accepting the halal concept too. Close to 35% of our current customer base is non-Muslim at Iba stores. However, being the first brand in the market,

we have a long way to go in terms of raising awareness and understanding amongst consumers on how halal is relevant to cosmetics and what it means. We hope to do that in the coming years through our branding efforts. That is the challenge in front of us.

What were some of your financing or general start-up challenges? How did you phase your start-up capital?

Our families supported us by providing the start-up capital. Challenges in the initial face were obviously on coming up with the right model for sales and marketing a concept as unique as we have. Plus having the right resources on board who can contribute effectively has been a challenge. We now have a wonderful team of people working with us on the creative, branding, marketing, product development, operations and sales front. But this has not been easy. Early on, product development was also a challenge because we wanted to ensure our products meet customer satisfaction and are competitively priced / affordable, yet meeting all the requirement as per Halal, vegan, and cruelty-free guidelines. We are glad to have achieved it; our products are affordably priced for the Indian market between \$0.60 – \$3.80 and in addition offer the value of being Halal certified, vegan and free of harsh chemicals.

In your view, what are some of the challenges in the Halal cosmetics space?

Halal cosmetics is a nascent but fast growing category with a latent need.

Raising awareness and understanding of the relevance of halal in cosmetics is the main challenge. Secondly, having the right business model to be able to succeed in this niche is also important. Certification and its importance is also key; brands will need to put in the effort to obtain certification and maintain compliance in order to win consumers' trust.



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Special Focus: Islamic Digital Economy

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In the Name of God, the Most Merciful, the Most Beneficent.



FOREWORD

by Dr Mohammed Alzarooni
Vice Chairman and CEO, DSOA

In 2013, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, launched a path-breaking initiative - 'Dubai: Capital of Islamic Economy'.

To support this initiative, the Dubai government developed an Islamic economy strategy in line with the leadership's directive to diversify the UAE economy and reduce its dependence on oil. Aiming to enhance the contribution of the non-oil sector to the emirate's GDP by 80 percent by 2021, the strategy primarily focuses on shaping Dubai as the capital of Islamic economy through providing a boost to key components that drive the growth of Islamic economy initiatives in this region.

The Dubai Islamic economy strategy is built on seven main pillars that include the establishment of Dubai as an international centre for Islamic finance, halal industries, halal tourism, Islamic digital economy, Islamic art and design, Islamic economy standards and certification, and an international centre for Islamic information and education.

As a government entity and key player in the technology industry, the contribution of Dubai Silicon Oasis Authority (DSOA) to this emerging Islamic economy sector naturally falls within the fourth pillar - under Islamic digital economy — that seeks to position Dubai as a hub for the development of electronic information, programs, applications, projects as well as a platform for e-commerce and Islamic media.

Our mandate to support 'Islamic digital' and 'Arabic content' initiatives is already making considerable headway with DSOA's commitment to supporting start-ups engaged in these domains through the Dubai Technology Entrepreneurship Centre (DTEC), DSOA's wholly owned entrepreneurship centre and the largest of its kind in the region.

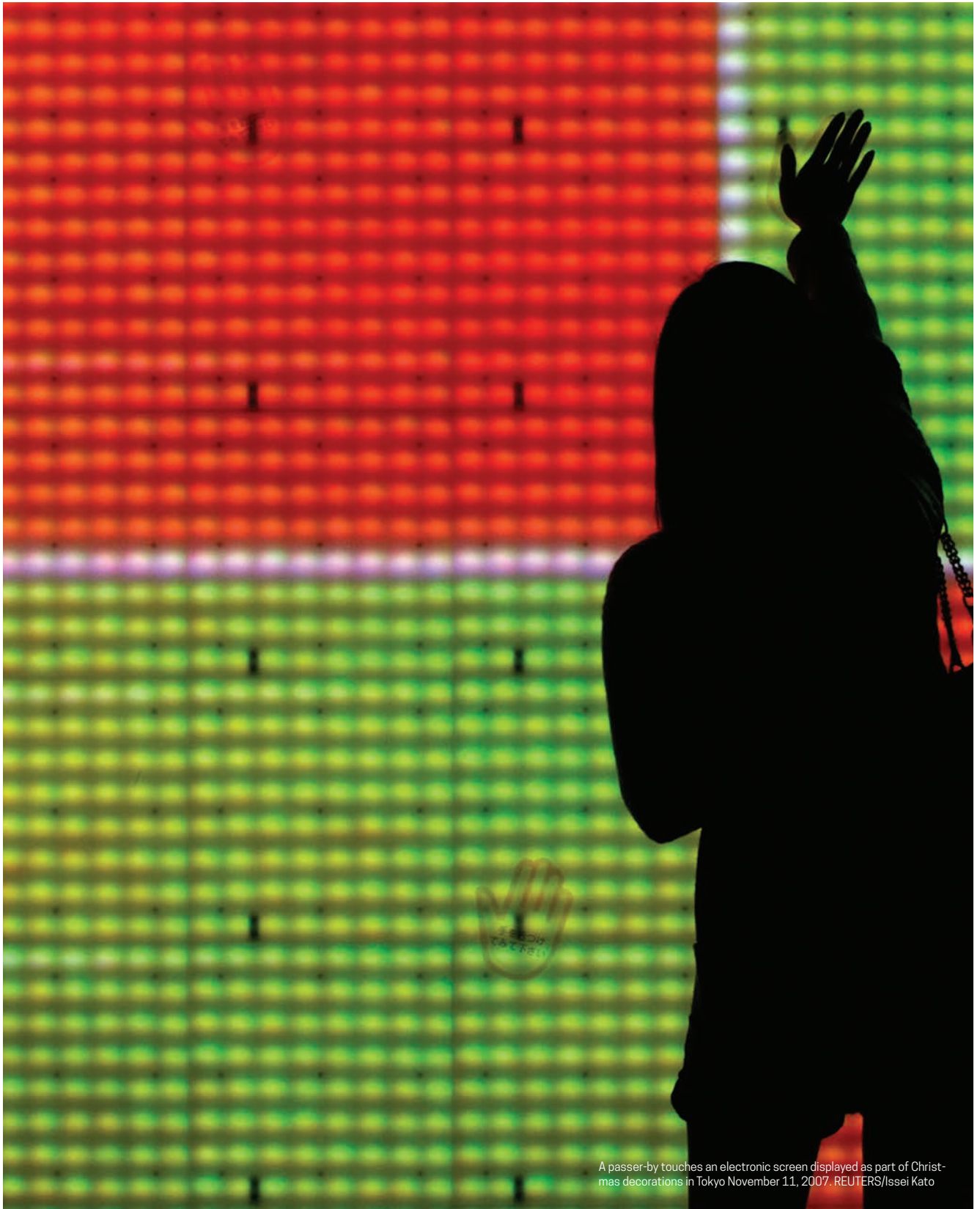
Through DTEC, we are specifically focusing on offering logistical support, seed money and relevant incentives to start-ups that develop Islamic products and solutions.

We are additionally collaborating with our partners, most notably international technology companies to host global events, road-shows and networking platforms towards marketing Dubai as the platform of choice for Arabic content creation and online solutions.

At DSO, we firmly believe that education and research form the cornerstone of an Islamic economy. In this priority, we have partnered with Thomson Reuters, the main knowledge partner of Dubai Islamic Economic Development Centre and one of the leading providers of intelligent information for businesses in the region to launch the inaugural edition of the Islamic Digital Economy Entrepreneurship Report.

Shedding light on the current state of entrepreneurship in the Islamic economy domain and the opportunities it presents, the report outlines a roadmap for the sector. We are confident this report will benefit individuals and businesses targeting the Islamic economy industry with plenty of data and insights and serve as a guideline for them to make more informed decisions.

Executive Summary



A passer-by touches an electronic screen displayed as part of Christmas decorations in Tokyo November 11, 2007. REUTERS/Issei Kato

The global digital economy (website/mobile) was worth an estimated \$1.9 trillion in 2014 based on ecommerce and digital advertising spend and is estimated to grow at 15% CAGR through 2020. Muslims represent an increasingly important consumer base with Muslim consumer value to the global digital economy estimated at \$107B in 2014 and projected to grow at 17% CAGR to \$277B in 2020. (see market estimation methodology on page 42). World-wide Muslims represent almost a quarter of the world's population¹ and ~5.8% of the 2014 global digital economy.

Muslim consumer's digital needs being driven by two key areas:

1. General lifestyle needs: Met by four categories of global digital services: Information & media (Google, iTunes), Functional tools & services (Skype, PayPal), Commerce & exchange (Ebay, AirBnB) and Social & crowd networks (Facebook).
2. Islamic law and spirituality related lifestyle needs: Religious lifestyle productivity (Muslim Pro), Halal food ratings and review (Zabiha Halal) and Modest clothing (Sefamerve), among others identified in this Report.

This Report identified 2,168 consumer-facing, digitally native, Digital Islamic Consumer Services. 79% of the 394 services meeting a threshold of usage were in 5 of 24 possible categories: "News and Insights" (~21% of services), "Retail Sales" (~19%), "Media and Entertainment" (~19%), "Productivity tools" (~13%) and "Blogs" (~8%).

Digital Islamic Consumer Services leaderboard:

This Report has identified: Top 25 websites led by: Modanisa.com (Modest Fashion, Retail), Muslima.com (Matrimonial networks, Media), SefaMerve.com (Modest Fashion, Retail), Qiran.com (Matrimonial networks, Media); Top 25 global Android downloads led by: Muslim Pro (Productivity tool, Muslim Media), Islam: The Quran (Islamic Education), Islamic Ringtones (Islamic media); Top iOS apps from OIC markets led by: MuslimPro (Productivity tool, Muslim Media), Quran Majeed (Productivity tool, Muslim Media,). Top iOS apps from Non-OIC markets include: MuslimPro (Productivity tool, Muslim Media), Zabihah (Halal Food, Ratings & Review).

There are five highly attractive opportunity segments for entrepreneurs and investors: Sharing economy (Halal "sharing"); Social commerce (Halal "discount/flash-sales"); Retail e-commerce (Muslim "Retail commerce"); Food transportation and logistics (Halal and Tayyab "convenience"); Islamic Finance Investment Products.

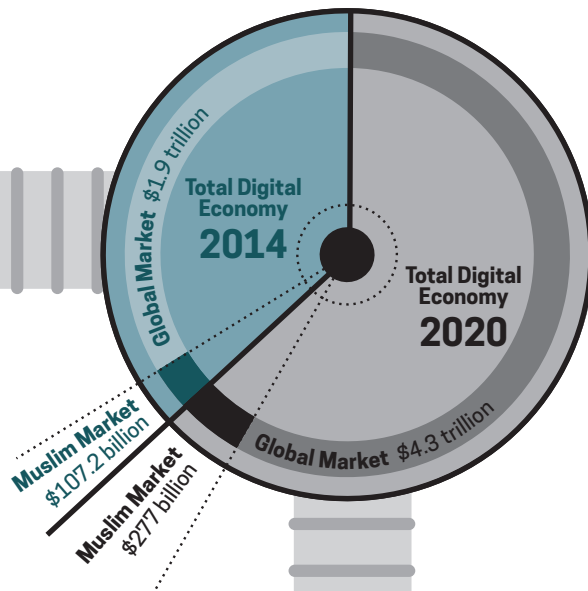
Among successful business models, e-commerce of tangible products were observed to be most successful. Within e-commerce, the modest clothing sector has been the most prominent (e.g. Modanisa, SefaMerve, Hijup).

Among the least financially viable business models observed are Digital Islamic "News & Insights" services relying on ad-supported business models (requiring Muslim world-wide scale which very few have achieved) and "social media" services customised for Muslims (even though many have received notable investments).

¹ Pew Research 2010 estimate of 1.6 billion Muslims world-wide: 23% of global population and estimated to grow to 30% by 2050.

Global Muslim Market Digital Spend

Value Of Muslims To Digital Economy

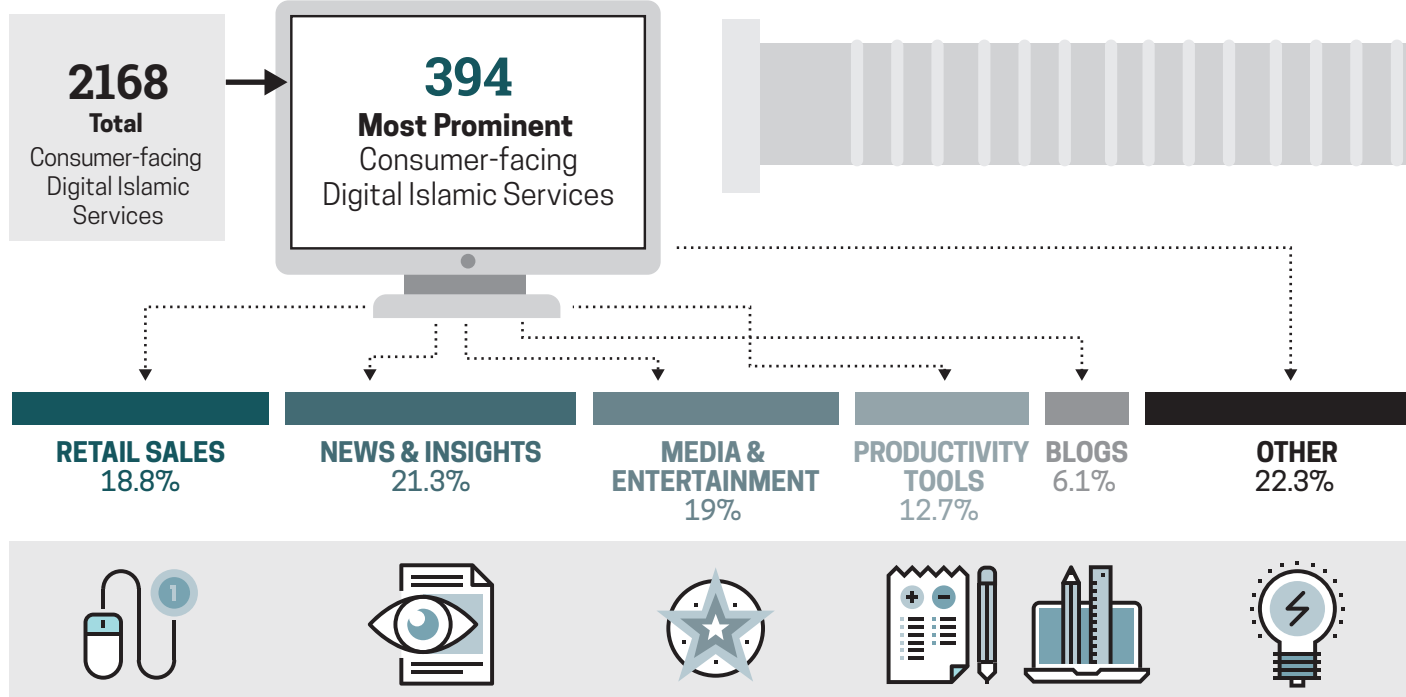


Value of Muslim Market vs Other Countries

	United States	\$487.5
	China	\$419.6
	United Kingdom	\$129.4
	Muslim Market	\$107.2
	Japan	\$98.00

Top OIC & non-OIC Countries (\$bn)

Turkey \$8.6	Egypt \$6.5	Malaysia \$6.8	Nigeria \$0.9	Indonesia \$5.0
United States \$8.3	China \$5.5	United Kingdom \$5.0	Germany \$3.4	France \$2.7



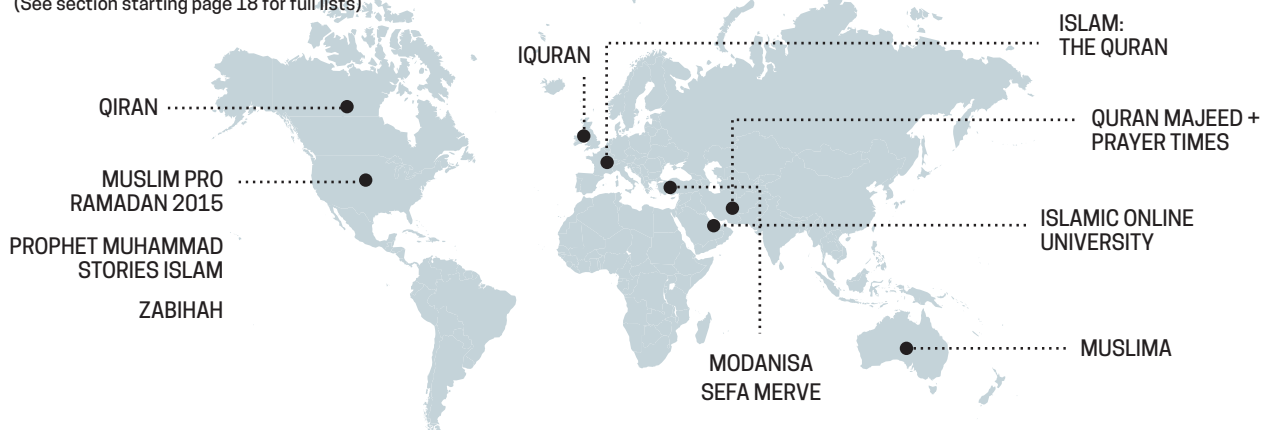
Islamic Digital Services Gaps & Opportunities Chart

(refer to table on page 13 of the report)



Islamic Digital Services Landscape – Key Players

(See section starting page 18 for full lists)



Defining Digital Consumer-Facing Islamic Service

Consumer-Facing Digital Services – Global Context

In this Report, the scope of the Digital Economy covered comprises of 1) all digital-native services (companies whose primary business model/distribution platform is digital--i.e. global Internet based) and 2) are consumer-facing services.

