State of the GLOBAL ISLAMIC ECONOMY

2014 - 2015 Report

COMMISSIONED BY:

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DUBAI THE CAPITAL OF ISLAMIC ECONOMY

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IN THE NAME OF GOD THE MOST MERCIFUL THE MOST BENEFICENT

EXECUTIVE SUMMARY

The 2014-15 State of the Global Islamic Economy Report presents the continuing building of Islamic economy's momentum. Much has happened since the launch of the inaugural State of the Global Islamic Economy Report last year.

The Halal Food sector saw investments, such as the Brazilian food group BRF investing $90 million in setting up a production plant in UAE; new Halal testing technologies emerged from France, Malaysia, and UAE; Dubai began marketing its new Halal hubs; MIHAS Malaysia saw record Halal Food exhibitors and deals. **Islamic Finance** saw the arrival of Sukuk in western jurisdictions of the UK, Luxembourg, Hong Kong and South Africa; Arabesque and SEDCO built momentum around SRI investing; a mega-Islamic bank was announced from Malaysia. In **Travel**, Maldives saw a hotel investment in a Muslim-friendly resort; Spain, Japan, Philippines and Russia took steps to attract Muslim customers; luxury hotel chain Shaza, that is Halal lifestyle focussed, planned expansion; HalalTrip.com gained traction while HalalBooking.com offered innovative pricing features.

In the Modest Fashion space, DKNY and UK-based department store John Lewis introduced the Muslim audience to focussed modest fashion/accessory lines. **The Media and Recreation** space saw the launch of a Muslim super-hero 'Kamala Khan' by Marvel comics; Ramadan drama-series (Musalsalat) continue their multi-million dollar productions; Bitsmedia's Muslim Pro app reached more than 10 million downloads. **The Pharmaceuticals and Cosmetics sector** saw Malaysia's Halal Industry Development Corporation receive a $100 million investment for a Halal vaccine production; "H," a Halal-certified nail polish, was launched in the GCC. In a trend towards the beginning of **convergence** among these sectors, Islamic designer Peter Gould coordinated to launch a clothing line with U.S.-based Artizara; MasterCard partnered with Zilzar.com, a new global Muslim lifestyle marketplace platform, and is preparing to launch a Halal benefits program for its million dollar plus Shariah-compliant card holders.

The past year also saw some **set-backs/controversies**. Growing Halal Food screening saw Qatar pull several American brands; non-stunning of animals for Halal slaughter saw a backlash in the EU; the National Commercial Bank's (Saudi Arabia) IPO listing saw a fatwa against investing in it; the globally growing The 99 super-hero comic/animation series also experienced a fatwa against it; several resorts in Morocco banned the burkini (the Muslim full cover bathing suits) in their pools; an Islamic fashion show in the USA got abruptly cancelled. Not to be missed, the Islamic extremist militancy, including the dramatic rise of the brutal ISIS, has put a dent in global positioning and branding of Islamic Economy sectors.

Size & momentum

Despite the challenges, and driven by growing demand, the Islamic economy sectors continue to flourish. This Report represents the global Islamic economy as **core sectors** and their ecosystem **structurally affected** by **Islamic values driven** consumer lifestyle and business practices[1]. Collectively these majors sectors are: Islamic Finance, Halal Food and lifestyle sectors (Modest fashion, Travel, Pharmaceuticals and Cosmetics, and Media and Recreation.)

This 2014 –15 Report estimates that the global expenditure of Muslim consumers on food and lifestyle sectors **grew 9.5%**[2] from previous years' estimates to **$2 trillion in 2013** and is expected to reach **$3.7 trillion by 2019** at a compound annual growth rate of **10.8%**. This forms the potential core market for Halal Food and lifestyle sectors.

In addition, this Report estimates **Islamic Finance assets at $1.66 trillion in 2013**. Islamic funds and Sukuks led the growth with 14% and 11% growth year-on-year, whereas banking experienced a 5% drop in its assets. This Report estimates potential the universe of Islamic Finance assets in its core market (assuming optimal scenario) to be $4.2 trillion[3] in 2014.

1 DinarStandard definition
2 From updated 2012 baseline Muslim consumer food & lifestyle sector expenditure of $1.82 billion
3 The optimal scenario assumes full regulatory support for Islamic finance in OIC markets and a 100% Islamic banking penetration with the proportionate Muslim demographic of OIC countries.

Values-drivers

The customers of this Islamic economy are universal with shared values. At the highest level, values-based customer needs that are driving these Islamic economy sectors include Islamic/ethical financing, Halal (lawful) and Tayyab (pure) food, modest clothing, family-friendly travel, gender interaction considerations, and religious practices. These needs also extend to business practices that seek Islamic business financing, investment and insurance services (Takaful). It is however important to recognise the wide diversity in awareness and adoption of Halal within the core customer base of Muslims globally.

Introducing GIEI

This year the Report introduces a formal Global Islamic Economy Indicator (GIEI), a composite index that presents the current development health of Islamic economy sectors across 70 core countries. **Malaysia, UAE** and **Bahrain** lead this inaugural composite index. The indicator is not a ranking the current size and growth of each market but evaluates the quality of the overall Islamic economy ecosystem, including social considerations each has relative to their size[4]. The ranking is weighted towards Islamic Finance and the 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.

Halal food & lifestyle sector update

DinarStandard estimates of the global Muslim population expenditure on Islamic economy identified sectors (besides finance) are:

- **Food market:** Global Muslim spending on Food and Beverages (F&B) has **increased 10.8% to reach $1,292 billion in 2013**. This takes the potential core Halal Food market to be 17.7% of the global expenditure in 2013 compared to 16.6% the year before. This expenditure is expected to grow to a $2,537 billion market by 2019 and will account for 21.2% of the global expenditure. Top countries with Muslim consumer food consumption are **Indonesia** ($190 billion), **Turkey** ($168 billion), **Pakistan** ($108 billion) and **Iran** ($97 billion) based on 2013 data.

  Meanwhile, **Malaysia, UAE** and **Australia** lead the Halal Food Indicator that focusses on the health of the Halal Food ecosystem a country has relative to its size. A special focus report on **Halal Food Logistics** estimates logistic costs for the potential global Halal Food market to be **$151 billion in 2013**.

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

- **Clothing and Fashion market:** Global Muslim consumer spending on clothing and footwear has **increased 11.9% to reach $266 billion in 2013**. This makes the Muslim clothing market to be 11.9% of the global expenditure and is expected to reach $488 billion by 2019. Top countries with Muslim consumers clothing consumption (based on 2013 data) are **Turkey** ($39.3 billion), **United Arab Emirates** ($22.5 billion), **Indonesia** ($18.8 billion), and **Iran** ($17.1 billion).

  Meanwhile, **UAE, China** and **Italy** lead the Modest Fashion Indicator that focusses on the health of the modest fashion ecosystem a country has relative to its size. Given the importance of digital platforms to this space, a special **Muslim Fashion E-Commerce** focus report looks at these modest fashion segment developments and hotspots across the globe. DinarStandard estimates put Muslim consumers' **e-commerce expenditure at $4.8 billion in 2013**.

- **Travel market:** Global Muslim spending on travel (outbound) has **increased 7.7% to reach $140 billion** in 2013[5] (excluding Hajj and Umrah). This is 11.6% of the global expenditure and is expected to reach $238 billion by 2019. Top source countries of Muslim tourists based on 2013 expenditure were: Saudi Arabia ($17.8 billion), Iran ($14.3 billion), United Arab Emirates ($11.2 billion), Qatar ($ 7.8 billion), Kuwait ($7.7 billion), and Indonesia ($7.5 billion).

  Meanwhile, **Malaysia, UAE** and **Singapore** lead the Halal Travel Indicator that focusses on the health of the family-friendly/Halal Travel ecosystem a country has relative to its size. A special **focus report**, **Hajj and Umrah Travel**, estimates there were a total 5.7 million Hajj and Umrah pilgrims (not including domestic) with a total expenditure on Hajj and Umrah at $16.2 billion (including air travel) in 2013.

- **Media and recreation market:** Global Muslim spending on recreation and culture has grown 7.3% to reach **$185 billion in 2013**.[6] This represents 5.2% of the global expenditure and is expected to reach $301 billion by 2019. Top countries with Muslim consumers' recreation consumption (based on 2013 data) are: Turkey ($30.3 billion), Indonesia ($9.4 billion), United States ($9.1 billion), Iran ($9 billion), and France ($8.4 billion.)

  Meanwhile, **Singapore, UAE** and the **United Kingdom** lead the Halal Media and Recreation indicator that focusses on the health of the family-friendly/Halal media and recreation ecosystem a country has relative to its size. A special focus report, **Islam-Themed Broadcast Media**, highlights the Ramadan-drama series (Musalsalat) and various broadcast channel developments driven by much higher (9.9%) projected **TV advertising growth for OIC countries** between years 2013-18 than the global average of 5.5% for the same time period.

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5 Expenditure data baselined from 2013 UNWTO data; International Monetary Fund (IMF) Outlook Oct 2014 database for projections; Muslim market estimates based on DinarStandard Muslim market estimates and analysis.

6 Expenditure data baselined from 2005 International Comparison Program (Nominal values) + National Statistics Agencies + DinarStandard Analysis; IMF Outlook 2012 Database for projections; Muslim market estimates and value chain from DinarStandard; Trade data from UN Comtrade Database 2012; OIC = Organization of Islamic Cooperation (57 member countries)

- **Pharmaceuticals and Cosmetics market:** Global Muslim consumer spending on pharmaceuticals has **increased 2.1% to reach $72 billion in 2013**. This makes the Muslim pharmaceuticals market to be 6.6% of the global expenditure and is expected to reach $103 billion by 2019. Top countries with Muslim pharmaceuticals consumers are **Turkey** ($8.9 billion), **Saudi Arabia** ($5.9 billion), **Indonesia** ($4.9 billion), and **Iran** ($3.7 billion.)

  Global Muslim spending on **cosmetics increased 1% to reach $46 billion in 2013**. This spending is 6.78% of the global sector expenditure and is expected to reach $73 billion by 2019. Top countries with Muslim cosmetics consumers are **United Arab Emirates** ($4.9 billion), **Turkey** ($4.4 billion), **India** ($3.5 billion), and **Russia** ($3.4 billion) based on 2013 estimates.

  Malaysia, Egypt and **Singapore** lead a combined Halal Pharmaeuticals and Cosmetics Indicator that focusses on the health of the Halal pharmaceutical and cosmetics ecosystem a country has relative to its size.

REUTERS/Minzayar

Key Opportunities

Based on the analysis of various Islamic economy sector activities, global sector trends and industry player inputs, the following have emerged as the most prominent opportunities within individual Islamic economy sectors. DinarStandard's 4-Step Muslim Market Strategy framework is presented as a step-by-step guide with checklists to evaluate and apply this market's opportunity for individual needs.

- **Halal Food:** Key areas of opportunities include: investment opportunities across the Halal Food value chain; Halal Food SMEs seeking Islamic financing for working capital, trade financing and expansion needs; M&A opportunities; organic and pure/wholesome (Tayyab) new products; Halal ingredients; building global or regional brands that deliver on halal integrity.

- **Islamic Finance:** Key areas of opportunities include: convergence of Islamic Finance/ capital with Halal Food and lifestyle sectors; Socially Responsible Investment (SRI) funds as well as wider impact investment and social entrepreneurship financing; Hajj/Umrah savings and funds; expansion markets of Tunisia, Azerbaijan, India, Morocco and Indonesia; infrastructure spending across large OIC markets; crowdfunding and SME financing.

- **Halal Travel:** Key areas of opportunities include: Family-friendly and business travel cross-over appeal to Muslim-friendly services; luxury Muslim market segment; Halal travel as commercial real-estate investment opportunity; Hajj funds; Halal-themed packages; Muslim heritage gifts/souvenirs; e-commerce, mobile, social media marketing platforms.

- **Modest Fashion:** Key areas of opportunities include: digital/e-commerce platform; expansion of online startup brands with retail outlets, physical stores, franchising and distribution partnerships; western Muslim markets as the largest segment; better target marketing platforms; OIC-based exporters; cross-sell to other faith-based, modest-conscious consumers, with global brand positioning.

- **Media and Recreation:** Key areas of opportunities include: broadening the genre; gaming; marketing partnerships with other Halal lifestyle sectors; western Muslim markets; digital media content; integrating technology/new media, social media (Google Glass for apps, Oculus for virtual/ augmented reality); develop globally branded Halal media and celebrities or regional icons.

- **Pharmaceuticals and Cosmetics:** Key areas of opportunities include: western Muslim markets; Halal vaccines -especially for Hajj/Umrah; ingredients manufacturing; OIC-based manufacturers should own this opportunity; partner with major retailers and overcome political stigma over Halal brands.

Key Challenges

Besides the Halal integrity related controversies as well as the geo-political challenges that brand 'Islam' faces, there are also structural and operational challenges faced by the sectors. Key issues are: regulations/ standardisation/ compliance; Halal-certified raw materials/ supply chain integrity; human capital development and training; consumer education; global positioning (variances in terminology, e.g. Shariah-compliant, Halal, Muslim-friendly, family-friendly); SME/ venture financing; IP protection; operational excellence: quality, competitive, innovative, and profitable solutions.

From 'What' to 'How?'

Despite the challenges and opportunities listed earlier, the related young demographics and economic growth drivers of their home countries will ensure that Islamic economy sectors will continue to grow. Compared to last year, when most potential markets were still questioning viability of Halal Food and lifestyle sectors, this year the question is not 'what' is this market, but 'how' do we best benefit from it.

The State of the Global Islamic Economy Report is commissioned by **Dubai Islamic Economy Development Centre (DIEDC)** and is produced by **Thomson Reuters** in collaboration with **DinarStandard**. The purpose of the Report is to inspire and empower business leaders, entrepreneur's government officials, and industry bodies to evaluate and develop an actionable, practical, and high impact market strategy focussed on the Global Islamic Economy.

Acknowledgements

Supported by:

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DUBAI THE CAPITAL OF ISLAMIC ECONOMY

DUBAI CAPITAL OF ISLAMIC ECONOMY

The Dubai the Capital of Islamic Economy initiative was launched in early 2013 by His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, to transform Dubai into the Capital of the Islamic Economy. A number of initiatives were announced to set up a comprehensive platform of Islamic economy products and services. The initiatives aim at integrating the Islamic Economy as part of the overall Dubai economy. The seven strategic objectives of the Islamic Economy strategy for Dubai are:

- Global reference and economic engine of Islamic Finance
- Trusted name and solution provider in the Halal Food sector
- Destination of choice for family-friendly tourist destination
- Leader in Islamic digital economy
- Become the capital of Islamic fashion, arts and design
- Leading global network of Islamic economy information and education
- World-class centre for Islamic economy standards, certification and accreditation

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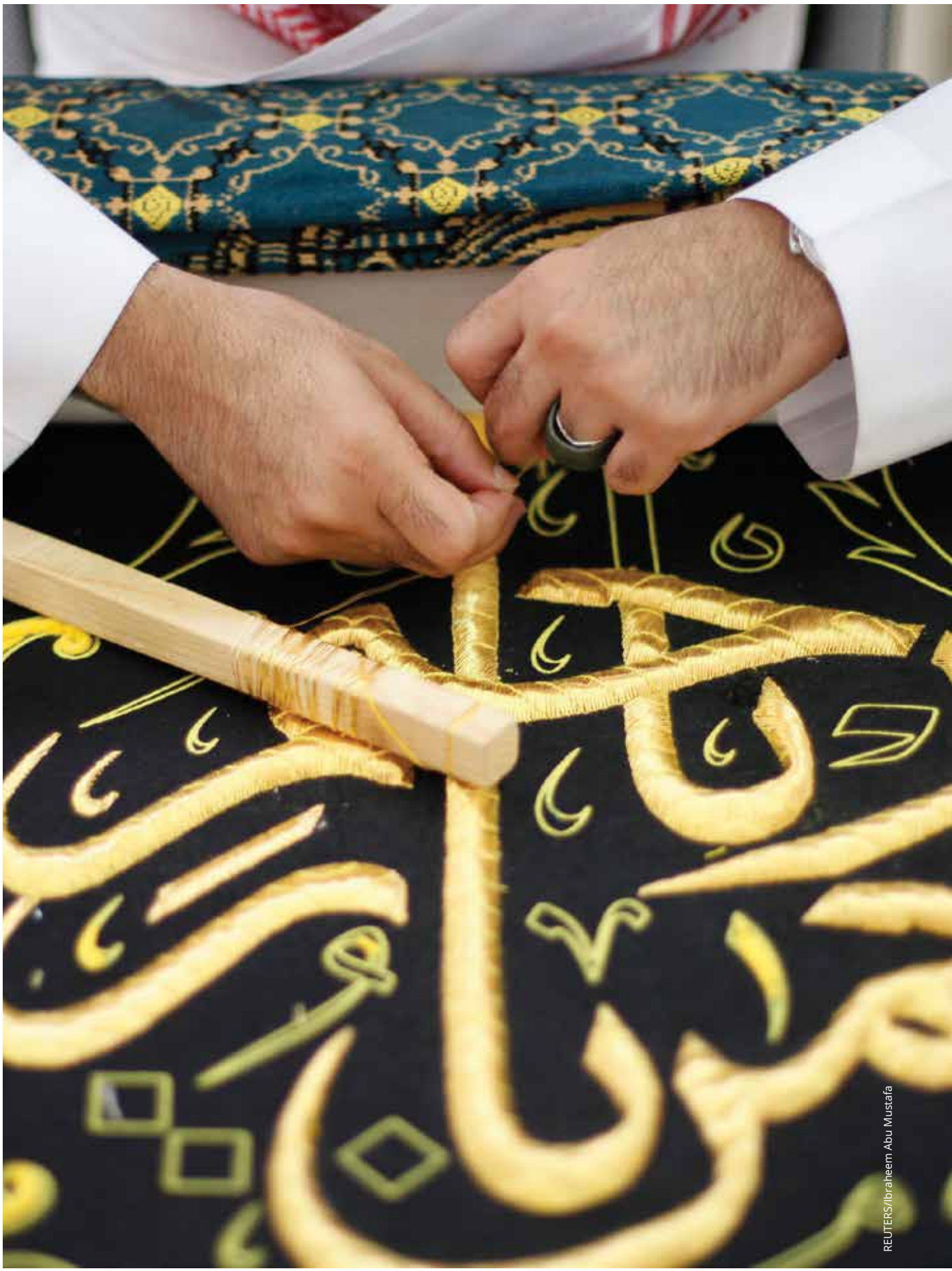
In collaboration with:

DinarStandard

DINARSTANDARD

DinarStandard™ is a growth strategy research and advisory firm empowering organisations for profitable and responsible global impact. DinarStandard specialises in the Halal/Tayyab food, Islamic/Ethical Finance, Halal travel, Islamic NGOs and OIC member country sectors. Since 2008, DinarStandard has been advising organisations 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.



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Report Purpose and Methodology

Context

The 2014-15 State of the Global Islamic Economy Report presents the continuance of building the momentum of the Islamic economy. Much has happened since the launch of inaugural State of the Global Islamic Economy Report last year.

The 56 mostly-Muslim majority countries[1] of the world represent more than GDP (current) of $6.7 trillion in 2013, a 1.7 billion population growing at twice the rate of 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. Its 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 Islamic 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 focussed on the Global Islamic Economy.

Objectives

The content objectives of the Report are to:

1. Present key business and consumer drivers of the Global Islamic Economy (define the GIE and present its drivers).
2. 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.
3. Present specific market opportunity for each sector including current challenges and success criteria as well as provide annual updates.
4. Present frameworks for businesses, governments and industry bodies to evaluate and engage in the Global Islamic Economy's opportunities.
5. Present existing and emerging Centers of the Global Islamic Economy based on a newly developed Islamic Economy Indicator Present interim focus reports on specific topics per seven key sectors.

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.

The Report presents interviews with 25 related industry practitioners and influencers across major geographic markets to identify key sector challenges, trends, and opportunities as well as 23 company case studies.

Interviews

Halal Food

—
Koen De Praetere, Founder
Halal Balancing (Belgium)
—
Hassan Bayrakdar, Founder & Managing Director
RAQAM Consultancy JLT (UAE)
—
Ms. Farah Al-Zarooni, Director
Standards at ESMA (UAE)
—
Rizvan Khalid, Owner Director
Euro Quality Lambs (UK)
—
Jalel Aossey, Director
Midamar Corporation (USA)
—
Ghias El Yafi, Managing Director
Tahira Foods Limited (UK)
—
Marco Tieman, global Halal logistics Expert & Owner
LBB International (Malaysia)

Islamic Finance

—
Ahmed Ghouth, Deputy CEO
Alkhabeer Capital (Saudi Arabia)
—
Monem Salem, President
Saturna (Malaysia)
—
Tayeb Abdulrahman Al Rais, Secretary General
Awqaf & Minors Affairs Foundation (AMAF) (UAE)
—
Hasan Al-Jabri, CEO
SEDCO Capital (Saudi Arabia)
—
Iqbal Khan, CEO
Fajr Capital (UAE)

Travel

—
Sultan Al Dhaheri, Acting Executive Director
Abu Dhabi Tourism & Culture Authority (TCA) (UAE)
—
Chris Nader, Vice President — Development
Shaza Hotels (UAE)
—
Mohammad Zubair, General Secretary
Halal Development Foundation (Japan)
—
Tariq Mahmood, Founder & Director
Andalucian Routes (Spain)
—
Elnur Seyidli, Chairman of the Board
HalalBooking.com (UK/Online Global)
—
Mizan Raja, Founder
Islamic Travels (UK/Online Global)

Fashion

—
Anas Sillwood, Co-Founder & Managing Partner
SHUKR Islamic Clothing (Jordan)
—
Alia Khan, Chairwoman
Islamic Fashion Design Council (UAE)
—
Muhammad Chbib, Co-Founder & CEO
Citra Style (UAE)

Media and Recreation

—
Abdalhamid Evans, Founder
HalalFocus (UK/ Global)
—
Peter Gould, Brand Designer & Digital Artist
Peter-Gould.com (Australia)
—
Navid Akhtar, CEO & Founder
Alchemiya Media (UK)
—
Sharif Banna MBE, Co-Founder & CEO
Awakening Worldwide (UK)

Pharmaceuticals and Cosmetics

—
Leonard Ariff Abdul Shatar, CEO
Chemical Company of Malaysia Berhad (Malaysia)
—
Faisal Ahmad Fadzil, Founder & Managing Director
Tanamera Sdn Bhd (Malaysia)
—
RJ. Liow, CEO
Halal4Wellness.com (Malaysia)

Case studies

Halal Food

— Marrybrown (Malaysia)

— LuLu Hypermarket (UAE)

— BİM Birleşik Mağazalar A.Ş (Turkey)

— KQF (UK)

Islamic Finance

— Majid Al Futtaim Group — Sukuk Issuance (UAE)

— Crescent Wealth (Australian)

— Yomken (Egypt)

Travel

— Adenya Resort (Turkey)

— MyPremiumEurope.com (Swiss)

— Holiday Bosnia (UAE)

— HalalTrip (Singapore)

Fashion

— Dian Pelangi (Indonesia)

— Islamic Design House (UK)

— Modanisa.com (Turkey)

Media and Recreation

— Khutuwat Alshaytan/ Moez Masoud (Egypt)

— Bitsmedia (Turkey)

— Islam Channel (UK)

Pharmaceuticals and Cosmetics

— Wardah Beauty Cosmetics (Indonesia)

— Nashmir Capsule Sdn Bhd (Malaysian)

— Abbott Nutrition (USA)

— Noor Pharmaceuticals (USA)

Convergence of Islamic Finance with other industries Halal Food

— MasterCard

Strategy frameworks

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

Estimates methodology

Overall, the Islamic Economy sector estimates (Halal Food, Islamic Finance, Islamic-values based fashion, travel, media and recreation, pharmaceuticals and cosmetics) are based on the potential universe of the opportunity and focussed on its core audience of Muslim consumers globally. Actual existing global market size is only presented for Islamic Finance sector.

The Islamic Finance current market estimates are based on data from Thomson Reuters Islamic Finance Development Report research. The potential Islamic banking universe estimate is baselined from national total banking assets data from central banks. It assumes the optimal scenario of the fully supportive regulatory environment in the core Islamic Finance market (OIC countries) as well as 100% penetration of Muslim demographic proportion (DinarStandard analysis); global assets data is from 72 countries representing 92% of the global GDP.

For the global Halal Food market potential, global Muslim expenditure on Food & Non-alcoholic beverages is considered. Expenditure data is baselined from the 2010 International Comparison Program with addendums from national statistics agencies.

For the global Muslim modest clothing and media and recreation market potential, global Muslim expenditure on clothing and footwear and media and recreation is considered. Expenditure data is baselined from 2010 International Comparison

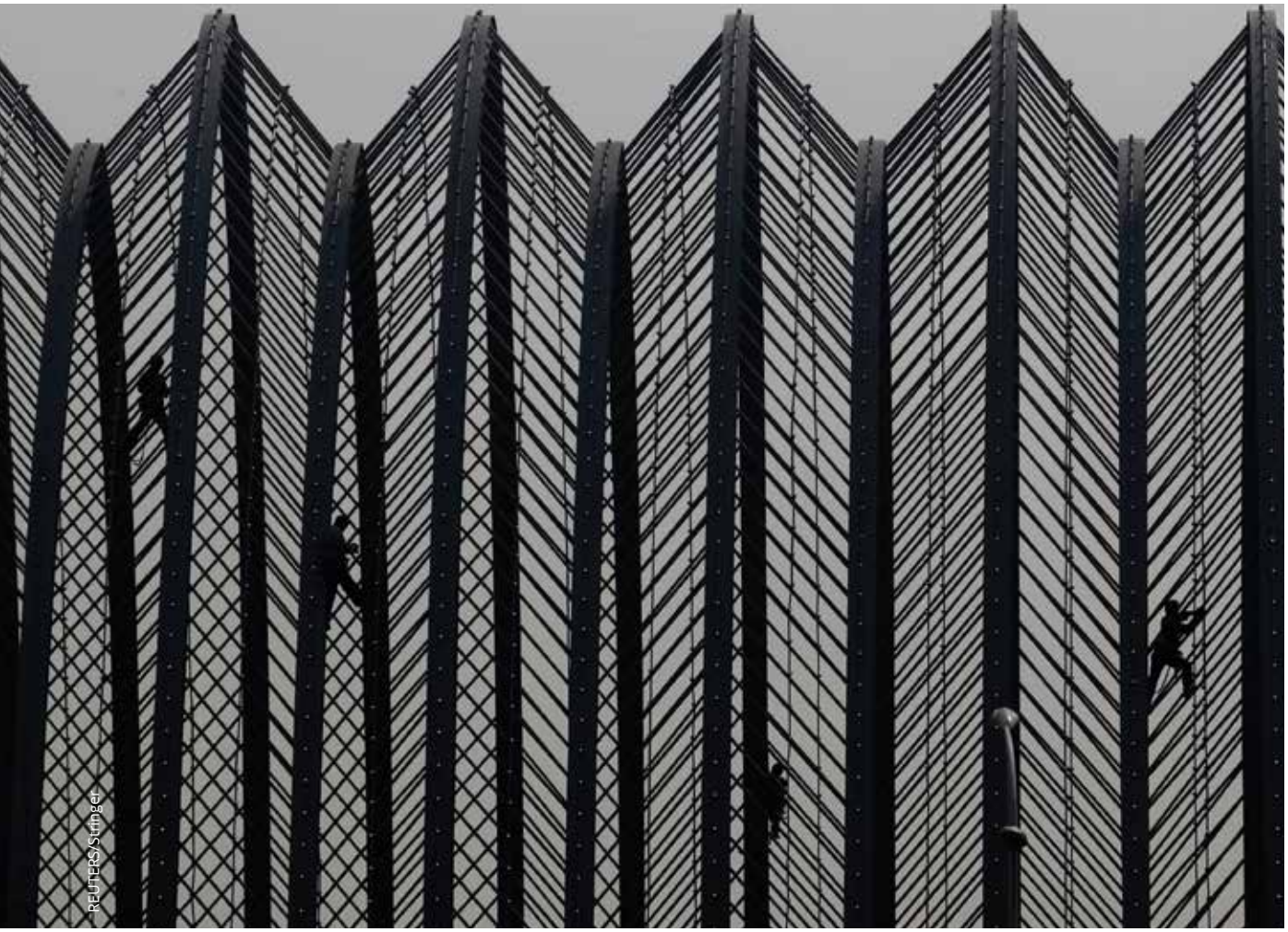
Program with addendums from national statistics agencies.

For the global Muslim travel market potential, global Muslim expenditure on outbound travel expenditure is considered. Expenditure data is baselined from 2013 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.

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. 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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THE GLOBAL ISLAMIC ECONOMY OVERVIEW

This Report represents the Global Islamic Economy as **core sectors** and their ecosystems, which are **structurally affected** by **Islamic values-driven** consumer lifestyle and business practices.[1]

These core sectors are primarily centred around financial services and food but also include lifestyle sectors of travel, modest fashion, pharmaceuticals and cosmetics, and media and recreation. Other segments include education and philanthropy but these are not covered in this Report.

1 DinarStandard definition

GLOBAL ISLAMIC ECONOMY

$2 trillion of food & lifestyle sector expenditure and $1.66 trillion in Islamic finance assets (2013)

2013
Current Muslim Market
$2,001 Billion
(12% of total global market size)

2019
Potential Muslim Market
$3,735 Billion

Halal Food

TOP 3 Countries for the Halal Food Indicator:
1. **MALAYSIA**
2. United Arab Emirates
3. Australia

Total Global Market (2013): **$7,302 Billion**

2013
Current Muslim Market
$1,292 Billion
(17.7% of total global market size)

2019
Potential Muslim Market
$2,536 Billion
(12% CAGR Growth, 2013-2019)

Company Examples:
Marrybrown (Malaysia)
BRF Brasil
Al Islami (UAE)
Saffron Road (USA)

Travel

TOP 3 Countries for the Halal Travel Indicator:
1. **MALAYSIA**
2. United Arab Emirates
3. Singapore

Total Global Market (2013): **$1,212 Billion**

2013
Current Muslim Market
$140 Billion
(11.6% of total global market size)

2019
Potential Muslim Market
$238 Billion
(9% CAGR Growth, 2013-2019)

Company Examples:
Shaza Hotel (GCC)
Marriot International
Sofyan (Indoensia)
HalalBooking.com

Media & Recreation

TOP 3 Countries for the Halal Media & Recreation Indicator:
1. **SINGAPORE**
2. United Arab Emirates
3. United Kingdom

Total Global Market (2013): **$3,567 Billion**

2013
Current Muslim Market
$185 Billion
(5.2% of total global market size)

2019
Potential Muslim Market
$301 Billion
(8% CAGR Growth, 2013-2019)

Company Examples:
Awakening Records (UK)
Al-Kanz (France)
Muslim Pro app (Singapore)

TOP Country for the Global Islamic Economy Indicator: MALAYSIA

TOP 10

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

Total Global Market (2013): $16,096 Billion

Islamic Finance

TOP 3 Countries for the Islamic Finance Indicator:

1. **MALAYSIA**
2. Bahrain
3. United Arab Emirates

Current Total Islamic Finance Market (2013)
$1,658 Billion

Total Global Commercial Banking Assets (2013): **$127,000 Billion**

2013
Current Islamic Commercial Banking Market
$1,214 Billion
(0.96% of global commercial banking assets)

2014 to Optimal Scenario (Assets)
Potential Islamic Commercial Banking Market
$4,178 Billion
(3.2% of global commercial banking assets)

Company Examples:
Al Rajhi Bank
Kuwait Finance House
Shekra
WafaaLend

Fashion

TOP 3 Countries for the Modest Fashion Indicator:

1. **UNITED ARAB EMIRATES**
2. China
3. Italy

Total Global Market (2013): **$2,238 Billion**

2013
Current Muslim Market
$266 Billion
(11.9% of total global market size)

2019
Potential Muslim Market
$484 Billion
(11% CAGR Growth, 2013-2019)

Company Examples:
Zühre Pardesu (Turkey)
Shukr (Jordan)
Islamic Design House (UK)
Artizara (USA)

Pharma & Cosmetics

TOP 3 Countries for the Halal Pharma & Comestics Indicator:

1. **MALAYSIA**
3. Egypt
2. Singapore

PHARMA

Total Global Market (2013): **$1,094 Billion**

2013
Current Muslim Market
$72 Billion
(6.6% of total global market size)

2019
Potential Muslim Market
$103 Billion
(6% CAGR Growth, 2013-2019)

COSTMETICS

Total Global Market (2013): **$683 Billion**

2013
Current Muslim Market
$46 Billion
(6.8% of total global market size)

2019
Potential Muslim Market
$73 Billion
(8% CAGR Growth, 2013-2019)

Consumers of the Islamic economy are primarily Muslims but also include others outside the Islamic faith who share similar values. The specific Islamic value-influenced consumer practices include the consumption of Halal (lawful) food, Islamic financing, modest fashion, family-friendly travel, as well as other services with special considerations on gender interactions and religious practices. The demand also extends to business practices that seek Islamic business financing, investment and insurance services.

The Islamic economy collectively is creating value for consumers and the economies involved. It also has major potential to contribute to the global well-being through its underlying socially-conscious ethos.

In aggregate, **the global expenditure of Muslim consumers on food and lifestyle sectors grew 9.5%[2] from the previous years' estimates to $2 trillion in 2013 and is expected to reach $3.7 trillion by 2019 at a compound annual growth rate of 10.8%. This forms the potential core market for Halal Food and lifestyle sectors.**

In addition, **Islamic financial assets are estimated to be $1.66 trillion in 2013**. Islamic funds and Sukuks led growth with 14% and 11% growth year-on-year, whereas banking experienced a 5% drop in its assets. This Report estimates the potential universe of Islamic Finance assets in its core market (assuming the optimal scenario) to be $4.2 trillion[3] in 2014.

Subsequent sector chapters present the breakdown of the estimates and its related data.

Key business and consumer drivers

In the inaugural Report last year we presented key Islamic and global market-based drivers that are shaping this growing Global Islamic Economy. These drivers continue to play a key role in the Islamic economy sectors growth. Four major Islamic market-based drivers are: demographic, Islamic values-driven consumption, economic growth, and Intra-OIC trade growth. In addition, four major global environment-based drivers are: global multinationals participation, global markets seeking growth opportunities, growing ethical consumption, and the revolutionising of communication technology. Each of these drivers is discussed next.

- **Large, young and fast-growing global Muslim demographic:** the world's Muslim population is expected to rise from 1.7 billion in 2014[4] to 2.2 billion by 2030 (26.4%), according to Pew Research Center's Forum on Religion & Public Life.[5] The Pew study also projects the Muslim population globally to grow at about twice the rate of the non-Muslim population over the next two decades — with an average annual growth rate of 1.5% for Muslims, compared with 0.7% for non-Muslims. The median age in Muslim-majority countries is expected to be 30 by 2030. But this median age will still be lower than the median age in North America, Europe and the other more-developed regions, which were 40 in 2010 and is projected to be 44 in 2030. By 2030, 29% of the global young population (15-29) is projected to be Muslim.

  The implications for this large, fast growing and young population present significant economic challenges (job creation, training and education) for the host economies as well as opportunities (young consumer market and entrepreneurship engine).

- **Large and fast growing global Islamic economies:** the 57 mostly Muslim-majority member countries of the OIC (Organisation of Islamic Cooperation) had a GDP (current) in 2013 of $6.7 trillion. These economies are also growing at a faster rate than the global economy. The projected growth of the OIC markets in 2015-19 is expected to be an average of 5.4% compared to rest of the world's GDP growth, averaging 3.6% (based on IMF projections) during that period.

- **Islamic ethos/values are increasingly driving lifestyle and business practices:** Islam is seen by Muslims as a 'way of life' and therefore its guidance and values touch upon all aspects of a Muslim's life, including on consumption behaviour. The unique Muslim

2 From updated 2012 baseline Muslim consumer food & lifestyle sector expenditure of $1.82 billion

3 The optimal scenario assumes full regulatory support for Islamic Finance in OIC markets and a 100% Islamic banking penetration with the proportionate Muslim demographic of OIC countries.

4 Derived from 2010 baseline and 1.5% growth estimated by The Future of the Global Muslim Population, Pew Research Forum, 2011

5 "The Future of the Global Muslim Population, Pew Research Forum, 2011

lifestyle consumer drivers are centred around food (Halal options), family-friendly environments, accommodation of religious practices, gender relation nuances, modest fashion, education, finances, and many other areas. Many of these values do have a universal appeal, and thus many products and services do not have to be exclusively positioned for Muslims.

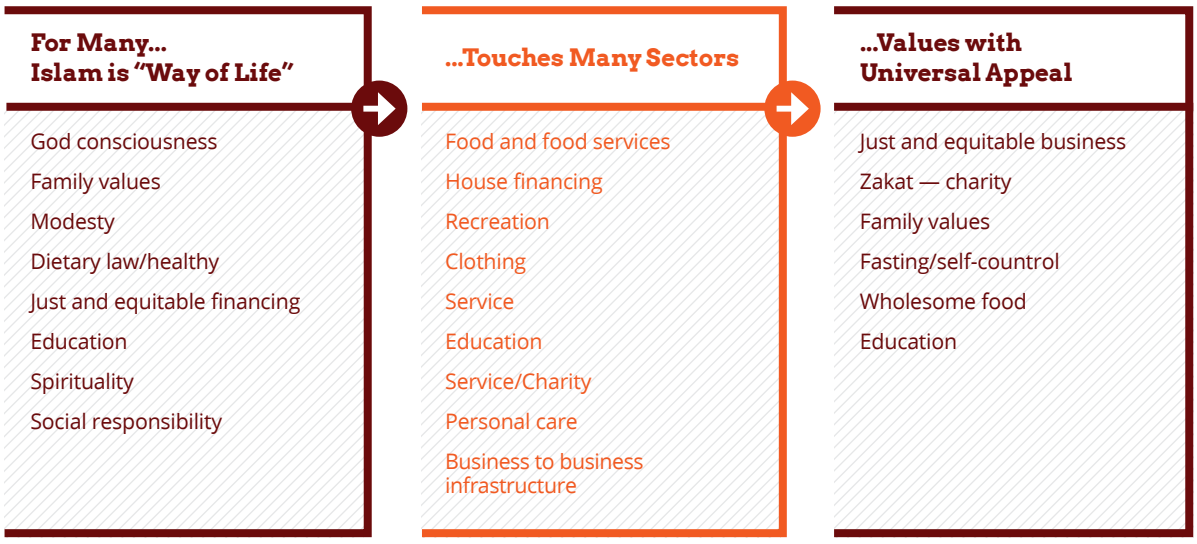
Indeed, the practice and adherence to Islam varies greatly among Muslims based on their age group, geographic region/country, cultural influences and other factors. Nevertheless, the number of Muslims identifying and adhering to Islam is quite high. According to a 2012 study by The Pew Forum, 87% of Muslims globally consider religion 'very important' and 93% fast in the month of Ramadan. Comparatively in Europe, less than 30% people surveyed rated religion as 'very important' while only 56% of those surveyed in the U.S. rate religion as 'very important' in their lives. Variances exist among regions.