Accordingly, those companies whose primary business model/distribution platform is offline, but have more recently developed a digital offering (for instance, leading retailers and department stores), have been excluded from our review of Digital Economy services. Furthermore, B2b services and business value-chain service providers (e.g security services, cloud storage services, etc.) have also been excluded.




This has been done to focus the Report on the vast numbers of entrepreneurial ventures that are consumer facing and primarily digitally-native.

DinarStandard has segmented the global, consumer-facing digital economy into 4 main categories and 24 sub-categories. This categorization is based on the 'primary value-proposition'² of each service to the end-consumer that can be offered across multiple platforms (Desktop/laptops, mobile/smart-phones and tablets).

2 Primary-value proposition example: Crowdfunding platforms are included within 'Commerce and Exchange' category, even though they may leverage social networks. In this case the 'primary value-proposition' is fundraising and not networking.

GLOBAL DIGITAL CONSUMER SERVICES FRAMEWORK

4 broad categories, 24 sub-categories

Digital Services Category	INFORMATION AND MEDIA CONTENT	FUNCTIONAL TOOLS AND SERVICES	COMMERCE AND EXCHANGE	SOCIAL AND CROWD NETWORKS
Sub-categories	Search EXAMPLES: GOOGLE, SIRI	Communication tools EXAMPLES: HOTMAIL, SKYPE, RAPPORTIVE	Product marketplaces EXAMPLE: EBAY	Social networking EXAMPLE: FACEBOOK
	Content Aggregators EXAMPLE: NEWSWHIP	Productivity EXAMPLES: FITBIT, ZOCDOC, DROPBOX	Service marketplaces EXAMPLE: FIVERR	User-generated content EXAMPLES: TWITTER, FLICKR, YOUTUBE
	Ratings and Reviews EXAMPLE: YELP	Location-driven services EXAMPLE: FOURSQUARE	Retail sales EXAMPLE: CHLOE & ISABEL	Media-Sharing EXAMPLES: DIGG, WIKIPEDIA
	Classified Ads EXAMPLE: CRAIGSLIST	Transportation and logistics services EXAMPLES: PEAPOD, BOXBEE	Sharing economy EXAMPLES: AIRBNB, FREECYCLE	Social gaming EXAMPLE: CANDY CRUSH
	News and Insights EXAMPLE: MASHABLE	Games EXAMPLE: WORD	Crowd and peer-based funding EXAMPLES: SOFI, MICROFIN360	Matrimonial networks EXAMPLE: EHARMONY
	Blogs EXAMPLE: PEREZHILTON	Payment services EXAMPLE: PAYPAL		Social collaboration EXAMPLES: QUORA, MOOT
	Media and Entertainment EXAMPLES: NETFLIX, ITUNES			
Platform used	 DESKTOP  TABLETS  MOBILE/SMART-PHONES			

EMERGING TECHNOLOGIES

"Internet of things", "wearable's", "NFC", "3D printing"...

Source: DinarStandard, 2015

Each main category has the following primary value-proposition:

3. **Information and media content:** Provides information, resources and creative content to the consumer in a range of formats, including text, voice and video.
4. **Functional tools and services:** Provides the functional tools needed to live digitally, and brings convenience and improvements to the consumer's life.
5. **Commerce and exchange:** Enables the consumer to make economic transactions digitally, including purchasing and sale of products and services, as well as fundraising.
6. **Social and crowd networks:** Allows social interaction and collaboration between users.

Digital services are offered across a range of *platforms* that are becoming widely adopted, including desktops, mobile phones and tablets. However, we note that the “internet of things”, considered the next wave of the internet's evolution, will enable consumers to interact with

the internet from a broad range of wearable devices in a seamless, automated manner. This trend will impact the consumer-facing digital services landscapes and newer players will emerge.

Defining Digital Islamic Services

Building on the global digital economy framework presented earlier, this Report defines “Digital Islamic Services” as those digital-native, consumer-facing services whose primary offering is driven by ‘Islamic’ content or requirement.

In the context of global offerings, Digital Islamic Services can be classified as one of the following:

- a) They are an *existing* Digital Islamic Service³
- b) They are a *potential* Digital Islamic Service⁴
- c) They are *not relevant* as a Digital Islamic Service⁵

- 3 As discussed extensively in the “Key Players” and “Trends and Developments” sections of this report
- 4 As discussed in the “Gaps and Opportunities” section of this report
- 5 The criteria for making this determination further discussed in the “Gaps and Opportunities” section of this report

DIGITAL CONSUMER-FACING ISLAMIC SERVICES — SELECT PLAYERS BY CATEGORY

See section starting page 16 for full lists

	Information & Media Content	Functional Tools & Services	Commerce & Exchange	Social & Crowd Networks
Halal Food	● Zabiha			
Halal Tourism	● Halal Booking	● Hajjnet		
Fashion, Art & Design			● SefaMerve	
Media & Recreation	● Muslim Matters ● Islamic Ringtones	● Muslim Pro (Ramadhan 2015) ● Quran Majeed + Prayer Times ● Muslim Pro Ramadam 2015	● Modanisa	● Muslima ● Qiran ● Ummaland
Pharma & Cosmetics				
Islamic Finance			● LaunchGood	
Education	● Islam: The Quran ● Prophet Muhammad ● iQuran ● Quran Explorer		● Islamic Online University	

Current Digital Islamic Services Landscape and Key Players



Iranian schoolgirls chat online at an internet cafe which is exclusively for females, near the city of Karaj, 60km (38 miles) west of Tehran, May 24, 2007. REUTERS/Stringer

Current landscape

DinarStandard has identified 2,168 Digital Services, across platforms, of which 394 met the threshold criteria⁶ for classification. Of Services “classified”, the following insights can be drawn:

Across 24 Digital Islamic Service categories as defined in this report, 5 service categories account for ~78% of the 394 Digital Islamic services classified:

- News and Insights (~21% of services classified), primarily relating to Religious Lifestyle, for example *Hadith of the Day*.
- Retail Sales (~19% of services), primarily relating to Modest Fashion, for example *Modanisa*.
- Media and Entertainment (~19% of services), primarily relating to Religious Lifestyle, for example *Islamic Ringtones* app.
- Productivity tools (~13% of services), primarily for Religious Lifestyle, for example *Muslim Pro* and Blogs (~8% of services), and *Muslim Matters*.

The main sectors served by Digital Islamic Services were: Media & Recreation (37%), followed by Education (24%), and Modest Fashion, Art & Design (21%).

⁶ Of 2,168 Digital Services identified by DinarStandard across desktop and mobile devices, ~394 were classified into Digital Services. The criteria for classification included being either: a) ranked within the top ~160 Digital Islamic service websites either using Alexa Rank or SimilarWeb global traffic ranking data, b) Have at least 100,000 Android app downloads, OR c) included in the top ~25 iOS gross rankings, either for key OIC countries or non-OIC countries

Digital Islamic Services business models

SUCCESSFUL MODELS: Among successful business models for Digital Islamic Consumer Services, e-commerce of tangible products were observed to be most successful with number of reported investments, strong revenue and growth numbers. Freemium model among apps is seeing various successes, most notably demonstrated by *MuslimPro* app. Within e-commerce, modest clothing sector has been the most prominent (e.g. *Modanisa.com*; *Hijup.com*).

LEAST-SUCCESSFUL MODELS: Among the least financially viable business models for Digital Islamic Consumer Services observed are Digital Islamic “News & Insights” services relying on ad-supported business models.

- These services have been less viable financially, requiring Muslim world-wide scale which very few have achieved. *MuslimPro* has proven to be an exception, achieving over 10 million Android downloads in 16 different languages.
- “Social media” services exclusively for Muslims are proving not to be viable Digital Islamic Services given they have had the least amount of financial success even as many have received notable investments. Examples include *SalamWorld* and *Muxlim.com*, which received multi-million dollar funding but recently shut-down given no financially viable traction in the market.

OTHER VIABLE MODELS: *Viable business models* that are less commonly used in Digital Islamic Consumer Services such as *Subscription-based* and *Transaction fee based* are gaining momentum. Recent start-ups, most notably *Subscription-based* (*Alchemiya*) and *Transaction fees* (*Launchgood*) are a few examples.

Key players by platform

In this section, we present the top players providing Digital Islamic Services. We have not looked at the revenues generated by Digital Islamic services but have focused on volume-based metrics to assess the relative scale of each service. Accordingly we have assessed:

- The top 25 global websites by traffic estimates.
- The top 25 global android apps by download.
- The top 25 iOS grossing apps in key OIC countries.
- 25 key iOS grossing apps used in major non-OIC countries.

HOWEVER, WE NOTE THAT THIS LIST IS VERY DYNAMIC AS THE DIGITAL LANDSCAPE IS EVOLVING,

with a number of new startups offering crowdfunding, social networks and location-based services are expected to gain traction among younger, digital-savvy Muslim consumers. There are a number of exciting opportunities in social commerce, sharing economy, retail sales, food transport & logistics and Islamic Finance e-commerce (products/sales) which, if addressed, could significantly impact the key player’s landscape.

TOP 25 GLOBAL DIGITAL ISLAMIC WEBSITES

The top 25 list of Digital Islamic Websites was derived from a ranking based on the global traffic rankings calculated by Alexa and Similarweb⁷.

Rank	Player	Sub-segment	Islamic Economy sector
1	Modanisa*	Retail sales	Modest Fashion
2	Muslima	Matrimonial networks	Media & Recreation
3	SefaMerve	Retail sales	Modest Fashion, A&D**
4	Qiran	Matrimonial networks	Media & Recreation
5	Islamic Online University	Service Marketplaces	Education
6	Muslim Matters	Blogs	Media & Recreation
7	Muslim Matrimony	Matrimonial networks	Media & Recreation
8	Zabiha halal	Ratings and review	Halal Food
9	ProductiveMuslim	Blogs	Media & Recreation
10	bayyinah.com	Media and Ent.	Education
11	InayahCollection.com	Retail sales	Modest Fashion, A&D
12	Aquila Style	Media and Ent.	Modest Fashion, A&D
13	Muslim Village	Media and Ent.	Media & Recreation
14	Fauzia's kitchen fun	Blogs	Halal Food
15	Hadith of the day	News and Insights	Media & Recreation
16	Ishqr	Matrimonial networks	Media & Recreation
17	Egyptian Streets	Media and Ent.	Media & Recreation
18	tariqramadan.com	News and Insights	Media & Recreation
19	HalfOurDeen	Matrimonial networks	Media & Recreation
20	Pure Matrimony	Matrimonial networks	Media & Recreation
21	Irhal	Retail sales	Halal Travel
22	Islam21c.com	News and Insights	Media & Recreation
23	Virtual Mosque	Media and Ent.	Media & Recreation
24	LaunchGood	Crowds and Peer Fund.	Islamic Finance
25	islamicbookstore.com	Product Marketplaces	Education

* All players highlighted in green appear in more than one of the key players list, as shown in this section.

** A&D refers to Art & Design.

Correction: IslamicFinder.org would have made the Top 25 Global Digital Islamic Websites. Given no effective way to ensure all sites are covered, DinarStandard team will update any further corrections on DinarStandard website.

⁷ All Digital Islamic Services websites were ranked from 1 through 163 according to Alexa's global traffic ranking, where data was available. A separate ranking of 1 through 161 was done according to Similarweb's global traffic rankings, where data was available. DS took the average of both rankings (where data was available for both Alexa and Similarweb) to create a blended ranking of the top 25 websites, as shown above.

TOP 25 GLOBAL ANDROID DOWNLOADS

The top 25 list has been based on the Android app downloads for over 100 key Digital Islamic Services⁸

App	Android downloads	Sub-segment	Core sector
Muslim Pro - Ramadan 2015	10M – 50M	Productivity tools	Media & Recreation
Islam: The Quran	1M – 5M	News and Insights	Education
Islamic Ringtones	1M – 5M	Media and Entertainment	Media & Recreation
Prophet Muhammad stories	1M – 5M	News and Insights	Education
Allah Water Ripple islamic LWP	1M – 5M	Games	Media & Recreation
Athan - Your Prayer Companion	1M – 5M	Productivity tools	Media & Recreation
Hijab Make Up Salon	1M – 5M	Games	Modest Fashion, A&D
Islam Adhan Alarm	1M – 5M	Productivity tools	Media & Recreation
Islamic Prayer Times & Qibla	1M – 5M	Productivity tools	Media & Recreation
Islamic questions	1M – 5M	Games	Education
Muslim Azan & Salah Times	1M – 5M	Productivity tools	Media & Recreation
Muslim's Prayers times	1M – 5M	Productivity tools	Media & Recreation
Prayer times: Qibla & Azan	1M – 5M	Productivity tools	Media & Recreation
Waktu Salat, Imsakiah, Qibla	1M – 5M	Productivity tools	Media & Recreation
99 Allah Names (Islam)	500k – 1M	News and Insights	Education
Hisn Al Muslim – Azkar	500k – 1M	News and Insights	Education
Muslim Kids Series : Dua	500k – 1M	News and Insights	Education
Islamic Calendar (Hijri) Free	500k – 1M	Productivity tools	Media & Recreation
Islamic Tools	500k – 1M	Productivity tools	Media & Recreation
Prayer Time PRO	500k – 1M	Productivity tools	Media & Recreation
Prayer Times Qibla - I Muslim	500k – 1M	Productivity tools	Media & Recreation
Ramadan 2015	500k – 1M	Productivity tools	Media & Recreation
Mecca 3D – A journey to Islam	100k – 500k	Games	Education
Sefamerve	100k – 500k	Retail sales	Modest Fashion, A&D
Modanisa	100k – 500k	Retail sales	Modest Fashion, A&D

⁸ The table above reflects the top 25 downloaded Android apps using several key Islamic-related search terms.

TOP INDICATIVE 25 IOS APPS IN KEY OIC COUNTRIES

The top 25 list of iOS apps has been based on iOS gross rankings data for the 15 largest OIC Digital markets. For each OIC country, Islamic-only apps were ranked, and the rankings were combined across countries based on the relative size of the digital Islamic economy for each country, with apps that appeared in the top 500 list⁹ for more than one country given a more favorable ranking.

	App	Developer	Sub-segment	Sector
1	Muslim Pro (Ramadhan 2015)	Bitsmedia Pte Ltd	Prod. Tools	Media & Recreation
2	Quran Majeed + Prayer times	Pak Data	Prod. Tools	Media & Recreation
3	IQuran	Guided Ways	News /Insights	Education
4	Quran Explorer	Quran explorer	News /Insights	Education
5	Quran Majeed + Prayer times - Free	Pak Data	Prod. Tools	Media & Recreation
6	Quran Touch Tajweed	Quran Touch	Prod. Tools	Media & Recreation
7	Ali and Sumaya: Let's pray	Imanimation studies	Games	Education
8	Muslim Prayer Times, Ramadan, Qibla	ImranQureshi.com	Prod. Tools	Media & Recreation
9	iPray: Prayer Times & Qibla	Guided Ways Innov.	Prod. Tools	Media & Recreation
10	Islam Pro+	Maviay Yazılım Ltd.	News /Insights	Education
11	Kur'an Hayrat	Neşriyat	News /Insights	Education
12	Islamic Calendar Pro	i4islam	Prod. Tools	Media & Recreation
13	Quran Reader	Batoul Apps	Prod. Tools	Media & Recreation
14	Holy Quran Pak (with Audio)	Raja Imran	Prod. Tools	Media & Recreation
15	Ramadan Al Ramadh Quran Al Kareem	Best Web Mobile	Media & Ent.	Media & Recreation
16	Athan Pro Ramadhanhlim (2015)	Quanticapps Ltd	Prod. Tools	Media & Recreation
17	Hadith (Sahih Bukhari/ Sahih Muslim)	PakData	News/ Insights	Media & Recreation
18	Athan Pro - Prayer Timings	Islamic Finder	Prod. Tools	Media & Recreation
19	Quran Kareem HD	SHL Info Systems	Media & Ent.	Media & Recreation
20	Quran Kareem 16 Line	SHL Info Systems	Media & Ent.	Media & Recreation
21	IslamBox	ProMoftak Solutions	Media & Ent.	Media & Recreation
22	Al Quran Tafseer	ImranQureshi.com	Media & Ent.	Media & Recreation
23	Ramadan	Imanimation Studios	Games	Education
24	Islamic Ruqyah Medication System	Inst. of Tech. Petronas	News/ Insights	Media & Recreation
25	Islamic Compass & Prayer times	Mobile Software Inst.	Prod. Tools	Media & Recreation

⁹ Based on iOS gross rankings data as of July 2015.

TOP INDICATIVE 25 IOS APPS IN NON-OIC COUNTRIES

The list has been developed based on the highest grossing apps identified using key search words¹⁰ in key non-OIC countries¹¹ (This is **not ranked**, but is in alphabetic order)

App	Developer	Sub-segment	Sector
Athan Pro for Muslim	Quanticapps Ltd	Prod. Tools	Media & Rec.
Halal Food Guide (Free)	oTech	Ratings & Review	Media & Rec.
Haute Hijab	FashionModest, Inc	Prod. Tools	Media & Rec.
Hijab Fashion Lite	Virtecha Solutions	Media & Ent.	Modest Fashin, A&D
ISLAM PRO Adhan, Quran, Qibla	Maviay Yazılım Ltd. Şti.	Prod. Tools	Media & Rec.
Islamic Anachid	NasheedQuanticapps Ltd	Media & Ent.	Media & Rec.
Islamic Finance	Nida Khan	Prod. Tools	Islamic Finance
Islamic Finance Video Guidance	Pearls Pro UK	Media & Ent.	Islamic Finance
Jordan Dubai Islamic Bank	Access to Arabia	Prod. Tools	Islamic Finance
Just Halal	smart&geek	Prod. Tools	Media & Rec.
Keys to Paradise – Islam	IhsaanFusion	Media & Ent.	Education
Memorize Quran for Kids & Adults	BIGITEC GmbH	Prod. Tools	Education
MSiRadio	Moftak Solutions	Media & Ent.	Media & Rec.
Muslim Pro (Ramadan 2015)	Bitsmedia Pte Ltd	Prod. Tools	Media & Rec.
My Hijab Fashion	Sagar patel	Media & Ent.	Modest Fashin, A&D
Naat Shareef – Nasheed	matloob hasnain	Media & Ent.	Media & Rec.
Noor Money Manager	Noor Islamic Bank RJSC	Prod. Tools	Islamic Finance
One Legacy Radio	Spoiled Milk GmbH Germany	Media & Ent.	Media & Rec.
Quran Audio FREE	Quanticapps Ltd	Media & Ent.	Education
Quran Explorer	Quran Explorer	Media & Ent.	Education
Scan Halal	Ummah Labs & Co.	Prod. Tools	Halal Food
SheikhaMortada	Connecting Kuwait	Media & Ent.	Education
This is Mohammad	i4islam	Media & Ent.	Education
Tutorial Hijab	GambarDidy Septiyono	Media & Ent.	Modest Fashin, A&D
Zabihah	Halalfire Media LLC	Ratings & Review	Halal Food

¹⁰ These apps have not been ranked, but were selected based on being ranked consistently within the top 5 apps for key search words across most, if not all, of the seven countries selected

¹¹ The countries selected were the U.S., the UK, France, Germany, Australia, Canada, and China

KEY PLAYERS BY SEGMENT

Platform	Key player		Explanation
SEGMENT: INFORMATION AND CONTENT			
Websites (listed by rank)	Muslim Matters	1	Launched in 2007 as a collaboration between Bloggers and Scholars, discusses issues faced by young Muslims, especially in the West.
	Zabiha Halal	2	Founded by Shahid Amanullah in 1998, provides a global comprehensive listing of Islamic restaurants, based on user location.
	Productive Muslim	3	Boosts productivity in the Muslim world, helping balance spirituality and day-to-day life through articles, webinars and infographics.
Android apps	Islamic Ringtones	1M - 5M	Developed by Best Ringtones Collection offers a collection of Islamic ringtones for incoming-call sound, SMS ringtone, or alarm sound.
	Islamic: The Quran		Developed by Dimach Cassiop, features Quran in Arabic with different translations.
	Prophet Muhammad stories		An app that includes all the Prophet Stories from the Quran.
SEGMENT: FUNCTIONAL TOOLS AND SERVICES			
Websites (listed by rank)	Falafel Games	1	Co founded by Vince Ghossoub, provides online multiplayer gaming with culturally appealing content targeting the Muslim world.
	Ramadan Legacy	2	Launched in 2015, the tool allows Muslims to track prayers and other religious activities, and share journals and stories with other users.
	Quran Academy	3	Started by Bilal Memon, the app helps users memorize/revise Qur'an more effectively.
Android apps	Muslim Pro - Ramadan 2015	10M - 50M	A comprehensive religious lifestyle planning tool, covering prayer time calculation, full Quran with translations, and Qibla locator.
	Islamic questions	1M - 5M	Modelled on "Who wants to be a Millionaire" it is an application that tests the user's Islamic knowledge in a fun trivia quiz style.
	Athan - Your Prayer Companion		Developed by the Islamic Finder Foundation, a pioneers of web-based prayer time calculation, it also helps keep track of prayers missed.
SEGMENT: COMMERCE AND EXCHANGE			
Websites (listed by rank)	Modanisa	1	Online fashion retailer for women's Islamic clothing, dresses and accessories, offering shipping and deliver all over the world.
	SefaMerve	2	Fashion e-tailer of modest, chic and affordable clothes that are in line with hijab attire.
	Islamic Online Univ	3	Free Islamic online education, where students receive a degree or diploma upon completion.
Android apps*	Modanisa Sefamerve	0.1-0.5M	Both covered above
SEGMENT: SOCIAL AND CROWD NETWORKS			
Websites (listed by rank)	Muslima	1	The largest Muslim-dedicated matrimonial site, with over 5 million users. Part of Cupid Media's network of ~30 matrimonial sites.
	Qiran	2	Second largest Muslim matrimonial website with over 2 million users.
	Muslim Matrimony	3	Part of CommunityMatrimony - over 300+ Indian community online matrimonial services, with a large focus on South-Asian Muslims.
Android apps	Ummaland	0.1-0.5M	Founded by Maruf Yusupov, it interfaces with existing social networking sites and offers a variety of services such as Zakat collection.

* The top three downloaded Android apps have been shown for most categories with the exception of Commerce and Exchange, where the third largest player had a significantly lower level of downloads, below 10,000 downloads in total

	Sub-Seg.	Sectr	HQ	Bus. Model
	Blogs	Media & Recreation	Houston, U.S.	Ad - supported
	Ratings & Review	Halal Food	Chicago, U.S.	Ad-supported
	Blogs	Education	Dallas, U.S.	Freemium
	Media and Ent.	Media & Recreation	Not disclosed	Freemium
	News & Insights	Education	Montpellier, France	Freemium
	News & Insights	Education	Arizona, U.S.	Ad-supported
	Games	Media & Recreation	Hangzhou, China.	Freemium
	Productivity tools	Media & Recreation	Edinburgh, UK	Donations
	Productivity tools	Education	New York, U.S.	Freemium
	Productivity tools	Media & Recreation	Singapore	Freemium
	Games	Education	France	Donation
	Productivity tools	Media & Recreation	Riyadh, Saudi Arabia	Freemium
	Retail sales	MF, A&D	Istanbul, Turkey	Direct sale
	Retail sales	MF, A&D	Istanbul, Turkey	Direct sale
	Service Marketplace	Education	Gambia	Freemium
	Matrimonial networks	Media & Recreation	Australia	Freemium
	Matrimonial networks	Mod. Fash.	Canada	Freemium
	Matrimonial networks	Education	India	Freemium
	Social networking sites	Media & Recreation	Denmark	Ad-supported

Global Digital Economy Value Profile for Muslim Consumers



Total value of Muslims to the Global Digital Economy

The global value of the Muslim consumer to the Digital economy in 2014 was \$107B¹², broken down as: e-commerce spend by the consumers (\$101B) and digital ad spending by the providers (\$6B).

- **Important Note:** This number does not represent the actual value of the Digital Islamic Consumer Services, but more broadly, the total value that Muslims provide to the Digital Economy, including their engagement in mainstream Digital services.
- The Digital Islamic economy could capture a sizeable share of online ad spend on, and e-commerce spend by Muslims, through offering digital services that appeal to the core values of Muslim consumers.

Muslim consumers in aggregate represented an estimated 5.8% of the total global Digital economy in 2014, estimated at \$1.9 trillion.

A fast growing, young, global Muslim population is highly digitally active. Additionally, strong economic growth in OIC¹³ member countries is all adding up to strong growth in the value of Muslim consumers to Digital service providers. This value is expected to grow by ~17% CAGR to reach \$277B by 2020, compared to 15% CAGR growth in the total Digital Economy through 2020.

¹² Note this figure also includes non-digitally native service players. Please refer to the Appendix for the Market sizing Methodology
¹³ Organization of Islamic Conference, 57 member countries

Muslim spend on E-commerce

MARKET SIZE AND PROFILE — \$101 BILLION MARKET 6% OF GLOBAL EXPENDITURE:

This Report estimates Muslim populations globally to have spent a total of \$101 billion on digital commerce (retail ecommerce and travel). This expenditure is expected to reach \$252 billion by 2020 (6% of global expenditure). Global spending on digital commerce was expected to be US\$ 1.9 trillion in 2014.¹⁴

- If the collective Muslim digital commerce market is considered a country, it would be the fourth largest in the world compared to countries globally; with the United States and China spending the most, at \$440B, \$399B in 2014, respectively.
- Top countries with Muslim digital commerce spending in 2014 are Turkey (\$8.1 billion), United States (\$7.5 billion), Malaysia (\$6.5 billion), Egypt (\$6.2 billion) and Indonesia (\$4.7 billion).
- Significant size of Muslim digital commerce market also exists in countries where Muslims are minorities — especially western markets. Muslim's digital commerce market in Western Europe (Germany, France and UK) plus North America (U.S. and Canada) collectively are estimated to spend \$18.7 billion in digital commerce in 2014 making it larger than the largest individual Muslim market (Turkey).

Digital Ad spend on Muslims

MARKET SIZE AND PROFILE — 6 BILLION MARKET (4.5% OF GLOBAL EXPENDITURE):

This Report estimates that \$6.1 billion has been spent on digital advertisements targeting Muslim populations globally in 2014. This expenditure is expected to reach \$24 billion by 2020, accounting for 9% of global digital ad expenditure, estimated to be \$135 billion in 2014.¹⁵

- If the Digital Ad spend on Muslims globally is considered as a single country, it would be the fifth largest in the world compared to countries globally; with United States and China spending the most, at \$47B and \$20B in 2014, respectively.
- Top countries with digital ad spend on Muslims (based on 2014 data) are United States (\$806 Million), Turkey (\$603 Million), United Kingdom (\$433 Million), Indonesia (\$347 Million) and Malaysia (\$330 Million).
- Digital Ad spend on Muslims is also significant in countries where Muslims are minorities — especially western markets. Digital Ad spend on Muslims in Western Europe (Germany, France, UK) plus North America (U.S., Canada) collectively is estimated to be \$1,725 Million in 2014.

Actual Digital Islamic Economy Market Size

This report has not attempted to estimate the size of the actual Digital Islamic Consumer Services.

However, in its report **“TMT predictions 2015 Middle East”**, Deloitte included market sizing estimates for Digital Islamic Services provided specifically in the Middle East, which we have referenced here:

- **Modest Fashion** regional spend online in 2013 was estimated to be \$0.6B, potentially crossing \$1.4B by 2017.
- **Halal food** regional online spend of over ~\$360M in 2013, projected to surpass \$840M by 2017.
- **Islamic Economy Education** regional online spend sized at \$3.4M in 2013.
- **Islamic Art & Design** regional online spend sized at \$0.7M in 2013.

¹⁴ Source: AT Kearney, Euromonitor, Nielsen, World Bank, E-marketer, DinarStandard analysis

¹⁵ Pwc, Ovum, Nielsen, E-marketer, World Bank, DinarStandard analysis

Key Developments and Trends



A Microsoft delegate checks applications on a smartphone during the launch of the Windows 10 operating system in Kenya's capital Nairobi, July 29, 2015. Microsoft Corp's launch of its first new operating system in almost three years, designed to work across laptops, desktop and smartphones, won mostly positive reviews for its user-friendly and feature-packed interface. REUTERS/Thomas Mukoya

Recent activities and key trends in the Islamic Digital Economy

OVERVIEW: 2014/15 has been very active with over 15 promising new Digital Islamic consumer services launched, and two promising services being developed, across the services spectrum. To support this sector, we have noted a new Incubator, Affinis labs, the first Digital Islamic Economy hackathon and the increased use of crowdfunding.

INFORMATION AND CONTENT: There have been a number of newly launched Islamic digital magazines in 2014/15:

- **Ummah Wide**, based in San Francisco focusses on stories and cultures that resonate with Muslims worldwide.
- **Tafsir.io** has built a platform for some of the world's great Islamic scholars that include both women and men to explain the Qur'an verse by verse.
- **Mozzified** focuses on Muslim pop culture, providing American Muslims with articles, videos and memes covering life, politics, culture and religion.
- **Barakah Bits**, founded by Rama Chakaki, publishes in Arabic and English with a focus on "Good news from the Middle East".
- **MuslimGirl** aims to empower females through providing daily content tackling stereotypes of Islam and Muslims, and encourage women leaders.
- **Karaz** is an Arabic/English digital magazine educating readers about key issues that may seem taboo such as reproductive health and sex education.
- **Halal Gems**, "the first interactive digital magazine for halal foodies", showcases the best halal cuisine and halal restaurants globally.

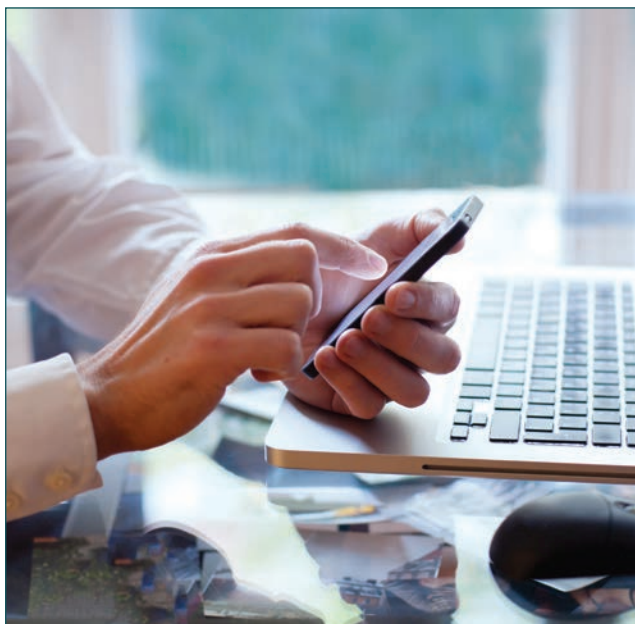
Several **ISLAMIC ON-DEMAND CONTENT** platforms were launched in 2014/15:

- **Alchemiya** a premium, online, subscription-based, video-on-demand ("SVoD") platform aims to present the best video content about Muslim life.
- **ScholarView.com**, launched by American Muslim entrepreneur Mohamed Geraldez, aims to provide high-quality Islamic lectures through its platform.