- **Intra-OIC trade growth:** there is a clear drive to develop intra-OIC trade, which is also facilitating development of the Islamic economy sectors. Increased Intra-OIC trade, finance and investments are being led by the OIC member multilateral financing group, the IDB ($20 billion AUM.) Various trade-agreements are also being developed among the 57 mostly Muslim-majority member countries. Intra-OIC trade is expected to reach 20% by 2015. As an example, Malaysia's trade with the UAE reached $8.0 billion in 2012 increasing from $6.8 billion in 2011, making the UAE Malaysia's largest trade partner.[6] This growth is facilitating Islamic Finance and Halal Food related-trade as well.

- **Participation of global multinationals:** the OIC countries are very much an integrated part of the global economy as suppliers and consumers, as well as providers and seekers of foreign investments. This global interconnectedness is driving global companies ranging from financial institutions (Deutche Bank, HSBC, Citi, MasterCard) to consumer product and retail companies (Nestle, Carrefour) to not only participate but also lead in the Islamic economy development given their large scale and stature. Their engagement is indeed a major driver in giving the Islamic economy sectors much global credibility and boost.

- **Developed economies seeking growth markets:** developed economies are seeking new growth markets. Asia in particular has

6 Arabnews.com/news/466315



been a region where much of the focus has been centred around. Political changes in Asian markets, the ability to broaden the governments' horizons with regards to investments, and relatively easy and inexpensive communication means in these markets are all factors that have led developed economies to increase their direct investment in this continent.

As highlighted earlier, the OIC countries (mostly in Asia and Africa) are projected to be growing at a faster rate than the rest of the world. Ten of the top 30 emerging markets globally, according to the Global Intelligence Alliance, have large Muslim populations. These include India, Indonesia, Turkey, Malaysia, Nigeria, Saudi Arabia, UAE, Egypt, Bangladesh and Pakistan.

- **Increasing ethical industry focus/needs on food, finance, education and housing:** a growing global sentiment around ethical and socially-conscious businesses is emerging. The recent global financial crisis has raised alarm bells globally with financial services regulators turning business educators and consumers to reassess their ethical focus of various business practices. In addition, various large scale integrity issues in the global food value chain as well as a growing concern around inhumane animal treatment in food production, together with the environmental impacts of an increasingly crowded world and economies are all having a tangible impact on government policies, education systems and consumer behaviours. These trends are also influencing the potential of Islamic economy sectors that have ethical and socially-responsible underpinnings.

- **Technology and connectedness:** communication technologies are revolutionising every possible area of our lives. The internet connected the world like never before and now major global platforms of social media and mobile services are giving a big boost to develop the globally-distributed, fragmented demand for Halal Food, Islamic Finance and related lifestyle services. Indeed, Muslim consumers are a big part of this digital revolution. The cellular subscription base of Muslims globally is 1.3 billion, which is 21% of the global figure with countries like Saudi Arabia and Indonesia having some of the highest social media users globally.

REUTERS/Steve Crisp

A Day in the Life of Halal Lifestyle-Driven Muslim Consumers

As part of the Report we have asked six Muslim families from different corners of the globe (USA, Egypt, Indonesia, Kyrgyzstan, Saudi Arabia and Bulgaria) to share with us their Halal lifestyle-driven food, banking, travel and other lifestyle purchase decisions. While the families do not represent the full diversity of Muslim customer personas, they do give us a glimpse into a large segment of this tremendously large and diverse global population connected by key Halal lifestyle practices.

Family from Indonesia: husband, wife and six-year-old daughter

- Halal Food and organic is the most important thing in the family's choice of food
- Looks for Indonesian Ulema Council (MUI) certification on food products
- Religious values are an important consideration during their vacation

Khairina, 34, lives in Indonesia with her husband Ari, who is 35, and their six-year-old daughter Rumaisha. Khairina dreams of being a writer abroad, while Ari dreams of working for The New York Times. Their daughter Rumaisha loves to draw and write stories.

Khairina goes grocery shopping two or three times a week, and typically buys sugar, milk, tea, coffee, rice, flour, spices, meat, chicken, fish, tempeh, tofu, eggs, vegetables, and fruits from a local market or supermarket.

Halal Food is the most important thing in the family's choice of food. They always check the package's Halal label and ingredients, to make sure there is no pork, alcohol, or any other forbidden contents. If the food has a Halal label issued by the Indonesia's most authorised organisation, Indonesian Ulema Council (MUI), then Khairina and her husband are very comfortable eating it. If it does not, Khairina looks it up on the Internet or asks someone with experience in food content. Khairina is very particular about the Halal meat she buys. She prefers to buy butchered chicken from a vendor who makes sure to recite the name of Allah before slaughtering the chicken.

Khairina buys organic vegetables and is very particular about her choice. She prefers vegetables planted on mountain slopes, which are commonly cultivated without pesticide and chemical fertiliser. To identify organic vegetables, she inspects the leaves. If they have holes or marks from larva or insect, the vegetable is pesticide-free.

The family eats out at restaurants about twice a month and prefers to eat at Halal steak restaurants. Their favourite dishes include chicken cordon bleu. They are very particular about their choice of Halal restaurants and only eat at restaurants certified Halal by the Indonesian Ulema Council (MUI).

For Khairina, religious values are an important consideration during her vacation. She tries not to forget her obligation to God during holidays. She likes to have free access to pray anytime she wants and she has to make sure that all of the food and drinks that she consumes are Halal according to Islamic Ulema Council.

Family from the United States: American convert, Egyptian-American and two daughters

- Prefer organic over Halal Food
- Use conventional banking and Islamic Finance for investments
- Do not necessarily seek a Muslim-friendly travel experience
- Like to dress modestly; limited to certain U.S. brands such as J Jill and LL Bean
- Watch mainstream television and use social media regularly
- Use homeopathic pharmaceutical remedies and natural cosmetic products

Linda is a 46-year-old American convert who is married to 57-year-old Ashraf, an Egyptian-American. They have two daughters, Heba who is nine years old and Nancy, who is seven. (All names are aliases).

In terms of Halal Food, Linda, is more concerned about buying organic food over Halal. "Halal, we feel, is not really Halal, in this country. We don't think factory farming is able to produce a Halal product, although the final slaughter technique may be technically Halal. Thus, organic is the standard we care more about. Organic at least has respect for the health of the individual and of the planet. Those should be qualities of Halal as well," says Linda.

The family does most of their food shopping at Costco, a popular American warehouse club store. They also belong to an organic produce co-op group that delivers fresh organic produce locally, and buy raw dairy products from a local dairy farm. They occasionally buy a few items from a local grocery store.

The family buys Halal on occasion but it is rarely organic, which is a tradeoff that makes Linda very uncomfortable. Linda tries to eat light and minimise carbohydrates, while her husband loves fresh, unprocessed food and eats a lot of bread.

The family eats out at restaurants about once a week. Pizza is one of the things they get every 3-4 weeks. Linda also likes to indulge in a Chipotle vegetarian burrito every week or two as she feels their ingredients are reasonably healthy. As for other fast food restaurants she feels their ingredients are not healthy and dislikes their destructive processing techniques. She doesn't feel

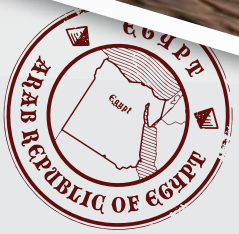
comfortable letting her family eat this type of food, so mostly they forego the convenience of fast food.

In **travelling**, the family does not necessarily seek a Muslim-friendly travel experience. This summer they went on a 13-day trip to visit family who live in Idaho and Oregon. Because they were nearby, they also took the children to Yellowstone National Park. They wanted to see parts of the country that are so magnificent and so different from where they live on the East coast of the United States. Linda is not a fan of travelling, but feels visiting family is necessary and also travels for the sake of her children and husband, who loves to travel and see new places.

For this most recent trip, they flew to their destinationand then rented a car for the whole vacation, which they drove back and forth to Yellowstone. They stayed with family as well as at several different hotels, and spent about $5,000 in total on their trip.

In terms of meeting their needs as Muslims, they felt the trip was not very Muslim-friendly. It was difficult to find appropriate places to pray while on the road; sinks were not appropriate for making Wudu; and pork as well as pork products were part of many restaurant dishes. While staying with their extended family as well as at hotels, it was not too hard to find a place to pray or let their extended family know about the foods they can eat.

In general, the family does not consider their religion to be that difficult to accommodate so it is not high on the list of things they worry about on vacation. They adopt the travelling prayer schedule on vacation, so the prayers are shorter and easier. Pork-free food is a challenge in most places but vegetarian is always a good fallback.



Family from Egypt: daughter and father

- Eat Halal Food, which is the norm in Egypt; organic is too expensive
- Use conventional banking; have cancelled conventional life insurance policy
- Travel plenty to Muslim and non-Muslim countries; hard to find Halal Food but adapts
- Does not wear hijab but likes to dress conservatively; shops at H&M, Macy's, Marks&Spencer and Evans
- Not aware that Halal cosmetics exist; buy mainstream cosmetics

Mona, 39, lives with her 77 year old father in Egypt. Mona goes grocery shopping once a week. She buys her typical groceries of vegetables, fruits, milk, cheese, bread, meat or chicken from nearby supermarkets. She likes to eat yogurt with bread for breakfast. All of the food they eat is Halal, which is the norm for food in Egypt. Mona sometimes buys organic food, but feels that it is extremely expensive, about triple the price.

Elham and her father like to eat at restaurants about once a month and prefer Lebanese or Chinese food. Their favourite restaurant dishes are barbecued meat with steamed vegetables.

Mona works at a conventional bank and uses a current account to which her salary is transferred. She had a conventional life insurance policy but could not afford to continue paying the instalments since she also helps support her sister's family and spends a substantial amount of her income on leisure travel.

Her recent trips include a vacation in Turkey, where she went white-water rafting with her friends and a diving trip to Sharm El Sheikh, a resort city on Egypt's Red Sea.

As a Muslim country, Mona did not have any problems in meeting her needs as a Muslim, but was embarrassed by the public show of affection displayed by couples there.

Mona's vacation in Turkey cost a total of about $1,000 broken down as follows: $500 on food; $200 on transportation; $100 on shopping; and $300 on site-seeing. One of the reasons Mona had chosen Turkey as a destination is that it is inexpensive, especially airfare from Egypt.

Mona travels a lot and has visited Germany, the United States, France, and the UAE, among other countries. While in Germany, she had a really hard time finding Halal restaurants. She usually ended up eating at Turkish restaurants, even if she did not like the food as those were the only available Halal restaurants.

When travelling, Mona likes destinations where people are warm and friendly, and that is even more important to her than the beauty of the place. Of the countries she has visited, she felt that in Jordan people were the warmest and most generous towards her. Another important consideration is safety, as a pick-pocketing experience would ruin her trip. Also important is the availability of local tour guides that she likes to use for her sight-seeing tours, and she prefers hotels that have easy access to public transportation.

In general, religion is important to Mona, but she is willing to adapt to different cultures as long as no one is imposing non-Halal Food or un-Islamic activities.

In terms of clothing, although Mona does not wear the hijab but she likes to dress conservatively. When travelling abroad, she likes to buy from H&M, Macy's, Marks&Spencer and Evans, as she always finds her size there, which is XXXL.

Family from Kyrgyzstan: father, mother and three adult siblings

- Tries to buy Halal food, especially meat, and is particular about buying organic
- Has not used financing services; most purchases done by direct cash transactions
- Trips do not cater to Halal preferences but they do not impose their cultural/religious values on others
- Religious values dictate choice of clothing; likes to shop at Zara, Mango and H&M.
- Does not seek Halal cosmetics: buys mainstream cosmetics
- Rarely finds good religion-related media; uses Facebook, Twitter and Instagram and follows Muslim fashionistas and lectures on YouTube

Cholpon is a 27-year-old woman from Kyrgystan. She lives with her mother and father and 30-year-old brother, and 20-year-old sister.

The family tries to buy Halal Food, especially when it comes to meat, and they usually slaughter lamb. The family is also particular about buying organic, which is easy since Kyrgystan consists of a lot of agricultural land and food is mostly organic.

Cholpon eats a lot at restaurants. She prefers Turkish or Uighur foods, and does not eat any fast food. Her favorite dishes are lagman, plob and kebab. Usually she is particular about eating at Halal restaurants, but when she travels, she finds it hard to find Halal spots.

Cholpon recently went on a business trip to the Singapore and Vietnam. Usually when she travels for leisure she likes to spend her time sight-seeing, shopping, and trying different foods. While on her most recent trip, she found it hard to find a place in Vietnam that did not serve pork, and ended up eating only vegetable dishes, even though they were cooked in the same kitchen as the pork dishes, as she felt she did not have a choice. She could not try any of their traditional dishes since they contained pork.

The hotels she stayed at did not cater to her cultural or religious needs. There were no prayer rooms, and it was not mentioned whether or not the food was Halal.

Though her religious values are important to her, while on her trip, Cholpon focused more on the spiritual practices or her religion, but did not feel she should impose her cultural or religious values on others, as she was there to explore and to get to know another culture.

In shopping for clothes, Cholpon shops in mainstream department stores such as Zara, Mango, and H&M. Her religious values dictate her choice of clothing since she wears the hijab. She chooses to wear long, loose fitting and non-transparent clothing, and buys a lot of scarves.

Cholpon likes to watch the American drama series, Suits, as well as Friends, and the news. She does not spend any time on social media, while her sister likes to spend time on Facebook, Twitter and Instagram. Cholpon rarely finds religion-related good media products, only blogs of some Muslim fashionistas and lectures on YouTube of some Sheikhs.

In selecting skincare and cosmetic products, Cholpon and her sister do not try to seek Halal products. They buy mainstream brands such as Biotherm, Mac, L'Oreal, Channel, Dior, Lancôme.

Malaysian family from Saudi Arabia: father, mother and two adult siblings

- Very particular about eating Halal Food; important that food is organic, fresh and healthy
- Keen on seeing a Muslim-friendly travel experience, especially at the hotel
- Like to dress in popular brands known for quality
- Watch mainstream television; some family members do not watch TV
- Views mainstream pharmaceuticals to be permissible if there is no Halal alternative

Muddassir is a 23-year-old man from Saudi Arabia who lives with his mother, father and brother. Muddassir's father is very cautious in taking care of his health and follows a very strict diet. He is very keen in determining that the food the family eats is Halal. In general, he sets high achievement standards for his family.

They are also very particular about eating Halal, but since they live in a Muslim country, everything is Halal, and it is only when they travel internationally that it becomes a big concern.

Muddassir's last vacation was to Hong Kong City to which he travelled by himself. He liked how the city was organised and disciplined. He also liked that it has a fairly large Muslim minority population, which meant there were Halal restaurants and Muslim neighbourhoods. As a first time visitor to the city though, he had to refer to Trip Advisor and other apps for advice on where to go for a Halal meal.

He spent a total of seven days in Hong Kong, to which he travelled on Air Asia, via Malaysia. To maximise his budget, he took the express train to the airport, then an airport taxi to the hotel. While on the plane, the stewardesses made sure Muslim passengers were served a Halal meal.

Muddassir went to the beach while in Hong Kong, but felt uncomfortable as it was too crowded and bikinis were prevalent. Also, there was no Halal Food available there so he had to stick to vegetarian dishes or tropical fruit.

He would have preferred if there was no alcohol in his room at the three-star hotel at which he stayed, and that there was some indication of the Qibla direction. Both would go a long way with any Muslim traveler, who would definitely prefer to stay at the same hotel next time he visits given that the hotel catered to his needs. Muddassir was actually annoyed that he was asked about his religion while filling in the hotel forms, but then his needs as a Muslim were not catered to. He feels that in general countries should be sensitive to the needs of its guests, and realised that for Muslims ensuring their food and drink is Halal is very important.

In terms of pharmaceuticals, Muddassir's understanding of Islamic values is that if there is no Halal alternative, it is permissible to use mainstream brands.

Family from Bulgaria: husband, wife and 1-year-old son

- Passionate about a healthy and green lifestyle
- Keen on food being healthy; preferably organic and homemade
- Like to shop at second-hand shops and looks for loose clothing
- Enjoy news websites, the radio, religious lectures and popular science shows

Miglena is a 25-year-old woman from Bulgaria who lives with her husband, Ismet, and their 1-year-old son. Miglena is active and is passionate about a healthy and green lifestyle, and natural parenting. Her goal is to raise her children Islamically, find a well-paying job that is appropriate for a Muslim woman, and find balance between being a good mother and wife, and being a professional. While Ismet's ambition is to have his own business so he can be his own boss.

For Miglena, the most important thing is that the food is healthy; preferably organic and homemade. They buy organic produce from farms that they know and are familiar with how the food is grown. In terms of meat, they are very particular about buying Halal. It is not enough that the label says Halal; Miglena also asks the people who work at the shop, or calls the producers, or asks friends to recommend food that they know is Halal.

Before their son was born, they used to eat at restaurants once a week, but now it is difficult. When they do eat out, they only eat at Halal restaurants, and since the Muslim community in Bulgaria is small, they usually know the restaurant owners. They prefer Arabic, Turkish and Oriental restaurants, where they know the food is Halal, and where the dishes are from different cuisines that Miglena is not familiar with and cannot prepare at home.

In terms of clothing, Miglena likes to shop in second-hand shops, since it is in line with her 'green' lifestyle; as clothes are reused rather than thrown in a landfill, thus preserving nature. She finds nice clothes that are almost new and of very good quality at those shops; plus they are cheap.

Miglena wears the Hijab, the Muslim headscarf, and therefore looks for clothes that are long, loose and not see-through, nor very bright coloured. Mostly she wears skirts, and a long sleeved shirt and headscarf.

She buys baggy t-shirts and sweaters for her husband.

Miglena does not watch TV, while her husband watches the news and popular science shows, and enjoys listening to the radio while driving. Online, Miglena spends time on news websites and listening to nasheeds; while her husband watches religious lectures and reads the news.

THE GLOBAL ISLAMIC ECONOMY INDICATOR (GIEI)

The Global Islamic Economy Indicator (GIEI): The 2014-15 State of the Global Islamic Economy Report introduces a formal Global Islamic Economy Indicator (GIEI) that presents 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, Travel, Fashion, Media and Recreation, and Pharmaceuticals and Cosmetics) across 70 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 their size[1]. 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.

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

- **Malaysia, UAE and Bahrain** lead this inaugural 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. Full methodology is presented in the Appendix.
  - A total of 70 countries were evaluated that included 57 OIC and 14 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: 44% and 36% respectively).

- **Malaysia** is the leading country for the indicator by a large margin and hence the most developed Islamic economy ecosystem. It tops four 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 importantly a compliance management process. It also has a strong Halal travel ecosystem by virtue of high number of Muslim visitors but a very high level of awareness among the industry on Halal travel. Its Pharmaceuticals and Cosmetics lead as an ecosystem also benefits from their strong market awareness and governance however its exports in this space are relatively low.

- **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 Halal Food where it closely follows Malaysia, and modest fashion and recreation where it leads and surpasses Malaysia by virtue of higher relative exports to OIC countries. Overall, with various initiatives from the Dubai Capital of Islamic Economy to Abu Dhabi's efforts on Islamic culture and tourism, there is much momentum in further strengthening UAE's Islamic Economy ecosystem.

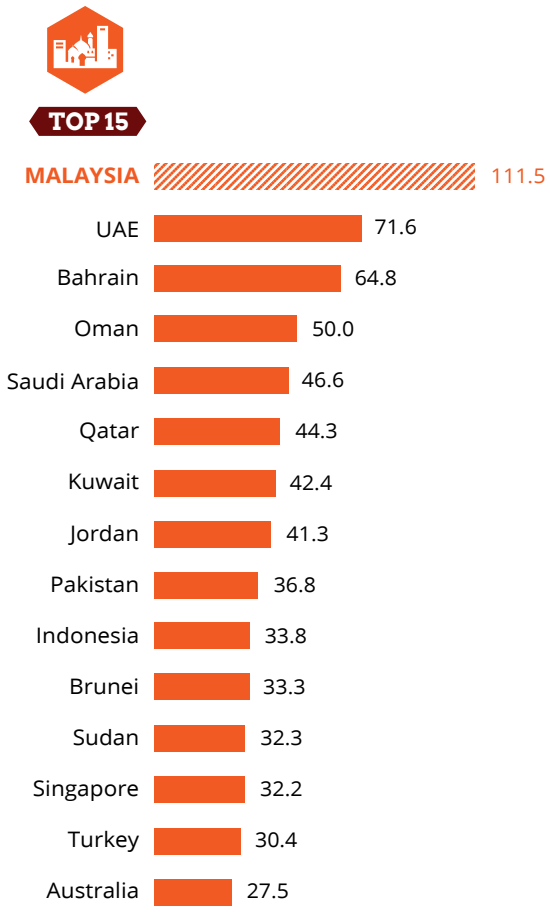
- **Bahrain** is third on the Global Islamic Economy Indicator with strong scores led primarily by its second position in the Islamic Finance sector. In other sectors including Halal Food it has very low exports to OIC scores but has a strong governance ecosystem for Halal Food, pharmaceuticals and cosmetics as well as social indicators for other sectors. It does not make the Top 15 list in the Modest Fashion sector however.

- **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 the other sectors of Islamic economy.

- **Jordan** ranks very high both in the Halal Food, Travel and Pharmaceutical and Cosmetics sectors. Considering the size of Jordan's economy and population, it is a very important exporter of food, pharmaceutical and cosmetic products to OIC countries. Jordan ranks very high in those sectors because tourism is a major contributor to its employment.

- **Indonesia and Pakistan** round off the top 10 list in aggregate, but are not in the top 10 for most of each sector. This occurs because they are very balanced and have a relatively high score in each of the sectors aforementioned, making their overall score higher than some of other countries. As the largest Muslim population in Islamic countries and being near Islamic economy hubs, such as Malaysia and GCC, both Indonesia and Pakistan benefit from those engines.

TOP 15 COUNTRIES IN THE GIE INDICATOR



TOP 10
1. MALAYSIA
2. UAE
3. Australia
4. Qatar
5. Oman
6. Jordan
7. Saudi Arabia
8. Kuwait
9. Bahrain
10. Singapore

TOP 10
1. MALAYSIA
2. Bahrain
3. UAE
4. Oman
5. Saudi Arabia
6. Kuwait
7. Qatar
8. Pakistan
9. Jordan
10. Indonesia

TOP 10
1. MALAYSIA
2. UAE
3. Singapore
4. Turkey
5. Maldives
6. Bahrain
7. Jordan
8. Thailand
9. Qatar
10. Tunisia

TOP 10
1. UAE
2. China
3. Italy
4. Turkey
5. France
6. India
7. South Africa
8. Sri Lanka
9. Germany
10. Singapore

TOP 10
1. SINGAPORE
2. UAE
3. United Kingdom
4. Malaysia
5. Lebanon
6. Germany
7. France
8. Bahrain
9. United States
10. Qatar

TOP 10
1. MALAYSIA
2. Egypt
3. Singapore
4. Pakistan
5. UAE
6. Jordan
7. Brunei
8. Indonesia
9. Saudi Arabia
10. Oman

Top 15 Countries	GIEI Score	Halal Food	Islamic Finance	Travel	Fashion	Media & Recreation	Pharma & Cosmetics
Malaysia	111.5	81.4	162.2	101.4	20.5	52.7	57.4
United Arab Emirates	71.6	70.5	80.9	65.0	29.7	80.4	46.9
Bahrain	64.8	46.0	94.7	47.8	11.0	43.9	37.2
Oman	50.0	56.0	55.6	31.8	12.6	36.6	38.2
Saudi Arabia	46.6	54.3	48.7	36.3	13.4	33.9	40.6
Qatar	44.3	56.5	41.6	41.3	10.3	42.4	32.6
Kuwait	42.4	50.0	44.6	28.5	10.2	37.1	28.8
Jordan	41.3	54.6	36.1	43.3	15.1	26.8	43.9
Pakistan	36.8	43.5	37.7	22.3	19.8	10.4	50.9
Indonesia	33.8	36.3	36.1	35.5	19.4	9.1	41.3
Brunei	33.3	41.1	30.8	29.0	6.4	36.2	43.5
Sudan	32.3	40.4	32.8	19.8	12.3	11.0	30.4
Singapore	32.2	46.0	12.0	56.2	24.5	90.7	53.0
Turkey	30.4	44.5	17.5	49.7	27.6	30.8	31.7
Australia	27.5	56.7	6.0	23.2	12.8	40.5	21.3

REUTERS/Alessandro Bianchi

HALAL FOOD SECTOR

Driven by growing demand, the Halal Food[1] 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 10.8% to reach $1,292 billion in 2013**. This takes the potential core Halal Food market to be 17.7% of global expenditure in 2013 compared to 16.6% the year before.

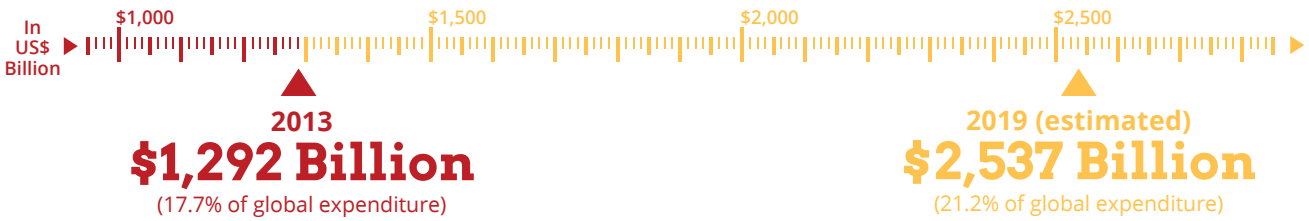
This year, the State of the Global Islamic Economy Report introduces a Halal Food Indicator (HFI) to evaluate countries health and development of their Halal Food ecosystem. Across key 70 markets, **Malaysia, UAE** and **Australia** lead this Halal Food Indicator ranking that focusses on the health of the Halal Food ecosystem a country has relative to its size that includes related social metrics.

Growing interest in the 'Halal Food' market is also drawing attention to its global logistics. With recent Halal integrity issues in China, pork DNA found in Halal burgers in UK schools, horse meat scandals, and others, full traceability of Halal products is increasingly becoming a concern. A special focus on **Halal Food Logistics** in the Report highlights key challenges, developments, and hotspots across the global Halal Food logistics value chain and estimates logistic costs for the potential global Halal Food market to be **$151 billion in 2013**.

1 Food permitted per Islamic dietary guidelines from the Quran. Muslim followers cannot consume: pork or pork by products, animals that were dead prior to slaughtering, animals not slaughtered properly or not slaughtered in the name of God, blood and blood by products, alcohol, carnivorous animals, birds of prey.

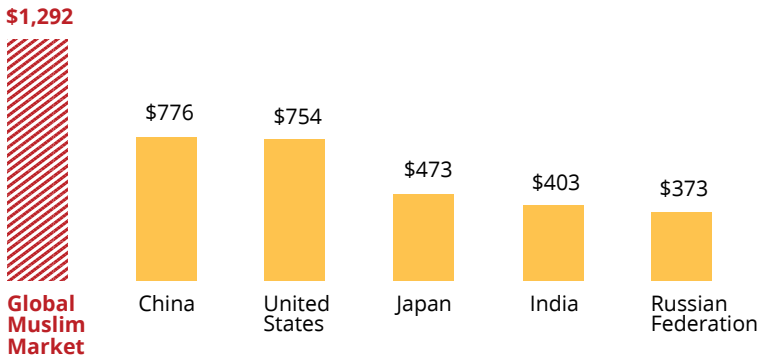
Market Size

How much does global Muslim market spend on food[1]?



Benchmark

How does global Muslim market compare to the rest of the world? (in US$ billion)



Indonesia

is the top Muslim food consumption market by size (in 2013):

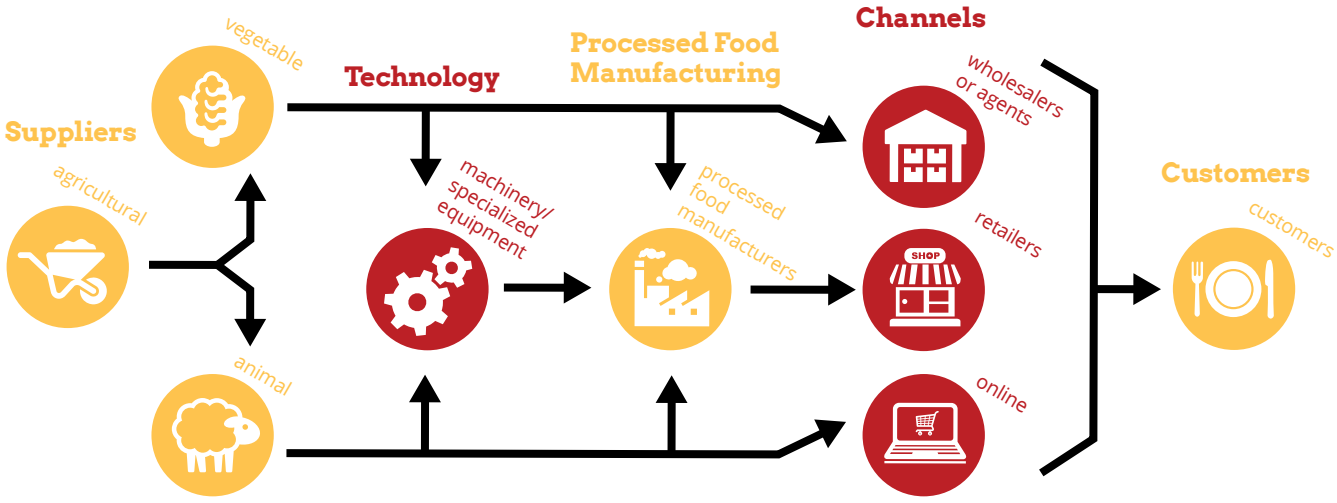
$190.4 Billion

ORGANIC + حلال

Organic & Halal cross-over potential?

Organic food global market is $63.8 billion in 2012[2]

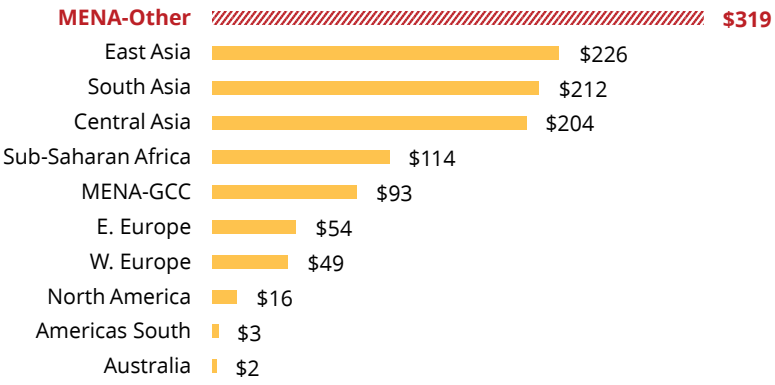
Value Chain[3]



Logistics Transportation/Freight

Eco-system R & D, Marketing, Technology, Financial services, Regulation, Compliance, Training

Regional Expenditure (2013, US$ Billion)



Industry Trade Value[4]

What is the food trade by OIC[5] member countries like?

14.4% of global imports

8.8% of global exports

The Halal Food Indicator*

What countries have the best developed Islamic economy for halal food?

TOP 10

1. Malaysia
2. United Arab Emirates
3. Australia
4. Qatar
5. Oman
6. Jordan
7. Saudi Arabia
8. Kuwait
9. Bahrain
10. Singapore

***CRITERIA** (From total of 70 select countries)

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

What does OIC[5] member countries import most?

50% Vegetable Products

33% Food processing/manufacturing

17% Animal & Animal Products

85%

of meat & live animal imports from non-OIC countries

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)

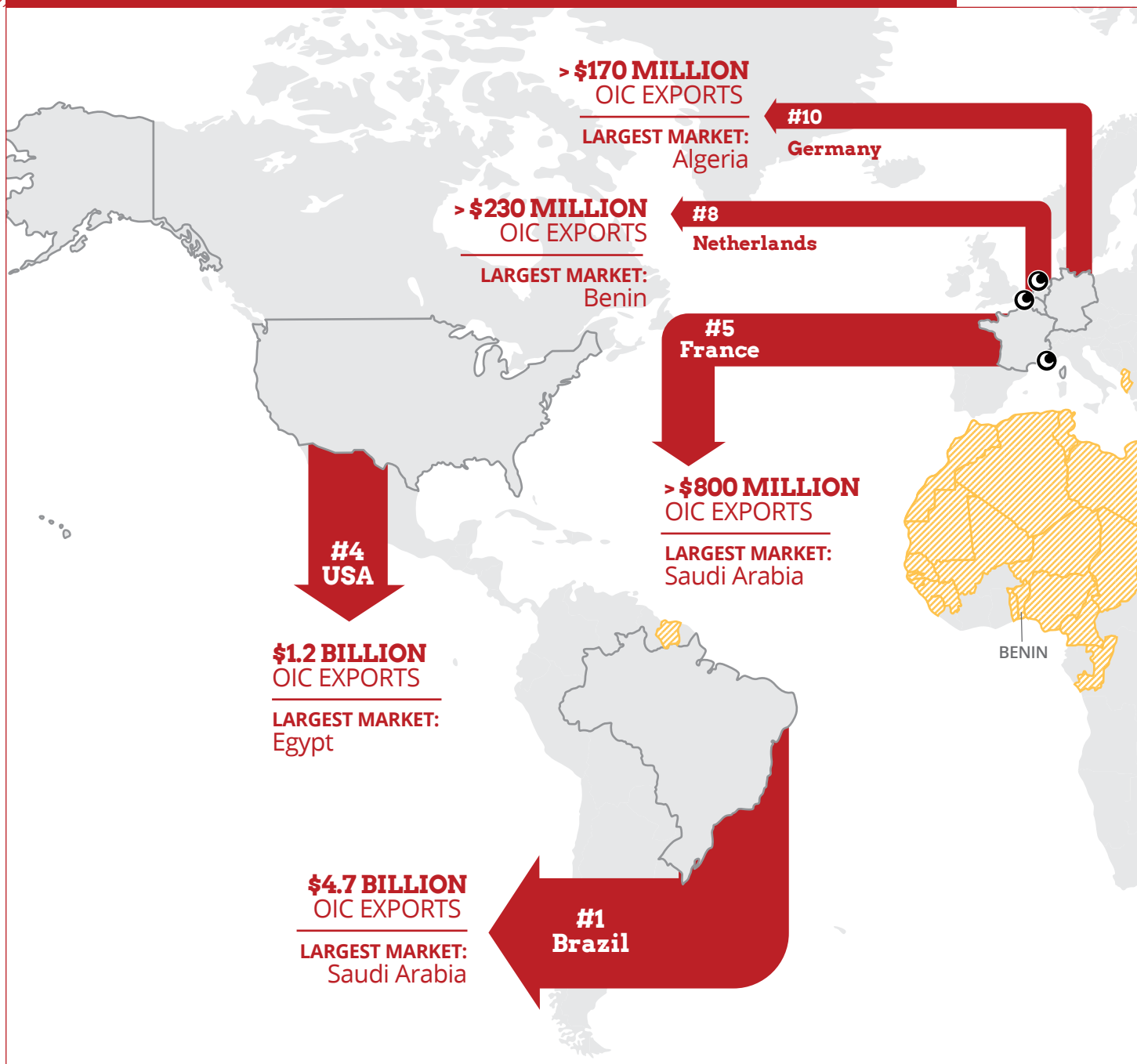
Logistics/ Zones
MISC Integrated Logistic (Malaysia)
Global Halal Logistics (France)
JAFZA Halal Zone

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)

1 *Covers food & non-alcoholic beverage expenditure; Expenditure data Baselined from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; IMF Outlook Oct 2014 Database for projections*
2 *Source: FiBL & IFOAM (2014): The World of Organic Agriculture 2014. Frick and Bonn*
3 *Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC)*
4 *Covers animal products, vegetable products, and processed food minus swine, spirits, tobacco. Also not included: retailers/other distribution channels, machinery, supporting inputs, logistics, support services (eco-system)*
5 *OIC: Organization of Islamic Cooperation (57 member countries)*

SPECIAL FOCUS: Halal Food Logistics



Top Importing OIC Countries

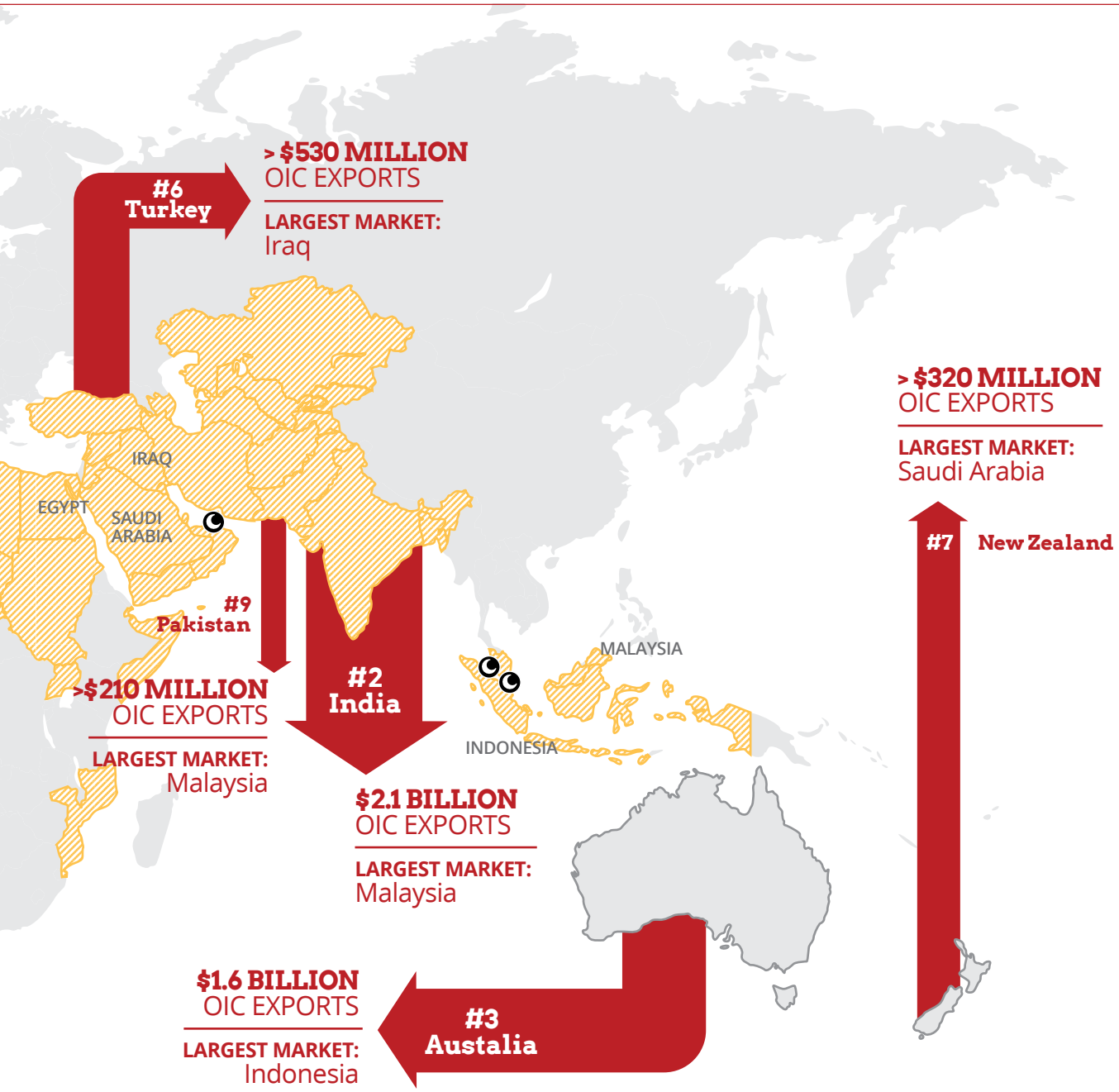
Meat & Live Animals (Value '000, 2013)

1	2	3	4	5	6	7	8	9	10
SAUDI ARABIA	UAE	EGYPT	MALAYSIA	IRAQ	JORDAN	QATAR	INDONESIA	KUWAIT	LIBYA
$2,700,052	$1,506,482	$1,294,433	$897,599	$864,553	$632,726	$600,287	$594,385	$584,434	$506,643

Top Exporters to OIC Countries

Meat & Live Animals (Value '000, 2013)

1	2	3	4	5	6	7	8	9	10
BRAZIL	INDIA	AUSTRALIA	USA	FRANCE	TURKEY	NEW ZEALAND	NETHER-LANDS	PAKISTAN	GERMANY
$4,731,224	$2,110,609	$1,629,974	$1,158,939	$804,144	$531,836	$328,126	$234,089	$210,432	$174,142



Major Sea-ports

= Halal Hubs

1. Port of Santos, Brazil
2. Jawaharlal Nehru Port, India
3. Port of Melbourne, Australia
4. Los Angeles, USA
5. New York-New Jersey, USA
6. The Port of Marseille, France
7. Mersin International Port, Turkey
8. Port of Auckland, New Zealand
9. The Port of Rotterdam, The Netherlands
10. Port of Karachi, Pakistan
11. Port of Zeebrugge, Belgium
10. Port of Karachi, Pakistan
11. Port of Zeebrugge, Belgium
12. Jeddah Islamic Port, Saudi Arabia
13. Jebel Ali Port, UAE
14. Port Klang, Malaysia
15. Penang Port, Malaysia

= Halal Hubs

= OIC Countries

= Top Exporters to OIC Countries

The Halal Food Indicator

- The 2014 State of the Global Islamic Economy Report introduces a Halal Food Indicator (HFI) to evaluate countries' health and development of their Halal Food ecosystem. The Halal Food 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 Halal Food sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

- **Malaysia, UAE and Australia** lead this inaugural indicator ranking that focusses 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 fours metric categories and has the following metrics for each: (Full methodology is presented in the Appendix)
  1. Supply drivers relative to country size (Meat/Live Animal exports to OIC countries)
  2. Governance (Halal regulations and certifications)
  3. Awareness (number of related news articles and events)
  4. Social (food pricing index)

TOP 15 HALAL FOOD INDICATOR COUNTRIES: SUB-CATEGORY BREAKDOWN

	Sector Score	Meat Export to OIC Score	Gov Score	Aware Score	Social Score	GIE Ranking
Malaysia	81	2	100	174	50	**1**
United Arab Emirates	70	12	100	99	71	**2**
Australia	57	91	67	0	69	**15**
Qatar	56	9	100	14	104	**6**
Oman	56	28	100	26	71	**4**
Jordan	55	85	67	4	63	**8**
Saudi Arabia	54	32	100	16	69	**5**
Kuwait	50	3	100	11	86	**7**
Bahrain	46	0	100	16	68	**3**
Singapore	46	12	100	9	62	**13**
Turkey	44	43	67	26	42	**14**
Pakistan	43	23	100	14	38	**9**
Azerbaijan	42	0	100	0	68	**24**
Brunei	41	0	100	64	0	**11**
Sudan	40	95	67	0	0	**12**

- **Malaysia** a well-recognised pioneer in the Halal Food space, leads the ranking of a healthy ecosystem driven by its strong governance and awareness of the sector. 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 makes Malaysia the most developed Halal Food economy.