FUNCTIONAL TOOLS AND SERVICES: Several new educational and Islamic lifestyle apps have been launched that aim to solve the challenges faced by the Muslim consumer in a digitally-enhanced way:

- **QuranAcademy App**, the world's first Smart Quran Memorization & Revision App, was launched in Ramadhan 2015 by Bilal Memon. This app requires special mention as it has been supported by a mainstream incubator in California and shows how, with a robust value-proposition and business plan, Digital Islamic Services can access mainstream funding and support.
- **RamadanLegacy**, launched in June 2015 and founded by a team in Scotland, aims to help Muslims set goals for Ramadan and share their achievements.
- **Musallah**, launched in 2015 and founded by Nushmia Khan and Rashid Dar, aims to help Muslims find a place to pray in any city.
- **Ahli App** launched in December 2014 is a location-based service connecting nearby Muslims that want to pray together in congregation.
- **ProductiveMuslim Academy**¹⁶ is a self-development, e-learning tool for Muslims launched in 2015, providing courses on productivity, goal-setting and access to tutors.

¹⁶ Disclaimer: The Lead Research Analyst of this report, Mohammed Faris, is the founder of ProductiveMuslim.com and ProductiveMuslim Academy.



Brief note on B2B

Although this report has excluded B2B companies, they are nevertheless well covered in the 'Digital Islamic Services landscape' report written by Deloitte. We note here several key areas of Digital B2B services with examples:

- ❑ **Product marketplaces:** Zilzar is a B2B e-commerce platform connecting businesses with vendors, launched in 2014 during the 10th WIEF in Dubai and has over 2000 registered sellers and buyers on the platform.
- ❑ **Notable milestone:** Zilzar has developed a strategic Partnership with MasterCard and launched ZilzarLife Digital Magazine to connect Muslim Millennials around the globe on the culturally diverse nature of the Muslim Identity.
- ❑ **Online Advertising:** Muslim Ad Network is a leading provider in this area, operating an online advertising platform connecting businesses with Muslim consumers online, reaching over 10 Muslims in the US, UK and Canada and has delivered over 150 million advertisements to date.
- ❑ **Online Directories:** Halalpage.com.my is a reference guide for Halal certified companies, launched in 2002. The site also features product comparisons, analytics and has over 30,000 print copies also distributed in Malaysia.

- **Smart Muslims**, based in Saudi-Arabia, is developing Wearable Technology products to capture and enhance Muslim's spiritual practices. The first product is targeted for Ramadan 2016 and aims to capture spiritual activity data, exhibit that data with impact and facilitate the user's spiritual growth.

COMMERCE AND EXCHANGE: Several new digital Islamic crowd- and peer based-funding players have emerged in 2014/15:

- **Launchgood** have crowdfunded nearly \$3 million, connecting Muslim entrepreneurs and consumers.
- **Growmada**, founded by Raafi Hossain and Kavilash Chawla, is focused on integrating global crowdfunding with e-commerce to sell luxury, hand crafted artisan goods, similar to Kiva.

THERE SEVERAL SUCCESSFUL CROWDFUNDING CAMPAIGNS TO FUND STARTUPS, NOTABLY:

- **Alchemiya** recently closed the first Shariah-compliant crowdinvesting campaign on CrowdCube.com, raising over \$180k (195% of their target).
- **Musallah** raised \$14,861 (106% of its target) within a month of launching its project on Kickstarter.

SOCIAL AND CROWD NETWORKS: There is a trend towards greater online activism to tackle issues centred on the Muslim community:

- **Muslim Anti-Racism Collaborative (Muslim ARC)** is a collaborative platform that aims to provide anti-racism education to the American Muslim.
- **Celebrate Mercy** is a global online semi-annual live event where groups connect to view webcasts about the life of Prophet Muhammad (Peace be upon him), taught by renowned Islamic scholars and speakers.

MUSLIMFACE.COM, WAS RECENTLY LAUNCHED IN BETA-MODE AS AN ONLINE MUSLIM SOCIAL COMMUNITY, and aims to be an integral part of a Muslim's daily life including prayer reminders, a "mahram" list for connecting with family and matrimonial services.

BROADER DEVELOPMENTS: A robust investment and support structure is emerging to enable the digital Islamic economy to thrive, which is integral to creating successes and attractive capital from mainstream investors. Select developments:

- **Affinis labs (U.S.)** is a key driving force behind developing the Digital Islamic Economy. Launched by Shahed Ahmanullah in collaboration with Quintan Wiktorowicz, Affinis Labs is an incubator which launched in 2015, based in Washington DC but operating globally, providing a working space, and supporting high potential ideas that address the core values and key unmet needs of Digital Muslim consumers. They have also launched a \$5 million private equity fund, and are supporting companies such as Ishqr and Launch Posse.
- **Qeerad (Malaysia)** is an angel investment firm, focused on Germany, Malaysia and Australia, providing Shariah-compliant seed funding.
- **Ummah Catalyst (Malaysia)** is a new platform that connects Muslim Investors to entrepreneurs and provides critical due diligence services.

The first ever Digital Islamic Economy “haqqathon” was held in the UAE in April 2015, bringing together entrepreneurs, Islamic scholars and investors, organized by Affinis Labs.

There have been a number of digital initiatives in OIC countries to pursue leadership in the Digital Islamic Economy. Select developments:

- The **Digital Malaysia initiative** aims for developed digital economy by 2020, to create a digital ecosystem that will increase Gross National Product, raise living standards and empower citizens.
- Dubai launched the **Dubai Technology Entrepreneurship Centre (DTEC)**, a start-up business centre, was launched to accommodate and support young technology companies, providing discounted office space and easing visa requirements.
- **Qatar aims to become the best-connected country in the world** and a leader in innovative digital economy. By 2016, 95% of households in Qatar shall have the ability to access affordable and high-quality broadband service.

AS HIGHLIGHTED BY DELOITTE IN ITS REPORT ON “THE DIGITAL ISLAMIC SERVICES LANDSCAPE”,

Smart Mosques are new initiatives that aim to bring Mosques to the Digital age. New initiatives in Dubai and other countries aim to bring a suite of digital services that serve worshippers 24/7 via mobile phones or tablets. These digital services include information sharing about mosque activities, donations, suggestions/complaints as well as faults reporting.

Gaps and Opportunities



A woman uses an iMac computer in a shop at a mobile and computer shopping complex in northern Tehran January 18, 2011. Although there were no queues outside Tehran's computer stores when Apple's iPad hit the market last year, the latest must-have gadget has quietly appeared in shops, despite tightened economic sanctions. On a recent cold winter's evening, the Paitakht Computer Centre in northern Tehran, was packed with tech-savvy young Iranians looking for latest digital products either for work or fun. Picture taken January 18, 2011. REUTERS/Raheb Homavandi

Major unmet needs across the Digital Islamic Services spectrum

After several Digital Islamic Services struggled to achieve financial viability, in particular social media websites, it is critical for entrepreneurs and investors alike to evaluate which services are doing well and which are needed by the market.

After analysing the existing Digital Islamic Services landscape (services that currently exist, services that are not relevant, and gaps in current services), following key insights emerge:

➤ **Existing:** From the total of 394 Digital services that met a certain market reach threshold, there is a clearly well-developed offering of “Information and Media content” services (196 services), followed by “Commerce and Exchange” services (103 services) and “Functional Tools and Services” (77 services), with the remaining in “Social and Crowd networks” (18 services).

➤ However, several gaps exist across the services spectrum, which have been shaded according to their level of attractiveness and viability.

- The sectors shown correlate broadly with the Islamic Economy Sectors discussed in this report. However, we’ve also added Education and have captured any religious lifestyle and matrimonial activities within Media & Recreation.

➤ **Not relevant:** We have identified 12 potential services, each correlating with 1-6 specific sectors (52 potential offerings in total¹⁷), that may have been attempted, but are not viable opportunities for a digital Islamic service, highlighted in grey, for the following reasons:

- *The service only makes sense for specific sectors (31 potential offerings):* Matrimonial sites are recreational and aren’t tailored to a specific consumer sector. Classified ads don’t usually advertise media programs and television content.

- *The service provides a digital infrastructure that encompasses all sectors and customer segments (12 potential offerings):* Communication services such as email are not dedicated to any specific sector or group of people.

As such, it does not make sense to have a specific email service, search engine or payment service just for foodies or Muslims. There have been attempts to launch Halal search engines, but these have not been successful, given the ability to adapt mainstream search engines to Muslim needs.

- *Muslims do not have a specific need that the service addresses (9 potential offerings):* Unlike halal food, there is no need for a dedicated transportation service for modest clothing, whereby Muslim and non-Muslim clothing would be separated.

OPPORTUNITIES: There are ten key opportunities identified as attractive for Muslims, of which nine aren’t currently addressed by Digital Islamic Services. Five are considered highly attractive:

➤ Sharing economy (Halal “sharing”); Social commerce (Halal “discount/flash-sales”); Retail e-commerce (Muslim “Retail commerce”); Food transportation and logistics (Halal and Tayyab “convenience”); Islamic Finance Investment Products (Halal “Investing”).

➤ The ten opportunities have been ranked according to the following principles:

- *Mainstream success:* The market for the service is attractive, evidenced by successful mainstream companies providing the service currently.
- *Ease of monetization:* The service has the potential, or demonstrated, ability to generate substantial revenues, and not just relying on ad-support or donations.
- *Islamic relevance and market potential:* It appeals to core Islamic values and could represent a significant opportunity.

¹⁷ A potential offering is a Digital Service offered for a specific Islamic Lifestyle sector, for instance, a Search Engine for Halal Food, or a Location-driven service for Modest Fashion

Scale of opportunity	Major sub-segment	Sectors	Opportunity	Mainstream (and other) examples
High	Sharing Economy	All sectors	Halal “sharing” <ul style="list-style-type: none"> □ Muslim version of airb’n'b that brings people together with shared cultural values, and can be extended to all aspects of life, including food, travel, recreation, fashion and cosmetics 	Airb’n'b (travel), Cas-serole (food), Listia (consumer products, including clothing, cosmetics)
High	Retail sales	MF, Cosmetics	Muslim “Retail commerce” <ul style="list-style-type: none"> □ Despite many successful Digital Islamic Services companies serving the retail e-commerce space with robust business models, this remains an attractive, high growth market with lucrative opportunities to meet the fashion and cosmetics needs of Muslims globally 	Muslim examples: Zalora, Sefamerve, Modanisa Mainstream examples: Chloe & Isabel, Net-a-porter, Sylyebop.com
High	Social commerce	All sectors	Halal “discount/flash-sales” <ul style="list-style-type: none"> □ Offering a comprehensive suite of discounts and deals across the Islamic economy □ Connecting merchants directly with consumers and users “sharing” deals 	Groupon; BuywithMe; Offerpop; Living Social (Food); Poshmark (mainly Fashion)
High	Transport & logistics	Halal food	Halal & Tayyab “convenience” <ul style="list-style-type: none"> □ Occasion-based meal preparation service, delivering halal ingredients and cooking instructions to the consumer □ Dedicated halal fast food delivery services 	Blue Apron, Plated, HelloFresh, Chefday Grubhub, Seamless
High	Product Mktplace & Retail sales	Islamic Finance	Halal “investing” <ul style="list-style-type: none"> □ Institutionalized shariah-compliant investment products that allow investments in listed companies, as well as startups 	Betterment; Equity Zen; Motif Investment
Moderate/High	Service Mktplace	Halal Food, MF, Cosmetics	Halal “doorstep services” <ul style="list-style-type: none"> □ Ordering halal services via the phone/ desktop, including beauty/ fashion 	Housecall (Home general); Kitchensurfing (Food – Butler)
Moderate High	Productivity tools	Travel	Muslim friendly “trip planners” <ul style="list-style-type: none"> □ Travel itinerary tools that enables Muslim travelers to manage their halal travel needs from one location 	Trip It, Kayak Mytrips, Worldmate
Moderate/High	Location-driven services	Islamic Finance	Halal loyalty “convergence” <ul style="list-style-type: none"> □ Identifying nearby locations that offer halal-friendly loyalty schemes and products, and signing up/ spending 	Google wallet, Shopkick
Moderate/High	Social Gaming	All sectors	Muslim “community games” <ul style="list-style-type: none"> □ Games across all sectors that enable Muslim’s to connect online and share common interests and passions 	Heaven’s Diner (Food); Virtual traveler (tourism); Fashion fantasy
Moderate/High	Games	Islamic Finance, Education	Muslim “learning tools” <ul style="list-style-type: none"> □ Building on the popularity Islamic Q&A apps, there is scope for more educational apps for children, scenario testing for Islamic Finance and educating users on compliance and lifestyle 	Reality check; Bad credit hotel; Celebrity Calamity

Broader opportunities

MILLENNIAL MUSLIMS represent an exciting group of digitally aware and active consumers that can be targeted as a single group. As this target customer segment develops, they will require a suite of Digital services to address their needs and cultural values.

THERE ARE MANY PLAYERS, WITH ROOM FOR CONSOLIDATION: Companies in the Islamic Digital Space are largely fragmented with various players being very small. There is an opportunity for consolidation of some of these players to make more meaningful impact to the global Muslim consumer and to acquire greater scale, in particular among Digital Media players.

ISLAMIC FINANCE & DIGITAL START-UPS: Given a renewed focus on SMEs by Islamic financial institutions, Digital Islamic services are an important area to consider. There are a large number of players in this space but to date limited focus by investment funds. With the recent launch of Affinis Labs, and several global haqqathons, we hope that there will be increasing attention and investment interest in this area, propagating a suite of exciting new products.

GLOBAL BRANDS/RELEVANCE: There are opportunities to target a broader audience, beyond Muslims, by focusing on creating global digital brands that appeal to underlying Islamic values. Key sectors of opportunities would include: 'Media and entertainment,' 'Games,' 'Crowd and peer-based funding,' 'Productivity Tools,' 'Product/Service marketplaces,' and 'Sharing economy' digital services.

Challenges



The Facebook logo is seen in front of an escalator at the venue of a news conference announcing the opening of Facebook offices in Dubai May 30, 2012. Social networking site Facebook opens its first office in the Middle East on Wednesday, in Dubai's Internet City, according to local media. REUTERS/Jumana El Heloueh

There are several key challenges that the industry faces that need to be addressed in order to ensure a robust business ecosystem that can support growth and profitability.

NUMEROUS ISLAMIC SOCIAL NETWORKS WERE NOT COMMERCIALY VIABLE, FAILING TO DIFFERENTIATE THEMSELVES FROM MAINSTREAM ALTERNATIVES.

Despite the widespread use of social networking sites among Muslim consumers, Salamworld was shut down recently. Started in 2012 by a group of Turkish, Russian and Central Asian businessmen, and launched amidst much fanfare, it attempted to create an Islamic alternative to Facebook. Similarly, Muxlim.com was launched in 2006 out of Finland, but was shut down in 2012 after failing to reach commercial success. Muslimface.com promises to better address the Islamic social networking segment.

DIGITAL SERVICES THAT DEPEND ON HIGH LEVELS OF CONTENT CREATION HAVE BUSINESS MODELS THAT ARE A CHALLENGE TO SUSTAIN.

Conventional online journalism has required substantial scale and significant capital to prosper. The chances of failure for Islamic Digital content services is even higher than conventional and requires very effective targeting of the Muslim consumer base, with a focus on the right values, with significant and patient capital.

THERE IS A LACK OF WEB DEVELOPMENT AND MOBILE CODING SKILLS IN OIC COUNTRIES.

There is a concentration of skilled labour in this space developing in India, Eastern Europe, and Latin America, aided by educational institutions, following examples set by the US and Europe. Many OIC countries are behind in this regard, and require increased government support.

THERE IS A VOID OF CREATIVE MARKETING DIGITAL ISLAMIC TALENT,

which Peter Gould has tried to address through launching CreativeUmmah.com and training hundreds of aspiring artists. While plenty of internet marketing courses are available for conventional startups, tailored training is currently lacking to address the needs of the Muslim market.

VENTURE INVESTORS ARE NOT YET CONVINCED BY THE VIABILITY OF DIGITAL ISLAMIC SERVICES:

Lacking convincing data about the Digital Islamic market opportunity, talented entrepreneurs in this space have struggled to attract funding either from conventional VC firms, or shariah-compliant funds based in OIC countries.

➤ **Restrictive rules on work practices** can hamper the growth potential of Digital Economy in some of the biggest OIC economies, including Saudi Arabia, Nigeria and Egypt.

Some Governments treat Digital Companies as “brick and mortar” companies requiring them to rent office space and pay traditional trade licenses that are not applicable to the digital/virtual nature of their companies, increasing upfront costs for Digital Entrepreneurs and forcing some of them to register elsewhere.

There is a lack of requisite infrastructure in several OIC countries, hampering the use and growth potential of Mainstream and Islamic Digital Services:

➤ **Reliable postal Services are not always available** in every country, limiting the sales potential of Digital Services, which requires efficient, reliable delivery services

➤ **Digital payment systems are lacking:** A combination of poor banking IT infrastructure and low payment card penetration, have made online payments difficult. E-commerce sites in emerging digital economies are resorting to Cash On Delivery (COD) to circumvent this problem.



Interview



Shahed Amanullah
CEO & founder, Halalfire



What challenges did you face early on, in particular when launching Zabiha Halal?

The biggest challenge we faced early on — and it is a challenge that continues to hold back the growth of the market — is proving the viability of the Muslim market. Muslim advertisers were not sold on the value of marketing promotions to further their business, and mainstream advertisers were either skeptical of the size of the Muslim market or were deterred by negative perceptions about Muslim audiences. Frankly, the only way to address these challenges is to prove the naysayers wrong, and that means attracting and keeping mass audiences (for example, zabihah.com serves nearly 10 million people a year), proving the value of promotions and advertising to Muslim markets, and leveraging our market data to prove the viability to the mainstream market. For example, we used ten years of zabihah.com data to prove to the US grocery chain *Whole Foods* that there was a significant opportunity in carrying Halal goods for Muslim markets. Subsequent sales of Halal goods, particularly the *Saffron Road* brand of halal products, has in turn validated our original data. We need to replicate these successes until the idea of catering to Halal markets is considered a no-brainer.

You've created a number of companies that serve the Islamic Digital Economy; which one has been most successful, least successful, and why?

The companies that I consider most successful include the following:

Zabihah, which helped jumpstart a global halal revolution and has played a significant role in stimulating an economy that rides on the global foodie movement, increased identity expression of Muslim populations in the West, and the digital revolution. The most important reason for our success is not our service but our brand — an online identity that people can resonate with and be proud of.

Altmuslim, an online newsmagazine founded in the days after 9/11. It is also the first major Muslim online property to be acquired by a mainstream company (Patheos in 2011). The main contribution of *Altmuslim* has been not financial or market-based (at its sale, there were 2 million unique annual users), but its impact on Western media. Many of the most prominent Muslim commentators and opinion makers in the West got their start being profiled on *Altmuslim* or writing for it.

One of my newer ventures, *Affinis Labs*, has been around only six months but already calls itself home to some of the most promising and dynamic Muslim startups in the world. Our model of Hackathons to stimulate business ideas, incubation and acceleration of companies, and strategic funding to get companies to the next level hopes to invigorate an ecosystem of Muslim startups.

My least successful ventures usually revolve around models that depend on high levels of content creation, as this is a financially

difficult model to sustain without significant (and patient) venture capital. Monetizing online journalism is a challenge for any market, and aside from high profile ventures such as Huffington Post, Vice, BuzzFeed, etc., many such models struggle. Muslim versions of these companies have additional burdens.

Which technological trend or development would Islamic Digital Entrepreneurs need to look out for in the next 3-5 years?

The most exciting trend to look out for, and the one that will bring the whole Halal marketplace together, is the emergence of a cohesive, global millennial Muslim market (which our friends at Alchemiya call the “global urban Muslim”) that can be marketed to as one group of people. I’ve said often that the world’s largest Muslim ummah is the one that is emerging online, one that has unique cultural qualities and behaves as one market.

Please tell us about any new products that are being developed, either as part of your existing ventures, or a new venture?

The venture I am most excited about is one that will be launching later this year, *LaunchPosse*. It’s not targeted towards Muslims per se, but it does incorporate my values with respect to equality of economic opportunity. *LaunchPosse* allows users to take one or more ideas for businesses and leverage their social networks to refine, raise capital for, and market. It’s targeted toward the 99% — people who wish to launch part-time or home-based businesses, or small

enterprises. The idea behind *LaunchPosse* is that hundreds of years ago, all of us were entrepreneurs and we did not need business school to be successful — only hard work and the ability to cooperate with others. *LaunchPosse* brings this ethos back and puts it in an app that can be made available to both developed and emerging markets.

Tell us a bit more about examples of digital companies you’ve supported as an Incubator for Islamic Economy Entrepreneurs.

We’re being very strategic in selecting companies to support at *Affinis Labs*, as we have our eyes on the Muslim market as it will exist in 5-10 years, not necessarily today. We’re not interested in Muslim businesses that follow the “nanny model” — a crippled version of a mainstream product like Google or Flickr. We are interested in companies that produce unique goods and services, which showcase Islamic values in a universal way that even other faiths can appreciate, and creating an ecosystem of businesses that interact with and depend on each other. This space is broad enough to include crowdfunding (e.g. *LaunchGood*, the world’s largest faith-based crowdfunding platform), *Ishqr* (which looks for new ways to facilitate matchmaking among Muslim millennials), and *AquaBean* (which seeks to create a suite of Muslim lifestyle products for modern homes and businesses). We’re trying to support them with advice, marketing strategy, fundraising help, etc. but we are a new effort and cannot do it alone. We wish to partner with other VC firms and incubators around the world, as we all can benefit from this model.



Interview



Ali Dabaja
CEO & Founder, HAJJNET



Please tell us about Hajjnet.

Hajjnet employs technology to make Islamic faith fulfillment more safe, informed and convenient — while keeping users more connected to their faith and each other. We have a focus on the Hajj and Umrah pilgrimages. Our target market is the “Global Muslim Consumer” whom we define as a Muslim that has a Smartphone and/or Internet access, a data plan and is committed to Islamic faith fulfillment. Hajj creates a unique and acute need for online and mobile information, features, content and support. About 1 out of 4 humans on the planet is a Muslim and Hajj is obligatory so our market is large with many opportunities. Mobile penetration (specifically Smartphone) is a key driver. The GCC has 131% “mobile subscriber penetration” so this is definitely a significant driver of our business (Source: Strategy&, formerly Booz & Co.).

Could you share with us the number of downloads/ users for the app? How much growth are you expecting in the next 2-3 years?

Today we have over 500,000 downloads and the majority of them are from MENA. The *Salam* app is localized in Arabic and English but the majority of the market speaks other languages. Any company at our stage should look to double their user base and revenue every year for at least the next 4-5 years.

Has sponsorship revenue been a key contributor to Hajjnet’s funding?

Winning sponsorships from brands like *Vaseline*, *Lifebuoy* and *Jeager LeCoultre* were major milestones and were “proof of concept” — the fact that major global brands were eager and willing to position alongside our brand in supporting Islamic faith fulfillment are big wins for all parties.

We are an ambitious company and to rely solely on sponsorships would be foolhardy. Brands and multi-national conglomerates’ levels of interest are driven by factors that can be extremely complex and the value of our offering may not be a determining factor. Our faith is aligned with that of the user, we know that as long as a human is alive there will be Hajj & Umrah.

Do you have plans to introduce the app in different languages?

We are scheduled to roll out localizations for Indonesian, Malaysian, French and Urdu in the near term. We have limited resources so our localizations need to be tactical. Because our potential market is so large it is sometimes easy to lose focus and divert needed resources — it is essential that we maintain and improve the quality of the user experience along the way.

Please tell us about any new products that are being developed, either as part of Hajjnet, or a new venture?

We have a schedule of feature and content

enhancements for this year that will reflect what we've learned from our users over the last year. We have beta tested several features/concepts like the "Social Dua" and based on how it was received we're very excited to roll it out on scale.

You've recently completed a 2nd round of seed funding. What challenges do you face when trying to raise funds from investors for your company?

Our biggest challenge is resources, and time is the vital one. Fundraising is a function in itself and requires a lot of time and effort. It is essentially a relationship building exercise that requires a huge commitment and can be difficult running in parallel with a startup business.

Our investors know that they are required to add value and we chose them for specific reasons. We targeted specific people that we knew and felt confident in - conversely they were confident in the concept our team. We spent a lot of time "cooking the concept" and then more time and effort in prototyping our products and illustrating the market and need.

In your view, what are some of the challenges in the Islamic Digital Economy space as a whole? What is missing in terms of infrastructure and regulation that would help this industry really thrive?

We have over 100% Smart-phone penetration

and some of the highest penetration and usage of social media in some of our markets, surely infrastructure is not the issue. Regarding regulation, it poses neither a deterrent nor does it offer encouragement.

Our biggest enemy as a group is money without purpose. Time and again, we see new ventures bought out or targeted for a majority stake by "non-smart money" investors with deep pockets but no real growth strategies in their core businesses and not aligned with the target company's vision. Of course, these scenarios aren't fertile ground for the seeds of innovation.

What future opportunities do you see in for the Islamic Digital Services Economy as a whole? In which areas do you see the most promising growth opportunities?

As Muslims, we have much larger issues to tackle than attempting to mold into an "Islamic Digital Services Economy". I do not believe branding as "Islamic" or "Halal" is a formidable strategy. If you are a Muslim and you have a business then inherently you will gravitate to your beliefs and seek solutions that are congruent with them. Solving or addressing a water or health issue within or outside of a Muslim majority community is an "Islamic Economy Endeavor" in my opinion. It is painfully clear that the most promising growth lies in alleviating the pain of some of our largest problems through technology and innovation.



Case Study



Dubai Technology Entrepreneurship Centre (DTEC)

The Dubai Technology Entrepreneurship Centre (DTEC) is part of the Dubai Silicon Oasis Authority (DSOA), an integrated free zone technology park. In line with Dubai's 'Capital of Islamic Economy' initiative launched by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, DTEC is focusing on supporting start-ups engaged in the 'Islamic digital' domains.

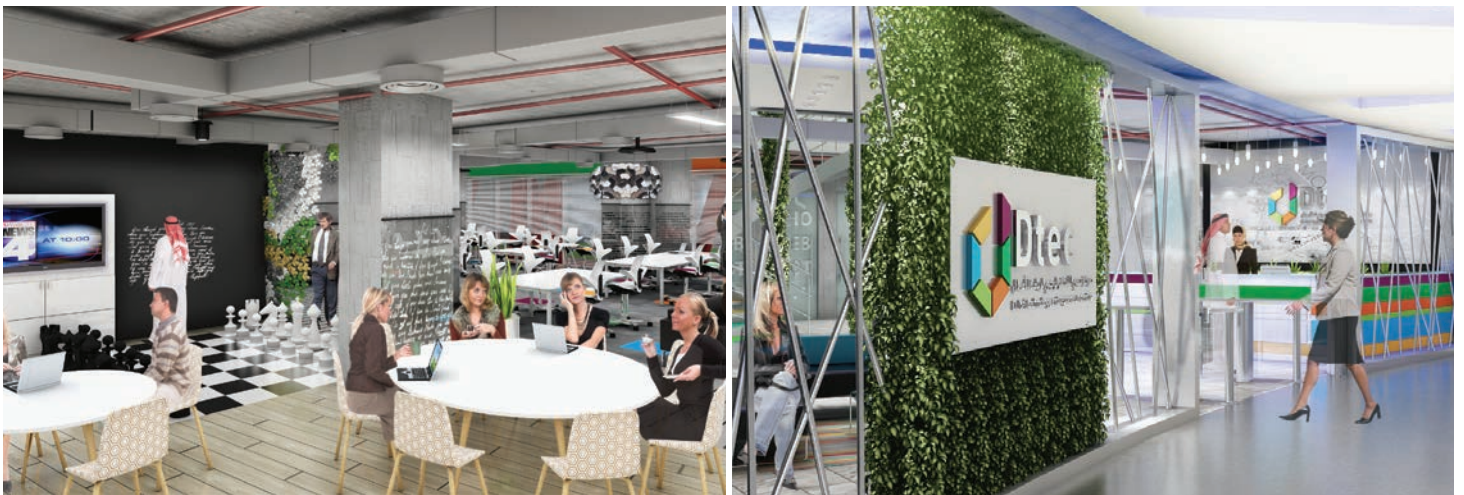
Operational since Q1 2015, DTEC is providing start ups that offer solutions built around the requirements of an Islamic economy, a nurturing business environment across an area of 3,600 square metres. In addition to providing logistical support, seed money and relevant incentives, DSOA engages the support of its partners including international technology companies to host global events, road-shows and networking platforms towards marketing Dubai as the platform of choice for Arabic content creation and online solutions.

The Dubai Silicon Oasis Authority (DSOA), has partnered with Dubai Islamic Economy Development Centre (DIEDC) in collaboration with Thomson Reuters, to launch an inaugural 'Innovation 4 Impact' Competition that will take centre-stage at the Global Islamic Economy Summit (GIES 2015). The initiative has been launched as part of the shared commitment between DSOA and DIEDC to support emerging economies through offering a well-rounded and enabling environment for incubating and developing technology ventures in the UAE and the wider region.

The Innovation 4 Impact Competition seeks to support start-ups and businesses in the Islamic digital economy and serve as an incubator for SMEs across the world.

Welcome to your own office space at DTEC

The Largest Entrepreneur Center in the Region



DTEC is a business center for accommodating and supporting young technology companies and Entrepreneurs. With over 3,600 sq m of space, it is the largest entrepreneur center in the Middle East, housing space for over 1,000 innovative and technology minds.

DTEC Offers:

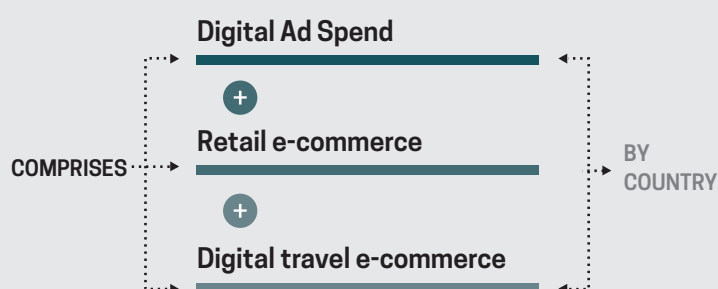
- Space for over 1,000 innovative minds
- 3,600 sqm of business center facilities
- Visas as per facility
- Subsidized business licenses
- Easy business set up
- Plug & Play offices
- 24/7 access to center
- High Speed WiFi internet
- Conference Facilities & Meeting Rooms
- Restaurants and Cafes & Games Rooms

Market Sizing Methodology

Methodology for estimating Muslim contribution to the Global Digital Economy

1 Global digital services spend, \$

Key steps in the calculation (summary)



Key external sources

AT Kearney, Euromonitor, Nielsen, E-Marketer, DS Analysis

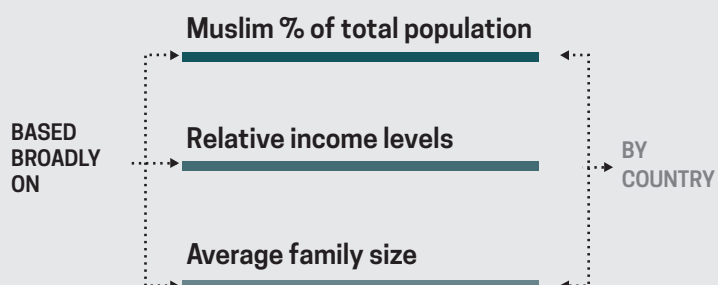
PwC, Ovum, E-Marketer, DS Analysis

E-Marketer, DS Analysis

x

2 Muslim multiplier %

Key steps in the calculation (summary)



Key external sources

Census data; DS Analysis and Estimations

=

Total Muslim contribution to the Digital Services Market, \$B

The **Global Market size** has been developed based on aggregating individual estimates of the key components of the Digital Economy.