- **United Arab Emirates** ranks second in the HFI also by virtue of tremendous media and industry attention to it 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 Qatar and Kuwait.[2,3]

- **Australia** has the third best score on the HFI led by its strong meat exports to the OIC as well as having good regulations in place. It ranks as the highest non-OIC (or non-Muslim majority) country.

- **Most of the countries in the top ten** share the highest score regarding Halal certifications and regulations (governance indicator) which indicates, per se, that in those markets Halal Food is very developed.

- **Jordan and Sudan** are second and third in the meat exports to OIC score (adjusted for the size of their economy) but rank #6 and #15 respectively. They rank lower given low scores on awareness and social metric from high food prices. India is not in the top 15, even though it is a major meat exporter to the OIC countries. This is because the scores are adjusted for the size of the economies and it has scored low on other metrics as well.

2 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
3 http://www.heritage.org/index/country/kuwait

Demand Profile and Market Sectors

Values and adoption spectrum

A key attribute of the Halal Food market remains to be the wide diversity in awareness and adoption of the Halal concept within the core customer base of Muslims globally. In Muslim majority countries, most consumers will assume everything is credibly Halal while other non-Muslim majority markets will seek Halal verification.

- Halal Food and Beverage consumption needs to derive their foundational principles from the Quran (the holy book believed by Muslims to be the divine words of one God) and Hadith (life and sayings of Prophet Mohammad). While the focus of the industry today is on what is Halal (lawful), much of the guidance is also towards Tayyab (pure). Select verses in this regard are as follows:

  "He has only forbidden to you dead animals, blood, the flesh of swine, and that which has been dedicated to other than Allah. But whoever is forced [by necessity], neither desiring [it] nor transgressing [its limit] — then indeed, Allah is Forgiving and Merciful." 16:115

  "O mankind, eat from whatever is on earth [that is] lawful and good and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy." 2:168

  "O you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful." 5:90

Market Size and Profile — 1,292 billion market (17.7 % of global expenditure):

This Report estimates global Muslim spending on food and beverages (F&B) to be $1,292 billion in 2013. The total global F&B spending during the same period is estimated to be $7,302 billion in 2013, making the Muslim Food market 17.7% of global expenditure.

Comparatively this is a 10.8% increase from 2012 Muslim F&B expenditure that was $1,166 billion. (This is adjusted from 2013 Report given updated baseline data from the International Comparison Program (ICP).)

The Muslim Food expenditure is expected to grow to $2,537 billion market by 2019 and will account for 21.2% of global expenditure.

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 would result in **Halal Food consumption in OIC countries alone to be $1,093 billion in 2013**. 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 ($190 billion), Turkey ($168 billion), Pakistan ($108 billion) and Iran ($97 billion) based on 2013 data.

- Comparatively, the collective global Muslim F&B market is larger than the F&B consumption of China, which was $776 billion in 2013, followed by the United States at $754 billion, Japan at $473 billion and India at $403 billion.

- Regionally, Muslim expenditure on food and non-alcoholic beverage was the highest in the following regions: MENA-Other ($319 billion), East Asia ($226 billion), South Asia ($212 billion), Central Asia ($204 billion), Sub-Saharan Africa ($114 billion) and MENA-GCC (93 billion).

Trade indicators — major trade gap in food imports by OIC member countries

- Major food trade deficit by OIC member countries continues to drive significant global Halal process dependence on non-Muslim majority markets globally. There was a $79 billion food & beverage trade gap by OIC member countries in 2013. Global exports of food & beverage were $1,374 billion in 2013 (covering animal products, vegetable products, and processed food — minus swine, spirits and tobacco). 8.8% of this amount was exports made by OIC markets, with a value of a $121 billion. Meanwhile, global imports of food & beverage were $1,396 billion and OIC countries share was $201 billion (14.4% of global volume).

TOP MUSLIM FOOD CONSUMPTION MARKET BY SIZE (2013)

Country	Size (US$ bill)
Indonesia	$ 190.4
Turkey	$ 168.5
Pakistan	$ 108.4
Iran, Islamic Rep.	$ 97.0
Egypt, Arab Rep.	$ 94.8
Bangladesh	$ 59.9
Saudi Arabia	$ 52.7
Russian Federation	$ 43.7
India	$ 41.1
Nigeria	$ 37.7
Iraq	$ 35.4
Algeria	$ 35.4
Sudan	$ 27.0
Morocco	$ 24.5
United Arab Emirates	$ 21.3
Malaysia	$ 16.6
Kazakhstan	$ 14.5
United States	$ 12.8
Azerbaijan	$ 12.5
France	$ 11.9
Yemen	$ 11.5
China	$ 10.1
Germany	$ 9.9
Kuwait	$ 8.7
Tunisia	$ 8.4

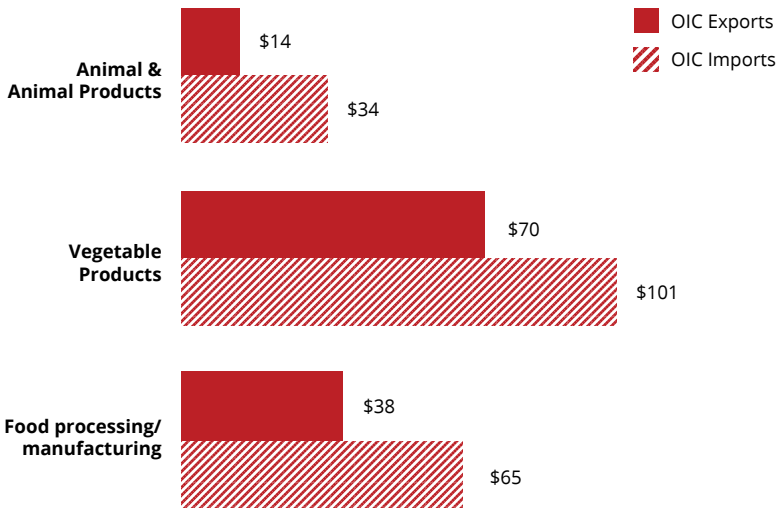
MEAT AND LIVE ANIMALS — TOP EXPORTERS TO OIC COUNTRIES

Country	US$ bill, 2013
Brazil	$ 4.7
India	$ 2.1
Australia	$ 1.6
USA	$ 1.2
France	$ 0.8
Turkey	$ 0.5
New Zealand	$ 0.3
Netherlands	$ 0.2
Pakistan	$ 0.2
Germany	$ 0.2

MEAT AND LIVE ANIMALS — TOP IMPORTING COUNTRIES WITHIN OIC

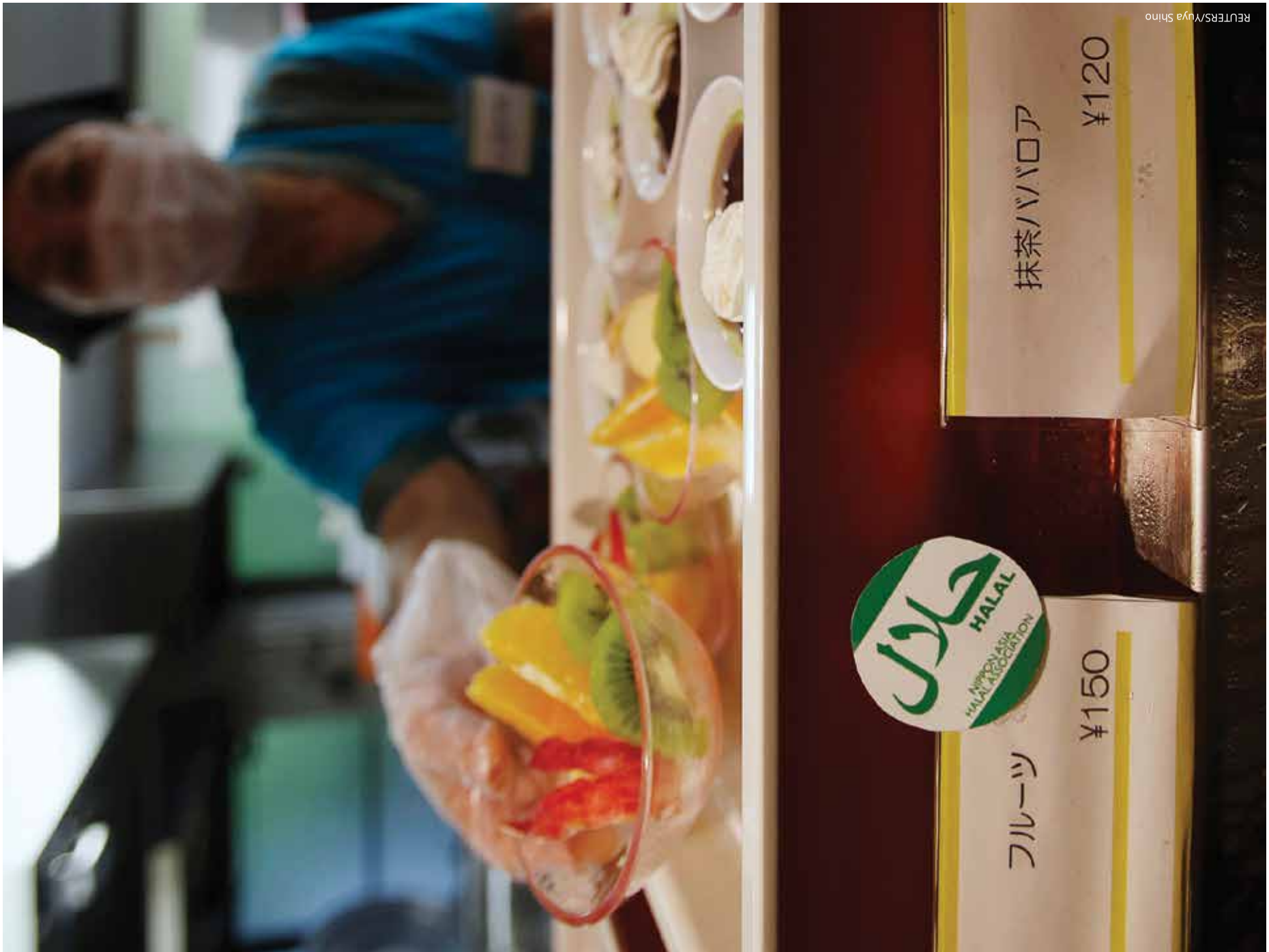
Country	US$ bill, 2013
Saudi Arabia	$ 2.70
UAE	S 1.51
Egypt	S 1.29
Malaysia	S 0.90
Iraq	S 0.86
Jordan	S 0.63
Qatar	S 0.60
Indonesia	S 0.59
Kuwait	S 0.58
Libya	S 0.51

OIC* MARKETS FOOD TRADE BREAKDOWN 2013, US



- One of the core sectors of the food industry affected by Halal processes is the Meat and Live Animal sector. Based on 2013 trade data, OIC member countries total Meat & Live Animals exports were a mere 1.4% of global exports ($2.1 billion of $144 billion globally). Meanwhile, their Meat & Live Animal imports were 10.8% of global imports ($15 billion of $141 billion in total). The trade gap implies $13 billion or 85% of Meat & Live Animal imports to OIC countries are from non-OIC countries.

- Top five Meat and Live Animals exporters to OIC countries are non-Muslim majority countries Brazil, India, Australia, USA and France. Among these top countries, U.S. exports are least to the OIC countries relative to its overall category exports at 7%. Meanwhile Brazil's exports to OIC countries are 30% of its total exports of this category, whereas India's are 44%. **This is an area for both OIC exporters and non-OIC exporters to expand into, such as the U.S.**



REUTERS/Yuya Shino

Current Landscape and Trends

Industry value chain — Halal impact from 'farm-to-fork'

- The core of the Halal market requirement relates to meat products' Islamic-law-based animal slaughtering. This requirement extends to ingredients that are part of various processed food products as well. There is technology that is supporting this process, while logistics of food is also increasingly looking at Halal integrity during its transportation process.

- A broader Halal market dynamic relates to its wider humane ethos relating to fair-treatment of animals, organic/ pure (Tayyab) food and environment friendliness. While this aspect has not taken hold it is a growing trend in select markets.

- Most of the food and beverage industry value chain is impacted by the Halal Food certification process and hence the value-chain-wide potential of the opportunity. These implications throughout the value chain along with select players as examples are described below:

Food Industry Segment	Halal Process Impact	Main Companies
Core Suppliers	Core feeding, slaughtering and handling of animals and animal products that adhere to Islamic rulings. Halal certification of core food preservatives and other ingredients.	BRF (Brazil) Allanasons (India) American Foods Group (USA) Cargill (USA)
Technology	Specialised technologies to facilitate slaughtering of animals and related management technologies.	
Food Processing	Halal certification of sourced food supplies and all ingredients used in producing and managing the food.	Nestlé (Switzerland) Al Islami (UAE) Saffron Road (USA) Tahira Foods (UK) Arman (China)
Channels	Retailers focus on creating space and the positioning of Halal Food products. This is especially relevant in markets where Muslims are not a majority.	TESCO (UK) Carrefour (France) BIM (Turkey) Marrybrown Sdn Bhd (Malaysia) Lulu (UAE)
Logistics	An important aspect of ensuring the purity of the Halal concept is ensuring that the global distribution of Halal Food is kept pure and not in contact with non-Halal Food items.	*See Focus Report*
Eco-System	Training, R&D, marketing, financial services, regulations, and compliance are all needed to address Halal needs.	SMIIC (OIC/Turkey) International Halal Integrity Alliance (Malaysia) JAKIM (Malaysia) IFANCA (USA) ESMA (UAE) MUI — Indonesia

Recent industry activities and trends:

HIGHLIGHT OF KEY ISSUES IN 2013/2014

- **Qatari authorities pulled several American-branded**, pre-packaged meat products from supermarket shelves, claiming they were un-Halal. They removed products including famous brands such as Sara Lee's Cracked Pepper Turkey Breast, Ball Park's Beef Franks and Hillshire Farm's Turkey Lit'l Smokies.[4] **While there is long ways to go, this is a sign of increased scrutiny by OIC governments on the Halal integrity of food products.**

- **UK blocked stunning labels on Halal meat:** A EU measure that would have required meat to carry labels declaring whether or not an animal had been stunned before it was slaughtered was blocked by the UK government.[5]

4 Qatar withdraws 'un-halal' meat products from shelves. October 2014, Doha News
5 UK blocked labels on Halal meat. May 2014, The Times

REUTERS/Regis Duvignau

David Cameron, the British Prime Minister promised that Halal slaughter will be 'safe in Britain' for as long as he remains in power, decrying the 'intolerance' towards Muslims that exists in some parts of the country. The prime minister said that his government would never put restrictions on religious slaughter, which often includes animals that are not stunned before they are killed.[6] On the other hand, **the British Veterinary Association urged the UK government to end non-stun slaughter**, citing animal welfare issues. They launched a petition requiring 100,000 signatures to end non-stun slaughter in the UK.

- **Pizza Express (UK) reveals Halal meat used in all chicken dishes:** This announcement provoked anger among some non-Muslims who claim this method of slaughtering causes unnecessary suffering. The firm, which has 434 restaurants in the UK, said that all birds are stunned before slaughter, and are accredited by the British Retail Consortium.[7]

- **Rice noodles bearing mosque label use fake Halal logo:** JAKIM, the official certifying body in Malaysia announced that the logo was fake and that the brand was never issued a Halal certification.[8]

- **Cadbury in Malaysia incorrectly accused of having pork DNA in two products:** Controversy arose when the Halal status of Cadbury Malaysia chocolates was deemed uncertain due to a statement by the Health Ministry released on May 24, which stated it detected porcine DNA in certain batches of Cadbury Dairy Milk Hazelnut and Cadbury Dairy Milk Roast Almond chocolates. However, on June 2, JAKIM verified that the latest test results confirmed the two variants in the affected batches were Halal.[9]

6 Halal Meat is safe with me says David Cameron, Huffington Post, April 2014
7 Pizza Express reveals halal meat used in all chicken dishes. May 2014, The Telegraph
8 Rice Noodles Bearing Mosque Label Use Fake Halal Logo – Jakim, June 2014, Bernama
9 Cadburys Malaysia incorrectly accused of having pork DNA in two products. June 2014, New Straits Times

Highlights of Select New Developments 2013/14

NEW MARKETS/ INVESTMENTS

- **Brasil Food Company (BFC)** is among the world's largest food companies and a major Halal market supplier. It opened its first manufacturing site in the Middle East in Abu Dhabi in 2014. The factory processes poultry from Brazil for repackaging and shipping to other countries. [10]

- T**he Saudi-Arabian food group Almunajem** has taken a stake of 25 percent in the French poultry producer Groupe Doux. The transaction completes the financial restructuring of Doux that filed for insolvency over two years ago.[11] Almunajem, a company with over 15,000 employees, is specialised mainly in the import of frozen food products.

- **Brahim's Holdings Bhd signed an MOU to develop a food factory in Makkah, Saudi Arabia:** The memorandum of understanding was with Dhyafat Albalad Alameen Co Ltd (Dhyafa). Both parties will collaborate on the project of setting up a food factory in Makkah to produce, sell and distribute food products to interested parties.[12]

10 Demand Grows For Halal Food As Industry Evolves, Associated Press, March 2014

11 Saudi firm takes stake in French poultry producer. October 2014, The Saudi Gazette

12 Brahim's inks MoU to develop food factory in Saudi Arabia. March 2014, The Sun Daily

REUTERS/ Khaled al-Hariri

- **Spain is interested in** engaging more Muslim countries in business and trade especially in the Halal Food sector, bolstered by its strong agriculture industry and Andalusia Islamic past. Director general for Fundacion Agropolis de Cordoba, Antonio Fernandez Ranchal, said the Halal market in Spain alone serves about two million people, and the country is the strategic gateway to the growing Muslim population throughout Europe. Ranchal said the foundation plans to collaborate with Malaysian universities such as Universiti Putra Malaysia, as well as with the Department of Islamic Development Malaysia (JAKIM) and Halal Industry Development Corp (HDC).[13]

- **LuLu Hypermarket** chain, sells Halal products at all of its 110 branches in countries like the UAE, Oman, Bahrain, Kuwait, Qatar, Saudi Arabia, Yemen, Egypt and India. They are adding an additional unique concept of 10 Halal hypermarkets in Malaysia by 2016 as key to their growth in Asia.[14] In October 2014, LuLu Group made an $82 million investment in UK's East India Company and its fine foods subsidiary.[15]

- **Japan enters Halal market with food export and Muslim tourism:** Japan plans to massively increase its Halal Food exports to Muslim countries in South East Asia, as well as to the Middle East, and to focus on the Halal travel industry by stepping up the number of Muslim-friendly hospitality facilities in the country and training hospitality staff how to cater to Muslim guests. Large Japanese food companies such as Ajinomoto, Asahi Beverage, Kewpie and Umakane are all expanding their product range with Halal products, and some firms are also interested in entering other Halal sectors such as pharmaceuticals, cosmetics and Islamic Finance, according to the Japan External Trade Organization.[16]

- **Kellogg to build RM425m Halal plant in Malaysia:**[17] It aims to expand its supply chain capacity in the Asia-Pacific region. The manufacturing facility is being built in Bandar Enstek, Negri Sembilan and will create some 300 new jobs when its first phase is completed by the middle of 2015.

- **Mexico seeks Malaysia's expertise to develop its Halal industry** to become a regional Halal hub. They want to have Halal certification from Malaysia, so they can expand operations to the rest of the world.[18]
- **Burger King plans to export Halal patties from South Africa** made in a state-of-the-art meat plant in the Western Cape — the only one in Africa capable of producing patties approved by Burger King and their second plant in the world to produce Halal patties, according to Hassen Adams with Burger King South Africa.[19]

- **The Halal Guys, a New York city based food-cart business signed an agreement with Fransmart**, the restaurant franchise consulting firm to turn it into a chain.[20] Within a year Fransmart hopes to open Halal Guys outlets in Los Angeles, along the East Coast, across Canada and in the Middle East. The five-year plan is for 100 locations, as well as a presence in Europe. The Halal Guys — founded by Mohamed Abouelenein, Ahmed Elsaka and Abdelbaset Elsayed — started out serving Halal food from their cart on the streets of New York and is now being transformed into a successful franchise business.

- **PrimaBaguz Sdn. Bhd.** is a Malaysian company that produces Halal-only food products. It offers processed Halal meat-based products to supermarkets, restaurants, hotels, resorts and the food service segment. In 2013, PrimaBaguz was bought over by state-backed private equity firm Ekuiti Nasional Bhd (Ekuinas) for $12.39 million.

13 Spain interested in Developing Halal Industry. September 2014, Business Times
14 UAE Retailer LuLu plans Halal-only hypermarkets in Malaysia, Khaleej Times — 20 May 2014
15 UAE's LuLu Group makes $82 million invesmtne in UK's East India Co, Reuters, October 2014
16 Japan enters Halal market with food export, Muslim tourism. June 2014, Gulf Times

17 Kellogg to build RM425m Halal plant. January 2014, Malaysia Reserve
18 Mexico seeks Malaysia's expertise to develop its Halal industry, May 2014, Bernama
19 Burger King plans to export halal patties from South Africa, May 2014, iAfrica
20 The Halal Guys food cart is opening its first restaurant. June 2014, New York Daily News

NEW PRODUCT DEVELOPMENTS

- **Capital Biotech**, a French company has developed a **"Halal test,"** that works in a similar style to a pregnancy test, which will allow Muslim consumers to detect, within a matter minutes, the presence of pork or alcohol in food. Food falsely labelled as Halal has been at the centre of some scandals in France in recent years. The tests will be especially helpful to Muslims when buying unlabelled food.[21]

- **A Halal Kit is being developed by the University of Selangor** to test foods for non-Halal ingredients[22]. The Halal testing kit is expected to be completed in December 2015. The University was allocated RM 1.3 million ($410,000) by the Selangor government to develop the tool. The news of the development of the kit came after Cadbury faced allegations that its Halal chocolate contained pig DNA. The tool will be for food, cosmetics and medicine.

- **DuBiotech, Dubai's dedicated biotechnology and research-park announces HITS**, the first laboratory dedicated to testing Halal and the safety of consumer products in the Middle East **as a new business partner. HITS was awarded certification by Dubai Accreditation Center to provide quality assured testing of products such as food and cosmetics for Halal integrity and safety standards.** Its inauguration marks a step towards the UAE government's vision of guaranteeing safer consumer products in the UAE and the GCC market.[23]

- **Halal alcohol?** Dubai-based, Lootah Premium Foods launched the Lussory range of Halal sparkling wine. The product is made in the same way as regular wine or champagne but contains 0.0 percent alcohol. It comes with a 24-carat edible gold leaf on the bottle.[24] Also, a Florida-based manufacturer, ArKay, is introducing 13 non-alcohol renditions of famous liquors including whisky, limoncello, tequila, rum and gin. The whisky is to be on shelves in the UK by December 2014.[25] The target market for this brand is teetollars as well as those worried about drinking and driving. It also been Halal-certified in order to appeal to Muslims, especially in the Middle East.

REGULATIONS

- **Dubai municipality plan new international centre for Halal Food and products**, with a master plan consisting of two phases. The first phase will focus on the standardisation and certification of meat products, and the second phase of the international centre will then concentrate its efforts on non-food items, such as cosmetics, toiletries, and other items that may need to be Halal-certified.[26]

- **The 'Halal National Mark'** — the Halal logo for the UAE Halal Scheme — was revealed in October 2014. A UAE cabinet resolution in 2014 made it mandatory for products claiming to be Halal to carry the logo. The UAE Halal Scheme, which is being managed by The Emirates Standardisation and Metrology Authority (ESMA) is almost ready, but there has been no official word on its implementation date.[27] ESMA will grant the mark indicating that the product, service and production system was in conformity with the approved requirements.[28]

- **The Department of Islamic Development (JAKIM) — Malaysia** is the authority responsible for Halal certification in Malaysia. JAKIM will be opening a Halal Research Centre in cooperation with Technology Park Malaysia in January 2015 in the quest to turn Malaysia into a global Halal research centre.

- **Canada's Halal Regulations for labelling, packaging and advertising** amended in the Halal Food section in the *Food and Drug Regulations* with regard to the labeling on the packaging of Halal Food. The packaging and

21 A Made in France 'Halal test' to check for pork, October 2014, thelocal.fr
22 New Halal Detection Kit being developed by University of Selangor, July 2014, ausfoodnews.com.au
23 DuBiotech Welcomes HITS. March 2014, HalalFocus.com
24 Dubai launches 24 carat gold Halal sparkling wine, September 2014, ArabianBusiness.com
25 Dubai Municipality plan new International Centre for Halal Food and Products. April 2014, Gulf News
26 Dubai Municipality plan new International Centre for Halal Food and Products. April 2014, Gulf News
27 UAE Halal logo revealed, gulfnews.com, October 2014
28 ESMA launches Halal National Mark. October 2014, WAM.ae

advertising should include the body or person who certified the food. This will come into effect in April 2016.[29]

- **Free Halal certification in Indonesia is being provided by the Jakarta city government.** Hundreds of Small Micro and Medium Enterprises that produce food and beverage can be certified by Majelis Ulama Indonesia or MUI (Indonesia Ulama Council). This program will be run until 2017.[30]

- **Europe to create a European Halal standard** as part of the European Committee for Standardisation (CEN). The purpose of this standard is to protect the integrity of Halal products in Europe. The project was kicked off in Istanbul in September 2013.

- **Starbucks Indonesia becomes Halal Certified by MUI:** With 176 coffee shops in Indonesia, Starbucks Indonesia has become the first major international coffee shop chain to receive Halal certification from the Council of Indonesian Clerics (MUI). Even though Starbucks mainly serves coffee, it had been rumored that some of their products contained traces of pork or alcohol, which drove some Muslims to boycott the American coffee chain. This led to Starbucks voluntarily working towards obtaining Halal certification.[31]

- **In the UK an all party parliamentary group (APPG)** for beef and lamb published a report in August 2014 which called for more research into the religious slaughter of animals. The report, Meat Slaughtered in Accordance with Religious Rites, was designed to help MPs, industry, government officials and NGOs take a more balanced and evidence-based approach to policy-making on the heated issues surrounding the stunning and non-stunning of animals in the UK before slaughter.

TRADE DEVELOPMENT

- **The UAE has signed agreements with the Halal Development Corporation (HDC) of Malaysia to bolster a hub-to-hub network for regional trade of Halal products:** A series of memoranda of understanding (MoU) and agreements have been signed by Dubai Exports, the export promotion agency of the Department of Economic Development in Dubai, in partnership with the Halal Development Corporation (HDC) of Malaysia and the Dubai Islamic Economy Development Centre (DIEDC). The agreements, with trade hubs and jurisdictions across the world, will bolster efforts to create a global Halal trade network, with common standards, that will enable regional and international companies to tap into the growing global interest of Halal products.[32]

- **Jafza and TechnoPark Halal Zone setup in the UAE:** Halal Zones are being developed in Jebel Ali Free Zone (Jafza) — the flagship free zone of Dubai and a logistics hub — to serve international markets, and another Halal Zone at TechnoPark to serve the local and regional markets. Both zones are being developed by the Economic Zones World (EZW)[33]

- **MIHAS 2014**: The combined sales generated during the recent 11th Malaysia International Halal Showcase (MIHAS 2014) hit RM966.4 million, a 21% increase over last year's RM798.72 million. About 400 buyers from 41 countries participated in the business meetings. They were from China, Japan, Korea, India, Mongolia, Indonesia, Saudi Arabia, the United Arab Emirates, Turkey and Qatar. The exhibition attracted 20,818 visitors from 60 countries, a year-on-year increase of 12.5 percent.

29 Regulations Amending the Food and Drug Regulations (Halal food). (April 2014), gazette.gc.ca
30 Free Halal Certification provided for small businesses in Indonesia. March 2014, Berkita Jakarta
31 Starbucks Indonesia finally Halal Certified by MUI, HalalFocus, October, 2014
32 Dubai Exports signs series of agreements to enable easier access to Halal markets, Zawya, October 26, 2014
33 Dubai's EZW plans to develop two Halal Zones, ArabianBusiness.com, March 2014

Key Challenges and Opportunities

Challenges

- **Lack of common standards and lack of regulation on certifiers:** This is still an issue despite efforts being made to develop OIC-wide standards by SMIIC. In Europe, there are an abundance of independent certifiers, who in a bid to gain more business discredit their competitors, which results in distrust and confusion on the part of consumers. There is also very little transparency about what a particular agency's certification stamp really means. Examples include the acceptance or rejection of stunning in the slaughtering process, or whether Halal certification is based on continuous monitoring or on 'spot checks'. Not having unified Halal standards also poses a challenge to companies that wish to distribute their Halal food globally. Countries have different requirements for Halal, so what is suitable for one country is not appropriate for another.

- **Threat of losing consumer confidence in Halal labels** due to scandals because of the fraudulent use of the Halal label. In 2014, rice noodles bearing a fake Halal logo (a mosque symbol) were being sold in Malaysia. They were being made in a factory in Japan that was also accused of using unhygienic preparation methods. In 2013, a Chinese food processor sold 22 tons of pork as Halal-certified beef. Two tons of the pork products were already in the market before Chinese police discovered the breach. The pork had been treated with chemicals such as paraffin wax and industrial salts to make it look like beef.[34] In the United Kingdom, a food wholesale firm that sold meat with counterfeit Halal labels was fined almost $13,000. [35]

- **In Europe, the Muslim market has a pronounced preference for low priced foods** because of its low purchasing power, but it is difficult to reconcile low cost with demonstrable Halal integrity and good quality products. As a result, producers following more stringent Halal and quality control standards end up having higher costs which consumers are not always willing to pay for and therefore may decide to purchase a lower quality product certified by an obscure certifier. The low purchasing power also makes Organic/Tayyab a small niche, for which there is very limited demand.

- **Economies of scale in producing Halal meat are threatened in Europe** because of non-Muslim consumers demand for meat that has not been slaughtered using the Zabihah Halal method. According to Koen De Praetere of Halal Balancing, the market was able to take advantage of economies of scale which resulted in lower prices for premium cuts sold in supermarkets to non-Muslim consumers and reasonably priced less-valued cuts favoured by Muslim consumers. Separating the two sub-supply chains will increase prices for both types of consumers. He is saying the

34 Muslims in China fed pork sold as Halal beef, World Bulletin, October 2013
35 Bradford meat firm fined for fake Halal labels, BBC News, September 2014

same could happen in other meat producing and exporting countries whenever cuts are being sold and not the whole animal.

- **Lack of access to Shariah-compliant funding:** Several business leaders we spoke to in the Halal Food space mentioned the lack of access to Shariah-compliant financing as a major challenge. Companies that need the financing to scale their business find it hard to access Shariah-compliant Halal capital. While lack of access to funding is a challenge to players in this space, this sector actually offers a tremendous opportunity for Islamic funds and investment firms as it represents viable investment opportunities.

Opportunities

- **Finance investment.** Despite the large size of the Halal Food market, many of the companies in the supply chain are still small and fragmented. This presents tremendous opportunities to the investment community, especially in the synergistic Islamic finance industry. A specific example is an opportunity in the 'Meat and Live Animal' subset of the Halal Food and beverage industry value chain. With 85% of Meat and Live Animals, currently being imported into OIC member countries, tremendous opportunity exists to streamline the hundreds of fragmented suppliers in this value chain to gain Halal integrity in chain and scale. Investment opportunities exist across the value chain.

- **Establishing a global brand:** With a consumer market totalling one trillion dollars, it is surprising that no dedicated global food product or food retail concept that is completely Halal-certified exists today. The opportunity for developing global brands with Halal and Tayyab integrity across the value chain is further widened by its connectivity to the global organic and fair-trade food segments. This wider socially responsible market opportunity could also address the challenges of negative perception in many western markets. DinarStandard's list of top emerging food companies from the OIC showcases good candidates who could launch such large-scale brands.

- **Focusing on organic/Tayyab** The global trend in organic and healthy food is slowly starting to influence the demands of Muslim consumers. However, in Europe for example, Muslims are for the most part price-conscious with lower purchasing power and are therefore not yet willing to pay a higher price for organic products. It would be wise for food companies to start developing Halal/Tayyab/organic lines, but to market them to mainstream consumers, focusing on the organic feature as the demand in the Muslim market is still not high.

- **Consolidation:** Companies in the Halal Food supply chain are for the most part fragmented, with some players being very small. There is an opportunity for vertical integration of the supply chain — from slaughterhouses to distributors. This would give organisations the ability to control quality — especially with regards to Halal integrity — and costs. The Islamic Finance community would play an instrumental role in making this possible. One example of vertical integration initiatives is the establishment of a logistics and packing center in the UK by food retailer, LuLu.

- **Supplying Halal ingredients and flavours:** There is an increasing need for Halal ingredients for food processing companies. Food manufacturers are already facing sourcing challenges, with some materials, such as gelatin being in short supply. The main suppliers for ingredients are large international companies such as Cargill, which has 200 Halal-certified plants. Given the huge demand, there is an opportunity for OIC-based companies to fill this gap in the ingredients market.

- **Research and development co-operations:** Malaysia has leading Halal-related research initiatives. With other Halal markets developing, there is an opportunity to collaborate and scale research in collaboration with other centres in UAE, Autralia, Turkey, Thailand, Pakistan.

SPECIAL FOCUS:
Halal Food Logistics

Halal Food Integrity in Logistics: From Factory to Retail

INTRODUCTION/ NEED

Growing interest in the Halal Food market is also drawing attention to its global logistics. While the focus has been on Halal food production integrity through certifications, there is also growing concern and interest in ensuring that its distribution through complex global logistics (warehousing, marine, land and air transportation) also provides Halal assurance.

This becomes especially important as 91% of Meat and Live Animals imported into OIC (mostly Muslim majority Organization of Islamic Cooperation 56 member) countries comes from non-OIC countries.[36] With recent Halal integrity issues in China, pork DNA found in Halal burgers in UK schools, horse meat scandals, and others, full traceability of Halal products is increasingly becoming a concern.

While the consumer awareness and demand for ensuring Halal food assurance during the logistics process is unclear, there are strong regulatory developments such that many key Halal food import markets may mandate a 'Halal' assurance process for logistics.

36 DinarStandard research 2013 data

WHAT IS IT?

Halal in food refers to permissible food and manufacturing processes by Islamic law. Haram or non-Halal refers to non-permissible food and processes by Islamic law. The key concerns relating to Halal integrity in logistics surround contamination of Halal products with non-Halal products.