- The components of the Digital Economy were broadly defined by E-marketer as follows:
 - i. Digital Ad spending on Consumers
 - ii. Retail E-commerce – all spend by consumers online excluding travel
 - iii. Digital Travel spend – all spend by consumers on digital travel only
- Data was available globally, as well as for individual regions and select key countries from 2014-19:
 - i. Data was obtained, and averaged, across several sources shown, to create a “blended” dataset
 - ii. For 2019-20, growth was assumed to mirror the CAGR from 2014-19
 - iii. For countries where spend data was not available, World Bank data on internet usage by country and region were used to estimate spend at the country-level, with purchasing power parity used to validate the findings from this approach for specific regions (notably, Middle East and Asia)

The Muslim multiplier is a proprietary dataset developed and maintained by DinarStandard, assessing the economic contribution of Muslims to each individual country’s economy, accounting for key factors such as population size, income levels and ethnic composition.

- **A note on research methodology:** DinarStandard conducted research from a broad range of sources to inform its key findings, broadly including:
 - External databases: iOS apps (Appannie), Android apps (Google android), Website rankings (Alexa, Similarweb).
 - Individual company websites.
 - News sources and articles.
 - DinarStandard databases, expert contacts and existing knowledge.



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The Emirates Towers view from Dubai International Financial Centre.
Philip Lange / Shutterstock.com

Innovation Imperative

Pace of innovation

As the pace of innovation is accelerating faster than ever, entrepreneurs should be looking ahead and adapting their organizations for a new decade. It is hard to think that emerging technologies will turn *your* business upside down, but the next five years will be redefining virtually every aspect of how we live and work.¹⁶⁰

Disruptive technologies like the new revolution of smart, connected objects (**internet of things**), **big data**, **Next Gen robots**, **3D printing**, **Next Gen DNA sequencing**, and **space technology** are here now, even in 2015, and will alter every industry. It will force entrepreneurs to rethink customer experiences, business models, and entire industries. We are moving into a world where business is moving from products to services to experiences.

Fortunately, each year, Islamic economy sectors are buzzing with innovation. More and more entrepreneurs from Indonesia and Malaysia to the USA, UK, and France and everywhere in between are taking up opportunities presented by emerging technologies.

Below are select profiles of some innovative products and services that have come to the market as well as general technology trends that are emerging globally. The following are *select key innovations* developing globally that are relevant to Islamic economy sectors and excellent examples of Muslim market innovations.

160 20/20 Visions: How the Next Five Years Will Revolutionize Business. Entrepreneur, January 2015.

Key Disruptive Technologies: Developments in 2015 that affect all sectors

INTERNET OF THINGS (IOT) AND BIG DATA

In the next 10 years, we will see the IoT — **smart objects, building, mosques, homes or cities connected to the internet and each other** — dramatically alter all sectors by vastly improving operational efficiency and customer relationships, blurring industry boundaries, and inventing new collaboration between humans and machines.^{161 162} For e.g., a driverless car in need of repairs can autonomously call for a corrective software download, or when you walk into a coffee shop, your drink will be prepared as they already know what you will be ordering. Cheaper sensor technology accruing big data will allow IoT to shift every industry and change how value is created for customers, how companies compete, the boundaries of competition itself, and finally, the overall economy. **For many firms, this will force the fundamental questions, “Which set of smart, connected product capabilities should our company pursue and which ones will enhance our value chain?” “What business are we in?” and, “Should we change our business model?”**¹⁶³

DRIVERLESS CARS AND ELECTRIC AIRPLANES

Today, Google’s self-driving car prototypes are already cruising themselves along the streets of the U.S., and major automakers are not far behind. These are predicted to be commonplace by 2025 and have near monopoly by 2030. **They will cause unprecedented job loss and fundamental restructuring of our economy, solve large portions of our environmental problems, prevent tens of thousands of deaths per year, save millions of hours with increased productivity, and create entire new industries.** These cars have hundreds of sensors documenting everything on the street around them, from people walking to pick-pocketers.¹⁶⁴ Pilotless airplanes and battery-powered and solar-powered planes are on the horizon, now being tested.^{165 166}

NEXT GEN ROBOTS

Man to machine, Next Gen robots have an expanded job list including: robotic commercial floor cleaners, assisting customers at hardware stores, virtual customer service agents, and creating customised websites. Unlike earlier industrial robots, these machines have arms and a digital ‘face,’ and can be taught new tasks by demonstration, rather than by being reprogrammed. **When paying a welder \$25/hour and a robot costs \$8/hour, employers (and competitors) will turn to robots as it makes financial sense. The future for employees will shift into how to work with robots.**^{167 168} Industry watchers are expecting major growth to continue in Asian markets such as China, Korea, and other Southeast Asian countries.¹⁶⁹

3D PRINTING

3D printing will be a revolution complementing manufacturing, but not *the* revolution replacing it.¹⁷⁰ Rapid prototyping and the production of 3D-printed objects that fit into existing manufacturing processes will represent 90 percent of the 3D objects made by enterprises. **The most significant limitation currently is that most home printers produce objects made from just one or two plastics. Right now, they are best used for bespoke fulfillments. Although 3D printers are unlikely to be the ‘factory in every home’ just yet, they may become the factory in every school.**¹⁷¹ Dubai, however, has some promising developments, including Paradigm 3D,¹⁷² serving high-end B2B manufacturing market in the Middle East, and plans to build the first 3D printed functional building.¹⁷³

161 Technology, Media & Telecommunications Predictions 2015 — Middle East, Deloitte.

162 How the Internet of Things Could Transform the Value Chain. McKinsey, December 2014.

163 Managing the Internet of Things, Harvard Business Review, November 2014.

164 Autonomous Cars Will Destroy Millions of Jobs and Reshape US Economy by 2025. Quartz.

165 Is an Electric Plane the Future of Travel Between Dubai and Abu Dhabi?, The National, June 7, 2015.

166 Solar Plane Suspends Journey in Hawaii After Battery Damage. Khaleej Times, July 15, 2015.

167 Get Ready for Your Robot. Inc. Magazine, June 2015.

168 Man and Machine. Harvard Business Review, June 2015.

169 Why Robots in China are Taking Over. Fortune, July 6, 2015.

170 The Limits of 3D Printing. Harvard Business Review, June 23, 2015.

171 Technology, Media and Telecommunications Predictions 2015 – Middle East. Deloitte.

172 Technology, Media and Telecommunications Predictions 2015 – Middle East. Deloitte.

173 Dubai Plans to Build a 3-D Printed Office Building. Arab News, June 30, 2015.

NEXT GEN DNA SEQUENCING

Your genetic code on a USB stick. Doctors will be able to make decisions about a patient's cancer treatment informed by a tumour's genetic make-up. **This new knowledge is also making precision medicine a reality by enabling the development of highly targeted therapies that offer the potential for improved treatment outcomes, especially for patients battling cancer.**¹⁷⁴ The Food and Drug Administration (FDA) has been reviewing the current regulatory landscape involving Next Gen sequencing as the technology moves rapidly from research to clinical practice.¹⁷⁵

SPACE TECHNOLOGY

The space sector is one of the fastest growing, with average annual growth rates between 5% and nearly 8%. As global competitiveness expands and new satellite technologies become cheaper, developing countries are investing in space with the goal of expanding their economies. **A country's first investments in space are often part of a larger national plan to improve information and communications technology (ICT), infrastructure, agriculture and education.**

NON-MILITARY DRONES

Deloitte predicts that non-military drones costing \$200 or more should exceed one million units for the first time.¹⁷⁶ This enables the average entrepreneur to use drones for a wide range of applications including: **postal delivery, Hollywood chase scenes, surveying crops on a farm, police force rescue units, wedding photography, aerial imaging in construction, delivering emergency aid in disaster relief, geospatial technology, and natural resource management.** However, managing drones for negative uses, such as illegal spying and delivering drugs to prisoners, is a side-effect to be managed.¹⁷⁷

Halal Food Sector

In the next 10 years, the food and beverage industry will see an increased focus on innovation in health and wellness to stay relevant to many consumer groups' needs.

SELECT MUSLIM MARKET INNOVATIONS

- **"Halal Test" kits detecting traces of non-halal ingredients:** Halal Test produced by Capital Biotech (France), HaFYS™ Pork DNA Detection Assay developed at the Halal Products Research Institute (HPRI) at the University of Putra Malaysia (UPM), and the DIY Halal test kit produced by the University of Selangor and Selangor government detect traces of pork DNA and/or alcohol.
- **"Scan Halal" apps:** Apps such as "Scan Halal" and "Halal Touch" tells you the source of the ingredients and whether they are consumable, to be avoided, or doubtful.
- **Code tracking on Halal certificates:** The Halal Certified Management System (HCMS), a system that streamlines the Halal certification process, was launched in 2015 to include a QR code on the Halal certificate. This helps halal certification bodies verify the authenticity of the certificate.¹⁷⁸

Islamic Finance Sector

As the earlier innovation wave mostly hit payment transactions, start-ups are targeting the more lucrative retail-banking segment, which accounts for 52% of total industry revenues, by using peer-to-peer solutions, social technologies, and advanced data analytics to develop products, manage risk, and improve services.¹⁷⁹

¹⁷⁴ Top 10 Emerging Technologies of 2015. World Economic Forum, March 2015.

¹⁷⁵ FDA Considering How to Tailor its Oversight for Next Generation Sequencing, US Food and Drug Administration, January 30 2015.

¹⁷⁶ Technology, Media and Telecommunications Predictions 2015 – Middle East. Deloitte.

¹⁷⁷ Drone Used to Deliver Drugs to Prisoners, Arab News, July 15, 2015.

¹⁷⁸ Halal Cert Management System Opens New Chapter in Halal Industry, MalaysianDigest.com, March 2015.

¹⁷⁹ Decoding Financial-Technology Innovation. McKinsey. June 2015.

SELECT MUSLIM MARKET INNOVATIONS

- **Blossom Finance:** Blossom Finance, a Bitcoin startup that helps Muslims get loans without breaking Islamic law, combines traditional mudaraba financing with modern technology to fulfill a demand for Islamic Finance and investment capital in Indonesia, where 80% of the population are unbanked.¹⁸⁰
- **Turkey's 'post-paid payment system':** Turkey's SefaMerve develops an innovative Shairah-compliant model for payment to persuade e-commerce averse customers.

Travel Sector

Everybody's thinking about how to reinvent the hospitality ecosystem at every customer touch point. The big three key themes emerging in travel in 2015 are: mobile, seamless, and experiential.¹⁸¹

SELECT MUSLIM MARKET INNOVATIONS

- **First multi-functional next gen prayer calculator:** This new Halal Trip product instantly calculates prayer times for your current location, the distances for nearby mosques and the time it takes to reach them, in just one click.¹⁸²
- **Hajj Guider wearable technology wrist band:** This new startup, Dyra Tech, is creating wearable technology for Hajj that will work without a smartphone or internet signals. Its wrist band includes navigation and tracking of friends as well as voice messages.
- **Fully solar-powered hotel in Dubai:** Intercontinental to open a 100% solar-powered hotel in Dubai by 2017.¹⁸³

Pharmaceuticals and Cosmetics Sector

Next Gen DNA sequencing along with the digitisation of medicine develops further in this sector in 2015.

SELECT MUSLIM MARKET INNOVATIONS

- **Brazilian Halal-certified diabetic cosmeceuticals:** Natural cosmetics company, Comercio de Cosméticos Ltda., has just developed a halal range of products for diabetics. These all natural, Amazon-based, Halal-certified products are expected to have an enormous positive social impact, and subsequently lower government health-care spending in countries with a high concentration of diabetic sufferers.¹⁸⁴
- **Halal standards in Turkey for the cosmetic industry:** Turkish Standards Institute has identified Halal standards and approves Halal cosmetic firms' products now. The government has forced Turkish cosmetic firms, which includes Halal conditions, to get Best Production Practices certificate before exporting to Europe.
- **'Life-saving dots' for iodine-deficient women in rural India:** Award winning Grey Group Singapore has developed iodine patches called "Life Saving Dots" to dispense women's daily dosage of iodine to women in rural India who suffer from major health problems such as breast cancer and pregnancy problems.¹⁸⁵

Fashion Sector

Smart clothes and wearable technology are gaining a competitive edge in the fashion industry.

SELECT MUSLIM MARKET INNOVATIONS

- **Cooling hijab technology:** Veil, based in Ohio, USA, is going to launch 'the first climate adapting hijab' that is made of technologically advanced fabrics, reflecting up to 80% of heat rays.¹⁸⁶
- **Cooling jacket technology:** Sahib Mas'ab AlTurk, a 17-year-old Syrian student from Sharjah, invented a jacket with two cooling fans that allows the wearer to be cool while jogging. This innovation was featured at the Abu Dhabi Wearable Tech Show, the first of its kind in the region.¹⁸⁷

180 The Bitcoin Startup the Helps Muslims Get Loans Without Breaking Islamic Law. Motherboard. June 17, 2015.

181 Megatrends Defining Travel in 2015, www.skift.com.

182 Tourism e-information device helps tourists, Zawya, June 22, 2015.

183 100% solar-powered hotel to open in Dubai by 2017, Arabian Business, May 4, 2015.

184 Bernd H. Weber, SVP of IAH Comercio de Cosméticos Ltda. in Sao Paulo, Brazil. www.diabetesprocare.com.br

185 TalwarBindi's Life-Saving Dot Wins Innovation Gold Lion at Cannes, Creativity, April 2, 2015.

186 www.veilhijab.com

187 Jacket that keeps you cool as the heat rises, Gulf News, June 2015.

Media and Recreation Sector

'Smart' products and virtual reality develop within the media & recreation sector.

SELECT MUSLIM MARKET INNOVATIONS

- **Online on-demand TV in Malaysia:** Malaysian TV station, TV AlHijrah, has launched AlHijra Media to provide an online channel with on-demand content.¹⁸⁸
- **Alchemiya's Netflix-style platform for the Muslim world:** Alchemiya just launched their beta site with over 30 films. It features on-demand content celebrating the culture, ideas, and achievements of the Muslim world.
- **'Halal in the Family' Cosby-like TV show:** A show depicting an American Muslim family in a positive light launched aiming at poking satirical fun at the racism and prejudice Muslims often experience in the United States and beyond.¹⁸⁹
- **Religiously-themed blockbusters in Indonesia:** A new recipe for blockbusters in the Indonesian film industry are religiously-themed films such as 99 Cahaya di Langit Eropa (99 Lights on The European Sky), Hijab, and Haji Backpacker (Backpacking Hajj).
- **'Sin-free' Facebook alternatives try to gain traction:** Ummaland, a social network for Muslims launched in 2013, currently has around 329,000 members and has extended privacy settings for women and daily Islamic inspirational quotes.¹⁹⁰
- **Ummah Wide is a digital media and technology startup** focused on stories and cultures that transcend the global borders and boundaries of the Muslim and Human family. Since launching five months ago the site has experienced fast growth and brand recognition globally.
- **Alchemiya is a Netflix-style video platform** focused on the Muslim world with On demand content celebrating the culture, ideas, and achievements of the Muslim world.

188 TV AlHijrah Lancar AlHijrah Media. Sinar Harian, April 27, 2015.

189 Aasif Mandvi's New Web Series, 'Halal in the Family,' is 'Funny, Smart and Full of Muslims.' MTV, April 2015.

190 'Sin-Free' Facebook Attracts Thousands. BBC News, July 6, 2015.



Leadership Article



THE ISLAMIC FINANCIAL STRUCTURES OF TOMORROW

By Haitham Al Refaie
CEO
Tawreeq Holdings



To continue driving global interest in the rapidly expanding Islamic economy, innovation is imperative.

Innovation is increasingly becoming associated with disruptive technology; however, in the Islamic economy innovation must be focused on competing with and improving upon conventional products, particularly in Islamic finance. Innovation in the Islamic economy means developing new and better ways to meet the increasing demands of the globe's 1.7 billion Islamic consumers, many of whom are small businesses in young industries. By encouraging and capitalizing on the increasing confluence of Islamic finance and evolving halal industries, we can begin to meet these demands.

The growing participation of small and medium enterprises (SME's) in the global economy has affected macroeconomic and innovation trends as well. SMEs account for the greatest recent developments in innovative products and services and possess great potential for expanding production capacity and self-employment opportunities, particularly in developing countries. The financial system's infrastructure must therefore innovate alongside SME's to accommodate and help stimulate their growth.

Financing for the New Economy

Financial systems seeking to contribute to the evolving economic ecosystem must focus on building infrastructure, facilitating trade, and financial inclusion. To that end, Islamic finance needs to better re-orient itself through a more inclusive funding approach and broader facilitation of entrepreneurial activities to remain true to the core values of equity and social justice that underpin it.

Global demand for Islamic financial products is strong. We have seen global expansion in Sukuk issuance and robust growth in the takaful industry, but there is still a gap to be filled in developing products that cater to the growth of SME's.

SME's play vital economic roles in OIC member states, giving shairah-compliant finance immense potential to promote the sector by fostering financial inclusion. In the UAE, the government has stressed the importance of the sector as a significant source of employment and economic growth with the development of such initiatives as the Khalifa Fund in Abu Dhabi and Dubai's many SME programmes.

Access to finance is a key challenge facing the SME sector. Banks have been slow to create products that cater to SME's, and a lack of credit history coupled with uncertain earnings potential makes it difficult for most SME's to attain financing. Without financing, the sector cannot grow, limiting industry competitiveness and, ultimately, national output. Herein lie the advantages of the participatory modes used by the Islamic financial system to promote participation in transactions backed by real assets.

Another key challenge facing SMEs is the definition of the sector where SMEs reference is inconsistently used, thus making it more difficult. The UAE was the first in the MENA region to clearly define the sector.

To cater for this sector is to be understanding of the nature of their business environment, the stage of the business, and the financial needs that change with the growth of the business. Despite the classification, to a large extent, the banking sector assessment of the SMEs remains stringent and tightens the availability of funds allocated to this segment due to the wrong perception of SMEs being associated with high inherent risks.

While the banking sector has made a positive step in investing more heavily in technology,

To help expanding the SME segment and to address their financing needs, we need to focus on the liquidity requirements in order to develop the products to enable them to grow.



a focus on retail banking and digitization, without core product development is not enough to fully support the SME sector. By leveraging its inherent strengths, Islamic finance has the opportunity to address this gap by building on its principle of risk-sharing and helping to reshape the relationship between lenders and firms so that financial institutions play a role more akin to partners in business.

The Future of Shairah-Compliant Finance

To help expanding the SME segment and to address their financing needs, we need to focus on the liquidity requirements in order to develop the products to enable them to grow. Depending on the SME size, the business lifecycle and sector, the liquidity needs to change accordingly. The growing challenge is on the ability to maintain a healthy cash flow, expand business operations and increase productivity and profitability.

Accordingly, we can see the recent trends in SME financing change with growing traction for alternative financing sources.

Shairah compliant crowd-funding and peer-to-peer finance lending modules are helping to fill the financing gap left by inadequate banking resources. These modules promote inclusion based on the key shairah principles of risk-sharing which is essential for SME's in the early stages of locating capital or funding projects, and for established SMEs who need access to liquidity yet cannot find solutions in the banking sector. But there remains much work to be done, where even with the alternative access to finance provided, we can still see SMEs balance sheets under pressure and liquidity positions and working capital investments did not

drastically improve either, keeping the risk of insolvency high. Broadly speaking, product development remains an area where Islamic finance institutions have lagged behind their conventional banking and finance counterparts when it comes to the area of product development.

This is one key area that Tawreeq Holdings is focusing on by developing alternative finance solutions that bridge the gap between the banking sector and SME's. In developing the world's first shairah compliant Supply Chain Finance (SCF) platform, Tawreeq has merged technology and shairah compliant SCF to deliver working capital solutions and access to finance to SME's across the MENA region while still collaborating with the banking sector. The focus is on easing the burden on companies working capital and help match payment terms and liquidity needs that directly tackles the insolvency risks that SMEs constantly suffer.

SCF is an alternative comprehensive liquidity solution offered through structured products such as factoring and reverse factoring – known as receivables and payables finance - focusing on liquidity needs for SMEs and their Corporates clients, most improtnatly by realizing better trading terms for both parties and as well facilitate trade with regional and international suppliers and buyer by mitigating inherited risks.

Through the shairah compliant SCF platform, an additional benefit is provided by connecting investors to innovative financial instruments backed by real economic transactions. This model delivers benefits to all stakeholders by providing new short-term financial instruments to investors looking for competitive returns. It also stays true to Islamic finance's underlying objective of

distributive justice and engaging in economic activities that advance the goals of society as a whole by facilitating the transference of wealth to wider segments of society through access creation and connectivity.

Rapid development in the financial industry is necessary to begin meeting the needs of the halal industry and the wider Islamic economy. As an integral force in the global Islamic economy, Islamic finance promotes macroeconomic growth and financial stability. Through further development of commodity, trade-based and leasing techniques, Islamic finance modes are also more capable of encouraging better resource management and distinguishing

— and rewarding — good performance from the bad. Liquidity and capital management are critical problems for SME's and established corporates alike, and innovation in the Islamic finance industry may very well be the solution.

Though innovation in Islamic finance has not been as rapid as it should be, the trend of development is positive and the financial system continues to evolve. In support of His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai's initiative to make Dubai "The Capital of Islamic Economy," we must continue to support innovation in the financial sector and recognize its champions.

ABOUT TAWREEQ HOLDINGS

Tawreeq Holdings is a group of related corporate entities, based in the UAE and Luxembourg, specializing in comprehensive Supply-Chain Finance solutions targeting small and medium-sized enterprises (SMEs) and their corporate clients across the MENA region.

Tawreeq undertook a novel approach by introducing the world-first Shairah-compliant SCF platform to provide SMEs in the region with the needed support to grow and offering short-term alternative Islamic financial instruments for investors.

Tawreeq provides an innovative approach to help service the credit gap strapping SMEs across the MENA region through factoring, reverse factoring, and ethical management of the entire Supply Chain Finance cycle in a Shairah-compliant process.

Tawreeq Holdings group offers its services with four separate functional arms, utilizing the flexibility to serve its clients. Our group includes Dar Al Tawreeq Forfaiting and Factoring Services LLC, iSCF Capital Limited – Regulated by DFSA-, Tawreeq Investments, and HMR Consulting.

Why Tawreeq Holdings:

- The world's first comprehensive Shairah-complaint alternative SCF provider
- Operating in the fast growing MENA region, one of the few sustainable high-growth markets and connecting suppliers worldwide
- Offering SMEs, corporates and investors customized solutions that meet the needs of all stakeholders
- Utilize innovative Shairah-complaint financing structures with attractive investment returns

ABOUT THE AUTHOR

Mr. Haitham Al Refaie's career spans two decades in financial services, corporate governance, and commercial and SME banking, much of it in the UAE and the countries of the Gulf Cooperation Council.

Prior to co-founding Tawreeq Holdings, Mr. Al Refaie led the Business Banking Group at the National Bank of Abu Dhabi (NBAD), a role he had held since 2010. While at NBAD he was responsible for crafting the Business Banking Group's vision and strategy and oversaw implementation of best practices and corporate governance standards.

Mr. Al Refaie previously held other positions with Invest Bank, Abu Dhabi Commercial Bank (ADCB), Citibank and HSBC. He played key roles in various disciplines as a member of the senior management and promoted many initiatives in developing the corporate and commercial banking and trade finance for over fifteen years, where he was actively involved in restructuring risk and credit policies including in his latest role as a Group CEO of Tawreeq Holdings.

Mr. Al Refaie is a DFSA Authorized Individual. He holds a Bachelor's Degree of Business Administration from Yarmouk University in Jordan, and an MBA in Leadership and Sustainability from the Kennedy Business School in Switzerland.



TAWREEQ
— HOLDINGS —

Innovative liquidity solutions for rising businesses of tomorrow



Comprehensive cash flow solutions tailored to grow your business

Tawreeq Holdings, a pioneer in Sharia-Compliant smart Supply Chain Financing solutions take an innovative approach to help address the MENA region's credit gap.

An independent United Arab Emirates and Luxembourg based group offering comprehensive liquidity solutions through "TAWREEQ", the world's first Sharia-Compliant SCF Platform.

TAWREEQ HOLDINGS THROUGH ITS SUBSIDIARIES OFFERS:

FACTORING

An efficient alternative liquidity solution that provides SMEs with immediate access to cash by selling their approved invoices (receivables)

REVERSE FACTORING

Liquidity solutions tailored for large and mid-sized corporates to extend payment terms with regional and international suppliers

COMPREHENSIVE SCF SOLUTIONS

Tailored cash flow and liquidity solutions to facilitate trading and financial terms between corporates and their suppliers network

ALTERNATIVE SHARIA-COMPLIANT INVESTMENTS

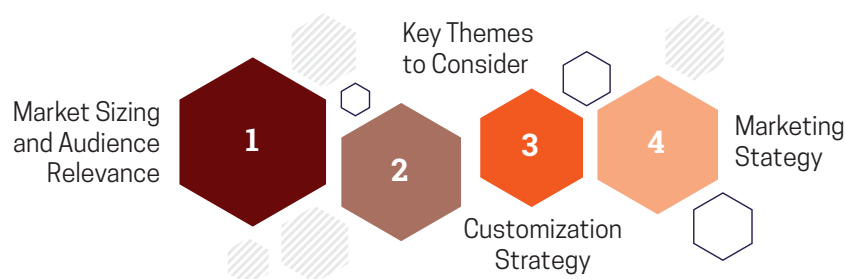
Competitive alternative asset-class investment that is Sharia-compliant, focused on the real economy, and provides attractive yields

Recommended Strategies and Worksheets

New and existing companies in the Global Islamic Economy can benefit tremendously from this Report by applying the learning in concrete and tangible ways to their growth strategy and operations. Companies can use DinarStandard's 4-Step Muslim Market Strategy framework to guide them through the process. This section also includes a master worksheet for strategy professionals and business development managers to kickoff their Islamic economy growth strategy.

4 STEP MUSLIM MARKET STRATEGY

For Hotels & Resorts, Destinations and Travel Agents



Step 1: Market Sizing Assessment Sheet

The first important assessment by a company in any of the industry sectors will be to evaluate if the Global Islamic Economy potential is sizeable and relevant to the markets in which the company is operating or plans to operate. For example, a food producer in Chile will want to assess if the Halal food sector's market size is of enough interest to them and its relevance to their company's operations and growth strategy. Companies will also want to explore which region(s) and consumers they want to interact with within the Global Islamic Economy. There are six main geographic regions grouping consumer segmentations: MENA — GCC, South East Asia, South Asia, Central Asia, Sub-Saharan Africa, MENA — excluding GCC, and Muslim consumers in western countries (UK, Europe, USA, Canada, Australia).

Step 2: Key Themes to Consider (Recommended Strategies)

While macro drivers, challenges and opportunities are listed in the report in each sector section, we also zoomed in on key challenges and opportunities specifically being experience in 2015 based on year-on-year industry news, trends and interviews with key industry players.

Below you will find the overall strategic themes for each industry in 2015 based on these year-on-year insights.

HALAL FOOD: KEY THEMES 2015/16

Key Drivers	2015 Key Challenges	2015 Key Opportunities	Future Outlook
Demographics: increasing population and stronger migration, both to Muslim and non-Muslim countries	Local producers / manufacturers are unable to meet the demand	Online presence creates more opportunities both to newcomers and incumbents on how to reach their customers	More transparent Halal integrity based on consumer pressures and awareness
Growing trend towards natural and organic products	Different Halal standards and many different kinds of organisations	Partnerships between OIC and non-OIC countries in order to develop their Halal processes	Brands will explore new technology in order to interact more with the final users through.
Need for a harmonized Halal certification standards	Secure funding is still a challenge for many companies	Develop premium organic product lines	Organic and natural product will win market share
Increased awareness of companies' CSR	Clear and transparent international regulatory framework	Investment opportunities in Halal food value chain integration increasing the scale of the Halal food market.	Increased transparency regarding Halal food products and its processes, from the farmer to the final consumer.
		Improve sector efficiency and player's dimension	Traditional western companies more focused on Halal products in order to meet growing demand
		Tracking technology that will allow players to know the origin of their supplies	

ISLAMIC FINANCE: KEY THEMES 2015/16

Key Drivers	2015 Key Challenges	2015 Key Opportunities	Future Outlook
New technologies: online and mobile banking is changing payment methods and how Financial Institutions communicate and interact with customers	Compliance of the capital structures with Basel III standards	Investor's appetite for Islamic Finance products	Responsible Banking: Higher support of projects with impact in social area.
Product innovation: sukuk, Funds, Private Equity and Takaful.	Inexistence of secondary markets, limiting the capital liquidity	Abundant capital shown by the high capital ratios	More government support and involvement
Regulatory standardisation	Not harmonized regulation and legislation and different interpretations of Shariah-compliant.	Low bank penetration rates, indicate potential to increase the Islamic Finance presence.	Growth of Islamic Finance
	Establish an Islamic Finance Database	Explore western and non-western markets	Higher standardisation and unification in practices
	Understand the risks and products of the increasing size and number of Islamic financial services	Development of strong and harmonized regulatory and supervisory framework	
	Recent geopolitical instability (oil prices, terrorism, civil wars)	Improve international cooperation	

ISLAMIC TRAVEL: KEY THEMES 2015/16

Key Drivers	2015 Key Challenges	2015 Key Opportunities	Future Outlook
Growing middle class	Accommodating both Muslims and non-Muslims at the same destination	Convergence with other travel sub-sectors or other Islamic economy sectors	Increased presence of the middle class, both in terms of demand and supply
Growth in low-cost carriers	Insufficient investor's appetite	Growing demand for Muslim-friendly resorts	Higher Government and private companies partnerships, as this is a strategic sector for many countries.
Increasing digital connectivity	Marketing: Directing the offer to both Muslim and non-Muslim audience.	Rising middle class, especially in South East Asia	The supply will be more customized in order to accommodate the demand's needs and trends.
Demand for 'Halal-friendly' hotels in the Middle East and North Africa	Increasing land prices and construction costs.	Increasing Muslim Population	
Rise of socially responsible travel	Raising Financing for dry hotels cools down investor's appetite.	Being focused on themes, such as beaches, voluntourism, eco-tourism, ethical tourism and others	
Travellers increasingly digitally connected.	Different and not consistent definitions of Muslim-friendly/Halal	Consolidate Halal travel guidelines/ certification standards	
Airports becoming destinations of their own.		Strategic partnerships to build traffic and increase growth	

ISLAMIC FASHION: KEY THEMES 2015/16

Key Drivers	2015 Key Challenges	2015 Key Opportunities	Future Outlook
Higher competition in the modest sportswear space	Increasingly criticism for its seeming over-commercialization of a religious mandate	Coloured abayas are getting traction	More competition from Global brands
Global brands are entering in the Muslim fashion space	Payment, customs and logistics issues hamper the growth of digital commerce	There are few vertical players, which provides a competitive advantage for those who can achieve it.	Fusing traditional elements with modern design
Business incubators catering to modest fashion development are sprouting	Very heterogeneous and fragmented market.	Fusing traditional elements with modern design	Increased presence in the modest sportswear segment.
	Slow adaptability to the market needs.	Low competition on premium modest fashion brand	Business incubators catering to modest fashion development
	Low volume production hinders economies of scale and price		

MEDIA AND RECREATION: KEY THEMES 2015/16

Key Drivers	2015 Key Challenges	2015 Key Opportunities	Future Outlook
Demographics — young and growing population	Censorship — Islamic-themed genres are highly sensitive	English language helps to increase visibility.	Online contents
Emerging markets' growth rates	Bad press — negative global perceptions relating to geo-politics and Islam.	Demand for value based content in Games industry.	Higher digital analytics
Connectivity — increasing presence of social media and smartphones	Public perception: perception that Islamic content is skewed towards a "religious" only educational perspective	Global interest in Islamic Arts	Increased weight of the gaming industry
	Financing hurdles	Crowdfunding	