Levels of 'Halal integrity and determinants. According to a study[37] led by Marco Tieman, a global Halal logistics expert and owner of LBB International, Halal integrity concerns in logistics have three levels: 1) direct contact with Haram, 2) risk of contamination, and 3) addressing perception of the Muslim consumer; with thefirst two levels being the minimum required. There is also an industry consensus, according to the study, that Halal integrity is confined to a container or transport vehicle. Therefore, it does not matter what is on top, below, or next to a Halal container/transport vehicle.

Another important determinant is product characteristics. Refrigerated products, like fresh meat, are found to be more sensitive for contamination as compared to dry products, such a canned fish, packed chocolate cookies and a bottle of cola. Second, bulk products have a higher perceived risk than unitised products, as bulk products directly touch the container or transport vehicle.

LOGISTICS HALAL PROCESS TOUCH-POINTS:

Based on current practices of Halal integrity in logistics globally, the chart below lays out the various Halal integrity-related touch-points and activities as well as the relevant logistics value chain players involved.

It is to be noted that the extent of Halal integrity concerns by key Halal stakeholders has not been thoroughly validated. However developing standards by Halal import governments, especially OIC countries, may be the key drivers here.

37 Journal of Islamic Marketing; Principles in halal supply chain management; Marco Tieman, Jack G.A.J. van der Vorst, Maznah Che Ghazali

Halal logistics landscape

MARKET SIZE AND PROFILE

Global logistics is the critical industry that enables global trade and involves a range of sectors such as warehousing, shipping, rail, air freight, shipping security, inventory management, supply chain management, procurement, and customs services. Considering both domestic and international logistics, the total estimated cost for logistics is estimated at $8.3 trillion in 2012 globally, representing 11.6% of global GDP.[38]

This Report estimates logistic costs for the potential global Halal Food market to be $151 billion in 2013.[39] Specific logistic costs associated with the core Halal Food category, Meat & Live Animals being imported by OIC member countries, is estimated at $225 million in 2013.[40]

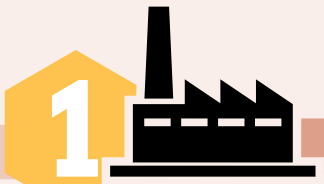
Trade flow: The illustrated map below shows key trade-flow of core Halal certification affected by the Meat & Live Animal sector.

KEY PLAYERS

The most influential nations in Halal integrity logistics are: Brazil, New Zealand, and the Netherlands. From Muslim-majority countries, Malaysia, UAE, and Turkey are key nations. Malaysia's advantage is its well-developed Halal certification standards and its proximity to Australia and New Zealand. The UAE leads the Middle East Africa and South Asia (MEASA) region given its massive shipping capabilities and central location as a link between east and west. Meanwhile Turkey is a gateway for Europe to OIC markets.[41] Given the key role of Halal certifiers in the Halal integrity of logistics, below is a selection of key Halal certifiers/influencers globally. Key seaports are shown on the referenced map.

38 Armstrong & Associates 2012 Estimates
39 Using 2012 DinarStandard estimate of global Muslim food consumption market (potential global Halal food market) multiplied by estimate that logistics accounts for 15% of the final value of goods. From "Outlook on the Logistics & Supply Chain Industry 2013", World Economic Forum
40 Value of meat & live animals imported into OIC member countries which stood at $14.9 billion in 2013 ITC Trademap data 2013
41 The Principles of Islamic Marketing, Dr. Baker Ahmad Alserhan, 20128

DEVELOPING HALAL ASSURANCE TOUCH-POINTS IN GLOBAL FOOD LOGISTICS



1 FOOD PRODUCTION

KEY HALAL TOUCHPOINTS
Packaging and labelling
Halal park/hubs

KEY PLAYERS
Halal certifiers/regulators
Halal park/hubs

2 WAREHOUSE

KEY HALAL TOUCHPOINTS
Halal park/hubs
Halal-certified cold storage
Halal control activities

KEY PLAYERS
Technology solutions
Logistics companies

3 DOMESTIC TRANSPORTATION

KEY HALAL TOUCHPOINTS
Refrigerated transportation
Halal control activities

KEY PLAYERS
Technology solutions
Logistics Companies

4 PORTS/INTN'L TRANSPORTATION

KEY HALAL TOUCHPOINTS
Halal distribution centres
Non-contaminated shipping services
Halal control activities

KEY PLAYERS
Key sea-ports/airports

5 RETAIL SHELVING

KEY HALAL TOUCHPOINTS
Product segregation

HALAL LOGISTICS CERTIFIERS/ STANDARDISATION BODIES

The Standards and Metrology Institute for Islamic Countries (SMIIC) — OIC

SMIIC was established to harmonise OIC/SMIIC Standards amongst SMIIC members, which have reached 29 members, after the joining of 10 new members in 2013 (source: SMIIC Annual Report). Their developing standards consider the whole supply chain, including transportation and warehousing.

International Halal Integrity Alliance Ltd (IHI Alliance) — International

IHI Alliance is an international organisation supporting Halal accreditation and training. They developed the international Halal Logistics Standard **IHIAS 0100:2010** which was launched in 2010 in collaboration with the Islamic Chamber of Commerce and Industry.

The Department of Islamic Development (JAKIM), Malaysia:

In 2013, JAKIM launched a Halal Logistics Certification scheme covering transportation and warehousing that is based on the Malaysian standard MS2400:2010.[42]

Emirates Authority for Standardization & Metrology (ESMA):

ESMA is the UAE's sole standardisation body. ESMA works closely with SMIIC as Ms. Farah Al-Zarooni, Director of Standards at ESMA is also Chairperson of the Technical Committee for Halal Food at SMIIC. "ESMA's 'UAE Scheme for Halal Products' helps support SMIIC's work and elevates their standard," said Ms. Al-Zarooni when we interviewed her. ESMA's main responsibility is to ensure the Emirates Quality Mark for national products, issue certificates of commodities compliance to standards, and endorse testing and calibration measurements.

The Indonesia Ulema Council (MUI):

MUI has been the sole body responsible for issuing Halal certificates in Indonesia. It established two assessment institutes — AIDC ICU and LPPOM MUI — that are responsible for issuing Halal certifications. This year, the government of Indonesia has taken over the role from MUI as there have been concerns of MUI monopolising the Halal certification market.

Islamic Food and Nutrition Council of America (IFANCA):

IFANCA is a non-profit Halal certifier based in the United States, serving 50 countries worldwide. IFANCA certifies food as well as vaccines and pharmaceuticals. It also certifies Halal cosmetics. The Halal Food Council of Europe (HFCE): HFCE, based in Belgium, is a major Halal certification organisation in Europe that is recognised by Malaysia, Indonesia, Singapore, GCC countries, Iran and many other Muslim countries around the world.[43] It is the Halal certifier of the Port of Zeebrugge in Belgium.

Dubai Accreditation Center (DAC):

Part of the Dubai Municipality, DAC is looking to launch an international accreditation centre. The proposed centre will undertake the required tests for Halal Food and other products to ensure that all such products are free from any chemical or artificial additives which do not comply with Islamic Law. It aims to be the first international reference in the food industry worldwide.[44]

Gulf Halal Center (GHC):

GHC is a private sector Halal certification body that was inaugurated in May 2014 in the UAE one of the first of such initiatives in the GCC Halal Food industry. GHC will not only cover ingredient verification, but will also offer process verification that includes handling, packing materials, packing, storage, transportation and distribution.[45]

South African National Halal Authority (SANHA), South Africa:

SANHA is an international, non-profit organisation which promotes excellence in the certification of Halal Food. It provides a Halal logistics module within its Halal accreditation program.

42 Jakim Launches Halal Logistics Cert, Bernama, July, 2013

43 Port of Zeebrugge Looks Towards HFCE Halal Certification, HFCE
44 New International Center for Halal Food and Product Accreditation to Open in Dubai, GulfNews.com, January, 2014
45 UAE: Gulf Halal Center Inauguration Ceremony, Halal Focus, May, 2014

KEY DEVELOPMENTS

Electronic seal for Halal tracking: A device called the e-seal was developed by the Brazilian Meat Exporting Industries Association (ABIEC). This device is equipped with a chip that contains basic information about the container, and data pertaining to the actual Halal slaughter. This experimental project which was launched in the Port of Santos showed that cargo is cleared in 1 ½ hours instead of 2 ½ days using paper documentation.[46]

UAE's launch of the first unified Halal standard: The Halal Scheme, the first of its kind within the region was launched in February 2014 and will enable regulatory bodies to decide whether any product made in the UAE or imported to the UAE is Halal or not. This pioneering initiative is expected to place UAE as a benchmark and would increase the adoption of Halal standards for the region.[47]

The Standards and Metrology Institute for Islamic Countries (SMIIC): An OIC mandated organisation, is continuing to build consensus and standards that could have a major impact on normalising and setting transparency for Halal standards across many core Halal import markets. OIC-SMIIC World Halal Assembly was held in Pakistan in June 2014, which was attended by over 250 experts from 40 countries.

Last year, **GCC countries signed the biggest number of logistics contracts** in the Middle East, fueled by large investments, high consumer spending, and rapid economic growth. This is creating

46 Halal Market Offers Exporters An Opportunity, Brazil-Arab News Agency, June, 2013

47 New UAE Halal Scheme likely to have big impact on global Islamic economy, Blake Goud, Thomson Reuters Blog

REUTERS/David Gray

opportunities for developers, contractors, transport facility operators and related industries.[48]

CHALLENGES

Demand drivers are weak:
Willingness of retailers to pay for Halal logistics, given that it is not for the most part demanded by customers and not enforced by regulators is a key reason for low adoption. Darhim Hashim, Director of the International Halal Integrity Alliance suggests that, "Food retailers need to make it part of their own standard, the same way that any large retailer will insist on HACCP as their standard for food safety. Once that happens, Halal logistics will become an industry-driven initiative." Dr. Tieman, owner of LLB International, on the other hand believes that within the next few years JAKIM in Malaysia will make it compulsory for companies to have their products certified in Halal logistics.

Cost considerations:
Halal assurance of logistics certainly adds costs depending on the level of the need. Currently, there is no clear picture of the level of acceptance of higher resulting costs at retail level, given the large diversity of Muslim/Halal consumers globally. One study conducted in Malaysia and the Netherlands found that Muslims in both countries were willing to pay a premium for Halal logistics, with Muslims in Malaysia willing to pay an additional 15%-25%.[49]

Malaysia Halal park challenges:
Although Malaysia has pioneered this space and has 21 Halal Parks, most suffer from mis-management issues. Also, investors have been buying plots of land in Halal hubs more as a real estate investment rather than of utilising them. As the UAE and others develop Halal zones, what lessons will be learned?

OPPORTUNITIES

Regulations to drive demand:
As SMIIC develops OIC-wide standards, OIC governments will increasingly adopt regulations that will also affect logistics. Malaysia already has incorporated Halal logistics as a requirement for imported Halal meat products. This will create opportunities to value-chain service providers including technology and tracking solutions.

OIC-based logistics opportunity:
With the majority of Halal Food and logistics handled by non-OIC countries, there is an opportunity for an OIC-based logistics player to highlight their inherent Halal assurances towards becoming a Halal Food trade hub. This includes opportunities for more ports, transportation and logistics companies in the OIC to play a larger role in this sector.

Islamic Finance/Takaful opportunity:
Islamic trade finance funds can look at investing in logistics as an asset class. Such funds will spur trade and vice versa. Takaful operators should get involved in mutually assuring Halal cargo. Since most Takaful operators are small capitalised companies and cannot take such risks, they can also look into syndicating.

PR by Halal certifiers:
In order to bolster consumer demand and confidence for Halal certificated products, a PR campaign needs to be launched by certification bodies in coordination with stakeholders, such as logistics companies, to educate consumers on Halal integrity being incorporated in logistics as much as in the production of Halal products.

48 Extensive Rail Investments Are Expected in Saudi Arabia, Albawaba, January 2014
49 http://www.emeraldinsight.com/journals.htm?articleid=17090002&-show=abstract

INTERVIEWS

Koen De Praetere, Founder
Halal Balancing (Belgium)

Business background

Halal Balancing is a consultancy company that helps European companies enter the international Halal market. Our mission is to remove the entry barriers for non-Muslim producers allowing them access growing Halal markets. I created this company because I wanted to build a bridge between the European companies that wanted to enter the Muslim market and the buyers in those markets.

Market challenges

There are a lot of certifiers in Europe-France alone has over 80 certifiers. In competing against each other, these certifiers often develop distrust among consumers. Furthermore, certifiers in Europe usually are not qualified to conduct factory audits: so despite the food being certified as Halal, it is hard to verify that claim. This is why we are focussing on integrating Halal requirements into the operational procedures and have those processes additionally audited by accredited third party auditors. In this way, Halal claims are backed up by solid operational processes. This methodology is similar to ensuring food safety but is applied to Halal. It brings the same level of integrity and has the advantage that it is understood by European companies, allowing them to build in Halal the same way they built in food safety.

Synergies between Halal and non-Halal markets are often overlooked. Ideally producers of Halal meat in Europe should be able to take advantage of economies of scale and produce Halal for both its Muslim and non-Muslim consumers. However, this is becoming more and more difficult because of the backlash from non-Muslims against Halal. As a result, supply chains are diverging, with one supply chain for the Halal market and one supply chain for the non-Halal market. Synergies between the chains are lost and because Halal markets in Europe are small compared to non-Halal markets, reduced availability of Halal meat at higher prices may be the consequence.

New market developments: To help professionalise Halal certification, Europe is creating a European Halal Standard, using the standardisation framework of the European Committee for Standardisation (CEN), to ensure that Halal certified food is in fact Halal. Once the Halal standard is created, the existing legal systems of third party audits and third party auditor accreditation can be applied to this standard, improving the reliability of Halal branded products. Halal Balancing is involved in drafting this standard as the head of the Belgian delegation. The project was kicked off in Istanbul in September 2013.

Strategy

We believe in Halal ownership where companies take responsibility over Halal themselves. Halal certification may be outsourced, but not Halal responsibility. Therefore, my company's strategy in advising European clients that want to target the Halal market is to help them gain the trust of their customers by increasing their knowledge of the Halal process and by focussing on maintaining the Halal integrity of their products. Above all, it is to help them understand it is their responsibility to 'do it right.'

HALAL BALANCING™

INTERVIEWS

Rizvan Khalid, Owner Director
Euro Quality Lambs (UK)

Business background

Euro Quality Lambs Ltd is my family business and it is the largest Muslim-owned lamb slaughterhouse in Europe. We supply wholesalers and retailers in the UK and Europe. My family has been involved in the meat industry since the 70s. I'm one of the directors, a Chartered Accountant by profession with a Masters in Meat Science, and I'm next in line to lead the business after my father.

Muslim consumer needs

We provide fresh Halal lamb carcasses and cuts to traders to supply onwards to retailers or directly to Muslim consumers. Transparency has always been an important issue and we have always catered for educational visits from scholars and Halal traders to provide assurance over how we do things. One point to note is that there is a difference between the basic Halal criteria and the Sunnah criteria, which is following the way of the Prophet (peace be upon him), so we as a business provide options for all requirements. We also have large numbers of non-Muslim clients who like to buy from us because of our quality and service.

Challenges

The lack of harmonised Halal standards is a critical barrier which obstructs effective trade and communication with the global Halal market. Unlike some market participants, I do not favour one Halal standard but rather a small finite tiering of Halal standards that allows customers to buy on a scale between standard Halal and Sunnah Halal. An existing model already operates in Kosher, with standard Kosher and Glatt Kosher, and works well. It allows those consumers who have a higher Taqwa the ability to buy meat produced to a higher Halal status. This is missing from the existing marketplace and rather than having a 'my-Halal-is-better-than-your-Halal' attitude it would be far more conducive if Halal standards, and assumptions behind those standards, are directly linked to Qur'an and Hadith to enable scholars to categorise them as — for want of a better description — Bronze, Silver or Gold Halal.

Plans for the Future

We are planning to build a state-of-the-art integrated slaughtering and meat-processing premises where we can produce and showcase high quality Halal products, both technically and Islamically. We are grateful that we do not have any existing Riba finance within the business and thus will be looking for suitable sources of Islamic finance to help the business expand. We already have our own business charity for Zakat [compulsory alms giving] purposes as well as our own purpose-built masjid so Shariah-adherence is very important for the business. We have a young generation in the business and are planning on leading the industry for some time yet insha'Allah!

INTERVIEWS

Ghias El Yafi
Managing Director, Tahira Foods Limited (UK)

Business background

Tahira is the premier brand for Halal products sold in Western Europe. The company was set up in 1994 and its products are sold in the UK, France, Belgium, Holland, Germany, Denmark and Sweden. Its mission statement is to make good value, tasty and authentic Halal Food available to the Muslim consumer in Europe, regardless of area of residence, ethnic background or income profile.

Muslim consumer needs

We meet the demand for value added convenience products both in its frozen as well as chilled format. We also ensure that the consumer is offered as wide a variety of products as possible including chicken, lamb, beef and turkey so that we can meet consumer's needs.

Challenges

The market is very fragmented both geographically as well as ethnically and it is a challenge to reach it properly. Consequently only products with the highest ethnic common denominator are economical to develop and consequently many other more focused products unfortunately do not see the light of day. Also, the plethora of Halal authenticating bodies and the abuse of consumer confidence by some is an issue which needs to be dealt with.

Plans for the future: We plan for greater geographical coverage of the market as well as introduction of ambient meat-based products. In general, market opportunities exist in consolidation of distribution and vertical integration from abattoirs to distribution.

INTERVIEWS

Hassan Bayrakdar
Founder and the Managing Director, RAQAM Consultancy JLT (United Arab Emirates)

Business background

I am a Food Expert on regulations with international experience and an in depth knowledge of the Middle East and North Africa, with a PhD in Chemistry from France. I have an 18-year background working with Nestlé and Mars.

Challenges faced by multi-nationals

The main challenge for the food industry is the diversity of the Halal legislations and the confusion about the interpretation of the Halal regulations in several markets. Currently, Halal regulations vary from market to market, and the most important challenge is for the authorities to unify the Halal standard worldwide. Some countries stipulate a Halal certificate for any food product and this can be a trade barrier between countries.

Strategy

To become global businesses, the ideal situation is that companies producing products for Muslim consumers should be Halal certified for all their products. However, this is a challenge for multinational companies due to the sourcing of raw materials in each country where they are producing and that will limit their suppliers of the raw materials and packaging materials. This is not realistic and not feasible. I believe the strategy of the companies should be to help the authorities in Muslim countries to unify the Halal standard and to work together with the authorities to develop a global Halal regulation through the Codex Alimentarius.

Opportunities

Non-Muslims are increasingly starting to consume Halal products due to the safety and stringent quality control measures applied. Quality and food safety measures are included in the Halal audit 'Halalan Tayyiban' and are mandatory elements for Halal compliance. Declaring Halal on food products is becoming a competitive advantage for food and beverages companies.

RAQAM CONSULTANCY

INTERVIEWS

Jalel Aossey
Director, Midamar Corporation (United States of America)

Business background

Established in 1974, Midamar Corporation is a leading USA-based Halal Food Brand and Global Supply Chain Management Company serving the Middle East, South East Asia and the Far East. It is a privately held family-owned business.

The company's Halal certification is from Islamic Services of America (ISA) an organisation started by Bill Aossey, the company's founder. Midamar is approved by many International Islamic organisations in countries such as Malaysia, Indonesia, Saudi Arabia, Singapore, Kuwait, UAE, and others. HalalHalalHalal

Muslim consumer needs

For over 40 years Midamar has served consumers throughout the United States and to over 30 countries around the world with Halal proteins spanning the retail, foodservice, and institutional markets. Midamar's corporate customers include International food & restaurant franchisors expanding to the Middle East, Far East, or South East Asia and USA and overseas distributors seeking Midamar Halal-branded products for retail, foodservice, and institutional use.

In addition to successfully distributing its branded product globally, Midamar capitalises on its expertise in Halal supply chain management and now offers export services to U.S. companies eager to tap the global Muslim Halal Food marketplace.

Strategy

Midamar's main line of products cater to the general consumer looking for a national branded quality standard. We at Midamar do not believe in competing for a price point as that means having to sacrifice on quality and that is simply not a market strategy. Midamar has endeavoured to go further.

Branding is one of the areas our company focusses on. While Halal certification may be a cornerstone of identifying a product as Halal, there is no doubt that branding continues to be integral in the food industry. Consumers do not buy Halal certification only — they buy from brands they believe in and enjoy their products. Branding is what will continue to drive individual consumer preferences and consumers will focus their purchasing power into companies and products they can identify with and ones that share their same values.

Challenges

One of the greatest challenges faced in the Halal industry is the supply chain for credible Halal raw material sourcing global distribution of goods to the markets and consumers demanding the product. The Halal consumer spans all ethnic and geographic locations so pegging the consumer to one or even just a few characteristic types is a great challenge.

The Halal consumer is confused as to what is and what is not Halal and the Halal industry stakeholders and religious scholars must continue their efforts to help identify and explain what Halal is and what is accepted. The Halal industry is in many ways similar to the early days of the organic and all-natural industries. Rules were not defined, regulations are not clearly identified, claims are being made and yet behind each claim, there is a different set of standards. One thing I am certain of is that the process is well underway towards developing clear standards.

Author's note: In October 2014, Midamar's founder, Bill Aossey, was charged with fraudently shipping beef to Malaysia and Indonesia that did not meet the countries' import requirements. Midamar's lawyers believe Midamar was being treated more harshly than other meat companies because of its Muslim ownership.

CASE STUDIES

Marrybrown
Malaysia based multi-national QSR

Business background

Established in Malaysia in 1981, Marrybrown is an international quick-service franchise chain specialised in fried chicken. Marrybrown is the world's largest fast-food Halal restaurant with strong international presence in 16 countries throughout Asia, Middle East, and Africa. The company has 130 restaurants in Malaysia and more than 350 international restaurants. The company became the first local fast-food chain to franchise its business system in Malaysia, and is the recipient of several franchise awards, including Malaysia International Homegrown Franchise of The Year.

In addition to fried chicken, the restaurant serves burgers, seafood, rice-based products, noodles, porridge, desserts and beverages. The company caters to local food preferences and modifies its menu accordingly. For example, in India, it has added flavoured rice and biryani to the menu. The brand's unique selling points are affordable prices, clean environment and child-friendly environment.

Muslim consumer needs

Fast-food has become popular in Malaysia because of the rising number of Malaysians experiencing a fast-paced lifestyle with limited time for dining. Fast-food is especially popular with younger consumers since it is more affordable than foods offered by full-service restaurants. Malaysians want the convenience of western-style fast-food with the assurance that the food is Halal, and Marrybrown is successful in providing that locally as well as exporting and adapting the concept internationally.

Marrybrown's competitors include global franchise brands such as KFC, McDonald's and Pizza Hut.

CASE STUDIES

BİM Birleşik Mağazalar A.Ş
Turkey based multi-national retailer

Business background

BİM is Turkey's largest discount retail food chain. As of the second quarter of 2014, the company operates 4,344 stores in Turkey, 195 stores in Morocco, and 62 stores in Egypt, with a target to reach 6,000 stores in Turkey by 2018. BİM, a hard discount chain, was founded by Mustafa Latif Topbas in 1995 and is headquartered in Istanbul. Competitors in Turkey include Carrefour, Migros Türk and Metro.

Strategy

The company focusses on selling its private-label brands, which now accounts for 70% of total sales. All meat products sold in the store are Halal, and BİM does not sell alcohol or cigarettes.

In addition to its discount stores, BİM plans to open premium stores, under the brand name 'File' that will focus on fresh products and excellent quality in produce, meat and bakery.

File stores are likely to have a sales area of around 10,000 square feet (compared with BİM's average footprint of 3,000 square feet) with counters for bakery, fish, meat, and cold cuts. BİM is looking to launch the File banner in high-income districts to attract affluent consumers. BİM's interest in the premium market is a result of expectations of growth in disposable incomes, which have been low for a significant proportion of the population.

In November, 2013, a consortium led by BIM and two local private equity firms Gözde Girişim Sermayesi and Turkven acquired 50% of Ziylan, one of the largest local footwear companies for an estimated $225 million.[50]

50 Retail Sector Update, Deliotte, July 2014

CASE STUDIES

KQF
UK-based Halal Food manufacturer

Business background

KQF is a UK-based manufacturer of Halal convenience foods that are based on popular, traditional recipes from India, South Africa and the Middle East. Established in 2001, it serves consumers throughout Britain but also sells to a broad range of trade clients including retailers, caterers, schools, universities and distributors. Its products — fresh, chilled, frozen and ambient foods — are sold across the UK and in parts of Europe where there are well-established Muslim populations. In the UK, they operate mainly through a network of independent Asian stores, and in October of 2013, they launched their first own-branded KQF Superstore.

Muslim consumer needs

KQF's products are a reflection of Muslim consumer needs for convenience, offering both ethnic foods such as samosas and kebabs, as well as mainstream favourites such as burgers and pies. Their offerings compare with the newly launched 'ieat' brand which specialises in offering ready-made British and Italian dishes, such as Halal shepherd's pie and lasagna.

Strategy

The company's turnover in 2014 is $7.25 million, which represents an 80% growth from last year as a result of several major developments within the company. It has a Grade A rating under the British Retail Consortium's quality standard for food and provides contract manufacturing services for other Halal producers. All KQF products are certified by the Halal Monitoring Committee (HMC), which keeps a full-time Halal inspector stationed permanently on its premises to ensure that all ingredients and operations are in strict compliance with Islamic principles.

CASE STUDIES

LuLu Hypermarket
UAE based food retailer

Business background

LuLu Hypermarket, the retail division of LuLu Group, headquartered in Abu Dhabi, has 110 stores spread across the GCC, Yemen and Egypt, with plans to open 10 Halal hypermarkets in Malaysia by 2016 as part of their growth plans for Asia. LuLu Group, part of EMKE Group is owned by Indian expat Yusuffali MA, who was ranked the 40th richest Indians in the world.

Strategy

In 2013, LuLu invested $32 million to establish a logistics and packaging centre in the UK. In a bid to accelerate and streamline their logistics, the new facility, named Y International, was launched to procure and export British products to LuLu's retail stores in the GCC. Halal certification labelling, translation of labels into Arabic and other activities are also carried out at the logistics center. This is a perfect example of vertical integration in which a retailer tries to gain tighter control over parts of the supply chain.

The retailer offers co-branded MasterCard credit cards for which customers who use it earn 'LuLu Points' which can be redeemed for free groceries and other products. And in some GCC countries, customers can save 10% on all purchased when using their credit card at LuLu outlets.

In addition to selling international and local brands, LuLu sells its own branded food products that include beef burgers, breaded chicken, spring rolls, mixed vegetables and others.

In 2014, the LuLu Group bought a 40% stake in the UK-based East India Company and its fine foods subsidiary. The East India Company Fine Foods sells luxury foods, including tea and chocolate, and has four stores in Britain and three in the Middle East. LuLu Group's investment will enable the fine foods unit to expand its store network in Europe, the Far East and prepare for a launch in the United States.

REUTERS/Ben Job

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ISLAMIC FINANCE SECTOR

Islamic Finance's growth and development saw mixed results past year. This Report estimates Islamic Finance assets at $1.66 trillion in 2013. **Islamic funds and Sukuks led growth with 14% and 11% growth year-on-year, whereas banking experienced a 5% drop in its assets.**

This year, the State of the Global Islamic Economy Report introduces an **Islamic Finance indicator** to evaluate countries' health and development of their Islamic Finance ecosystem. Across key 70 markets, **Malaysia, Bahrain,** and **United Arab Emirates** lead this ranking that includes related social metrics.

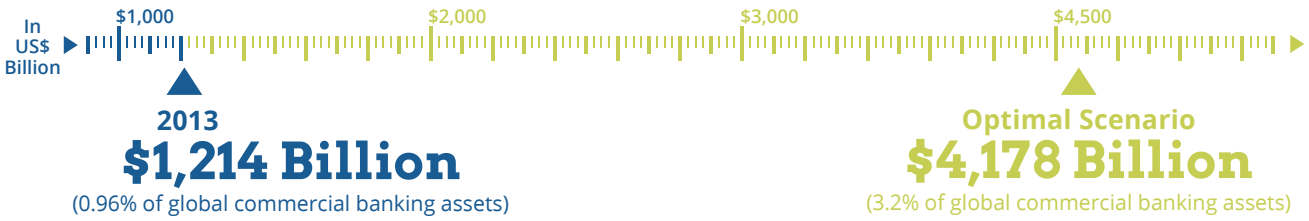
Arrival of Sukuk in western jurisdictions of UK, South Africa, Luxembourg, and Hong Kong was a major milestone for the industry in its global growth. Also, the 'sleeping giant' of Muslim-majority economies has gone through a political change that has signalled Islamic Finance's boom as it successfully issues the largest order book for a sovereign Sukuk in South East Asia. On the funds side, Malaysia's pension fund EPF's plans for a Shariah-compliant arm has created a path towards growth for asset management. SEDCO and Arabesques' social impact investing funds are driving the industry's connectivity with this wider global ethical pool of capital.

Against this momentum, IMF projected slow global growth that will challenge the industry. More specifically, the growing oil-price crisis has hit the MENA regions oil-revenue dependent economies. The ISIS war also has some negative PR implications for the industry, and increased competition in GCC and Malaysia are some of of the other challenges that are tempering industry growth.

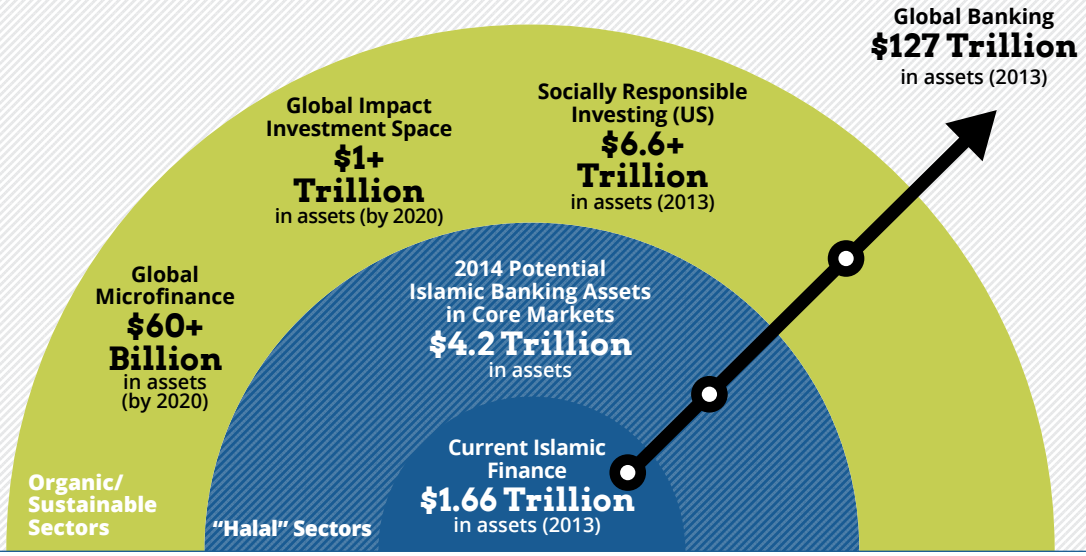
In the core Muslim-majority markets, the share of Islamic assets is steadily rising with Saudi Arabia's assets reaching 52% and various other markets expanding with double digit growth. However, the gap is large as many of the core markets such as Pakistan, Indonesia and Turkey have only single digit market penetrations. The potential universe of banking assets in mostly Muslim-majority markets of the OIC would be an estimated $4.2 trillion in 2014 with an opportunity to address its large non-banked population and drive entrepreneurship, especially in the related Islamic economy sectors.

Commercial Banking Assets[1]

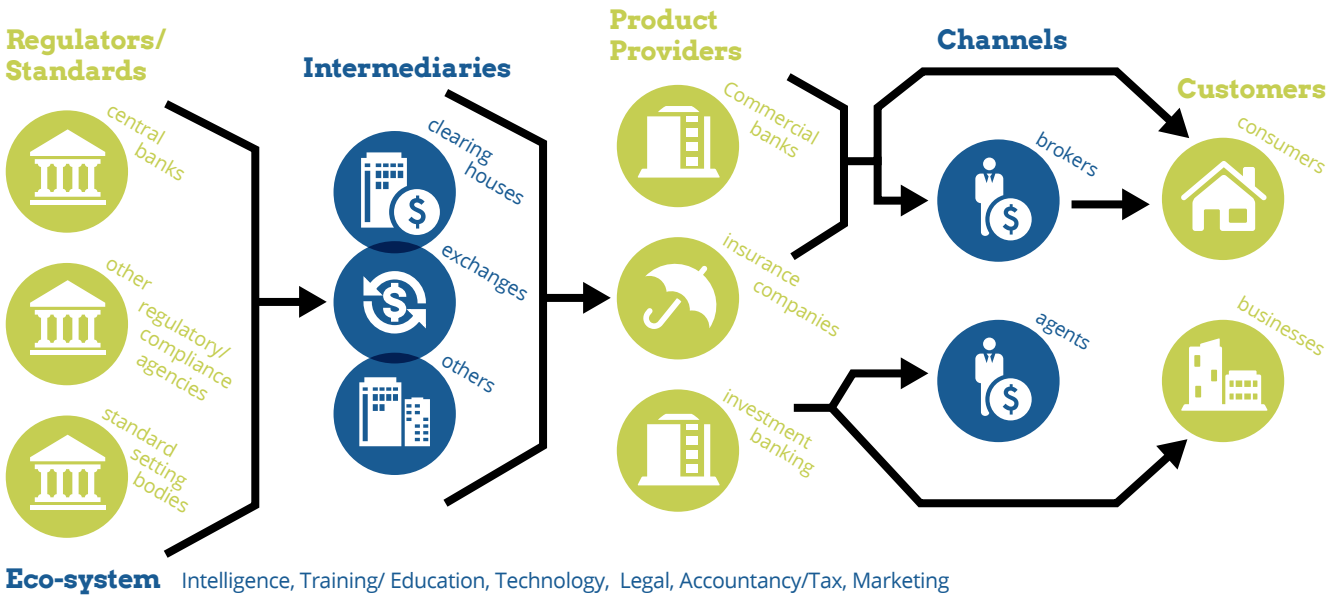
How big is the current Islamic commercial banking assets?



Opportunity Road-map for Islamic Finance



Value Chain[3]



Islamic Finance Segments (Current State)

Islamic Banks
$1,214 Billion
# of Islamic banks: **251**
# of listed Islamic banks: **80**
# of listed Islamic banking windows: **159**

Sukuk (Bonds)
$280 Billion
# of outstanding Sukuk: **1,814**
# of listed Sukuk: **44**

Islamic Funds
$51 Billion
# of Islamic funds: **791**

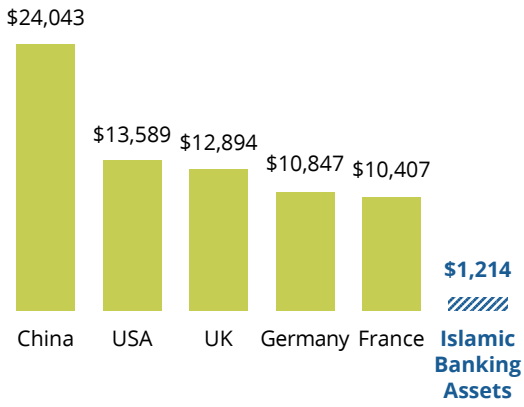
Takaful (Insurance)
$28 Billion
# of takaful/retakaful operators: **281**
# of listed takaful/ retakaful operators: **79**

Total Islamic Finance Assets (2013)
1.66 Trillion

# of Islamic Finance education institutions:
550

Benchmark

How does Islamic banking assets compare to the rest of the world? (in US$ billion)



The Islamic Finance Indicator*

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

TOP 10

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

No.1 Malaysia

***CRITERIA** (From total of 70 select countries)

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

Selected Key Players

Commercial Banks
Al Rajhi Bank
Bank Maskan
Kuwait Finance House

Takaful
Etiqa Takaful Bhd
The Company for Cooperative Insurance
Syarikat Takaful Malaysia Bhd

Islamic Funds
SEDCO
Arabesque
AlAhli Saudi Riyal Trade

Sukuk Arrangers
Emirates NBD
CIMB Group
Standard Chartered PLC

Standard Setters/ Regulators
AAOIFI
Islamic Financial Services Board (IFSB)
International Islamic Liquidity Management Corporation (IILM)

Microfinance/ Crowdfunding
Al Amal Microfinance
Alhukwat (Pakistan)
Shekra

Waqf
AlRajhi Endowment
Awqaf Saudi Arabia
Awqaf South Africa

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

Perspective: Dubai Financial Market (DFM)

HIS EXCELLENCY
ESSA ABDULFATTAH KAZIM
Governor, Dubai International Financial Centre,
Chairman of Dubai Financial Market (DFM), and
Secretary General of the Dubai Islamic Economy Development Centre

Dubai's leading role within Islamic Finance is deep rooted going back almost four decades with the first Islamic bank established in Dubai in 1975 and the world's first Islamic Shari'a compliant stock exchange, the Dubai Financial Market (DFM) in 2007, which also launched the first of its kind Islamic standard for the issuing, acquiring and trading of shares in the same year, and was followed by another DFM standard for sukuk in April 2014.

Over the past years, Dubai and the UAE has revolutionized the Islamic Finance sector with the advent of further Islamic institutions increasingly growing market share in the banking and finance sectors.

Since the launch of Dubai's initiative in January 2013, under the wise vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to become the global capital of Islamic economy, the UAE has swiftly cemented its position as a leading global Islamic finance hub providing issuers and investors from across the world with a unique platform for their investment and finance activities.

With the establishment of the Dubai Islamic Economy Development Centre in 2013, we have begun witnessing significant growth across the various sectors that represent Dubai's strategy for an Islamic economy.

Islamic finance is a key pillar of Dubai's Capital of Islamic Economy vision and an area of expertise in Dubai's financial sector. Fuelled by thriving industries in the GCC and South-East Asia, the Islamic finance industry is booming. Forecasts estimate it will double over the next five years to more than USD 3.4 trillion.

2014 has also proved a watershed year for the sovereign sukuk. With several countries

around the world tapping into the market, the importance of sukuk as a significant instrument in Islamic finance can no longer be ignored.

The success and development of the Islamic finance industry in Dubai has been led by the growth in sukuk listing. Dubai is rapidly moving forward to achieve its objective of becoming the largest global sukuk centre for the issuance, listing and trading of sukuk owed to its world-class infrastructure and framework. In fact, Dubai has attracted sukuk listings from a variety of issuers both regionally and internationally and seen exponential growth of 245% since the launch of the initiative, reaching USD 22.1 billion.

Experts affirm that the global sukuk market must see more issuances from conventional financial hubs in order to sustain its growth momentum. It is estimated that the sukuk market is likely to sustain double-digit growth in the next three years with assets in Islamic finance expected to reach USD 2.8 trillion by 2015.

It is estimated that total sovereign sukuk outstanding now accounts for more than 36 percent of the USD 296 billion of outstanding sukuk as of July 2014.

Moreover, it is expected sovereign sukuk issuance will exceed 2013 levels to reach around USD 30 billion by year-end 2014, with the overall outstanding amount set to reach USD 115 billion and continued expansion in the number of sukuk-issuing governments through 2015.

Growth in sukuk reflects the increasing efforts initiated by the governments of Islamic countries to support Islamic banking and finance, in line with the cultural and religious affinity of their citizens. In fact, the tendency to issue sukuk is not only limited to Islamic countries, as we have recently seen issuers such as the Government of Hong Kong successfully listing its first USD 1 billion sukuk on NASDAQ Dubai.

We are confident that new Islamic and non-Islamic sovereign issuers will continue to enter the market, as the call for an Islamic economy gains resonance.

The UAE, as well as other GCC countries, will attract more global investors and drive an increasing proportion of cross-border hard currency sukuk issuances in the long-term.

We strongly believe that the global financial crisis generated greater awareness worldwide for the advantages of long-term funding options. Investors around the world decided to diversify their portfolios and invest in credit that they would not otherwise have access to, such as Islamic institutions, which only raise funds in a shari'a-compliant manner.

The future of the sukuk market is one of innovation, where new assets, structures and markets continue to create enhanced opportunities for investors. Based on our experience and deal flow from 2013 and H1 2014, we expect to see main trends continue to develop in the sukuk market — longer term funding, growth in cross-border sukuk and the issuance of innovative sukuk for the purposes of raising capital that proved to generate significant investor interest, among both conventional and Islamic investors.

Looking ahead, we can safely say that Dubai is well poised to become the capital of Islamic economy. In addition to accelerating efforts to reinforce the emirate's position in strategic Islamic sectors, we will witness a substantial growth in sukuk issuance.

In conclusion, we are confident of our ability to achieve the ambitious goals of the 'Dubai The Capital of Islamic Economy', supported by our world-class infrastructure and framework and above all inspired by the wise vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, stating: "...the word 'impossible' does not exist nor belong here in the UAE".

Perspective: Emirates Islamic

JAMAL BIN GHALAITA
Chief Executive Officer
Emirates Islamic

الإمارات الإسلامي
EMIRATES ISLAMIC

Islamic banking has fast gained prominence, supported by significant efforts by the UAE government to drive and consolidate growth in the country's Islamic finance sector. Globally Islamic banking assets were estimated to have grown at around 17 per cent in 2013. Closer to home in the UAE, Islamic banks have been growing at an average rate of 14 to 18 per cent in recent years, compared to four to eight per cent for conventional banks. Clearly, the demand for Islamic Banking is on the rise.

EMIRATES ISLAMIC'S CONTRIBUTION TO DUBAI'S VISION OF BEING THE CAPITAL OF THE ISLAMIC ECONOMY

The Islamic economy is here to stay and grow to claim a sizeable part of the economic activity. We have already started to see signs of success, with Dubai being the third largest Sukuk venue globally, with USD $20.38 billion in total value of sukuk listings.

Emirates Islamic has made significant contributions with the recent launch of the NASDAQ Dubai Murabaha Platform, a comprehensive Islamic Murabaha platform to provide local and regional banks with Shari'a compliant financing solutions as part of Dubai's Islamic Economy vision.

Emirates Islamic also has a deep commitment to innovation in Islamic finance, by providing a range of segments, products and services, including customised solutions. The bank's customer-centric approach, focused strategy and product innovation has also led to its expansion. In a span of a few years, the Bank has increased its customer base by more than 30 per cent and grown its branch network by over 50 per cent, making it the fastest growing bank in the UAE. Emirates Islamic has over 55 branches and more than 150 ATMs/CDMs across the UAE — a testament to the growing demand among customers for a more ethical and transparent way of banking. Fuelled by such unprecedented growth rates, Emirates Islamic now stands as one of the three largest Islamic Banks in the UAE, with one of the largest branch networks in Dubai.

BENEFITS OF ISLAMIC BANKING AND WHY IT IS A BETTER OPTION FOR EVERYONE

Islamic banking is based on the core principles of the Shari'a law and owing to its principled approach and high value proposition it has claimed popularity beyond the market of practicing Muslims.

For example, Islamic Banking embraces risk-sharing as opposed to risk-transfer. In an Islamic finance (Islamic mortgage) and based on the Murabahah structure , the bank takes the responsibility of purchasing the item and re-selling it to the buyer at a profit. This arrangement enables the buyer to repay the bank in instalments. The bank protects itself against default by asking for strict collateral. This joint approach to financing protects the buyer and the bank — while still providing for both parties to benefit in their needs. In essence, the Murabahah structure compels the bank to take on and manage risk, while provide payment stability to the customer. Another example of risk sharing is seen in Islamic Trade Finance, where banks actually own goods in transit and have to insure against loss or damage.

In addition, Shari'a law prohibits engaging in activities or transactions that are considered harmful to people, society or the environment. This ethical approach is at the core of Islamic Banking and avoids transactions involving usury, interest, speculation, gambling, or industries contrary to Islamic values. So for investors that share these principles, irrespective of religion, Islamic finance provides a range of options.

Islamic Banking's emphasis on shared responsibility and community also creates a more inclusive economy. For example, several Islamic financial instruments are designed to assist investors with zakat, one of the five pillars of Islam that mandates giving a portion of your wealth to charity. In addition, Islamic banks donate all late payment fees and forfeited income to charity. Islamic banks have no incentive for extensive or nontransparent fee charging, since they will not be allowed to recognize it as revenue.

In addition Islamic finance has an "inbuilt anti-crisis mode". For a world reeling from the after effects of the global financial crisis, Islamic Banking offers a steadier, safer approach. This is reflected in the in-depth screening process that eliminates companies deemed too risky because of excessive leveraging. The partnership structure of Islamic Financing prompts both parties to be mutually responsible thus protecting individual investors. While profit is encouraged, it is just one of the reasons to participate in economic activity with community welfare taking equal, if not higher precedence. Money has no intrinsic value except as a medium of exchange and transactions have to be backed up by real assets and activities.

CHALLENGES FACING GROWTH OF ISLAMIC BANKING

Despite the growth of Islamic finance, there remain some hurdles to its growth.

There is an urgent need to standardise Sharia regulations and unify Sharia rulings across banks and markets. Multiple interpretation of the law by Shari'a scholars can leave the industry as well as investors unclear about certain aspects of Islamic banking.

In addition, there is a need for specific regulations related to Islamic banks vs. the current banking regulations being tailored to conventional banking, i.e. not taking into context the specific nature of Islamic financing. Islamic banks take on a higher exposure to real estate for example. There is also a need to differentiate Murabaha from normal lending as well as differentiate Musharaka from equity investments etc.

There are several other challenges: liquidity management tools remain limited for Islamic banks, locally and globally. There is also limited consumer awareness of Islamic banks' offering and on the overall competitiveness of Islamic financing solutions. In addition, Islamic banks still have to count on conventional banks for international market access/global deals. There are also limited sharia compliant avenues across the globe. The debt markets remain dominated by conventional offering with limited Sukuk and other Sharia compliant DCM instruments available.⬢

Perspective: NASDAQ Dubai

HAMED ALI
Chief Executive
NASDAQ Dubai

ناسداك دبي
NASDAQ DUBAI

COLLABORATION IS DRIVING INNOVATION IN THE ISLAMIC CAPITAL MARKETS

Collaboration is the lifeblood of the capital markets. This has been true for many decades in conventional finance, where close relationships involving global financial centres such as New York, London and Hong Kong have spurred the rapid introduction of a sophisticated range of new asset classes and securitisation structures, as well as the expansion of different types of fund and cross-border investment opportunities. The conventional capital markets landscape of today would be largely unrecognisable to an investment banking professional of the 1980s.

The Islamic finance sector, being much newer, has been able to learn a great deal from this example. It has been increasingly successful in achieving cooperation both within financial centres and between them. The UAE, for example, has a successful internal track record of governments, exchanges, regulators, financial institutions and investors all working together inside the country to build one of the world's great Islamic finance centres in just a few years. At the same time, the UAE has reached out within the region and beyond — to Malaysia and the UK, for example — to build the international bridges that are essential for the global success of the Islamic finance sector. In turn, we have found those same centres reaching out to us, in the same spirit of collaboration.

As we grow together, we are taking on board another lesson learned from the experience of the conventional financial markets, which is that growth and innovation must be measured, considered and well thought out. Not every new idea is a good one; not every new asset class contributes to financial stability. Islamic finance is all about responsible and ethical investing, after all, and staying well away from risky activities. The relatively strong showing of Islamic financial institutions and Sharia'a asset classes during the global financial crisis that began in 2007 is

evidence of the wisdom of this strategy.

Those working in the Islamic financial sector have done a remarkable job in developing the sector over a short time in a range of areas, from commercial banking and Sukuk to Islamic funds and takaful. As Islamic finance continues to progress through collaboration, exchanges are playing a central role in innovation and development in a number of areas. Some of the main ones include:

Retail Sukuk: Exchanges have created listing frameworks that are proving increasingly attractive to issuers of Sukuk for institutional investors, by offering them a disclosure regime that supports transparency as well as extra visibility to investors. More than 90 billion dollars of Sukuk are listed on exchanges around the world. This critical mass is supporting pioneering moves toward bringing Sukuk trading on to exchanges and away from the over the counter (OTC) market. A further radical innovation, if it catches on, will speed up this process; this is the introduction of Sukuk aimed at retail investors. A small number of these have been issued in the last year or so including in Malaysia and Indonesia. Retail Sukuk, if structured and marketed correctly, have the potential to become highly popular among individual investors who are searching for new Sharia'a-compliant financial asset classes as an alternative to bank deposits. They need to be issued in much smaller denominations than issuers are used to and, to encourage participation, they need to be listed on an exchange as OTC trading is not a viable option for the ordinary investor. Many potential issuers are now aware of the opportunity that retail Sukuk can provide and we are likely to see many of these come to market.

Murabaha financing: The appetite for Murabaha financing solutions among both institutional and retail investors is growing. The use of commodities is widespread but does not satisfy everyone, including some who have concerns about adequacy Sharia'a compliance. Some exchanges now offer alternative possibilities, including trading in certificates that can make use of a wide range of underlying assets, from shares and property to Sukuk. Transactions can be executed in minutes. Other advantages include a fixed price for the certificates and absence of any spread.

Alternatives: Exciting new asset classes in Islamic finance are emerging. One is real estate investment trusts (REITS). In 2014 Emirates REIT, a still rare example of an Islamic offering in this sector, became the first REIT of any kind to list on an exchange in the GCC. Exchanges are gearing up to welcome further Islamic products such as close-ended mutual funds and exchange-traded funds in order to broaden the opportunities available to investors.

Growth in the global Islamic finance sector is running at 15-20% in many markets, from a base of about 1.3 trillion dollars in 2012 by some measures. To meet the growing appetite for Islamic solutions, continual innovation is vital. Development must be considered, rather than rushed, and based on sound principles, rather than uncertain foundations. I am confident that the industry is up to the challenge and that exchanges will play an expanding role in the sector's success.

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The Islamic Finance Indicator

- The 2014 State of the Global Islamic Economy Report introduces an Islamic Finance indicator to evaluate countries' health and development of their Islamic Finance 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 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** lead this inaugural Islamic Finance indicator ranking that focusses 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).

TOP 15 ISLAMIC FINANCE INDICATOR COUNTRIES: SUB-CATEGORY BREAKDOWN

	Sector Score	Asset Size	Governance	Aware	Social
Malaysia	162	259	108	232	**50**
Bahrain	95	55	94	131	**99**
United Arab Emirates	81	49	63	128	**84**
Oman	56	7	42	87	**87**
Saudi Arabia	49	89	20	38	**48**
Kuwait	45	63	39	38	**39**
Qatar	42	40	34	61	**32**
Pakistan	38	17	70	43	**21**
Jordan	36	9	23	37	**76**
Indonesia	36	16	66	12	**50**
Bangladesh	36	10	76	10	**48**
Sudan	33	26	76	22	**8**
Brunei	31	4	58	20	**41**
Iran	26	42	30	6	**25**
Lebanon	18	4	21	26	**23**

- **Malaysia,** leads the list by a wide margin as it tops three of the four criteria (financial, governance, and awareness) among 70 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 fourth.

- **Bahrain** is second on the list. While it scores fourth on financial criteria, its governance, and awareness scores are second only to Malaysia, while Bahrain leads the first on social criteria. This placement shows the health of Bahrain's ecosystem while it seeks to boost its portion of assets being managed from its jurisdiction.

- **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 relatively low on governance scores compared to Bahrain while it is second in social criteria.

- 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) 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, Sudan** and **Pakistan** score high on governance criteria ranking third, fourth and fifth in this criteria. Perhaps a good indicator of a healthy case for growth.

- 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 fourth 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.

Demand Profile and Market Sectors

Values and adoption spectrum

Islamic Finance solutions (retail/business financing, insurance, investments, others) aim to operate financial services with foundational principles from the Quran (the holy book believed by Muslims to be the divine words of one God) and Hadith (life and sayings of Prophet Mohammad). The key injunctions relate to all aspects of business transactions, ethics, their impact, purpose, and operations. The strongest of these injunctions relate to the prohibition of Riba (usury) in financial transactions. However, there are other injunctions relating to Halal (lawful) fund usage/investments, being fair and just in transactions, responsibility of both transacting parties and ensuring distribution of money for social causes. Select verses in this regard are as follows:

> *"O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful." Al-Quran 3:130 1*
>
> *"O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent." Al-Quran 4:29*
>
> *"O you who have believed, spend from the good things which you have earned and from that which We have produced for you from the earth. And do not aim toward the defective therefrom, spending [from that] while you would not take it [yourself] except with closed eyes. And know that Allah is Free of need and Praiseworthy." Al-Quran 2:267*

There is a wide diversity in awareness and adoption of Islamic Finance within the core customer base of Muslims globally.

Market size and profile — A $4.2 trillion potential of Islamic banking universe (assets):

- The existing Islamic Finance market stands at an estimated $1.66 trillion in assets based on year-on-year2013 disclosed assets by all Islamic Finance institutions (full Shariah-compliant as well as those with Shariah 'windows') covering commercial banking, funds, Sukuks, Takaful, and other segments.[2] The breakdown by category is as follows: $1,214 billion for commercial banking, $27.8 billion for Takaful

1 Translations from Sahih International, quran.com
2 Thomson Reuters 2014 Islamic Finance Development Report

REUTERS/Stephanie McGehee

(insurance), $279.6 billion for Sukuk (bonds) outstanding, $50.7 billion in funds, and $85.5 billion for other. Islamic Funds and Sukuks led growth with 14% and 11% growth year-on-year, whereas banking experienced a 5% drop in its assets.

- Globally, banking assets (i.e. excluding funds, insurance and other distinct segments) accounted for an estimated $123.7 trillion in assets in 2013.[3] Islamic banking assets in 2013 amounted to $1,320 billion, comprising of less than 1% of global assets.

The gap between the potential and existing Islamic Finance market remains large. Assuming an optimal scenario in core Islamic Finance markets of the OIC[4] countries, the 2014 potential of the Islamic banking universe would be $4,178 billion in assets within the OIC. The optimal scenario assumes full regulatory support for Islamic Finance in OIC markets and a 100% Islamic banking penetration with the proportionate Muslim demographic of OIC countries.

TOP CURRENT ISLAMIC FINANCE MARKETS BY CURRENT SIZE (2013)

Country	2013 (US$ bill)
Malaysia	$ 423
Saudi Arabia	$ 338
Iran	$ 323
United Arab Emirates	$ 140
Kuwait	$ 92
Qatar	$ 81
Bahrain	$ 65
Turkey	$ 51
Indonesia	$ 36
Bangladesh	$ 19
Pakistan	$ 15
Egypt	$ 12
Sudan	$ 8
Jordan	$ 7
Switzerland	$ 7

3 Total Commercial Banking Assets data from Central Banks; International Monetary Fund. IMF Outlook 2012 Database for projections; DinarStandard Muslim market assessment. Global Assets data is from 72 countries representing 92% of global GDP.

4 Organization of Islamic Cooperation – 57 mostly Muslim majority countries

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Murabaha
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Equities
Sharia'a-compliant companies are prominent among the exchange's listings. It looks forward to welcoming more IPOs, giving access to a full range of investors from its location in the heart of the Moslem world.

Innovation
Pursuing its remit to innovate, the exchange accepts listings of Islamic REITs and ETFs. It will develop further asset classes to broaden its suite of Sharia'a-compliant investment opportunities.

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Current Landscape and Trends

Industry value chain:

- Virtually every segment of the financial industry value chain is impacted by Islamic financial services needs and hence the value chain-wide potential of the opportunity.

Value-chain	Select Organizations/Companies
Standard Setters/ Regulators	AAOIFI
	Islamic Financial Services Board (IFSB)
	International Islamic Liquidity Management Corporation (IILM)
	National Regulators
Sukuk arrangers	Emirates NB
	CIMB Group
	Standard Chartered PLC
	HSBC Holdings PLC
	Saudi National Commercial Bank
	National Bank of Abu Dhabi
	Maybank
Commercial Banks	Al Rajhi Bank
	Bank Maskan
	Kuwait Finance House
	Bank Mellat
	Maybank Islamic Berhad,
	Bank Melli Iran
	National Commercial Bank
	Dubai Islamic Bank

Recent industry activities and trends

SUKUK

ARRIVAL OF SUKUK IN WESTERN JURISDICTIONS

- **Britain is the first non-Muslim country to issue Sukuk:** the British government has issued £200 million of Sukuk and became the first non-Muslim country to issue Sukuk at the national level (German state of Saxony-Anhalt issued in 2004). The issue was a great success as the order book amounted to £2.3 billion and it priced flat with conventional gilts. This transaction had been prepared since 2013 and the HM Treasury appointed HSBC and Linklaters as structuring and legal advisers, respectively.[5]

- **South Africa issues its first Sukuk:** South Africa was the third non-Muslim country to issue Sukuk. Advised by Clifford Chance South Africa, they issued $500 million of Sukuk, which had an order book of $ 2.2 billion (an oversubscription of the issuance over four times).[6,7]

- **Luxembourg launches its first Sukuk:** with a recently passed bill on issuance of Sukuk, Luxembourg has issued its first 200 million euro ($254 million) five-year Islamic bond, distributed across 29 accounts with an order book that was more than two times oversubscribed. Along with this approved bill, Eurisbank, an Islamic Bank, is already preparing to launch operations in Luxembourg.[8]

- **Hong Kong issues $1 billion of Sukuk:** in its Sukuk debut, Hong Kong raised $1 billion and had an order book of $4.7 billion (almost five times the issuance).[9] Hong Kong is then the second non-Muslim country and the fourth Asian issuer of Sukuk.

- **Goldman Sachs launches its first Sukuk:** recognising the emergence of Islamic Finance, Goldman Sachs has raised $500 million with Sukuk. Goldman Sachs stated that the Sukuk would be issued by subsidiary J. Aron & Company and combine Murabaha and Wakala over commodities and crude oil.[10]

- **World Bank plans a $500 million immunisation Sukuk:** The World Bank plans to raise as much as $500 million worth of Islamic bonds, or Sukuk, this year to help fund an immunisation programme. The Sukuk is for The International Finance Facility for Immunisation Co. (IFFI), for which the World Bank acts as treasury manager.

NATIONAL SUKUK AGENDAS TAKE FLIGHT

- **Indonesia extends tenor and finds huge demand:** a 10-year Sukuk offering from the Republic of Indonesia raised $1.5 billion with $10 billion in demand, the largest order book for a sovereign Sukuk in South East Asia.[11]

- **First Sharjah sovereign 10-year Sukuk:** the Government of Sharjah has issued its first time ever 10 year Sukuk. The total issue amounted to $750 million and had a final order book of $7.85 billion — an oversubscription of the issuance over 10 times.[12]

- **Libya's alternative for budget deficits:** Libya is considering issuing Sukuk to offset the loss of oil revenues after a wave of protests at the oilfields and export ports.[13]

PROMINENT CORPORATE SUKUK ISSUANCES RISE

- **Saudi Arabia's National Petrochemical co-issues Sukuk:** Saudi Arabia's National Petrochemical Co (Petrochem) has completed its debut Sukuk issue. The Sukuk issued had a maturity of five years and amounted to 1.2 billion riyal (US$319.9 million).[14]

5 http://www.ft.com/cms/s/0/7fb508d4-e3f7-11e3-8565-00144feabdc0.html
6 http://www.ft.com/cms/s/0/0c468e00-3e73-11e4-a620-00144feabdc0.html#axzz3FGBgO77m
7 http://www.zawya.com/story/Clifford_Chance_advises_on_the_Republic_of_South_Africas_inaugural_USD500m_sukuk_issuance-ZAWYA20141002055122/
8 http://www.reuters.com/article/2014/07/10/islamic-finance-luxembourg-idUSL6N0PK0V420140710
9 http://www.bloomberg.com/news/2014-09-10/hong-kong-raises-1-billion-in-debut-islamic-bond-issue.html
10 http://uk.reuters.com/article/2014/09/04/uk-goldman-sukuk-idUKKBN0GZ0PU20140904
11 http://www.reuters.com/article/2014/09/03/sukuk-indonesia-idUSL5N0R407020140903
12 http://www.zawya.com/story/Government_of_sharjah_issues_debut_10year_sukuk-ZAWYA20140910141859/
13 http://af.reuters.com/article/idAFKBN0F00XU20140625
14 http://af.reuters.com/article/commoditiesNews/idAFL6N0P43UB20140623

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- **Saudi Electricity Co issues Sukuk:** in 2014 Saudi Electricity Co completed a $1.2 billion 10-year floating-rate Sukuk offer, pricing the deal at 70 basis points over the Saudi Interbank Offered Rate. According to a person close to the deal this was the first floating-rate Sukuk in Saudi Arabia.[15]

- **Rise of the airline Sukuk:** flydubai issued a Sukuk backed by intangible assets, following the use of a similar structure in 2013 from Emirates Airlines and paving the way for airlines to tap into capital markets to pay for the purchase of new airplanes.[16]

- **Jeddah-based Islamic Development Bank priced its largest Sukuk at $1.5 billion:** the Jeddah-based Islamic Development Bank priced a $1.5 billion, five-year Sukuk, the largest ever Islamic bond from the supranational lender. The transaction came at a spread of 23 basis points over midswaps and a profit rate of 1.8125 percent.[17]

SUKUK REFORMS CONTINUE

- **UAE regulator cuts minimum Sukuk size, eases securities borrowing:** the United Arab Emirates' financial market regulator has set new rules for Islamic and corporate bonds to encourage trading in them, and amended rules on securities lending and borrowing to make it easier for foreign institutions to operate. The rules ease requirements in some areas — e.g. the minimum size of a Sukuk listing is now 10 million dirhams ($2.7 million), down from 50 million dirhams previously.[18]

- **Malaysia's Securities Commission provides guidelines for socially responsible Sukuk:** The SRI Sukuk will allow for funds to be raised for renewable energy, public hospitals, and increase the appeal of Sukuk to socially responsible investors.[19]

- **Bangladesh seeks Sukuk rule amendments, sovereign issuance:** Bangladesh's central bank is seeking to amend rules on its existing Islamic bond (Sukuk) programme to broaden its use and allow for a sovereign issuance by the government, enhancing the prospects of Islamic Finance in the country.[20]

- **A rulebook for the offering of securities and Shariah-compliant Sukuk:** since 2014 a rulebook regarding the offering of securities and Shariah-compliant Sukuk came into force in Bahrain. This rulebook contains comprehensive regulatory guidance for the sector which aims to regulate the issuing, offering, floating and subscription of securities, whether conventional or Shariah–compliant.[21]

FUNDS

- **Malaysia's pension fund plans Shariah-compliant arm excites Islamic asset management:** Malaysia's $160 billion state pension fund, Employee Provident Fund (EPF), plans to start a fully compliant Shariah retirement fund in a few years. This would become one of the world's first state-backed pension funds focussing entirely on Shariah-compliant investments. This would be a major development for the industry as it could pour billions of dollars into Shariah-compliant assets in Malaysia and serve as a model for other Islamic Finance markets.

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- **SEDCO and Arabesque further build momentum toward social responsible investing and**

15 IFG Weekly January 26 2014 (page 7)
16 https://en-maktoob.news.yahoo.com/dubai-carrier-flydubai-sets-initial-price-thoughts-sukuk-113835000--sector.html
17 IFG Weekly March 2 2014 (page 9)
18 IFG Weekly May 4 2014 (page 9).
19 http://www.reuters.com/article/2014/08/28/malaysia-sukuk-idUSL3N-0QY3LS20140828
20 IFG Weekly June 8 2014 (page 10).
21 http://www.financierworldwide.com/gcc-bonds-growing-activity-and-how-bahrain-is-poised-to-capitalise/#.VDESN_m9nik

Islamic funds: SEDCO Capital, a fully-owned subsidiary of SEDCO Holding, said it had also signed the United Nations' Principles for Responsible Investment (UN PRI), becoming the first Gulf-based Islamic asset manager to do so. London-based Arabesque, the only other Islamic asset manager on the list, also launched three socially responsible and Shariah-compliant flagship equity funds.

- **IDB aims to increase the size of the infrastructure fund to $2 billion:** the Islamic Development Bank (IDB) is raising money from investors in Saudi Arabia, Bahrain and Brunei to treble the size of its infrastructure fund to $2 billion. ASMA Capital Partners, a Bahrain-based asset management firm owned by the IDB, will be responsible for managing this new fund.[22]

- **Rajhi Capital ready to launch first Sukuk fund:** Al Rajhi Bank's Investment banking arm (Saudi Arabia) has recently received the regulatory approval to launch its first mutual fund exclusively focussed in Sukuk.[23]

- **First private property fund approved in Libya:** Central Bank of Libya has given its approval to a LD 165-milion ($125 million) Islamic real estate fund, founded by Assaray Bank, shares in which will be traded on the Tripoli Stock Exchange. This fund, a Shariah-compliant equivalent of a closed-end fund, will invest in real estate development within the country and internationally.[24]

- **Saturna launches ASEAN Islamic wholesale fund in Malaysia:** Kuala Lumpur-based Saturna Sdn Bhd, a subsidiary of U.S.-based Saturna Capital Corp, has launched a Shariah-compliant wholesale equity fund targeting institutional investors through an unusual low-fee structure. The wholesale format of its new fund will allow Saturna, whose parent firm has $4 billion in assets under management, to offer the fund through Malaysia's voluntary Private Retirement Scheme.[25]

- **$5 billion plane leasing fund:** Airbus Group and the Islamic Development Bank announced the launch of the Aircraft Leasing Fund (ALIF) in June 2014,, which will start with a target size of $1 billion with each providing $100 million in equity and the remaining $800 million in debt financing, according to Quantum Investment Bank which, along with Palma Capital, is the fund's placement agent. ALIF will finance the purchase of Airbus wide-body planes for airlines in GCC and other OIC member countries.[26]

- **Maybank launches first USD Sukuk fund:** Maybank's asset management unit launched a fund to invest in USD denominated Sukuk, rare in Malaysia where the supply of Sukuk is abundant.[27]

TAKAFUL

- **Malaysia's Takaful segment with high growth potential:** RAM Ratings Services Bhd (RAM Ratings) is very optimistic about Malaysia's Takaful segment, which had a five-year compounded annual growth rate of 16%, and forecasts a further increase of about 15 to 20 per cent per annum.[28]

- **Egyptian Takaful Life to promote products via two banks:** Egyptian Takaful Life has recently obtained the initial approval of Egyptian Financial Supervisory Authority to promote its various products through two bank branches.[29].

- **Regulations to improve Takaful penetration:** the recently proposed regulatory framework for Islamic insurance by the Central Bank of Bahrain is expected to facilitate the market access. Some of these new regulations cover very relevant issues such as implementation of more stringent corporate governance requirements (e.g. board level

22 http://www.reuters.com/article/2014/06/27/islamic-infrastructure-idb-idUSL6N0P801N20140627
23 http://www.reuters.com/article/2014/06/19/al-rajhi-banking-sukuk-funds-idUSL6N0P00VU20140619
24 http://www.libya-businessnews.com/2014/02/03/first-private-property-fund-approved/
25 IFG Weekly February 11 2014 (page 14)
26 IFG Weekly June 29 2014 (page 1)
27 http://www.reuters.com/article/2014/10/30/maybank-sukuk-funds-idUSL5N0SO3QH20141030
28 http://www.theborneopost.com/2014/07/28/high-growth-potential-for-malaysias-takaful-segment/
29 https://www.zawya.com/story/Egyptian_Takaful_Life_to_promote _products_via_2_banks_by_October-ZAWYA20140828052531/

investment committees, internal audit departments and approved actuaries) and improve transparency with more frequent reports.[30]

- **Rapid growth in Malaysia Takaful market:** recent estimates for 2014 indicate that total Takaful premiums rose 23% to $3 billion from $2.44 billion in 2013.[31]

- **Indonesia Takaful firms boost agents, products before spin-off:** companies selling Islamic insurance (Takaful) in Indonesia are boosting agent numbers and product ranges ahead of a new rule that will require them to be run independently. Indonesia, the world's fastest-growing market for Takaful, is dominated by Takaful 'windows' which allow insurers to offer Islamic and conventional products side by side. A new law requiring Takaful firms to be spun off into stand-alone businesses is expected this year.[32]

- **UK government Shariah-compliant student loans:** Following a public comment and consultation period, the UK government announced it will continue to develop a Shariah-compliant alternative to conventional student loans using a Takaful structure.[33]

CORPORATE/ RETAIL BANKING

- **Mega Islamic Bank to become Asia powerhouse:** CIMB Group Holdings Bhd. (CIMB), Malaysia's second-biggest lender, and RHB Capital Bhd. agreed to a three-way merger valued at 72.5 billion ringgit ($22.3 billion) that creates the nation's largest bank by assets. They will form a 'mega-Islamic bank' with Malaysia Building Society Bhd. (MBS).

- **National Commercial Bank's initial public offering Shariah-compliant precedent:** NCB's $6 billion IPO, the biggest ever in the MENA region, has had to deal with a major fatwa against its IPO given the bank's non-Shariah-compliant assets. This will have a major impact on the rest of Saudi Arabia's banking sector raising reputational risk for those carrying non-Shariah-compliant assets and puts pressure to convert to full-Islamic banking.

- **Indonesia's largest bilateral Islamic Financing — Garuda wins $100 million Islamic financing from Malaysia's Maybank:** Indonesian airline Garuda Indonesia Tbk has secured $100 million in financing from Maybank Islamic Bhd to fund its operations and expansion. The Musyarakah-based loan, which will be Indonesia's largest bilateral Islamic Financing, has a tenure of three years and will be issued through Maybank's Indonesian unit, PT Bank Internasional Indonesia Tbk.[34]

- **UAE's first eIPO on ATM and online banking channels:** Emirates NBD, a leading retail banking franchise in the UAE, is the first bank in the UAE to enable customers to subscribe to IPOs either via the bank's ATM or online banking channels.[35]

- **ADIB acquires Barclays' retail banking business in UAE:** Barclays sold its Retail Banking business in the UAE to Abu Dhabi Islamic Bank (ADIB), which now serves over 700,000 customers across a network of 85 branches, 660 ATMs, Internet and mobile platforms backed by two call centres.[36]

- **Bank Panin Syariah is listed on Indonesia Stock Exchange:** PT Bank Panin Syariah Tbk, a unit of Indonesia's seventh-largest bank, has raised $US39.3 million with an initial public offer of shares, becoming the first full-fledged Islamic lender listed on the country's stock exchange.[37]

- **Islamic Bank of Britain gets fresh capital, plans expansion, and changes name:** Islamic Bank of Britain (IBB), the country's only

30 http://gulfnews.com/business/banking/takaful-specific-regulations-to-improve-insurance-penetration-1.1359018
31 http://www.businessinsurance.com/article/20141113/NEWS09/141119924
32 IFG Weekly February 23 2014 (page 11)
33 http://english.alarabiya.net/en/business/banking-and-finance/2014/09/10/-UK-developing-Sharia-compliant-loans-for-Muslim-students.html
34 http://www.reuters.com/article/2014/05/06/maybank-garuda-indonesia-idUSL3N0NS2LG20140506
35 https://www.zawya.com/story/Emirates_NBD__enables_UAEs_first_eIPO_on_ATM_and_Online_Banking_Channels-ZAWYA20140911115259/
36 https://www.zawya.com/story/ADIB_and_Barclays_conclude_sale_of_UAE_Retail_Banking_business-ZAWYA20140901133941/
37 http://www.reuters.com/article/2014/01/16/indonesia-islamic-bank-idUSL3N0KQ17020140116

Shariah-compliant retail lender, has received a 75.8 million pound ($124 million) injection from its new Qatari owner to support the bank's expansion plans and will be renamed Al Rayan Bank. The investment brings IBB's capital to £100 million after it was acquired in January, 2014 by Masraf Al Rayan, Qatar's largest Islamic bank by market value.[38]

MICROFINANCE

- **Support small businesses and female entrepreneurs in Lebanon:** the IFC, a member of the World Bank, provided a $2 million loan to the Lebanese Association for Development (Al Majmoua) to encourage and promote the local small businesses and female entrepreneurs. Al Majmoua is Lebanon's biggest microfinance institution (around 50% of market share) and over 46,000 active clients (54% women).[39]

- **EFICA Award recognises IRADA and Akhuwat:** the $100,000 Ethical Finance Innovation Challenge and Awards (EFICA) was won this year by IRADA, the Islamic microfinance unit established jointly by the Islamic Development Bank and the Bank of Khartoum.[40] IRADA was awarded for a project that has transformed an impoverished village in rural Sudan. Meanwhile, the Lifetime Achievement Award was awarded to Dr. Amjad Saqib for his work establishing Akhuwat, an organization that has helped over 600,000 families in Pakistan primarily using a Qard-Hasan model.

- **Crowdfunding investing in Muslim markets report:** Fajr Capital Advisors and Crowdfund Capital Advisors launched a report to highlight crowdfund investing in Muslim-majority markets. The report identifies Malaysia, UAE, Lebanon and Egypt as early movers in this space based on the recent establishment of crowdfund investing platforms in these markets. The report's authors state that large economies with high social media penetration such as Saudi Arabia, Turkey and Indonesia may have the most to gain from this opportunity. The report outlines an effective action plan for governments interested in facilitating crowdfund investing in their domestic market.

- **Major SME Islamic Financing gap report by IFC:** the International Finance Corporation (IFC), the private sector arm of the World Bank, released a study about the potential for Shariah-compliant small and medium enterprises (SME) bank financing in nine countries in the MENA and South Asia (MENASA) region — Egypt, Iraq, Jordan, Lebanon, Morocco, Pakistan, Saudi Arabia, Tunisia and Yemen. One of the major themes in the study was the idea that SMEs, rather than microenterprises, and in particular SMEs in capital intensive sectors, should be the primary focus for Islamic banks.

EDUCATION

- **KFH participates in College of Engineering and Petroleum event:** the College of Engineering and Petroleum event aims to honour distinguished students. Kuwait Finance House (KFC) has attended it for the fourth consecutive year in order to support the student's initiatives both financially and morally.[41]

- **Programs to build qualified pool of Shariah scholars:** the State Bank of Pakistan is initiating new programs to improve the supply of suitably qualified and trained Shariah scholars for the industry.[42]

- **INCEIF announces tie up with CIMB on Islamic banking research centre:**[43] CIMB Islamic Bank is collaborating with the International Centre for Education in Islamic Finance (INCEIF) to establish a research centre for Islamic banking studies. The centre has allocated RM1.5 million worth of grants that will be utilised for a three-year period for industry priority research needs.

38 IFG Weekly February 9 2014 (page 11)
39 https://www.zawya.com/story/IFC_Al_Majmoua_Support_Small_Businesses_and_Women_Entrepreneurs_in_Lebanon-ZAWYA20140925125236/
40 http://www.zawya.com/story/Sudan_farm_projectPakistan_microfinance_initiative_receive_EFICA_awards-ZAWYA20141112090657/
41 https://www.zawya.com/story/KFH_participates_in_College_of_Engineering_and_Petroleum_event_for_honoring_distinguished_students-ZAWYA20140707090752/
42 IFG Weekly May 11 2014 (page 3)
43 http://www.thesundaily.my/news/1224643

REUTERS/Osman Orsal

Key Challenges and Opportunities

Challenges:

- **Low oil prices fallout:** With oil prices expected to stay low at $85/barrel through next year, Islamic financial institutions in the GCC will face its resulting impact of probable reduced government spending as well as related corporate spending and retail pressure. Banks will have to aggressively evaluate their spending plans and also, in some cases, consider other non-oil revenue dependent economies for expansion.

- **Terrorism — ISIS and its effect on Islamic banking:** Growing instability in the MENA region, led by the brutal militancy of ISIS, will be a challenge to Islamic banking's expansion plans and appeal to international investors and customers. The brand of 'Islamic State' is not helping the slowly developing global recognition of this ethical market positioned financial services.

- **Increased competition in local markets — GCC and South East Asia:** Competition is rising as Islamic banking further matures and more players expand or jump into the market in the GCC and in South East Asia specifically. With profit margins under stress, banks will be challenged to further improve human resource efficiencies and productivity through technology, process improvement, and customer engagement.

- **SME funding deployment:** there is a major gap in serving SMEs as highlighted by IFC's study on Islamic Finance for SMEs. Banks will have to re-orient parts of their business, technology, marketing, and processes to gear towards serving the SME growth opportunity.

- **Financial literacy:** large gaps remain between consumer awareness and the usage of Islamic Finance. Financial literacy will help people understand how Islamic Finance can help them to tap into their potential.[44] The Islamic Finance retail market and business education continues to be a priority for succeeding in market expansion.

- **Lack of Shariah-compliant options:** Some countries, such as India, are not served by banks with available Shariah-compliant options, even though they have very big Muslim populations. This year, the Indian Minister for Minority Affairs, Rahman Khan, recognised this and stated that India will 'introduce a financial product like Tabung Haji which would be a great relief to those who want to undertake the pilgrimage." Offering Tabung Haji product could be an excellent start for many of those countries with large

44 IFG Weekly January 19 2014 (page 3)

Muslim populations that currently don't have Shariah-compliant financial options.[45]

- **Insufficient scale:** as most Islamic financial institutions are relatively small and their operations are concentrated in one or two geographies, their loan book is riskier as they are very dependent of the political, social and economic conditions of those geographies.[46] Expanding their operations both nationally and geographically would allow financial institutions to decrease the risk of their business and also acquire more know-how from other markets.