PHARMA AND COSMETICS: KEY THEMES 2015/16

Key Drivers	2015 Key Challenges	2015 Key Opportunities	Future Outlook
Urbanization	Halal standard guidelines	Animal derived ingredients in pharmaceuticals are increasingly being replaced by synthetics	A continuous pursuit of a global Halal certification standard
Increasing life standards	Identifying the source of medicines	Production of Halal vaccines	Increased awareness in Halal products
Halal ingredients compliance	Good Manufacturing Practices are not fully implemented	Market Halal cosmetics to non-Muslim consumers	Halal products in non-Muslim countries
Healthier lifestyles	Achieve funding for research and development	Cosmetics are a fast-growing sector as consumers	
Growing interest from non-Muslim countries	Muslims not trained in good manufacturing practices	Resolve issue of Halal gelatin	
		Production of Halal vaccine	

Step 3: Customisation Strategy

For many companies, especially global multi-nationals, one question in determining a Muslim customer offering and marketing strategy is, to what extent does a product or the marketing need to be customised? The 'Level of Muslim Consumer Customisation' framework is one approach that breaks down customisation options to five levels.¹⁹¹

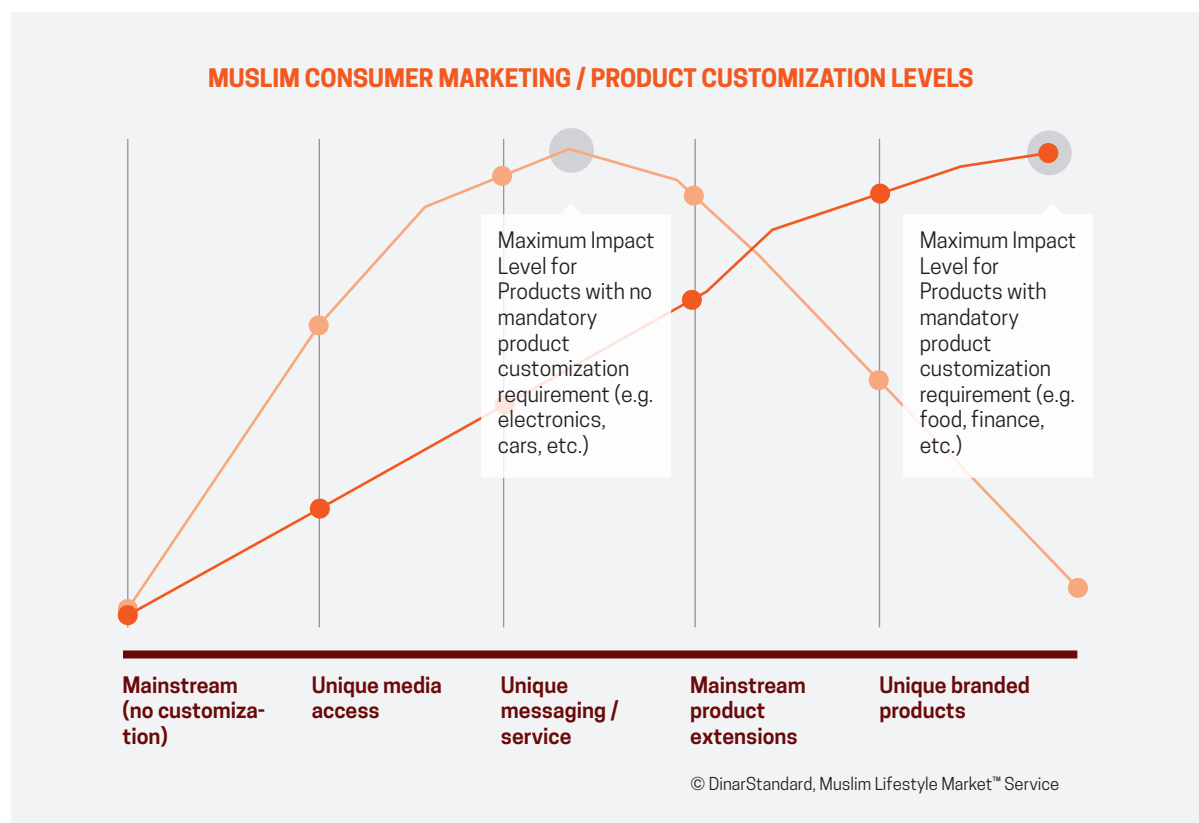
No customisation – Level 1 is a 'do nothing' strategy in terms of customising for the Muslim market. Depending on the region and industry the company is in, there may not be any need. However, for many companies that are regional or global in the Islamic economy sectors of finance, food, travel, and others, this is no more an option.

Unique media access – Level 2 focusses on the most basic targeted marketing, targeting Muslim customers in their source market through relevant media channels. This assumes no product customisation or even communication customisation.

Unique communication – Level 3 focusses on engaging the Muslim audience and speaking directly to their values in a genuine way. This level of customisation involves reaching the audience through targeted media channels and with custom communications. However, no product customisation is incorporated. In many Muslim-majority markets this will already be a common practice while in non-Muslim majority markets this can be an effective differentiator. These communication elements as described cover 'values sensitivity,' 'special occasions,' 'language,' and 'ethnic nuances.'

Product extension – Level 4 focusses on product extension strategies incorporating a new product within an existing brand or else adapting an existing mainstream product to address unique Muslim requirements.

Unique branded products – Level 5 is the highest level of customisation. It requires a whole new product line or business unit to be created to address unique Muslim product needs.



191 DinarStandard Muslim Lifestyle Market customisation framework

Step 4: Marketing Strategy

Once the market customisation strategy has been assessed, a targeted marketing strategy should be planned to best leverage any customisation efforts undertaken. Below are key areas of consideration:

Channel strategy: Halal-minded Muslim consumers should be engaged and reached through targeted media and other channels highlighting any customisations or relevant features. Targeted channels would include local media, religious media, organisations in target markets that attract Halal-minded audiences.

Unique communication strategy: From amongst the various unique communication options described earlier in the document (Customisation Levels section), companies should evaluate which aspects are most relevant for their strategy. Communication elements should consider values sensitivity, special occasions, language, and ethnic nuances.

Market positioning: The most important aspect of marketing to Muslim consumers is appealing to their values with sincerity. Companies in each industry sector should also carefully decide what to name the sector (taking in consideration both the industry's and consumers' perspectives) and consider standardising the term across the industry.

Halal Travel Industry Terminology	Clothing/Fashion Industry Terminology
Halal travel	Islamic fashion
Muslim-friendly travel	Modest fashion
Halal-friendly	Muslim fashion
Halal holiday	Halal clothing
Muslim travel	Islamic clothing
Shariah-compliant tourism	Modest clothing
Alternative Halal leisure	Hijab fashion
	Conservative modern fashion

4-Step Strategy Worksheet

This Report has been developed to inspire and empower business leaders, investors, entrepreneurs, government officials, and industry bodies to evaluate and develop actionable and high impact growth and or investment strategies focused on Global Islamic Economy sectors. While a business case has been presented on the potential size and profile of these sectors, a need exists for a guide to translate these insights into a plan of action. Below are key suggested steps to determine this market's relevance to you and to determine the general areas of focus, approach and engagement needed.

ISLAMIC ECONOMY SECTOR GROWTH STRATEGY CHECKLIST (FOR EXISTING INDUSTRY MARKET PLAYERS)

Strategy areas to evaluate	Your Notes
Cross-sector synergy (Evaluate synergistic opportunities across Islamic economy sectors: Islamic capital, marketing/ co-branding, talent sourcing)	
Mergers and acquisition possibilities (Much of the Islamic economy Halal Food and lifestyle sector companies are small, fragmented entities or few major companies.)	
New market expansion considerations (E.g. Geographically various markets within this space are expanding. western Muslim market is a major segment highlighted by the Report.)	
Innovation (E.g. digital platform , new products, new business models, cross-language engagement)	
Branded global concepts (Brands that have a wider global appeal leveraging underlying Islamic values. E.g. Halal and organic, ethical finance, family-friendly solutions.)	

ISLAMIC ECONOMY SECTOR MARKET-ENTRY STRATEGY CHECK-LIST

(FOR NEW INDUSTRY MARKET PLAYERS)

Strategy areas to evaluate

Your Notes

Market sizing relevance

(Baseline Muslim audiences population and expenditure in target markets)

If through market sizing assessment, it is clear that the company should proceed in engaging this segment, then evaluate subsequent areas:

Key themes to consider/ prioritise relative to competitive marketplace

(Shariah-compliant financing, Halal Food, Halal ingredients, family orientation, modesty orientation, gender consideration, prayer related considerations)

Levels of Customisation

(Levels 1-5)

Marketing - Channel Strategy -

(Most effective local, regional, Halal related channels)

Marketing - Communication Strategy

(Values sensitivity, special occasions, language, ethnic nuances)

Marketing - Market positioning

(Product themes)

ISLAMIC ECONOMY SECTOR FINANCING AND INSURANCE STRATEGY CHECKLIST

(FOR ISLAMIC FINANCIAL AND TAKAFUL SERVICE PROVIDERS)

Strategy areas to evaluate

Your Notes

Mergers and acquisition possibilities

(Islamic economy Halal Food and lifestyle sector companies are small, fragmented entities vs. a few major companies that present M&A opportunities.)

PE/ Venture financing

(Evaluate growing examples of sustaining and growing a business in this space. E.g. The 99, Saffron Road, others)

Sukuk issuances

(Key focus on major food companies from the OIC, plus Halal Food specific value chain players. Recent examples: Almarai, Savola Sukuks)

Corporate/ trade financing

(Evaluate demand for Shariah-compliant business and trade financing needs within Halal Food and lifestyle sector.)

Takaful

(Target this ready market for Takaful solutions.)

Notes

Appendix

The Global Islamic Economy Indicator Methodology

THE CONCEPT

The Global Islamic Economy sectors operate within a business and financial environment that demands them to adapt to constant change, but there is limited reliable information and data on these sectors to evaluate their development. The Global Islamic Economy Indicator (GIEI) is meant to be a true barometer of the state of the Islamic economic sectors across their fundamentals. The indicator aims to introduce a new way of measuring development by combining data from the various key elements of the sectors into a singular composite indicator. This quantified information will help facilitate further comprehension of how the different parts of the market are developing over time.

THE GLOBAL ISLAMIC ECONOMY INDICATOR

The Global Islamic Economy Indicator is a composite weighted index that measures the overall development of the Global Islamic economy sectors by assessing the performance of its parts in line with its broader social obligations. It is a global level composite indicator with selected national and industry component level indicators.

OBJECTIVES

Global indicator level

- Present one single indicator to provide a pulse of the Global Islamic Economy's health and development
- Provide an indicator that is reliable and unbiased
- Provide a global view of the Islamic economic landscape
- Inform current and potential Islamic economy stakeholders/investors about the industry's performance

Country indicator level

- Assess the current state of the Islamic economy in each country
- Track changes over time and make comparisons across regions and countries

Specific sector level

- Measure the sector's health and development from various perspectives
- Enhance sector's market transparency and efficiency
- Track changes over time and make comparisons across regions and countries

GIEI is a single measure that captures a holistic assessment of the Global Islamic economy industry across all sectors. It is a product of a number of key sub-indicators underlining the industry. Disaggregation of data helps expose the disparities, differences and movements that may not exclusively be covered in wide-ranging aggregate terms.

The different components that make up the indicator were selected based on an outline of the key constituents of the industry as a whole and are based on key contemporary issues covering financial, governance, awareness and social aspects. All are fundamentally important for the development of the industry as a global business.

DATA COLLECTION

The data employed in the Global Islamic Economy indicator when aggregating data and computing indicator values includes information that is publicly disclosed only. The employment of disclosed information ensures reliability and consistency of the results.

UNIVERSE

All OIC countries are included along with all non-OIC countries with a strong presence of Halal industry.

Country list (73 countries distributed among main regions in our universe)

GCC (GULF CORPORATION COUNCIL)

Bahrain
Kuwait
Oman
Qatar
Saudi Arabia
United Arab Emirates

SOUTH EAST ASIA

Brunei Darussalam
Indonesia
Malaysia
Singapore
Thailand

SOUTH ASIA

Afghanistan
Turkmenistan
Bangladesh
India
Maldives

Pakistan
Sri Lanka

EUROPE

Albania
France
Germany
Italy
Switzerland
Turkey
United Kingdom

OTHER MENA (MIDDLE EAST AND NORTH AFRICA EXCLUDING GCC)

Algeria
Egypt
Iran
Iraq
Jordan
Lebanon
Libya
Mauritania

Morocco
Palestine
Sudan
Syria
Tunisia
Yemen

SUB-SAHARAN AFRICA

Benin
Burkina Faso
Cameroon
Chad
Comoros
Djibouti
Gabon
Gambia
Guinea
Guinea-Bissau
Ivory Coast
Kenya
Mali
Mozambique
Niger

Nigeria
Senegal
Sierra Leone
Somalia
South Africa
Togo
Uganda

OTHERS

Australia
Azerbaijan
Brazil
Canada
China
Guyana
Kazakhstan
Kyrgyzstan
Russia
Suriname
Tajikistan
United States
Uzbekistan

Glossary

Phonetic Spelling	Term	Definition
A	Abaya	Robe type garment worn by Muslim women
	Alhamdulillah	Praise to Allah
	Allah	God
B	Burqa	Robe type garment worn by Muslim women
E	Eid	Muslims Holiday
F	Fatwa	Edict
	Friday Jumu'ah prayers	Congregational Friday Prayer
H	Hadith	A report of an utterance, deed, affirmation or characteristic of the Prophet Muhammad (pbuh) and his companions
	Hajj	Pilgrimage to Mecca in the month of Dhu al-Qadah
	Halal	Lawful
	Halalan Tayyiban	Lawful and pure
	HALMAS accreditation	An accreditation given to Halal Park operators
	Haram	Unlawful
	Hijab	Head scarf
	Iftar	Break fast
I	Ihram	Hajj garment
	Ijara	Lease, rent or wage
	In sha' Allah	God willing
	Istisna	Manufacturing Contract
	Islam	Submission/Surrender
	Jilbab	Woman's full length garment
	Ka'aba	'Square house'
K	Kosher	ritually pure

Phonetic Spelling	Term	Definition
M	Makkah	A city in Saudia Arabia
	Mudarabah	Investment management partnership
	Murabaha	Full disclosure trust sale also, Markup/ Cost plus sale
	Musharakah	Investment Partnership
	Muslimah	Muslim woman
N	Najis	Impure
	Namaz	Muslim Prayer
	Niqab	Face veil
Q	Qard Hasan	Interest-free loan
	Qibla	Direction of Prayer
	Quran	Holy book of Islam
R	Ramadan	Holy month of fasting
	Riba	Interest
S	Salam	Sale
	Shalwar kameez	Long shirt and Pants
	Shariah	Islamic Law
	Shariah-compliant	In accordance with Islamic Law
	Sheikh	Religious leader
	Shekra	New Joint Investment concept
	Sukuk	Islamic Bond

Phonetic Spelling	Term	Definition
T	Takaful	Islamic Insurance Takaful is a type of Islamic insurance, where members contribute money into a pooling system in order to guarantee each other against loss or damage.
	Tayyab	Good, pure Good, pure. Any thing or act that is good.
U	Ummah	Global Islamic community Global Islamic community or nation. Refers to Muslims as a whole worldwide.
	Umrah	Pilgrimage to Mecca Non obligatory pilgrimage to Mecca, Saudi Arabia, performed by Muslims that can be undertaken at any time of the year.
W	Wakala	Agency A standard Islamic practice, often used in financial transactions, wherein one party acts as an agent (wakeel) for another party.
	Waqf	Charitable trust Endowment. Also can be referred to as 'Awqaf.' Acts as an agent (wakeel) for another party.
	Wudhu	Ablution Ritual ablution performed with water before prayers
Z	Zabiha	Slaughtered Used to signify meat that has been slaughtered according to Islamic law
	Zakah/Zakat	Compulsory alms-giving In the Quranic view, Zakat is a way to redistribute the wealth, thus defining a charity-based economy with a particular interest in the poor and the dispossessed Muslims. It is calculated at 2.5% of each person's assets to be paid each year in charity.

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Islamic Finance Gateway (IFG) Community is the one dedicated knowledge Gateway for professionals from across different countries to converge and interact on industry issues that matter in order to generate actionable outcomes to shape and speed up the industry's growth.

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