Opportunities:

- **Financing for Halal Food and lifestyle sectors continues to be an opportunity:** while some Islamic Finance institutions have started to look at the Halal economy opportunity, it is still in its very early stages. A collective potential Halal Food and lifestyle market, as highlighted in this Report, presents Islamic Finance with a distinct and large opportunity in which it already has a differentiated advantage compared to its conventional counterparts. Specific opportunity areas include:
    - Consolidation opportunity means opportunity for M&A work by Islamic banks
    - Growing entities present investment opportunity by Shariah-compliant private equity firms
    - Strong SME development presents venture capital opportunity (e.g. streamlining existing processes by introducing new technology for tracking farm-to-fork)
    - Opportunity for investment managers to offer products that gain exposure to the Halal Food market
    - Opportunities for banks to track how much of their financing goes to support Shariah-based businesses (Halal Food, lifestyle, etc.) to market to their customers
    - Other corporate finance areas: trade financing, working capital financing, growth capital, and leasing financing
- **SRI funds:** with SEDCO and Arabesque leading the way, momentum is being built towards realising connectivity of Islamic funds with socially responsible investment funds, which has been estimated at $3.7 trillion of assets globally.[47] Given that Islamic funds are relatively miniscule even within the Islamic Finance space, they can benefit from broadening the current primary focus on 'negative' screenings to a wider socially-conscious investment consideration (i.e. positive screening). This will appeal and attract both Islamic capital as well as a wider global interest.
- **Islamic pensions:** Malaysia EPF plans for a Shariah-compliant arm has kicked off the possibility of increased liquidity and size for Islamic asset management. According to Ernst & Young,[48] if state-owned pensions in major Muslim-majority markets shifted a portion of their money into Shariah-compliant initiatives, it could add between $160 billion and $190 billion to the sector.
- **Hajj financing/funds:** as Saudi Arabia's mega-expansion projects around Hajj and Umrah infrastructure come to fruition, increased Hajj and Umrah international pilgrims are expected to rise from an estimated 6.1 million in 2014 to 10.9 million by 2019 (See Hajj/Umrah focus report). Given the requirement of performing Hajj for every Muslim once in a lifetime (if they can afford it), Hajj saving programs would make for a major Islamic Finance institution offering. Malaysia's independent governmental organisation, Tabung Haji, has the most well-managed and established Hajj savings program. The fund offers Malaysians worldwide the opportunity to invest in a Hajj Savings Fund with 100% of the deposits guaranteed by the Malaysian government.
- **Commercial banking — Halal sectors a growth driver:** in Pakistan only 0.1% of Islamic

45 IFG Weekly February 23 2014 (page 3)
46 Ernst and Young Ismaic Banking Competitiveness report (2013)
47 2010 report "Impact Investments: An emerging asset class," by JPMorgan and the Rockefeller Foundation
48 ThomsonReuters Islamic Finance Gateway, Weekly Briefing Sep 2013

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Finance actually goes to small players in agriculture, a sector whose exports grew 34% in 2013. These small farmers have the highest growth potential and with more financial opportunities available Islamic Finance could grow its presence in this sector.[49] Potential opportunities include financing the delivery of animals and combining the loans to agriculture with Takaful products, thus decreasing the risk.[50]

- **Tunisia, Azerbaijan, and India regulatory initiatives is another growth indicator:** regulatory initiatives taken by potential new markets serve as a key indicator to growth opportunities. Tunisia, Azerbaijan, and India will most likely pass a relatively comprehensive law providing a separate set of regulations for Islamic banks. Other markets that will be key opportunity areas are West/East Africa, Morocco, and Indonesia. The new government in Indonesia is particularly promising towards Islamic Finance growth already given its very successful government Sukuk issuance.

- **Infrastructure spending:** Islamic Finance will continue to benefit from major infrastructure development programmes for major OIC countries in the GCC, Turkey, Indonesia and others. Saudi Arabia's $150 billion plus infrastructure projects (rail, power, industrial), Indonesia's $80 billion plus infrastructure projects (roads, water, power, rail), as well as Turkey's $32 billion plus plans are some of the major projects that will be fertile grounds for Islamic project financing and other services.

- **Crowdfunding:** as highlighted in the Fajr Capital Advisors and Crowdfund Capital Advisors Report on crowdfund investing in Muslim-majority markets, large economies with high social media penetration such as Saudi Arabia, Turkey and Indonesia have a tremendous opportunity to pursue this funding platform. Crowdfunding is the collective effort of individuals who contribute small amounts of money, usually via the Internet, to support efforts initiated by other people or organisations. Kiva is a global example, while Egypt-based Shekra is a new platform based on Shariah-compliant financing, although not necessarily at micro-finance level. This model, however, requires both regulatory support (as public crowdfunding is not allowed in most Muslim markets) as well as raising social responsibility awareness within the Islamic community and providing interested parties the necessary tools to invest their own capital in microfinancing ventures.

- **Fragmented market:** compared to more developed markets such as Europe and North America, the emerging economies of the Muslim world display more fragmentation. Sectors such as Halal Food and lifestyle in particular consist of numerous SMEs, which lack economies of scale and efficiency. These SMEs may also not be receptive to outside finance, and Islamic investors may likewise not be particularly interested in pursuing privately held enterprises that offer little incentive in the way of transparency or disclosure. [51]

- **Technology:** as smartphone sales increase throughout the world, mobile banking is becoming a more and more important service that banks must provide to their customers. If done properly Islamic financial institutions could use this as an advantage and make the mobile banking experience as simple as possible and also provide the required features for its users by using best international practices and also adapting to their users.[52]

49 IFG Weekly January 26 2014 (page 5)
50 IFG Weekly February 2 2014 (page 3)
51 BIBF Halal Economy
52 Ernst and Young Islamic Banking Competitiveness report (2013)

Interviews

Ahmed Ghouth, Deputy CEO
Alkhabeer Capital (Saudi Arabia)

Business background

Alkhabeer Capital is licensed by Saudi Arabia's Capital Market Authority (CMA), with an asset management business, providing investment opportunities through a large portfolio of public and private funds in the areas of real estate, private equity and capital markets.

Our business was founded in 2004 and has become a leading asset management and investment firm, providing investment products regionally and internationally aimed at high net worth individuals, family groups and institutions. Through offices in Jeddah and Riyadh, we have been successful in growing assets under our management by more than 50 fold over the last 4 years. In 2009, we managed $10 million of assets; today we manage approximately $650 million.

Addressing operational efficiency needs

Within our business, we have recruited a talented local and international team, which truly understands how to do business both from an international and regional perspective. Our business model draws on international best practices to support our longer-term aspirations of a listing on the Saudi Stock Exchange.

Alkhabeer's investment products are all certified and we make sure that our Islamic investment products are fully understood by both clients and wider stakeholders. Testimony to the success of this approach is seen in our most recent financial results. Alkhabeer reported a 40% increase in its net income for 2013 at $11.5 million and a 52% growth in assets under management to approximately $663 million.

Key growth priorities in the next two years

We seek to reach $1billion of assets under management within the next couple of years. We plan to consolidate our position with the Saudi market as an expert investment house, develop our international market investment expertise and, as highlighted, in due course seek a listing on the Saudi Stock Exchange.

Alkhabeer is well positioned to capitalise on investors' demands and benefit from the anticipated fund inflows into the region, particularly from the UAE and Saudi Arabia, following the UAE's upgrade by MSCI and the Saudi's opening up of its market to foreign institutional investors.

Challenges

The Islamic banking sector is still nascent in terms of development; therefore a lot still needs to be done in terms of standardisation of rules, regulations and compliance procedures in addition to supporting monitoring mechanisms. The industry realises that these components are needed and there are ongoing discussions, which hopefully will provide the necessary governance structures, which will help support and regulate the industry's ongoing growth.

Opportunities

We think there is a huge amount of potential. We are capitalising on sophisticated Shariah investor demand across our real estate, private equity and capital markets business both regionally and internationally. We see significant opportunities within this space from our perspective within the industry.

The Saudi Capital Markets Authority (CMA) recently announced the opening up of Saudi Arabia's stock market, the region's most liquid market, to foreign institutional investors. The long anticipated move apart from improving the overall liquidity in the market is also expected to promote the best of breed market and corporate practices, and subsequently pave the way for its inclusion into the MSCI emerging market index. These developments will have positive impacts on our business in terms of being able to access significant new capital flows.

Alkhabeer Capital

Interviews

Tayeb Abdulrahman Al Rais, Secretary General
Awqaf & Minors Affairs Foundation (AMAF) (UAE)

Background and projects

Awqaf and Minors Affairs Foundation (AMAF) focusses on sustainability, as it is the most important aspect of our foundation. AMAF has started building a sustainable orphanage (Family Village) and we are planning to expand our scope to enable Awqaf to ensure sustainability at a global level.

SALMA is our first global Waqf project, launched by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to promote Islamic tenets and encourage humanitarian efforts. The initiative also supports global emergency food aid through a unique Waqf structure by providing preserved Halal meat to people in crisis-hit locations as a result of wars and natural disasters — swiftly, and in a comprehensible matter.

AMAF started operations with a total investment of AED200 million. A study recently published by Deloitte confirmed that the current profits of the organisation have reached AED2.5 billion in 2014, validating our success in managing the business potential of Awqaf and ensuring sustainability across the developing projects at hand.

It is also worth mentioning that the Dubai government has separated the Awqaf portfolio from Islamic affairs as AMAF is a commercial body with the role of generating assets from various investment platforms as opposed to Islamic affairs that has a greater religious and spiritual focus.

Challenges

As our big goal is to serve humanity on a global basis rather than only on a local level, we need to change people's perceptions about helping the underprivileged in the community. There are many to help the community other than by building mosques. Raising awareness on educating the public, and the importance of focussing on other projects such as self-contained hospitals, orphanages and schools will help better serve humanity and inspire generations to come.

Financial sustainability is important for Waqf initiatives. The effect of the global financial crisis and ensuing recession led to a major decrease in overall donations. Orphans aged 16 years and above needed to leave the AMAF premises, where most of these minors ended up getting into trouble. Such a situation ran contrary to our beliefs and are inhumane, to say the least.

Opportunities

Awqaf Union is a future initiative, aiming to create a trademark that can be used internationally. This label will be regulated by the Dubai government and will help establish a global benchmark that indicates highest quality standards, as per Dubai's elevated standards.In general, the requirements to create this label would involve exploring ways to cooperate with similar organisations to set guidelines and standards for the trademark.

This will allow us to build new bridges of understanding between global Awqaf initiatives. It will also allow us to achieve higher levels of partnership in diverse economic sectors that will support our strategic vision of enhancing the economy globally and improving the well-being of the community as a whole.

AWQAF & MINORS AFFAIRS FOUNDATION

GOVERNMENT OF DUBAI

Interviews

Iqbal Khan, CEO
Fajr Capital (United Arab Emirates)

Business background

Fajr Capital is a sovereign-backed Islamic investment firm, with a focus on realising the growing economic opportunity presented by the Organisation of Islamic Cooperation (OIC) markets. We invest growth capital in promising businesses operating across a range of demographic-driven sectors, such as infrastructure, education, financial services, healthcare, manufacturing and renewable energy.

Together with our portfolio companies, Fajr Capital today employs over 15,000 people across the OIC region — with a particular focus on the Gulf Cooperation Council (GCC) markets, Brunei Darussalam, Indonesia, Malaysia and Turkey.

Operational efficiency and profitability

Fajr Capital abides by the highest standards of corporate governance. Our Board of Directors and board committees meet on a regular basis, and support the principle of collective responsibility for the company's strategic, financial and operational progress.

In addition, Fajr Capital's continued success is rooted in our structured and robust investment process, which is spearheaded by a world class investment committee, chaired by Chris Masterson. The investment committee of the board relies on the commitment of our talented investment team members, advisors, industry consultants and Shariah board members. This strict process guides our investment decisions, creates enduring stakeholder value, and is in line with global best practices.

Key growth priorities in the next two years

Fajr Capital remains committed to our founding vision of 'investing in what we know, where we know, and with whom we know.' As such, we have built a strong track record across our constituent markets due to our:

- Values-based investment approach;
- Strong portfolio comprising of profitable companies;
- Ability to create enduring stakeholder value;
- Unparalleled regional and global networks; and
- Unique position as the "partner of choice" for regional growth businesses.

These core characteristics continue to yield new opportunities and drive exceptional results for our investors, portfolio companies and the communities we serve.
We are also supporting MENA

Infrastructure, our award-winning Dubai-based portfolio company, to raise a second $500 million Shariah-compliant fund targeting the MENA region and Turkey.

Future opportunities

Asset management is the real economy, particularly private equity, and is emerging as a potent catalyst for the future development of both the Islamic Finance industry and the wider Muslim world.

Private equity as an asset class in the OIC region is relatively new and, on a global scale, still very small. However, the regional private equity activity is set to flourish over the coming years, particularly within key GCC and ASEAN markets, where business and investor confidence is buoyant and major economies remain robust.

Benefits from shifts in world trade and capital flows

The recent emergence of the New Silk Road, which encompasses the growing transport, trade and cultural links across Asia, is enabling new pathways for Islamic financial services and intra-OIC capital flows. With a strong track record and deep industry insights, Fajr Capital is well-positioned to capture the OIC's growing economic opportunity. Regional appetite for ethical and Shariah-compliant investment has also increased significantly over the last decade. Our principles-based approach, coupled with our commitment to create enduring value for our portfolio companies, has resulted in Fajr Capital being recognised as a 'partner of choice' for promising regional companies.

fajr | Fajr Capital

Interviews

Monem Salem, President
Saturna Sdn Bhd (Malaysia)

Business Background

Saturna Sdn. Bhd. is the wholly-owned Malaysian subsidiary of Saturna Capital Corporation, resulting from the 2010 purchase by Saturna Capital of Alpha Asset Management located in Kuala Lumpur. Saturna Capital is internationally recognised as adviser to the Amana Mutual Funds Trust. We help individuals and institutions build wealth and preserve capital.

Core areas of offerings and target markets

the convergence of sustainable and Islamic investing continues. Although not exactly the same, there are natural synergies. The biggest difference is the non-allowance of the conventional financial services industry. As more Islamic banks globally become publicly available for purchase, this will become less of an issue. The similarities come in the form of the negative screens that avoid alcohol, tobacco, gambling, and illicit media. Traditionally, Islamic investing has stopped there and used the remaining universe for stock selection. However, positive screens incorporated into Islamic screening can have a positive effect as well, and this is an area where Saturna would like to focus. It opens up a much larger potential market and many Islamic investors have been asking about sustainable investing as well.

Operational efficiency

operational efficiency is very closely tied to technology. There have been many innovations in software for the financial services industry. All of these have been driving costs down. In the conventional funds space, this has translated into lower costs for individual investors, i.e. those buying the funds. Unfortunately, this has not been the case for the Islamic funds industry. We are plagued with stubbornly high fees and that has, for the most part, stagnated AUM growth. If one looks at AUM growth in the Islamic funds industry, it is equal to the growth in regional and global markets. At Saturna, we try to keep focus on what is valuable for the customer. We constantly try to pass our cost savings to the individual investor. Lower fees drive higher returns, because it is easier to outperform respective benchmarks. This outperformance drives more AUM, even from conventional investors because money is agnostic and chases the highest return. It is better to have larger AUM with smaller fees that smaller AUM with larger fees.

Impact of regional instability

instability is never good. And in the areas where it is present, it causes a lot of wealth destruction. However, there are regions that benefit from this loss. There is some ancillary benefit to Islamic investing,but not nearly enough take notice. The negative

perception among regional regulators, however, is much more destructive. As the media exaggerates the crises for their own benefits, Islamic Finance gets lumped into terrorist financing. For those operating in Muslim minority countries in the West, this is becoming a growing concern.

Challenges

The industry is only about 25 years old, so 10 years seems like a lifetime ago. Tremendous changes have occurred and although still in its infancy, in areas such as Shariah criteria, development of funds, etc. It has matured quite a bit. A couple of challenges exist:

1. Lack of scale: the industry is plagued with low average AUM in funds. This, overall, is an expensive proposition and many companies will not be able to survive. In many Muslim regions of the world, pensions don't exist, so it is tough for funds to grow with an annuitised stream of fund flows. Where pensions do exist, however, they choose not to invest in funds because of the high fees. Family offices and institutional funds favour mandates over funds because of the fees and track record. These institutions usually require a long track record by a manager before making an investment (10 years), and that simply doesn't exist yet. A developmental approach has to be taken by these institutions, for the time being, until these track records are developed.

2. Public perception: As mentioned earlier, there is a negative perception in the West (where most money resides) about Islam. Thus, it is natural for them to be skeptical about Islamic investing. Will this skepticism drive regulators to put more scrutiny on Islamic funds? If they do, the cost of doing business will increase tremendously and many companies might decide that it is not worth the regulatory scrutiny. Rather than offering their Islamic products globally, they might decide to only offer them regionally; thus limiting their market and size.

Fund pass-porting opportunity

As more money is able to move across the globe for investment purposes, fund pass-porting becomes even more critical. This must be done on a G2G basis. World trade also means that economies and companies do better. This helps stock markets around the world, which in turn will help fund performance.

SATURNA
SATURNA SDN BHD

Interviews

Hasan Al-Jabri, Chief Executive Officer
SEDCO Capital, Saudi Arabia

Business background

SEDCO Capital is a global asset management firm based in Saudi Arabia that offers a comprehensive range of services — including asset allocation and management, advisory, arranging, underwriting, and custody — to a range of clients, including institutions, high net worth individuals and family offices. SEDCO Capital is also the first fully Shariah-compliant asset manager and the Saudi asset manager to be a signatory of the United Nations Principles of Responsible Investing (UNPRI).

Addressing operation efficiency

what matters in this business are economies of scale because this provides the ability to negotiate lower fees and bring the TER's to reasonable level. At SEDCO Capital, our Luxembourg platform provides us access to global investors, which exposes us to a larger volume pool, which in turn enabled us to partner with some of the best managers in the world at competitive fees. This benefits us and our clients. These costs include the administration cost, custody cost, and manager cost.

Regional instability impact

regional instability is always embedded at the conceptual stage of any business/ growth plan SEDCO Capital may decide to initiate. This helps to neutralise a lot of the volatility that may come with such an environment. Such risks have always been there and from previous similar situations starting from the first Gulf War back in 1990s. The market, as well as investors, has proven that they have a great commitment and loyalty to local and regional investments. With the current conflicts in some part of the region, we do however expect, minimal if any impact with our investment decision-making and asset gathering initiatives.

At the industry level, negative connotations/press associated with the conflict in the region may inhibit some industry members to attract foreign (western capital flows) investments or interest in the Islamic industry. We do however believe that this would only be over the short-term and that the strong long-term attractiveness of the Islamic Finance market to prevail over time. In addition, the extensive regional wealth is large enough to cushion any disinterest from foreign investors to the industry.

Challenges

one of the challenges being faced by the industry is finding asset/fund managers who understand the Shariah investment process and are willing to accept Shariah mandates. At times, this comes at a higher cost. The key is to work with these managers to help them develop a clear understanding of the Shariah mandates as well as negotiate cost with high volumes as we have been doing at SEDCO Capital.

High illiquidity and thin trading for some of the Shariah products such as Sukuks, which is a key asset class, is another challenge. The industry and regulators needs to develop this asset class further, relax regulations, increase the number of issues, provide flexible tenor, and tax efficient bonds.

There is also a lack of full government support for Islamic products; a great start is the initiatives coming from countries such as Malaysia, Dubai and the UK. We

also expect many other countries to build on that trend and start developing more initiatives to support the industry. The size and maturity of Islamic institutions varies among countries, where some countries like Malaysia have a well-established Islamic institutions industry, and others like Nigeria have an infant Islamic institutions industry that still needs a lot of support and resources to grow.

Another challenge is obtaining Islamic Financing, especially for real estate transactions. This might be available in certain jurisdictions but usually at higher cost due to its structuring.

Benefiting from shifts in world trade and capital flow

we were able to identify some of these shifts early on and shifted some of our private equity investments to China and India 12 years ago. It benefited us as we saw that the shift of these emerging markets early on which, in turn, were profitable.

Similarly after the crash in 2008 we saw a lot of opportunities in the real estate market in the U.S. and we were able to shift our real estate focus from the Asian market that had peaked at the time into the U.S. markets, which were just moving out of their crash. We continue to do a lot of investments in Saudi Arabia, which is our home base. We see a lot of opportunity in real estate, health care and education, as well as the petrochemical industry and we are active investors in the first two of these sectors while looking at means to further grow our investments.

Next two-year priorities

Our main priorities in the coming two years would be more focussed on the horizontal expansion through a good sustainable and steady growth of our customer's base locally and internationally (acquiring a bigger market share as we go). Proportional vertical expansion and development will be at the same speed as our expansion in our products and services offering. This will in turn enhance the overall AUM's providing healthy and strong returns to our clients. And of course, without forgetting our core role (delivering a superior returns) to exceed our clients' expectations. Another priority will also be to continue to extend our in-house expertise and to partner with the best-in-class professionals worldwide to deliver the best options for our clients to invest in.

Case Studies

Majid Al Futtaim Group — Sukuk Issuance, UAE

Founded in 1992, Majid Al Futtaim Group is a holding company based in Dubai that owns and operates shopping malls, retail, and leisure establishments in the Middle East and North Africa. A remarkable business success story, Majid Al Futtaim started from one man's vision to transform the face of shopping, entertainment and leisure. It has since grown into one of the region's most respected and successful businesses spanning across 12 international markets, employing approximately 27,000 people, and achieving the highest credit rating (BBB) among privately-held corporates in the Middle East.

In 2013 Majid Al Futtaim listed a $400 million Sukuk on Nasdaq Dubai. When asked why they chose Sukuk as a means to raise capital, Mr. Eyad Malas, Chief Executive said, "Sukuk gives access to a substantial pool of liquidity that is prohibited from investing in conventional products. Especially in the Middle East, where there's a lot of understanding of Islamic products, it's quite helpful to tap into that pool, which in good market conditions can offer a meaningful pricing advantage."

In terms of challenges in issuing Sukuk, Mr. Malas said, "As Islamic products are not standardised and since there is no template available for structuring Sukuk issuance, it would be beneficial to introduce a flexible regulatory framework, standardised Islamic financing structures and increase investor education, thereby enabling more issuances from regional players."

Majid Al Futtaim owns and operates 17 shopping malls, 11 hotels and three mixed-use communities in MENA, with further developments underway in the region. This includes the Mall of the Emirates, City centre malls, and also four community malls which are in joint venture with the Government of Sharjah. It holds exclusive rights to the Carrefour franchise in 38 markets across MENA and Central Asia, operating a portfolio of over 50 hypermarkets and over 60 supermarkets in 14 countries. Majid Al Futtaim also operates 109 VOX Cinemas screens across the region in addition to iconic leisure and entertainment facilities such as Ski Dubai and iFly Dubai among others.

REUTERS/Crack Palinggi

Case Studies

Yomken — Crowdsourcing platform, Egypt

Yomken is an online crowdsourcing platform, established in 2012 by Tamer Taha, who is the founder and CEO. A social enterprise, it sets itself apart from other crowdsourcing websites, in not only being Shariah-compliant, but on also focussing on providing innovative solutions to problems. “A lot of initiatives focus on the technology aspect, but we believe that simple solutions can also solve some important problems, and serve as low-hanging fruit,” says Tamer. The company also prides itself on that it focusses on the needs of the market and on connecting solution-seekers with innovators.

Yomken aims to connect small businesses with problem solvers who have innovative ideas, while at the same time also facilitating funding for innovative products. Yomken’s services can be divided into the following two categories:

(1) An open-innovation platform where small and micro enterprises and the NGOs working with them post the challenges they are facing. They would offer a monetary reward for the solution. Solutions requested can range from an idea, to a design sketch, to a prototype, to supplying a final product.

(2) Crowdfunding for innovative products. Entrepreneurs would submit their product ideas and receive prepayment from crowdfunders/buyers.

Yomken provides a Shariah-compliant crowdfunding; they combine Bay al-Salam (forward sales) with a crowdfunding model. Funders pledge a certain amount and receive the product once it has been developed.

One example of an innovative product that solved a problem is a product designer wanted to build the first Egyptian foldable bike. The problem with imported foldable bikes was that they were not suitable for Cairo’s bumpy roads. To solve this, the designer used durable materials and also customised the design to make it appropriate for girls who wear long skirts and Abayas.

Yomken has received more than 100 product ideas and challenges, and launched 25 campaigns with a success rate of 70%. It has more than 35 local partners in the form of government agencies, NGOs, donor agencies, as well as the CSR departments of multinational corporations.

Yomken itself was made possible by a $6,000 fund that Tamer received by winning a contest run by the Youth Innovation Fund, which is part of the World Bank. In terms of their plans for the future, they are looking to franchise their model in other OIC countries. They feel they could provide a lot of expertise, given that they learned a lot through many ups and downs they faced.

Case Studies

Crescent Wealth, Australia

Crescent Wealth is an Islamic wealth management company based in Australia, offering a super-annuation fund as well as a series of managed funds that invest in accordance with Islamic investment principles. Crescent Wealth has released four managed funds and a superannuation (pension) product. They offer these products to more than 500,000 Muslims in Australia, as well as major financial institutions in Australia and overseas.

The pension product, or the Crescent Wealth Super Fund, is particularly innovative and goes hand-in-hand with Australia's compulsory retirement savings scheme, which requires all working Australians to put 9.5% of their salary towards a retirement investment fund of their choice.

The Fund has grown substantially in FUM size and in member size. Almost 3,000 Australian Muslims have joined the Crescent Wealth Super Fund since its launch in May 2013. With such rapid expansion, one way they've leveraged technology developments in order to improve efficiency is through a comprehensive online strategy for customer account management.

The firm is carving a place for Australia as a global leader in the Islamic Finance world, particularly with regard to pension products with Australia as the fourth largest pension market in the world at $1.8 trillion. Generally they see huge opportunity in terms of bridging investment opportunities between Australian and Organization for Islamic Cooperation (OIC) countries.

With their investors belonging to a variety of faiths, Crescent Wealth is a live example of how the overlap between Islamic investment principles and broader ethical principles appeals to the ethically-conscious segment as a whole. As an ethical framework with demonstrable performance, Islamic Finance appeals to the broader population.

Photo courtesy of Shaza Hotels

TRAVEL SECTOR

Destinations, hotels and resorts, airlines, and travel agents are increasingly looking to woo Muslim travellers. This is evident by the sudden growth in number of Halal travel conferences and events from **Indonesia, Japan**, to **Spain** and the prominence of the topic in global media.

Non-Muslim majority destinations, especially ones that are new to targeting this market, such as Japan (which is trying to accommodate the increasing number of tourists from Indonesia and Malaysia), are focussing on getting the basics right by increasing their Halal Food offerings and providing places to pray. More seasoned places are advancing to the next level like **Bera Hotel in Alanya**, that has a woman's only pool on the roof of its hotel and Star Cruise, a Malaysian cruise company, which is offering family-friendly/Halal cruises for Muslims.

DinarStandard research estimates global **Muslim spending on travel (outbound) to be $140 billion** in 2013 (excluding Hajj and Umrah)1. Total global spending during the same period is estimated to be $1,212 billion in 2013 making the Muslim travel market to be 11.6 % of global expenditure.

This year, the State of the Global Islamic Economy Report introduces a **Halal Travel Indicator (HTI)** to evaluate countries' health and development of their travel ecosystem. Across key 70 markets, **Malaysia, UAE and Singapore** lead this HTI ranking that includes related social metrics.

One area of Muslim travel, Hajj and Umrah, is becoming a fast growing segment given the major expansions projects underway in Saudi Arabia to accommodate the tremendous demand that it was not able to fulfill. A special focus topic in this Report, on **'Hajj an Umrah Travel'** looks at this segment's developments and challenges. DinarStandard research estimates there was a total 5.7 million Hajj and Umrah international pilgrims (not including domestic) with total expenditure on Hajj and Umrah at $16.2 billion (including air travel) in 2013.

1 Expenditure data baselined from 2013 UNWTO data; International Monetary Fund (IMF) Outlook Oct 2014 database for projections; Muslim market estimates based on DinarStandard Muslim market estimates and analysis

The Halal Travel Indicator

- The 2014 State of the Global Islamic Economy Report introduces a 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** lead this inaugural Halal Travel Indicator ranking that focusses on the health of the Muslim-friendly travel ecosystem a country has relative to its size.

- The indicator equally weights fours metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)
    1. Supply drivers relative to country size (inbound Muslim tourists)
    2. Governance (Halal-friendly ecosystem)
    3. Awareness (number of related news articles and events)
    4 .Social (travel sectors contribution to employment)

TOP 15 COUNTRIES IN THE HALAL TRAVEL INDICATOR: SUB-CATEGORY BREAKDOWN

	Sector Score	Inbound Muslim Travel Score	Halal friendly ecosystem	Aware Score	Social Score	GIE Ranking
Malaysia	101.4	130.6	100.0	150.2	24.7	1
United Arab Emirates	65.0	88.7	100.0	55.7	15.5	2
Singapore	56.2	101.2	100.0	7.8	15.9	13
Turkey	49.7	62.2	100.0	20.8	15.9	14
Maldives	49.2	8.0	0.0	24.6	164.4	37
Bahrain	47.8	62.2	100.0	11.1	17.8	3
Jordan	43.3	51.8	66.7	20.8	33.9	8
Thailand	42.9	44.4	100.0	2.6	24.7	31
Qatar	41.3	30.7	100.0	25.1	9.4	6
Tunisia	39.7	94.9	33.3	4.8	25.6	29
Egypt	37.7	42.4	66.7	18.2	23.6	16
Saudi Arabia	36.3	24.9	100.0	13.1	7.4	5
Indonesia	35.5	13.5	100.0	14.0	14.4	10
Libya	33.0	86.9	33.3	4.3	7.4	57
Oman	31.8	19.4	66.7	29.6	11.5	4

- **Malaysia** leads the Halal Travel indicator ranking by a big margin from the rest. 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.

- 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 is a surprise third on the list. 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. Low awareness score in **Singapore** highlights its potential to further develop this market.

- **Turkey** is one of the largest Muslim tourist destinations and is ranked fourth. It is already a major global destination as Istanbul ranks as the seventh city in the world for most tourists2 and is often a meeting point between the eastern and western world. It attracts a large number of Muslim inbound tourists with its major heritage sites but the score is adjusted for its relative size.

- **Maldives,** a Muslim majority country which mostly depends on tourism income, comes up next on the list primarily because of its 91% employment dependency on the sector. Maldives, however, scored low on other metrics showing the potential it has to further develop this market.

- **Tunisia** conversely is another country that is ripe to further develop this market. It already rates high in-terms of attracting Muslim tourists, however its Halal-friendly ecosystem and awareness of the market is low. A factor that perhaps makes Tunisia rank lower than some of its peers is its strong economic relationships with Europe and reliance on mostly western tourists that decreases its focus on developing its Halal-friendly ecosystem.

2 MasterCard — 2014 Global Destination Cities Index

Demand Profile & Market Sectors

Values and adoption spectrum

Growth of the Muslim population and its increasing disposable income has caused millions to increasingly take up travel for leisure, adventure and exploration. When Muslims travel, however, they are also keen to observe their religious obligations such as daily prayers, modesty in clothing, cross-gender interactions and Halal Food. Hajj and Umrah (pilgrimage to Makkah) as one of the five pillars of Islam has also inspired millions of Muslims to travel away from their homelands, not only for the pilgrimage, but to other destinations as well.

Some Quranic verses that discuss travel and the considerations that are incumbent on Muslims to observe are as follows:

> *Say, [O Muhammad], "Travel through the land and observe how He began creation. Then Allah will produce the final creation. Indeed Allah, over all things, is competent." (29:20)*

> *And proclaim to the people the Hajj [pilgrimage]; they will come to you on foot and on every lean camel; they will come from every distant pass. That they may witness benefits for themselves and mention the name of Allah on known days over what He has provided for them of [sacrificial] animals. So eat of them and feed the miserable and poor. Then let them end their untidiness and fulfill their vows and perform Tawaf around the ancient House. (22:27-29)*

> *O mankind, eat from whatever is on earth [that is] lawful and good and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy. (2:168)*

There is a wide diversity in awareness and adoption of various Islamic practices by Muslim travellers. A big segment of Muslim tourists will travel to global non-Muslim destinations such as Europe and adjust to any limitations by seeking alternatives to Halal Food, as well as other religious considerations such as prayer spaces, etc. Meanwhile, a big segment travelling globally is seeking options that address their religious considerations. While we don't have exact data on the percentage of this segment, anecdotal evidence of growing demand by consumers is reflected by various offerings that are addressing these needs. Meanwhile, data also strongly shows that there is also a smaller segment that is planning leisure trips around Islamic-themed travel (heritage destinations).

Market size and profile — 140 billion market (11.6% of global expenditure)

- This Report estimates global Muslim spending on travel (outbound) to be $140 billion in 2013 (excluding Hajj and Umrah).[3] Total global spending during the same period is estimated to be $1,212 billion in 2013 making the Muslim travel market to be 11.6 % of global expenditure.

- Comparatively this is a 7.7% increase from 2012 Muslim travel expenditure that was $242 billion (adjusted from 2013 Report given updated baseline data from UNWTO). Muslim outbound tourism expenditure is expected to grow to $238 billion market by 2019.

- If this market were a country, it would be the largest source travel market ahead of United States — whose outbound tourists spent $131 billion in 2013 followed by China with $122 billion, Germany with $99 billion, and UK at $69 billion.

- Top source countries of Muslim tourists based on 2013 expenditure were: Saudi Arabia ($17.8 billion), Iran ($14.3 billion), United Arab Emirates ($11.2 billion), Qatar ($ 7.8 billion), Kuwait ($7.7 billion), and Indonesia ($7.5 billion). Russia ($5.4 billion), Germany ($3.6 billion), United Kingdom ($2.4 billion) and France ($2.3 billion) are the four largest Islamic tourism source markets from countries where Muslims are a minority.

3 Expenditure data baselined from 2013 UNWTO data; International Monetary Fund (IMF) Outlook Oct 2014 database for projections; Muslim market estimates based on DinarStandard Muslim market estimates and analysis

TOP MUSLIM TOURISM EXPENDITURE SOURCE COUNTRIES (2013)

Country	Size (US$ bill)
Saudi Arabia	$ 17.8
Islamic Republic of Iran	$ 14.3
United Arab Emirates	$ 11.2
Qatar	$ 7.8
Kuwait	$ 7.7
Indonesia	$ 7.5
Malaysia	$ 5.7
Russia	$ 5.4
Turkey	$ 4.5
Nigeria	$ 4.4
Germany	$ 3.6
Egypt	$ 2.8
Azerbaijan	$ 2.4
United Kingdom	$ 2.4
Singapore	$ 2.3
France	$ 2.3
Iraq	$ 2.2
United States	$ 2.0
Morocco	$ 2.0
Lebanon	$ 1.9

Photo courtesy of Adenya Resort

Tourist destination trends

- For travellers globally (not just Muslims), Europe is the most popular destination region in terms of number of arrivals[4] based on 2013 data. France tops the list with 83 million tourist arrivals, followed by USA (70 million), Spain (61 million) and China (56 million). Turkey was ranked sixth globally, same as in the previous year, while Malaysia dropped from tenth to eleventh with Thailand going past Malaysia.

- From the mostly Muslim majority countries of the OIC, top destinations were Turkey, Malaysia, Saudi Arabia (including Hajj/Umrah), Egypt, Morocco and the UAE (Dubai figures only).

TOP GLOBAL DESTINATIONS

Country	International Tourist Arrivals (mill)
France	83
United States	69.8
Spain	60.7
China	55.7
Italy	47.7
Turkey	37.8
Germany	31.5
United Kingdom	31.2
Russian	28.4
Thailand	26.5

MEAT AND LIVE ANIMALS- TOP IMPORTING COUNTRIES WITHIN OIC

Country	International Tourist Arrivals (mill)
Turkey	37.8
Malaysia	25.7
Saudi Arabia*	13.2
Morocco	10.0
UAE*	10.0
Egypt	9.2
Indonesia	8.8
Tunisia	6.3
Kazakhstan	4.9

* For UAE: Dubai figures only; Saudi Arabia: includes Hajj/Umrah numbers
Source: UNWTO 2013 Data

4 Source: UNWTO Tourism Highlights, 2013 Edition

Current Landscape and Trends

Travel industry value chain

- The key segments of the global travel industry value chain include Food and Beverage and the infrastructural needs of the transport, lodging and attraction sectors. Service providers within the transport, lodging and destination areas must first pass through channels such as travel agencies, tour operators and travel websites in order to reach the end consumer.

Travel Segment	Travel Impact	Main Companies
Core Suppliers		
Food and Beverage suppliers	Use of Halal Food in dining services	Japan's Kansai International Airport Dubai Airport Istanbul Airport
Service Providers		
Airlines	Muslim meals, prayer space, audio, Ramadan Services	Malaysia Airlines Emirates Airline Turkish Airlines
Hotels	Halal Food, prayer direction, gender-based swimming pool No alcohol on premise, prayer rooms, Ramadan services	Shaza Hotels Sultan Beach Hote Al Jawhara Group PT. Sofyan Hotels Tbk
Destinations	Local Halal Food options, family-friendly attractions, gender specific options	Tourism New Zealand Thailand Tourism Authority
Channels		
Travel Agencies/ Destination Management Companies (DMCs)	Travel agencies developing 'Halal' or Muslim friendly tour packages ensuring Halal restaurant options are considered among other optional features. Supported by knowledgeable DMCs	Kuoni Group Travel Luxury Halal Travel
Travel websites	Travel websites dedicated to selecting and profiling destinations, hotels and resort for Muslim travelers	Halalbooking.com HalalTrip.com
Ecosystem		
Financial services	Supporting Shariah-compliant financing for businesses/startups	Islamic banks/investors
Compliance, Training	Ensuring compliance and enforcement of various relevant Shariah laws	Select Halal certification bodies (MUI, JAKIM)

Recent industry activities and trends

Recent developments demonstrate efforts in standardisation, especially in the case of mature destinations that have a lot of experience in catering to Muslims, such as Malaysia. The coastal city of Antalya in Turkey opened a woman's only beach. Non-Muslim majority destinations are educating local industry players, such as in the case of Japan which conducted a series of seminars; and Brazil, in which the Federation of Muslim Associations visited hotels that were to host World Cup teams to educate staff on Ramadan, which coincided with the World Cup. In terms of marketing, several destinations have launched campaigns targeting Muslims; one example is the Philippines which launched a campaign to attract Muslim travellers from the GCC during Eid.

Global trends

- **The Middle East is starting to be viewed as a high growth market by all major hotel brands:** One example is Accor which plans to have 100 hotels in the Middle East by 2017.[5] Dubai plans to almost double the number of hotel rooms by 2020 as it expects a surge of visitors for that year's World Expo.[6]

- **National tourism marketing organisations worldwide are in danger of losing their funding:** Tourism Australia may lose half its funding as the country looks to cut debt. Will other national tourism marketing organisations follow suit?

- **Cities are offering city-wide Wi-Fi service:** NYC will build a city-wide Wi-Fi network off of its old payphones.[7] National parks in Canada are having Wi-Fi installed to see whether access to the internet will encourage more people to enjoy the great outdoors.[8] In terms of hotels, Wi-Fi becomes a major factor in hotel rankings.

- **Consumer demand for in-flight Wi-Fi** is greater than ever. United was the first U.S. carrier to offer satellite-based Wi-Fi on overseas routes.[9] Industry experts believe Millennials (the generation born between 1981-1992) expect Wi-Fi to be free and that airlines will need to give some level of free access to the service in order to meet the needs of that generation.[10]

- **The Transportation Security Administration (TSA) of the United States will not allow mobile phones on planes bound to the U.S. from some international airports if the devices are not charged for security measures:** British Airways will not only confiscate those devices but also will not allow those people to fly.[11]

- **The number of travel bookings taking place on smartphone and tablets are set to grow 60% in 2014** according to an e-Marketer report. Mobile travel sales are forecasted to grow from $16.4 billion in 2013 to $64.7 billion in 2018. Although bookings on smartphones and tablets remain at 18 percent of all digital travel sales, mobile is driving the current growth in the digital sector.[12]

- **The hotel industry is reinventing the guest check-in process:** Some hotels are offering advance check-ins, and others are offering wearable technology that replaces room keys and guests credit cards. Accor has dropped the hotel check-in desk and instead allows guests to perform an advance check-in. This allows hotel staff to provide personalised service to guests when they arrive, greeting them and handing them their room key upon arrival instead of being too busy filling out paperwork and obtaining credit card information.[13]

5 Accor Outlines Plan to Have 100 Hotels in the Middle East by 2017, May 2014, Skift.com
6 Dubai Says it Will Double the Number of Hotel Rooms it Has by 2020, March 2014, Skift.com
7 New York Will Build a City-Wide Wi-Fi Network Off of Its Old Payphones, March 2014, Skift.com
8 Canada's National Parks Installing Wi-Fi To Spur Visitors, But Negative Reactions Abound, May 2014, Skift.com
9 Almost One Third of United's Planes Now Have Wi-Fi, April 2014, Skift.com
10 Airlines Shouldn't Count on Millennial Travelers to Pay for In-Flight Wi-Fi, April 2014, Skift.com
11 Electronics to be scrutinized under new TSA security measures, CNN, July, 2014
12 Mobile Travel Booking Outpacing Other Purchases on Phones and Tablets, Skift.com, May, 2014
13 Accor Drops the Hotel Check-in Desk for a Mobile App, April 2014, Skift.com

The Hilton announced in the summer of 2014 that it would offer its loyalty members the ability to select their own rooms and unlock their doors through smartphone technology, alleviating the need to check-in or carry additional keys.

Two hotels in Ibiza, Spain, are rolling out wearable technology that will allow guests to leave their room key and credit cards in their luggage while enjoying their holiday. Guests can use bracelets to enter their rooms, pay for food and services on-site and skip lines for check-in and check-out.[14]

- **The sharing economy:** Sometimes called collaborative consumption, the sharing economy is when individuals rent out something they are not using, such as a house or a car to others. This is made possible by online companies that create listings of those items, while at the same time providing a review and rating system enabling people on both sides of the transaction to build trust with each other. Travellers are able to rent homes and cars from directly their owners, which is usually more affordable than renting from a business; and in the case of homes, provides a more localised experience than a hotel. Key players in this space include Airbnb, HomeAway, VacationRentals and others; car sharing companies include RelayRides, GetAround, and Zipcar.

Regulation/industry trends

- **Malaysia will be releasing its Muslim-Friendly Hospitality Services (MFHS) Standard:** This is Malaysia's first standard dedicated to the Halal travel sector planned to be released in the fourth quarter of 2014. The standard, which will be implemented by industry players on a voluntary basis, is being led by the International Institute for Halal Research and Training (INHART) of International Islamic University Malaysia (IIUM).[15]

- **Conferences:** Several conferences were held in 2014 on Halal travel. Indonesia hosted the Organisation of Islamic Cooperation (OIC) International Forum on Islamic Tourism, to develop Muslim-friendly travel among its 57 OIC members. Spain hosted the 2014 Halal Tourism Conference, the first of its kind in a European country attended by tourism boards, tour operators, hotels, airlines, and other industry players. Japan hosted the *Japan Halal Expo 2014, which covered both food and travel. Sharjah, UAE, which has been chosen as the Capital of Arab Tourism for 2015, is to host an Islamic Travel Summit in 2015, as it aims to play a bigger role at promoting cooperation within OIC member states in the* travel sector.[16]

Airlines

- **More airports are adding Halal certified restaurants and prayer spaces to attract Muslims:** One example is Japan's Chubu Airport that will open prayer rooms and offer Halal Food for Muslim travellers to coincide with the start of a new route to Malaysia.[17]

- **Malaysia Airlines (MAS) is to be taken over by their government after the two air disasters it faced** in 2014 (the March 8th disappearance of flight MH370 with 239 passengers and crew on board, and the July 18th shooting down over Ukraine of flight MH17, which killed all 298 aboard that plane) resulted in heavy losses. The state investment fund Khazanah Nasional which will buy out the airline is expected to carry out major restructuring, including the airline's operations, business model, staff, and regulatory environment.[18]

- **Thai Airways started offering Halal Food on board their flights originating from Pakistan** in 2014. It invested in a fully certified and accredited halal catering unit at the Suvarnabhumi International Airport in Bangkok.[19]

14 Wearables Replace Room Keys and Credit Cards at Two Ibiza Hotels, April 2014, Skift.com
15 Muslim-Friendly Hospitality Services, www.itc.gov.my, http://itc.gov.my/industry/islamic-tourism-standards/muslim-friendly-hospitality-services/
16 Expo Centre Sharjah to host Islamic Travel Summit, Khaleej Times, June 2014
17 Japan: Chubu Airport to provide prayer rooms and Halal food, HalalFocus.net
18 MAS to be Restructured, New straits Times, August 2014
19 Thailand: Thai Airways caters to Pakistan's needs, HalalFocus.net, May 2014

Destinations

- **Indonesia:** As a country with the world's largest Muslim population, Indonesia is well positioned to cater to this market. The country has 37 Shariah-certified hotels, 300 Halal-certified restaurants and 27 Shariah-certified travel agencies, and 29 Shariah-certified spas.[20] Currently, 13 destinations are classified as Muslim-friendly. Indonesia hosted the first OIC International Forum on Islamic Tourism, wishing to promote Indonesia as the most preferred Muslim-friendly holiday destination as well as to develop the Halal travel industry in the country. The event was organised by the Indonesian Ministry of Tourism and Creative Economy, and was attended by representatives of 27 OIC member countries. More marketing efforts are planned including participation in the 2015 Arabian Travel Mart in Dubai.

- **Japan:** Tourism offices and Chambers of Commerce in Japan have been conducting seminars to educate the tourism industry and restaurateurs on how to cater to Muslim needs. More prayer rooms are being opened at major airports and more restaurants are offering Halal.[21] It also published Muslim-friendly guides that provide information on Halal Food and prayer spaces. More airports are adding prayer rooms for Muslims, such as Haneda International Airport in Tokyo, which opened a prayer room in 2014. Kensai Airport, which already had a Muslim prayer room added two more in 2014. To encourage travel from its Muslim neighbours, it relaxed visa requirements for visitors from Indonesia, Malaysia and three other Southeast Asian countries.

- **Philippines:** To attract Muslim travellers from Saudi Arabia and the UAE during both Eid al-Fitr and Eid al-Adha in 2014, the Department of Tourism launched what it dubbed 'Eid Play

20 Wonderful Indonesia, A Muslim Friendly Destination, presentation by Mrs. Esthy Reko Astuty, Director General of Tourism Marketing, Minister of Tourism and Creative Economy, Indonesia — presented at 2014 Halal Tourism Conference, Granada, Spain

21 Japan woos Muslim travelers ahead of 2020 Olympic Games, The National, July, 2014

Photo courtesy of Abu Dhabi Tourism & Culture Authority

Love' packages, a take on the popular book and movie Eat Pray Love.[22]

- **Brazil:** Brazil's Federation of Muslim Associations handed out 65,000 copies of their 28-page 'Muslim Fan Guide' to Muslim fans during the World Cup, which also coincided with Ramadan. They also launched a smartphone app that includes a compass to locate Mecca and a list of Halal restaurants in each host city along with a 12-hour free hotline in English, Arabic, Spanish, French and Portuguese. The federation visited each hotel hosting the teams before players started to arrive to brief staff on the workings of Ramadan and any special requirements that may be expected of them.[23]

- **Saudi Arabia:** Jeddah is taking steps to become a tourism hub. It is completing the King Abdulaziz International Airport, upgrading accommodation facilities, and undergoing a major expansion of the Two Holy Mosques, in Makkah and Madinah.[24]

- **Turkey:** Segregated beaches are becoming a trend. Antalya opened a women 'sonly beach and further segregated beaches will follow if there is sufficient demand. However, Turkey is committed to allowing mixed beaches.

- **United Arab Emirates** is positioning itself as a Muslim-friendly destination. Abu Dhabi's Tourism and Culture Authority is working with travel companies to promote Halal/heritage tourism packages. Sharjah has been chosen as the Capital of Arab Tourism for 2015 and is expected to organise an Islamic Travel Summit in 2015, as it aims to play a bigger role in promoting co-operation within OIC member states in the travel sector. Dubai is continuing its promotion to attract travellers touting its Halal credentials and as a family-friendly shopping destination.

- **Andalucia, Spain:** The Andalucia region in Spain is home to some of the world's richest Islamic heritage sites, and the region is taking steps to welcome Muslim visitors. The 2014 Halal Tourism Conference, the first of its kind in a European country, was held in Granada and was sponsored by the Andalucia Tourism Board and the Tourism Board of Granada. Several hotels in Andalucia are Halal-friendly, offering Halal Food and providing prayer directions and the address of some of the nearby mosques. Examples include Gran Hotel Luna in Granada which offers Halal Food, and Alanda hotel in Marbella, which was the first hotel in to be certified by the Spanish Halal Institute.

- **Malaysia — medical tourism focus:** A top destination for Muslim travellers, has put an emphasis to become a medical tourism hub. Currently the country's medical tourism patients come from Indonesia, followed by the Middle East and North Africa[25]. At medical tourism centres, female patients can be treated by female doctors and there are prayer facilities and copies of the Quran available.

Hospitality

- **Maldives attracts investment:** A $170 million resort built on Islamic principles will open in the Maldives in October. A joint venture between Maldives' ADK Group and Turkey's Capris Gold Group will offer Muslim-friendly services such as a separate beach for ladies only, certified Halal buffet in all restaurants and family-friendly facilities.[26]

- **Aerostar Hotel in Moscow becomes Halal.** In a bid to attract Muslim visitors, Aerostar Hotel started catering to Muslim needs. One of the hotel's kitchens has been certified Halal; they have a copy of the Quran, a prayer mat and the Qibla direction in 20 of their rooms. Even the shampoo and soap in the rooms are certified Halal. They also have two prayer rooms, one for men and one for women. Currently about

22 Philippines expands offerings to Muslim travelers, TTG Asia, July 2014
23 Hunger Games? World Cup Guide for Muslim fans and Halal Hooligans!, Albawaba, June 2014
24 Saudi Arabia: The Halal Las Vegas? Jeddah to become "top tourism hub", Halal Focus, March 2014
25 Malaysia tries to parlay appeal to Muslim visitors into medical tourism push, Reuters, July 2014
26 The Making of Halal Travel Experts, TTG Asia

13% of the hotel's guests come from Muslim countries, especially Iran. The Russian tourism industry has been seeing a decline in the number of visitors, especially from the West, which has led hotels to try to attract visitors from other parts of the world.[27]

- **Luxury Halal hotels:** For the most part, Halal-friendly hotels are not usually equated with luxury, however, a new hotel brand: Shaza Hotels, which is part of the Kempinski brand, aims to change this. The hotel group offers guests a luxurious experience while respecting their values. The hotel group currently has one hotel in Medinah and is planning 25 hotels under the Shaza brand, primarily in the Middle East and eventually in other locations. Currently there are hotels under development in Oman, Qatar, Jordan, Morocco and Egypt.

- **Burkini ban**: Several resorts in Morocco ban the burkini (the Muslim full cover bathing suits) in their pools, many citing hygiene reasons. This is a setback to efforts by destinations to become more Muslim-friendly, as several resorts in destinations such as Turkey, Egypt and the UAE are actually trying to become more Muslim friendly by creating women-only pools and welcoming the Muslim full bathing suit.[28]

- **Bera Hotel Alanya, Turkey** has an open-air, ladies-only pool on the top floor to which access is strictly guarded; the elevators leading up to the pool are female only and no camera phones nor are boys aged over six are allowed. On the beach, women are required to dress modestly and burkinis (the full Muslim swimsuit) are welcomed. The resort in general is family-friendly; it includes children's pools with waterslides and plenty of play areas. In the evenings, they have children's entertainment. Rooms include a Quran, a prayer rug and prayer beads and a Qibla indicator. Digital displays by the lifts on every lobby indicate accurate prayer times. There is also a hotel mosque.

- **The Dorchester in London** increased its focus on Muslim travellers in 2014 by providing Arabic-speaking staff — especially for Ramadan. They altered the shift times of operational staff during Ramadan to accommodate late-night requests of fasting guests. During the day, housekeeping staff were instructed not to service the rooms of fasting guests to avoid disrupting their sleep.[29]

- **In Switzerland, the Tschuggen Grand** launched its Arabian Fairytale package targeting Ramadan travellers. The hotel provided traditional Halal Food, separate men's and women's prayer rooms, room service that is respectful of Ramadan hours, Arabic-speaking staff and — for an additional fee — a private butler service.[30]

Travel agencies/ digital marketing platforms

- **CrescentRating — Halal Trip**: the Singapore-based company that rates hotels and resorts in terms of their Halal-friendliness, acquired HalalTrip.com, a global travel site catering to Muslim travellers, in December 2013. HalalTrip.com was relaunched as a full-fledged travel booking site that specialises in Muslim travel. Through a partnership with Booking.com, it now features over 380,000 Booking.com hotels and other accommodations. Flight booking technology is provided by Wego.com. Hotels rated by CrescentRating will also be featured on HalalTrip.com. The portal also includes a directory of Halal restaurants, mosques and other Halal-friendly services to allow Muslim travellers to fully plan and book their trip from one website.[31]

  CresentRating has also signed an agreement with global brand MasterCard to co-develop the MasterCard-CrescentRating Global Muslim Travel Index (GMTI). This break-through initiative brings a global multi-national financial services firm

27 Moscow hotel goes "halal" in bid to attract Muslim visitors from around the world, Biznews.com, October 2014
28 No Burkinis! Morocco hotels ban "halal" suit, Al Arabiya News, August 2014
29 The fast and the smooth: Ramadan travel is big business this year, TheNational, June 2014
30 Tschuggen Grand Hotel, Switzerland, launches special Arabian Fairytale package, TTG Mena, June 2014
31 Crescentrating.com

directly engaged with the growing Halal travel sector. *See information in 'Convergence' section.*

- **HalalBooking.com**: providing 'holidays in accordance with Islamic beliefs and practices'[32] is owned by Crescent Tours. They have developed a unique 'precise total family pricing' feature that allows for smoother booking for families, as it takes into account the exact ages of all children allowing for accurate pricing. It also provides a 'room suitability guarantee' where the website automatically determines and allows booking of those rooms in a hotel, which are suitable for a given family. These features save the customers' time and help to avoid surprises when they arrive at the hotel and are asked to pay extras for a bigger room.

- **Serendipity tailor-made:** a UK-based specialised travel agency has recently launched Luxury Halal Travel focussing on 'curating' premium travel experiences. Serendity's packages are unique because one of their travel packages is a Halal Tour of China and Hong Kong, another is a trip to Seychelles, and a third is a Tanzanian Safari. Each of their trips focusses on a specific theme rather than just being Muslim-friendly. Among their themes are: Foodie Heaven, which focuses on providing an authentic culinary experience, where all the food is Halal of course; having a wildlife experience, which includes stalking lions in the Serengeti, or whale watching off the coast of Sri Lanka. Abu Dhabi's Tourism and Culture Authority is working with Serendipity to test the market for Halal tourism in Abu Dhabi.

32 http://en.halalbooking.com/halal_holidays

Photo courtesy of Andalucian Routes

Key Challenges and Opportunities

Challenges

- **Serving Muslim needs while not alienating non-Muslims**: A common challenge for businesses serving Muslim travellers is to determine their appropriate positioning. Some hotels announce on their website that they are Shariah-compliant, which will not be appealing to potential non-Muslim guests, while others try to appeal to both Muslim and non-Muslim segments. For example, Sofyan Hotels in Indonesia announces on its website that its hotels are managed in compliance with the Islamic Shariah principles, while Jawhara hotels in the UAE promote their hotel as family-oriented.

- **There is a need for common standards and a uniform classification method**: As businesses and destinations use the terms 'Halal travel' 'Halal tourism,' 'Muslim-friendly', and 'Islamic travel' interchangeably, it is hard for the Muslim traveller to know what to expect. For example, one hotel might serve Halal meat alongside non- Halal-meat dishes, whereas the guest's expectation is for the whole kitchen to be Halal certified to avoid cross contamination. Another hotel's take on adhering to the principles of Islam is to have the call to prayer broadcast in all of the rooms. A company such as CrescentRating aims to standardise the industry by establishing a rating system for hotels and resorts, destinations, airports, travel agents, restaurants, and others, on their Halal friendliness.

- **Muslim-friendly hotels need to consider additional revenue streams since they do not have the income from alcohol that mainstream hotels rely on as a major revenue stream**: Some Halal hotels rely on renting their ballrooms for Muslim weddings or for corporate events. Other revenue streams may also be considered. For hotels that provide a separate floor for single women, this poses a capacity management issue, as they might not be able to utilise the full capacity of the hotel, which results in a loss of potential revenue.

- **Many five-star hotels and resorts in Muslim countries in the MENA region ban women from swimming in their pools while wearing a burkini** (the fully covered swimsuit for Muslim women). Most recently, several resorts in Morocco put up signs saying that burkinis were banned and that only western style bathing suits were allowed. This is a setback to efforts towards being Muslim-friendly.

- **Offering Muslim-friendly services are often affected by the political environment and the religious inclinations of the country's ruling party**: For example, under Erdogan's leadership in Turkey, Muslim-friendly resorts are flourishing and

even whole beaches in Antalya are becoming segregated. We wonder how Muslim-friendly efforts would be affected if the current government was replaced by a secular one.

Opportunities

- **There is a large overlap between Muslim-friendly travel and family-oriented travel that allows for targeting Muslims and non-Muslims alike: The industry should take advantage of that in its positioning and marketing messaging. One hotel that is positioning itself as a family**-friendly hotel is Al Jawhara Hotel in the UAE. The hotel focusses its family-oriented hospitality as its key selling point in its advertising as well as on its website.

- **There is an opportunity to offer themed travel trips to Muslim travellers**: Some examples include Ecotourism, Adventure travel, Wildlife Tours, Volunteerism, etc. More Muslims around the globe are eager to travel and eager to try new experiences and businesses should strive to fill this void. Bosnia Travel, based in the UAE, offers philanthropic trips to Bosnia in which travellers interact with the local community and are able to partake in charitable work.

- **The Middle East is starting to be viewed as a high growth market by major hotel brands**: Accor plans to have 100 hotels in the Middle East by 2017,[33] while Dubai plans to almost double the number of hotel rooms by 2020 as it expects a surge of visitors for that year's World Expo.[34] This is an opportunity for further investment in the travel industry in the Middle East region.

- **Ethical hospitality: Hotels striving to be Muslim-friendly should not just focus on serving Halal** Food and drink, and on providing segregated swimming pools but instead they need to ensure that their entire operation is in accordance with ethical Islamic principles, from financing to their treatment of their employees and to giving back to the local community. Consumers are increasingly concerned about the reputation of brands, and being acknowledged as an ethical company would equally appeal to Muslim as well as mainstream consumers.

- **Investments**: There is a significant opportunity for investors to invest in Halal hotels and resorts as well as in other businesses serving the Muslim travel market, especially given the shared Islamic values and shared needs for investment partners operating within those values.

- **Halal Food continues to be a main focus in non-Muslim majority markets**: Non-Muslim destinations eager to attract Muslim travellers are well advised to make Halal Food widely available since this continues to be the core need for Muslim travellers. In a 2012 DinarStandard/CrescentRating Industry Survey[35] of Muslim travellers globally, 67% highlighted 'Halal Food' as the top consideration 'important to them' when travelling for leisure. This was out of 10 options given.

- **Increased opportunity for related businesses**: The growth of the travel sector will result in new opportunities for related businesses, such as Halal Food businesses, tour guides, etc. Entrepreneurs and investors are well advised to look into these supporting sectors as they are expected to be areas of growth.

33 Accor Outlines Plan to Have 100 Hotels in the Middle East by 2017, May 2014, Skift.com

34 Dubai Says it Will Double the Number of Hotel Rooms it Has by 2020, March 2014, Skift.com

35 Global Muslim Lifestyle Market Study 2012 by DinarStandard & CrescentRating

SPECIAL FOCUS: **Hajj/Umrah**

Introduction

In 2012, 3.16 million Muslims performed the annual pilgrimage of Hajj to Makkah, Saudi Arabia. While this is one of the largest gatherings in the world, the demand or applicants who want to perform this almost week-long event has sky-rocketed and millions are on waiting lists. Given the finite location yet fast growing global Muslim population of more than 1.6 billion, today each country receives a Hajj quota proportionate to their population. The demand has been steadily growing also due to the affluence of many of the populations from emerging Muslim majority economies. Even with this quota allocation, Turkey has an approximate 20 year waiting list, in Malaysia it is 15 years and Indonesia it is approximately 10 years! As a result, many are opting to perform the non-mandatory Umrah pilgrimage, keeping the demand year-round.

Given the importance of this religious obligation, the host nation Saudi Arabia, has undertaken a massive expansion project to accommodate more pilgrims. Indeed, the annual event is a major revenue source as well. DinarStandard research **estimates 2013 revenues of $16.3 billion from international Hajj and Umrah visitors.**

A massive infrastructure upgrade worth over $100 billion is underway in Saudi Arabia. This focus topic looks at the various challenges and risks being faced by the government and the way in which an entire industry and ecosystem is evolving and growing to support this large demand and growth. It is no wonder that the hospitality sector is one of the best performing sectors on the Saudi stock exchange — Tadawul.

Pilgrim numbers and revenue estimates

Definitions: The Hajj is the Islamic pilgrimage to Makkah, Saudi Arabia. It is an annual event and is the fifth pillar of Islam, a religious duty that must be carried out at least once in a lifetime by every able-bodied Muslim who can afford to do so. The Hajj occurs the last month of the Islamic calendar — Dhul Hijjah. Because the Islamic calendar is a lunar calendar, the Gregorian date of the Hajj changes from year to year.

Umrah is also a pilgrimage to Makkah, Saudi Arabia, performed by Muslims that can be undertaken at any time of the year. It is sometimes called the 'minor pilgrimage' or 'lesser pilgrimage,' and is not compulsory but highly recommended.

Total numbers: There were a total of 5.7 million Hajj and Umrah *international* pilgrims (not including domestic) to Saudi Arabia in 2013. Out of this 1.38 million were estimated *international* Hajj pilgrims and 4.27 million international Umrah pilgrims.

The pilgrims come from every corner of the world where there is a Muslim population. Countries

HAJJ/UMRAH INTERNATIONAL PILGRIMS TO SAUDI ARABIA 2012-2019

	2012	2013	2014	2015	2016	2017	2018	2019
Number of Hajj trips from out of country	2,047,578	1,380,000	1,390,000	1,556,800	1,743,616	1,952,850	2,187,192	2,449,655
Number of Umrah trips from out of country	4,850,000	4,268,000	4,780,160	5,353,779	5,996,233	6,715,781	7,521,674	8,424,275
Total Hajj / Umrah trips from out of country	6,897,578	5,648,000	6,170,160	6,910,579	7,739,849	8,668,631	9,708,866	10,873,930

Source: Dinarstandard estimates & projections, Saudi Arabia Ministry of Foreign Affairs

HAJJ/UMRAH INTERNATIONAL PILGRIMS TO SAUDI ARABIA EXPENDITURE 2012-2019 (IN US$ BILLION)

	2012	2013	2014	2015	2016	2017	2018	2019
Total Hajj/Umrah pilgrim expenditure (without air travel)	$9.05	$8.10	$9.87	$12.12	$15.10	$18.59	$23.20	$28.94
Total Hajj/Umrah pilgrim expenditure (including air travel)	$19.27	$16.27	$18.51	$21.54	$25.74	$29.98	$34.93	$41.73

Source: Dinarstandard estimates & projections

Construction works are carried out as part of the Grand Mosque expansion project in the holy city of Mecca March 21, 2014. As a result of the expansion project, the whole space of the mosque, including the outdoor and indoor praying areas, will reach up to 800,000 square meters (197 acres). It will accommodate 2.6 million worshippers, officials said. REUTERS/Mohamed Al Hwaity

are given a quota relative to their population for Hajj travel in particular. DinarStandard research estimates that the total number of Hajj/Umrah international travellers is to reach 10.9 million in the year 2019.

2013 saw a big drop in pilgrim numbers owing to the Saudi's Hajj quotas being cut by 20% for foreign pilgrims and 50% for local pilgrims. This will go on until 2015 they have announced. In the previous year end 2012, the total estimated number of Hajj and Umrah pilgrims were 6.89 million.

Total expenditure: DinarStandard research estimates the average expense in 2013 for Hajj (including air travel) was $4,420/ pilgrim and for Umrah (including air travel) was $2,380. Based on this estimate and number of pilgrim estimates, 2013 total expenditure on Hajj and Umrah was $16.2 billion including air travel. Anticipating high growth as quotas get increased once the new infrastructure starts coming online as of this year, Hajj and Umrah expenditure is projected to reach $42 billion (including air travel) in 2019.

If added on to the overall global Muslim tourism estimate given above, Hajj and Umrah would represent 9.6% of the total Muslim tourism expenditure in 2013.

Ongoing expansion

AL-MASJID AL-HARAM EXPANSION

The most recent Haram expansion project, which started in 2011,[36] aims to increase the Grand Mosque's capacity to 2.2 million worshippers.37 It is expected to cost £13 billion and to take until 2020 to complete.38 The expansions have had major impacts from the reduction of quotas while work is being completed, to requiring an advanced transportation system because hotels are moving farther from the Haram.

However, the expansion is controversial since it will destroy 5000+ properties, including hotels and ancient sites, such as the house of Khadijah, the Prophet Muhammad's wife, which has already been replaced with a block of 1,400 lavatories; and Bayt Al-Mawlid, the house where Muhammad was born.39 In the Grand Mosque itself, a group of 500-year-old stone columns and vaults, inscribed with calligraphic poetry recounting Prophet

36 Saudi Arabia starts Mecca mosque expansion, Reuters, August 2011
37 http://www.arabnews.com/news/602561
38 http://www.theguardian.com/artanddesign/2013/oct/14/as-the-hajj-begins-the-destruction-of-meccas-heritage-continues
39 http://www.travelandescape.ca/2014/01/mecca-expansion-to-demolish-5000-more-properties/

Muhammad's journeys have now been demolished to make room for the extension.

AL MASJID AL NABAWI EXPANSION

The Masjid Al Nabawi is also undergoing expansion. The new expansion will allow the mosque to accommodate an additional 1.6 million worshippers, up from 200,000 prior to the expansions.[40]

As in the case of Al Haram, there is controversy surrounding a proposal by a leading Saudi academic to move Prophet Mohammed's tomb. There is no indication by the Saudi government that it will act upon this suggestion.[41]

Implications of the expansion

REDUCTION IN QUOTA

Saudi Arabia cut down Hajj quotas in 2013 by 20% for foreign pilgrims and 50% for local pilgrims. Early in 2014 it announced that the reduction would continue through 2015.[42] This announcement resulted in problems for many countries that had already accepted applications for 2014 based on their previous quotas.

EXPANSION WILL REQUIRE ENHANCED TRANSPORTATION SYSTEM

With accommodation moving farther from the Haram, good transportation systems need to be in place. One of the innovative options Saudi Arabia is looking into as a solution to Makkah's transportation system and easing of ground transportation congestions, is the Aerial Ropeway Transit (ART). It is a type of aerial transportation in which passengers are transported in cabins that are suspended and pulled by cables. The advantages of this transportation method is that it has relatively low capital and operational costs compared to other modes of transportation. In addition, it is not restricted by existing roads, it is energy efficient, it produces low emission rates, and its automated operation eliminates the need for drivers.[43]

New high-speed Railway linking Makkah and Madinah: The Haramain Railway project was started in 2010 to link the holy cities of Makkah and Madinah and to also provide transportation from the Red Sea Port of Jeddah, an entry point for millions of pilgrims to relieve road congestion. As of September of 2014, the project was 80 percent completed.[44] The project is slated to be completed in mid-2016 and is expected to cost nearly $12.2 billion.[45]

The Al Mashaaer Al Mugaddassah metro: This metro, which was completed in 2011, transports pilgrims between Makkah, Mount Arafa, Muzdalifah and Mina — all required stops on the Hajj. The metro was designed to shuttle 72,000 passengers an hour. Construction has also begun on a four-line metro system for the city of Makkah.[46]

Select related companies and organisations

HOTELS

Makkah clock royal tower — Makkah: five-star Fairmont hotel that is adjacent to the Masjid Al Haram with a great view of the Ka'aba. It is one of the world's tallest buildings, with 76 floors.

Al Medina Kareem Hotel — Madinah: three-star hotel close to the Masjidul Nabawi.

GOVERNMENT AGENCIES/MINISTRIES

Lembaga Tabung Haji (TH) — Malaysia: a Malaysian Hajj fund board. It is the official government agency that manages Hajj in Malaysia.

Diyanet İsleri Baskanligi (Presidency of Religious Affairs) — Turkey: the official government body that organises Hajj in Turkey.

40 Prophet's Mosque to hold 1.8m worshippers, The National, September 2012.
41 Saudis risk new Muslim division with proposal to move Mohamed's tomb, The Independent, September 2014
42 http://www.thenewstribe.com/2014/01/13/saudi-arabia-not-ready-to-restore-hajj-quota-in-2014/
43 http://www.arupconnect.com/2014/05/05/resilience-lessons-from-mecca/ ; Experiences with Aerial Ropeway Transportation Systems in the Urban Environment, Baha Alshalalfah
44 Haramain Railway chugs along, September 2014, Arab News
45 Saudi Haramain rail project to be ready 2015-2016, Emirates247.com, September 2014
46 How Saudi Arabia goes hi-tech to manage millions during the Hajj, CNN World, October 2014

Ministry of Religious Affairs — Indonesia: m manages 90% of Indonesia's Hajj quota. It offers regular Hajj packages, for which accommodation is mostly in hostels.

National Hajj Commission of Nigeria (NAHCON) — Nigeria: the government agency that manages Hajj in Nigeria.

TRAVEL AGENCIES

TH Travel & Services — Malaysia: wholly owned by Lembaga Tabung Haji (TH), which is the Malaysian Hajj fund board.

Al Yarmook Hajj Umra and Tours — United Arab Emirates: head office in Abu Dhabi and offices throughout the UAE. They offer both bus and flight pilgrim trips to Saudi Arabia.

Vakif tur — Turkey: government-linked agency established in 2008 by Dini ve Sosyal Hizmetler Vakfı, a strong sub-foundation of Turkish Diyanet Foundation (owned by Diyanet).

TECHNOLOGY

HajjSalam smartphone app: an app that can run without a live Internet connection to show pilgrims real-time, location and process-based support. The app provides guidance at every step of the pilgrimage. Features include prompting pilgrims to read or hear the appropriate prayers at the right time and place, counting the number of circuits made around the Ka'aba, and full camera, map, and social media integration.

Hajj iPhone app: Pilgrims geotag their tent before leaving to perform rituals so they can easily find it once they're done.

Electronic reception program: electronically monitors all pilgrims around the world from the moment they buy their service packages to their arrival at the Kingdom's ports. E-mails are then sent from the port to the employees in the two Holy Cities to prevent any chaos or errors in finalising their procedures.

Mecca 3D app: an app that is in the development phase to guide users through Hajj and Umrah rituals. The app support is the Oculus Rift, a virtual reality headset, which allows users to go on a virtual pilgrimage. A prototype of the app, which was released in the summer of 2014 has been downloaded about 80,000 times on Android and iOS.[47]

CONFERENCES

World Hajj and Umrah Convention (WHUC): an annual convention, launched in 2012, that takes place in London and brings together Hajj and Umrah industry players. The event involves a conference which covers industry related topics, with an exhibition. Every year the WHUC grants excellence awards to exceptional players in this space.

North American Hajj and Umrah Conference: an annual event that was launched in the United States in 2012. It aims to promote awareness of Hajj and includes lectures by religious scholars.

— Challenges

- **Quota limits are resulting in even longer waiting periods.** The waiting period in Turkey, for example is 20 years. The expansion projects being undertaken by Saudi Arabia, once completed, will allow the Kingdom to accommodate more pilgrims, hence easing of waiting periods.

- **Transporting the pilgrims is a huge logistical challenge for Saudi authorities.** It requires more than 20,000 buses and thousands of taxis.[48] Once in Makkah, pilgrims have to walk to and from sites as driving becomes impossible due to congestion. With the Haram expansions and building of new hotels that are farther away from the Haram, viable transportation options need to be considered, such as a high-speed train. One option that is being considered by the Saudi government is Aerial Ropeway Transit (ART), which is a type of aerial transportation in which passengers are transported in cabins that are suspended and pulled by cables. A metro, which was completed in 2011 transports pilgrims between Makkah,

47 The Controversy Over a Virtual Hajj for Muslims, Slate, October 2014
48 Hajj: Ebola, selfies and two million stories, AlJazeera, October 2014

Mount Arafa, Muzdalifah and Mina — all required stops on the Hajj. The railway line was designed to shuttle 72,000 passengers an hour. Construction has also begun on a four-line metro system for the city of Makkah.[49]

- **Crowd management:** With such large numbers of pilgrims coming together for hajj, crowd management tactics need to be in place to avoid stampedes. The Saudi government uses live crowd analytics software, CrowdVision, to manage the masses. The software spots patterns of crowd behavior that indicate potential danger; police and military monitor the live feeds from a control room and are able to take action if they notice any potential problems.

- **Risk of disease epidemics:** With millions of people coming together for Hajj from different parts of the world the risk of spreading disease is heightened. In 2014, the Ebola outbreak in West Africa had killed almost 5000 people by October 2014. Saudi officials barred pilgrims to come from Guinea, Liberia and Sierra Leone, which had been hardest hit by the illness. Health officials in the Kingdom were on high alert; they placed 180 ambulances on standby, as well as 22,000 health care professionals, 141 health centres, 25 hospitals with 5,250 beds, and 19,000 units of varying blood types,[50] and performed data screening on pilgrims upon arrival to the Kingdom as a precaution. Thankfully, the 2014 Hajj season was epidemic-free. Had the virus spread during Hajj, it could have led to a worldwide epidemic. Saudi Arabia was the country hardest hit by MERS, which has killed 331 people in the Kingdom since it first appeared in September 2012.[51]

- **Threat of ISIS:** With the extremist militant group ISIS posing a major threat in the region, Saudi

49 How Saudi Arabia goes hi-tech to manage millions during the Hajj, CNN World, October 2014

50 How Saudi Arabia goes hi-tech to manage millions during the Hajj, CNN World, October 2014

51 Rise in MERS cases prompts Saudi warning to residents, Reuters, October 2014

authorities have increased security measures for Hajj. For 2014, the authorities were concerned ISIS might try to disrupt the Hajj. To safeguard against the possibility of attack, officials installed thousands of CCTV cameras throughout the country, focussing on the holy sites, and employed facial recognition technology. They also employed 60,000 security troops.[52]

- **Coincidence of Hajj with summer:** In the coming years Hajj will coincide with summer, which means there is an increased danger of sunstroke/heat exhaustion. Saudi Arabia takes great measures to control the temperature by cooling the marble floor of the Haram; the entire structure of the Haram is cooled by the world's largest air-conditioning units. Nevertheless, there is an opportunity for private companies to produce individual cooling devices.

- **Hajj and Umrah scams:** Every year there are instances of fraudulent travel agencies luring would-be pilgrims into Hajj and Umrah scams. This is especially common in western countries, where there is less government control on travel agencies. Hajj fraud is very common in the UK where scam Hajj packages — with non-existent flights, accommodation and visas — have seen individuals losing as much as $55,000. Though just 200 UK hajj fraud cases were officially reported last year, the number of victims is estimated to be in the thousands. Authorities in the UK have been making attempts to tackle the problem and police have launched awareness campaigns. It also conducts raids on alleged Hajj fraudsters. In 2014, the police arrested two men on Hajj fraud charges and seized $650,000 in raids from two London-based travel agencies. Even Saudi Arabia, where travel agencies must be registered with the ministry, is not immune to scams. During the 2014 Hajj season, Saudi Arabia apprehended 51 fraudulent Hajj group owners in different parts of the Kingdom.

52 How Saudi Arabia goes hi-tech to manage millions during the Hajj, CNN World, October 2014

Opportunities

- **Islamic Finance for financing infrastructure and construction work:** The Haram expansions have provided opportunities for companies in the construction, infrastructure, and transportation sectors as well as many others. In terms of construction, the large national projects are usually awarded to Saudi family-run firms like Saudi Binladen Group and Saudi Oger in addition to joint ventures between Saudi contractors and international companies. Most recently, local firms have been added, according to Construction Week magazine.[53] There is an opportunity for Islamic Finance to provide working capital to these projects.

- **Hajj Funds:** A few nations have a Hajj saving scheme. Most prominent is the hajj fund established by Malaysia, followed by Indonesia's hajj fund. At the national level, they help mobilise domestic savings.

  INDONESIA
  Indonesia's Religious Affairs Ministry has accumulated $5.4 billion for its Hajj fund.[54] Millions of prospective pilgrims each pay a deposit of $2,200, which is roughly half of the total cost, to join the 12-year waiting period for Hajj.

  Indonesia has started to use these funds to finance public infra-structure projects. This new source of public investment has provided the government with $876 million so far, which should help reduce the country's reliance on foreign investors.[55] Like Malaysia, the country is setting up a Hajj financial management agency.

  However, the administration of Hajj deposits in Indonesia by religious authorities has long

53 KSA's Big 25 list of construction companies, ConstructionWeekOnline.com, March 2013
54 http://www.ft.com/intl/cms/s/0/fe4fbfe4-956a-11e3-8371-00144feab-7de.html#axzz39XIVEGH7
55 http://asia.nikkei.com/Business/Asean-Business-File/Indonesia-taps-Mecca-pilgrimage-fund-for-public-projects

been criticised and several government officials have been accused of fraudulent use of Hajj funds.

TABUNG HAJI — MALAYSIA
Headquartered in Kuala Lumpur, Tabung Haji (TH) facilitates savings for the pilgrimage to Makkah (Hajj) by investing in Shariah-compliant vehicles.

Through special arrangements with Malaysia's postal service and two commercial banks, TH collects deposits throughout the country at 345 locations. Employees in both the public and private sector enjoy the convenience of TH deducting directly from their salaries. In addition to deposit services, TH has collaborated with two commercial banks for transfer, withdrawal and ATM card services. TH then puts these funds to use in Shariah-compliant investments in industry, commerce, plantations and real estate thus allowing greater participation and funding in the country's economy.

Beyond its financial services to pilgrims, TH provides a subsidised pilgrim package. TH also provides religious and social services to current and prospective pilgrims. TH offers educational programs on the rites and rituals of the Hajj, arranges for medical services, and assists with visas, transportation and general welfare services for pilgrims both in Malaysia and Saudi Arabia.[56]

Tabung Haji Real Estate (THRE) is a 100% subsidiary of Tabung Haji that is operating in Saudi principally to manage and evaluate investment in the region and has about RM 659.42m ($217 million) worth of property investments in Saudi Arabia.

- **Pharma and vaccination needs:** With the risk of the spread of disease during Hajj and Umrah being high because of the large numbers of pilgrims from all around the globe, there is a need for Halal pharmaceutical products.

  In 2014 the Middle East respiratory syndrome coronavirus (MERS-CoV) was rampant in Saudi Arabia and many countries advised the elderly and the fragile to delay their trips. As of the writing of this report, there are no vaccines available for this virus. Malaysia has advised its pilgrims, especially senior citizens to get the H1N1 vaccine. Scientists in the United States are conducting research work to develop a vaccine and treatments for the disease. Countries such as Saudi Arabia and Malaysia should collaborate with U.S. scientists to develop a Halal vaccine.

  A Saudi corporation has invested $100 million in the Halal Industry Development Corporation (HDC) in Malaysia to produce Halal vaccines for meningitis, hepatitis and meningococcal disease by 2017.[57] The vaccines will be devoid of pork and will include ingredients extracted from animals that are slaughtered according to the Islamic Shariah.

- **Umrah leisure travel packages:** The demolition of sites associated with Prophet Mohammed in Makkah/Madinah will give greater prominence to historic sites in other countries such as the Cave of Herra in Jordan. For example, a U.S.-based travel company offers a Umrah package that includes two nights in Jerusalem, one night in Petra and one night in Amman. Iskandaria travel company in Indonesia offers Umrah plus Istanbul, and Umrah plus Amman and Aqsa, in addition to other Umrah Plus packages.

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56 Ishak, Mohd Shuhaimi Bin Haji, "Tabung Haji as an Islamic Financial Institution for Sustainable Economic Development," 2011 2nd International Conference on Humanities, Historical and Social Sciences, IPEDR vol.17 (2011), pp.236-240. www.ipedr.com/vol17/44-CHHSS%202011-H10057.pdf

57 http://www.arabnews.com/news/553471

Umrah plus Amman and Aqsa, in addition to other Umrah Plus packages.

- **Gifts and souvenirs from Makkah and Madinah:** Pilgrims like to buy gifts for their friends and family at home, yet the options available are mostly low quality items imported from China. There is a huge opportunity to develop high quality gifts at different price points. An example includes the Five Pillar's children's board games. Other gifts can be mini 3D replicas of historical sites.

- **Wearable cooling innovations:** With Hajj coinciding with summer for the next years, there is an opportunity for companies to innovate wearable cooling solutions for this market. Some solutions that already exist are wearable wraps that go around the neck that provide relief from heat. There are also cooling towels that retain water while remaining dry to the touch. The towel provides a cooling sensation while wet and when it stops cooling, can be simply re-wet to continue cooling.[58] Some future innovations include a personal air conditioning unit that is worn on the wrist, much like a smartwatch.[59] This was developed by PhD students at the Massachusetts Institute of Technology in the United States and is still in testing phase.

  There is an opportunity to develop Ihram wear that is made of a cooling fabric. The sportswear market already offers sweat-wicking and cooling shirts. There is even a sports line developed by U.S.-based Columbia Sportswear that claims to use new fabric technology that features sweat-activated cooling properties.[60]

58 http://www.froggtoggswarehouse.com/
59 http://www.wired.com/2013/10/an-ingenious-wristband-that-keeps-your-body-at-the-perfect-temperature-no-ac-required/
60 http://www.columbia.com/

Interviews

Sultan Al Dhaheri, Acting Executive Director, Abu Dhabi Tourism and Culture Authority (TCA Abu Dhabi)

Business background

Abu Dhabi stands apart from other destinations by virtue of its geography and rich heritage, both of which lend themselves to innovative in product development. For instance, in our Eastern Mangroves National Park we now have guided kayaking tours by a company which briefs people on the mangroves and their wildlife as they kayak in the sun in one of the most peaceful settings. We have specific desert products, sea products and an ancient oasis, which is surrounded by UNESCO World Heritage sites. Products are emerging around all of these as are events. We have desert heritage events — such as date and camel festivals and, more recently a desert endurance run — and a host of watersport activities from cruising, sailing and diving to stand-up paddle boarding and speedboat tours.

Muslim consumer needs

We can meet specific Muslim demands on a number of fronts — Halal Food and beverage is one, another is specific segmented family products and specific products segmented for use by the different genders. We also have a number of high and medium quality alcohol-free hotels and segmented sessions for females at mainline attractions.
Some of our operators are also realising the potential of the market. One example is the Captain Tony's Dhow boat cruises, which is now offering a ladies-only tour of the Corniche. Ladies-only sessions are also available at our award-winning Yas Waterworld Aqua Park and on Wednesday nights at Yas Marina Circuit, there is a whole evening of sport and activity training for ladies. Of course, a visit to our Sheikh Zayed Grand Mosque would be an essential on any Halal tourism agenda.

Strategy

Our strategy will involve the bringing together of a range of products which would qualify as Halal tourism but which, until today, have never been collated to make a substantial offering. Simultaneously, we are working with a number of industry suppliers to test the market — this includes Serendipity of the UK and four of our hotels, namely the One-To-One The Village; the Ayla Hotel in our heritage city of Al Ain, the Hala Arjaan by Rotana and Cristal Hotel in Abu Dhabi city are all now listed on www.HalalBooking.com. We are also currently working with a number of stakeholders to package post-Hajj and post-Umrah breaks for which we see potential given our close proximity to Makkah.

Challenges

Some of the challenges we face are due to lack of understanding of the potential of the product on behalf of owners and operators and lack of specified tours product for the segment.

هيئة أبوظبي للسياحة والثقافة
ABU DHABI TOURISM & CULTURE AUTHORITY

Interviews

Mohammad Zubair, General Secretary
Halal Development Foundation (Japan)

Organisational background

Halal Development Foundation Japan (HDFJ) was established in 2013. We are a Halal certifying body promoting Halal Foods, Halal Beverages, Halal tourism, and Islamic Finance. President of HDFJ is Mr. Idrisno Madjid, an Indonesian national living in Japan for over 40 years. We are striving to provide the best knowledge on Halal to Japanese industries and individuals by organising seminars on Halal related issues. HDFJ organised the 1st Japan Halal Summit in Tokyo in August 2014 in which VIPs, Halal experts and Halal certifying bodies from around 20 countries took part, including Chairman of Majlis Ulama Indonesia, H.E Prof. Dr. Kh. Din Syamsuddin. HDFJ has a board of food scientists and a Shariah board consisting of three Muftis and Shariah scholars.

Muslim consumer needs

As a Halal certifying body we have been receiving requests from Japanese hotels for Halal certifications due to the increasing number of Muslim tourists to Japan. The number of tourists from Indonesia and Malaysia is also increasing in Japan. As a host country of the Olympics 2020 in Tokyo, the government of Japan is aiming to increase the annual number of tourists to 20 million. It is expected that the number of Muslim tourists to Japan, which is already increasing, will grow more rapidly with these efforts.

Opportunities

HDFJ currently inaugurated working with one of the key Japanese prefectures, Yamanash, where Mount Fuji is situated. We are working to make Yamanashi prefecture one of the most favourite destinations in Japan. Japan is a beautiful country with countless cultural attractions. We are expanding our Halal promotional campaign to other prefectures of Japan. HDFJ will try its utmost effort to support Japan to become a favourite destination for Muslims. Connecting Japan and Islam with Halal trade is our slogan.

Challenges

Japan was far away from the Halal concept but the increasing number of Muslim tourists to Japan and some visa relaxation policies of the Japanese government for Indonesia, Malaysia, Philippines and Thailand have changed the industry. We are expecting many more changes because of the growing understating of Halal in Japan. Ten years ago, it was strange to ask a Japanese hotel if they have Halal Food but now in 2014 it is becoming a common question. Moreover, Japanese hotels administration is coming to learn about how they can convert their hotels to Halal or Halal-friendly.

JAPAN HALAL HDFJ

Interviews

Elnur Seyidli, Chairman of the Board
HalalBooking.com (UK/Online Global)

Business background

HalalBooking.com was established five years ago and now is the world's leading online booking website for Halal holidays. We currently offer more than 100 properties in various categories. We started our business initially by offering hotels in Turkey, but we have since expanded our portfolio to include the UAE, Egypt, Europe, Malaysia and other destinations. In terms of our customer base, we receive bookings from 73 countries worldwide. This global reach has allowed us to gain very good market insights into this specific customer base and we have identified distinct areas where the industry needs to develop further.

Muslim consumer market

The global demand has been increasing in the last 10 years and will continue to increase. We are working with many hoteliers and tourism offices helping them to design new Halal holiday destinations. Currently Turkey is far ahead, especially in Halal beach holidays, but other countries will soon buy fully into the concept and we will see hotels, resorts, and villa complexes appearing in many Muslim countries and some non-Muslim countries.

Family-centric unique proposition

Over the past years, we have developed a very advanced website. A customer can search a hotel on our website, check the exact pricing for the whole family (precise total prices are calculated for the whole family taking into account the number of adults and exact ages of children to ensure 100% correct pricing) and preferred dates, and book and pay for the hotel all online. We provide a room suitability guarantee.

The system takes into account the number of adults and ages of children and only offers those rooms to book which are suitable for the customer's family so that customer makes an informed decision then and there. In comparison, many other booking websites do not have this exact configuration and offer unsuitable rooms for online booking. This leads to undesired surprises later on at the hotel reception, requiring additional payments by the customer for a bigger/extra room.

Our strategy

HalalBooking is a technology and marketing company at its heart, and has a large team of software developers and online marketing experts. Our plan is to continue to innovate new technologies to fulfil our mission of HalalBooking.com being the best online search and booking platform for family holidays globally.

We plan to expand our portfolio significantly over the next few months by adding hotels in all major touristic destinations globally, which have Halal provisions, such as Halal food. Top priority destinations are all major European cities, North Africa, Arabian Peninsula and Asia Pacific countries. We expect to have over 500 hotels from 30 countries on our website within the next year.

Challenges

There are many gaps in this industry, which still need developing, but the three most urgent gaps to address are: 1) to develop more five-star resorts to meet the growing international demand; 2) to build new resorts with a more purpose-built design so that it offers facilities for the diverse customer groups; 3) to improve the English language proficiency of the hotel staff in all resorts.

HalalBooking
World Leader in Halal Holidays

Interviews

Chris Nader, Vice President — Development
Shaza Hotels (United Arab Emirates)

Business background

Shaza Hotels is the only international luxury hotel brand that offers Muslim travellers handcrafted guest experiences that respect their values and cultures. Shaza is an affiliate of Kempinski and a member of the Global Hotel Alliance. We currently have 10 hotels in our portfolio and expect to double this number in the next three years. We have a very ambitious development growth in the next three years and would like to see a Shaza Hotel in the major cities of the OIC countries. In addition, our aim is to open hotels wherever our guests travel extensively, such as in London and Paris.

Muslim consumer needs

Shaza was born in the Middle East out of a need to cater to the Muslim market by offering a brand that Muslims worldwide will be proud of. All our hotels have the Quran in the rooms, as well as a prayer mat and the Qibla direction. We only offer Halal Food and alcohol is not available in our hotels. We also have dedicated prayer rooms and ablution facilities, and separate spa and swimming pools for men and women. These are the some of the requirements to cater that Muslim travellers; however, Shaza is more than that. We have spent years and years researching with philanthropists, historians and industry experts on the needs and requirements of our guests, and have created unique concepts, facilities and amenities for our market.

Challenges

In terms of challenges, whilst the Halal market is growing and despite the fact that it is currently very lucrative, not enough investors are looking at owning hotels that cater to this market, especially in the luxury end. It is an untested market currently and we are seeing hesitation from some mainstream hotel investors who question whether the absence of alcohol means less profitability. This mindset is shifting and we are very grateful to the owners of our hotels who have trusted Shaza in managing their assets.

Opportunity

I believe that more international hotel brands are seeing the potential of this market, which is currently dominated by local brands or individual hotels. I expect that Shaza will soon face more competition in the luxury segment, but more importantly, other international brands will also enter the midscale and budget markets to cater to the Muslim travelers.

شذا
SHAZA
SALALAH

Interviews

Tariq Mahmood, Founder and Director
Andalucian Routes (Spain)

Business background

We are a family run business specialising in Halal-friendly tours. Over the years, we have developed a range of trips suitable for everyone including family holidays, youth adventures, treks, cultural tours, activity holidays, short breaks and tailor made holidays for those of you who would like their own structure. We have over 13 years of experience in providing tailored, educational and group tours to Andalucia (Islamic Spain). Our historical tours provide a substantial insight into the history of Al Andalus or Islamic Spain covering the rise and fall and after the fall. Andalucian Routes has gone from doing two maybe three tours a year to having three offices in Birmingham, UK; Granada, Spain; and Jeddah, KSA. The future looks bright in sha' Allah (God willing).

Muslim consumer needs

On our tours and other services we provide we ensure things like Halal Food is available, whether these are meals we have organised for our clients or advice on restaurants, take-aways etc. We have been working closely with the hotels we use to incorporate Halal elements wherever possible, so for example upon your arrival the hotel will provide a Muslim-friendly information sheet with location of local mosques, prayer time tables, Halal Food places. Some of the hotels have placed Qibla directions in the drawers of the rooms and last month we delivered our first set of Quran copies to one of the hotel chains we are working with.

We send out an advice sheet to clients before they join our tours explaining although our tours are not 'Islamic tours' we do request those joining to observe Islamic etiquette and respect others on the tour. We also incorporate a strong educational element to the tour, which we believe is a huge attraction to the Muslim traveller, and has been the unique factor behind our success and making us stand out from the rest.

Muslim market

The industry in the last years has completely changed. From Muslims travelling only to perform Hajj or Umrah or travelling to their, or their parent's, country of origin, to Muslims wanting to discover the world. Muslim travel has starting to boom over 10 years ago but then with 9/11, things rather froze, especially to non-Muslim destinations. Now it is as if the Muslim thirst for travel and seeing the world has been bottled up all these years has revived and they now they feel comfortable enough to venture back to those places they've wanted to visit.

Opportunity

In terms of the future, we're involved in a number of projects. They include highlighting the growth in the Muslim travel market whether this is advising the local hotels, travel agents tour operators restaurants etc. on the benefits of becoming Halal or Halal-friendly to organising conferences to bring about awareness and opportunities for key players to network, plan and address this sector which has huge potential. There are a number of other very exciting projects, which I am not at liberty to speak about at this stage but hope to announce soon.

Challenges

We are looking to streamline and make our tours more valuable, as Muslims feel they get short-changed or are treated lower than other tourists just because they happen to be Muslim. Through travel, we hope to address and change the image of Muslims around the world to counter the negative media stereotypes.

Andalucian Routes
Discover the Art of Travel

Case Studies

Adenya Resort
Turkey-based Halal resort

Adenya is a five-star resort that caters to the needs of Muslim families. They provide Halal Food, have no alcohol on premises and have facilities dedicated to women only such as swimming pools, spas and a unique beach area especially for women. Their evening entertainment programs are suitable for families with children. Adenya has a Halal certificate and a seven crescent rating from the Malaysian-based World Halal Union.

The resort was originally established to cater to the local market but they are starting to see Muslim tourists from outside Turkey as well, although spreading the awareness about the existence of Muslim-friendly beach resorts in Turkey is a challenge. In addition to locals, their guests are coming from Arab countries, Europe, Asia and the Caribbean. The resort's owner, Ilknur Tataroglu, hopes to launch additional hotels including city hotels and health resorts.

Adenya Resort is one example of Muslim-friendly, family-oriented beach resorts that have sprouted along Turkey's coastline. Such specialised resorts are most appropriate for destinations that have a sizable influx of Muslim visitors looking for a beach holiday.

Case Studies

Holiday Bosnia
UAE-based travel company

Holiday Bosnia is a destination management company, founded in the United Arab Emirates by Kamraan Siddiqui, offering customised travel experiences to Bosnia Herzegovina based on Islamic principles. They are open to people from all religions and focus on Islamic ethos in all areas of their work. They do not overcharge or mislead customers, offer value for money, and deliver a personalised service.

Their programs and tours are Halal-compliant; and they even take it a step further and focus on the social and spiritual needs of Muslims. For the social aspects, their programs include interaction with the Bosnian communities. For example, their guests can stay in a local village, meet local families and learn about the different religions in the country. They also run group trips for youths and corporate events, education and cultural programs. In terms of the spiritual aspects, they provide opportunities for their guests to get involved in charitable projects in which they can put their Zakat and Sadaqah to work. They also have religious study tours as well as nature trips, which enable people to learn, see and reflect upon the wonders of God's creation.

"Muslim travellers today are more vocal in expressing their preferences and requirements in terms of Halal Food and prayer facilities. Furthermore, the rise of the Muslim traveller has made the travel industry sit up and pay careful attention to meeting the needs of Muslim travellers. So there are also more options available for hotels worldwide that are fully Halal-compliant," says Kamraan Siddiqui, CEO.

Holiday Bosnia goes beyond meeting the basic needs of Muslim travellers in terms of Halal Food and prayer facilities and focusses on ethical principles of helping the less fortunate through charitable work, which meets the basic need for social interaction and curiosity towards others — both of which fulfil Muslim aspirations and also appeal to a wider audience.

Case Studies

HalalTrip
Singapore-based online travel booking platform

HalalTrip is an online travel service launched by CrescentRating, a leading authority on the Halal/Muslim travel segment. HalalTrip's vision is to provide Muslim travellers a one-stop online platform, where they can get inspiration, share travel experiences, plan their next trip and even book hotels, flights, tour packages. The platform provides information on services and facilities that cater to Muslim needs so they can make an educated choice when booking a hotel or a tour package. They have partnered with Kuoni, a leading group travel provider, as well as others, to provide travel packages worldwide. HalalTrip currently also provides guides specifically written for Muslim travellers for more than 1000 cities around the world. Their customers mainly come from South East Asia, Western Europe and the Middle East.

The most important aspect in growing their brand is to get more and more Muslims aware that they have Muslim-friendly options that they can choose for their travel. Fazal Bahardeen, Founder & CEO of CrescentRating and HalalTrip says, "There are two big challenges that most Muslim Lifestyle businesses are currently facing. The first challenge is to reach out to the very diverse and geographically spread Muslim consumers. As this segment is still new, many Muslim consumers are also unaware of the Muslim and Halal-friendly options that are more and more available now for them. As such, reaching out and educating them on the available options is the key. The second challenge is access to capital to scale these businesses. Not many angels, venture capitalists and private equity backers have realised the potential of the Muslim consumer market. As such, raising equity funding is still a huge challenge." HalalTrip 2.0 will be launched at the end of 2014 along with its mobile application bringing in a host of new services and features.

The founders of HalalTrip have realised that Muslim travellers, like other travellers are increasingly using the Internet to plan and even book their trip and have attempted to fill the gap in the market by providing a platform that offers both information on the Halal-friendliness of hotels, destinations, etc. and also allows travellers to book their trip.

Case Studies

MyPremiumEurope.com
Swiss-based luxury trip planning company

MyPremiumEurope.com is a high-end luxury platform providing services for travel, education and health care. The company has many clients from the Middle East, and since it caters to each client's individual needs, they have experience in catering to Muslim-related needs such as Halal Food and prayer areas. About 25% of their clients are Muslim, although the company does not specifically target Muslim clients. Peter Zombori, the founder and CEO of MyPremiumEurope.com has a personal view in terms of accommodating Muslim needs. After the 9/11 terrorist attacks in New York, he was bothered by the Islamophobia in the media, having travelled as a student throughout the Muslim world and having made many friendships there. He made sure his team accommodated the faith-related needs of their Muslim clients.

Businesses that find their products or services appealing to Muslims are well advised to either tailor their messaging to this market segment — through Muslim-specific media channels — or develop an extension of their product or service specifically tailored to Muslims. In the case of MyPremiumEurope, they have articles on their website focussing on Muslim travellers. Topics covered include the top Muslim-friendly hotels in some major European cities in addition to a piece on the top ten Muslim guest requirements at hotels. In terms of tailoring their product/service, in the case of MyPremiumEurope the nature of their service is that they accommodate the needs of each of their clients and no less so the faith-related needs of their Muslim clients.

REUTERS/Bazuki Muhammad

FASHION SECTOR

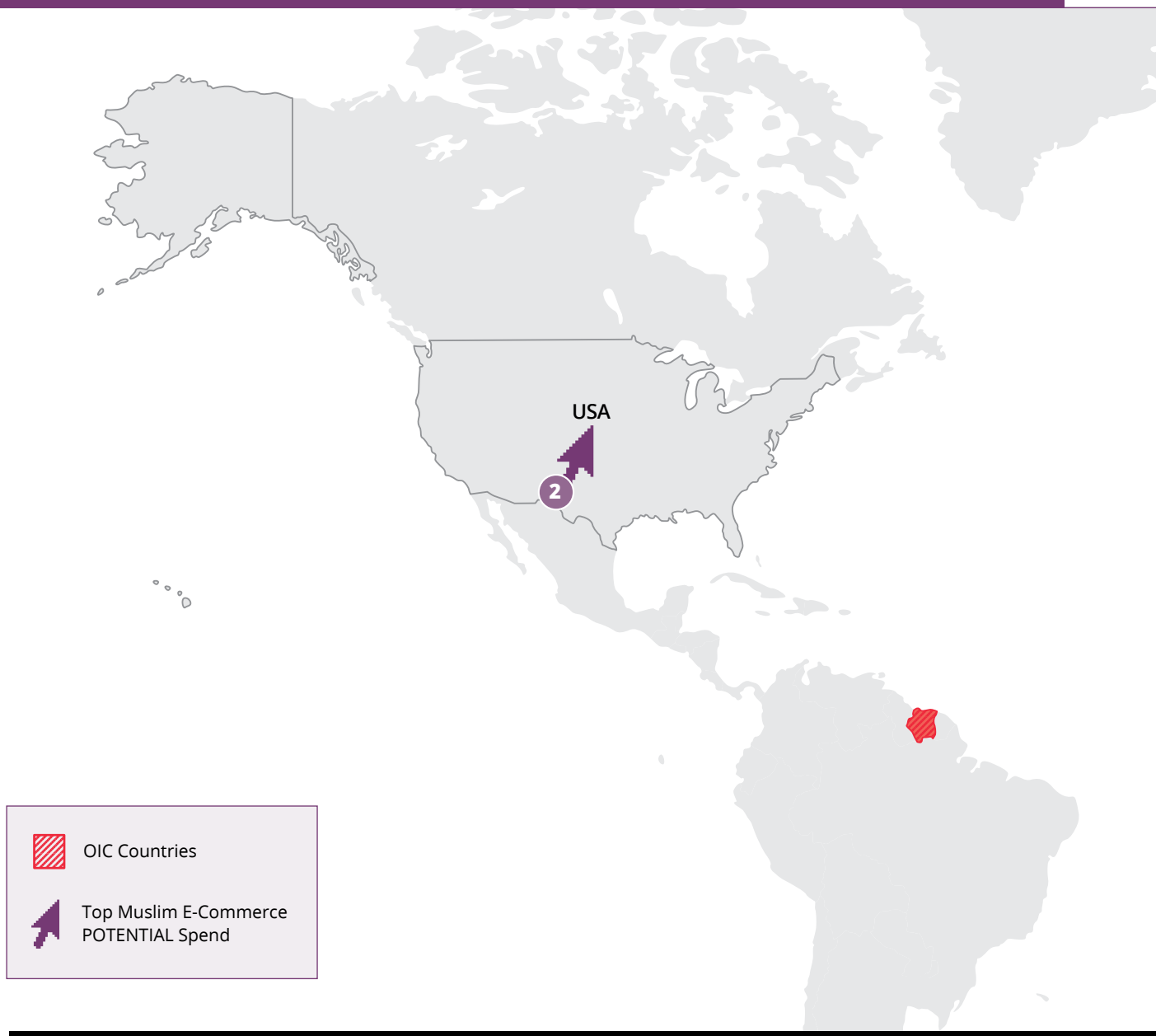
While established names of Muslim designers such as **Rabia Z (UAE)** and **Dian Pelangi (Indonesia)** continue to gain tractions both in their respective regions and globally, new labels and designers of Muslim clothing are emerging all over the globe. This Report estimates that global Muslim consumer spending on 'clothing and footwear' has **increased 11.9% to reach $266 billion in 2013.** This makes the Muslim clothing market to be 11.9% of global expenditure.

This year, the State of the Global Islamic Economy Report introduces a **Modest Fashion Indicator (MFI)** to evaluate countries' health and development of their modest fashion ecosystem. Across key 72 markets, **UAE, China** and **Italy** lead this MFI ranking that includes related social metrics.

Social media and e-commerce have been one of the key drivers behind the rapid growth of this industry in the past year. Facebook, Twitter and — perhaps most notably — Instagram enable modest fashion aficionados to upload and share pictures of their fashion ideas and inspirations with the world. This in turn has resulted in more creative endeavours and connections shared among industry players and consumers.

A special focus topic in this Report on 'Muslim Fashion e-commerce' looks at these modest fashion segments digital commerce developments and hotspots across the globe. DinarStandard estimates put Muslim consumers' **e-commerce expenditure at $4.8 billion in 2013.**

SPECIAL FOCUS: Muslims Fashion E-Commerce



Muslim E-commerce POTENTIAL Spend: Clothing and Footwear (US$ millions, 2013)

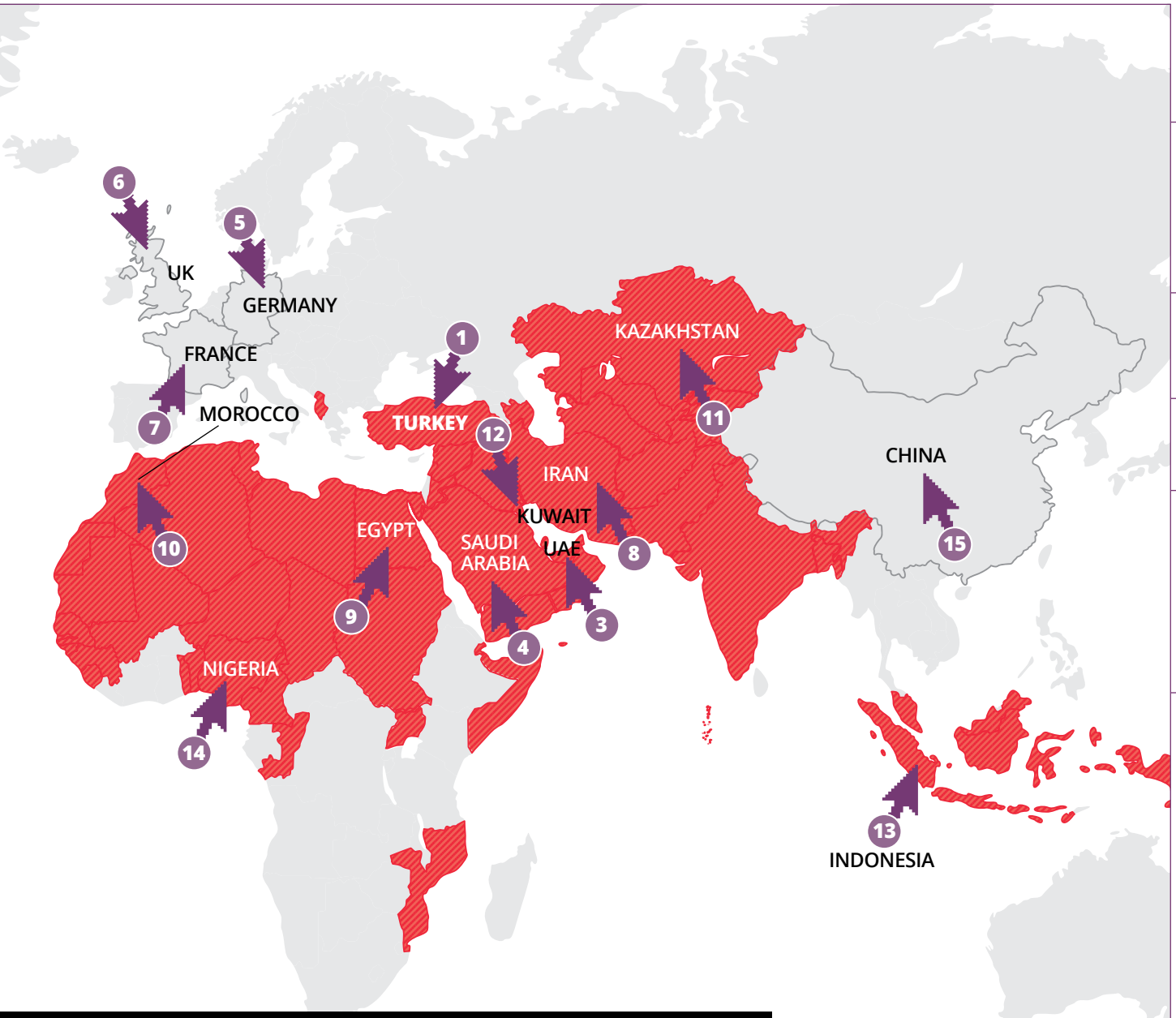
1	2	3	4	5	6	7	8	9
TURKEY	USA	UAE	SAUDI ARABIA	GERMANY	UK	FRANCE	IRAN	EGYPT
$474	$422	$428	$366	$291	$239	$211	$194	$164

Muslim Clothing Potential E-commerce Spend by Region (US$ bill, 2013)

WEST EUROPE $1.30	MENA GCC $1.05	CENTRAL ASIA $0.65	MENA OTHER $0.64	NORTH AMERICA $0.51	NORTH AMERICA $0.51	EAST ASIA $0.20

Select E-Commerce Sites by Country

TURKEY	SINGAPORE	INDIA	INDONESIA	UAE	GERMANY	MALAYSIA
Modanisa Aker Armine Kubra Tekin	Zalora	Cbazaar My Batua	Hijabenka Hijup Moshaict	Rabia Z Anna Hariri	CitraStyle Style Islam	Nashata Tudung People



10	11	12	13	14	15
MOROCCO	KAZAKHSTAN	KUWAIT	INDONESIA	NIGERIA	CHINA
$133	$123	$121	$110	$84	$78

SUB AFRICA $0.12	SOUTH ASIA $0.11	AUSTRALIA $0.05	EAST EUROPE $0.04	SOUTH AMERICAS $0.01

JORDAN	UK	USA	SAUDI ARABIA	AUSTRALIA
Shukr	Inayah Aab Islamic Design House Pearl Daisy	Artizara Al-Farah Vela Scarves	Desert Store Al Jalabiya	Hijab House Rayannes Design Acacia Label Emaan

The Modest Fashion Indicator (MFI)

- The 2014 State of the Global Islamic Economy Report introduces a 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.

- **United Arab Emirates, China and Italy** lead this inaugural Modest Fashion Indicator ranking that focusses 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.)
  1. Supply drivers relative to country size (clothing export to OIC countries)
  2. Awareness (Number of news articles and events)
  3. Social (clothing pricing index and labour fairness index)

TOP 15 MODEST FASHION INDICATOR COUNTRIES: SUB-CATEGORY BREAKDOWN

	Sector Score	Exports to OIC Score	Aware Score	Social Score	GIE Ranking
United Arab Emirates	29.7	38.8	19.0	31.4	**2**
China	29.0	53.5	0.0	33.6	**43**
Italy	28.6	15.2	0.0	70.6	**36**
Turkey	27.6	37.9	12.9	32.0	**14**
France	26.3	8.1	0.0	70.9	**26**
India	26.2	15.3	0.4	62.9	**28**
South Africa	26.1	1.0	0.0	77.2	**23**
Sri Lanka	24.8	6.0	0.0	68.4	**20**
Germany	24.6	2.9	0.0	71.1	**32**
Singapore	24.5	26.3	0.0	47.4	**13**
Senegal	24.5	0.0	0.0	73.4	**34**
Cameroon	22.3	0.0	0.0	66.9	**50**
Tunisia	21.6	2.5	0.0	62.3	**29**
Uganda	21.1	0.2	0.0	63.3	**39**
Malaysia	20.5	3.1	22.2	36.1	**1**

- **United Arab Emirates** leads the list by virtue of its high clothing exports to Organisation of Islamic Cooperation (OIC) countries relative to its size as well as high market awareness evident in Dubai's push to become an Islamic economy hub.

- **China** is next on the list given it is the most important clothing exporter to OIC countries measured in absolute terms, and secondly after relative size adjustment.

- In terms of awareness, **Turkey** is among the top countries showing significant focus on Muslim-oriented fashion brands and development. Indeed many Turkish Hijab and modest fashion brands are gaining global prominence. It is also a major exporter to OIC countries. Indonesia, which is not in the top 15 countries list does have the third highest awareness score but by virtue of its low exports to OIC countries its score is relative to its size so it is ranked 21 overall.

- **Italy and France** are in the top five as they rank very high in the Social Indicator and are important exporters to OIC countries, especially Italy.
- One of the observations of the overall scores is that most of the top 10 countries that are high clothing export markets have very little industry awareness about the modest clothing market fashion trend. This presents these markets with an opportunity to develop the **modest fashion segment.**

Demand Profile and Market Sectors

Values and adoption spectrum

Muslim fashion is driven by an underlying Islamic mandate to preserve modesty, as laid forth in the Quran and the Sunnah (way) of the Prophet (peace be upon him). In addition to being commanded to adhere to modesty, Muslims are also encouraged to wear good quality clothing so as to celebrate the blessings bestowed upon them by God. Muslim clothing has traditionally reflected the dynamism and diversity of the Islamic world, with varying styles that embrace local customs, which is also sanctioned by Islamic law as long as it is in keeping with Islamic modesty. Select verses in regard to the Islamic concept of modesty are as follows:

> *"Say to the believing men that they should lower their gaze and guard their modesty: that will make for greater purity for them: And Allah is well acquainted with all that they do. Surah" 24: 31*
>
> *"And say to the believing women that they should lower their gaze and guard their modesty; that they should not display their beauty and ornaments except what (must ordinarily) appear thereof; that they should draw their veils over their bosoms and not display their beauty except to their husbands, their fathers, their husband's fathers, their sons, their husbands' sons, their brothers or their brothers' sons, or their sisters' sons, or their women, or the slaves whom their right hands possess, or male servants free of physical needs, or small children who have no sense of the shame of sex; and that they should not strike their feet in order to draw attention to their hidden ornaments. And O ye Believers! turn ye all together towards Allah, that ye may attain Bliss. Surah" 33: 59*
>
> *"O ye Children of Adam! We have bestowed raiment upon you to cover your shame, as well as to be an adornment to you. But the raiment of righteousness,- that is the best. Such are among the Signs of Allah, that they may receive admonition! Surah" 7:26*

It is important to acknowledge that there is a wide diversity in interpretation and adoption of 'modesty' among Muslims across the world. In addition, geographic/cultural heritage also plays a strong role in its adoption.

Market size and profile — 266 billion market (11.9 % of global expenditure)

- 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 'clothing and footwear' to be $266 billion in 2013. The total

global spending during the same period is estimated to be $2,238 billion in 2013, making the Muslim clothing market 11.9% of global expenditure.

- Comparatively this is a 10% increase from 2012 Muslim clothing expenditure that was $242 billion (adjusted from the 2013 Report given updated baseline data from the International Comparison Program -ICP). Muslim clothing and footwear expenditure is expected to reach $484 billion market by 2019 and will account for 14.4% of global expenditure.

- If this market were a country, it would be ranked third after the largest two markets in the world--the United States spending ($494 billion), and China ($285 billion) in 2013.

- Top countries with Muslim consumers clothing consumption (based on 2013 data) are Turkey ($39.3 billion), United Arab Emirates ($22.5 billion), Indonesia ($18.8 billion), Iran ($17.1 billion), Saudi Arabia ($16 billion), and Nigeria ($14.4 billion). 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) plus North America (U.S., Canada) collectively spent an estimated $22 billion on clothing and footwear in 2012. This would make the western Muslim clothing market second only after Turkey. U.S. Muslims lead this grouping with an estimated $6.7 billion in clothing and footwear expenditure.

Industry trade trends

- The global clothing industry (value-added sectors) trade trend offers a good indicator of key markets that have major demand and those that are major suppliers. The 57 mostly-Muslim majority countries that form the OIC (Organisation of Islamic Cooperation) had an overall trade surplus in this sector with $64 billion in exports in 2013 and $28 billion in imports.[1]
- Top countries exporting clothing to OIC countries in 2013 were China, India, Turkey, Italy and France.

TOP MUSLIM CLOTHING* CONSUMPTION MARKETS

Country	Size (US$ bill)
Turkey	$ 39.3
United Arab Emirates	$ 22.5
Indonesia	$ 18.8
Iran, Islamic Rep.	$ 17.1
Saudi Arabia	$ 16.0
Nigeria	$ 14.4
Egypt, Arab Rep.	$ 13.7
Russian Federation	$ 13.1
Pakistan	$ 11.4
India	$ 10.3
Bangladesh	$ 7.0
Iraq	$ 6.9
United States	$ 6.7
Kuwait	$ 4.4
Germany	$ 4.2

*Clothing & Footwear Spending

TOP COUNTRIES: CLOTHING EXPORTS TO OIC COUNTRIES

Country	US$ mill, 2013
China	$ 27,085
India	$ 3,315
Turkey	$ 1,960
Italy	$ 1,491
France	$ 1,005
UAE	$ 987
United Kingdom	$ 611
Singapore	$ 583
Germany	$ 459
Indonesia	$ 413
Syria	$ 340
United States	$ 266
Thailand	$ 246
Egypt	$ 184
Pakistan	$ 161

1 Only for value-added clothing manufacturing sectors

Current Landscape and Trends

Industry value chain and modest fashion

- The key segments of the global clothing industry value chain that are structurally impacted by modest fashion needs are: clothing manufacturers (specifically in women's wear), distribution channels (i.e. retailers including those online), and designers. From the wider industry support ecosystem, marketing, media and financial services are also impacted as presented below.

Clothing Industry Segment	Modest Fashion Impact	Main Companies
Designers	Developing unique 'modest' clothing designs for Muslim consumers	slamic Design House (UK) Rabia Z (UAE) Dian Pelangi (Indonesia)
Clothing manufacturers	Manufacturing modest fashion	Tekbir (Turkey) Irada (Russia) Zühre Pardesü (Turkey) Bokitta (Lebanon)
Distribution channels	Developing shelf space or distinct retail brands for modest fashion *Refer to E-commerce Focus section*	Shukr (Jordan) Balqees (UAE) Armine (Turkey) Hijup (Indonesia)
Financial services	Supporting Shariah-compliant financing for Muslim fashion businesses/startups	
Marketing	Marketing campaigns that consider unique Muslim values	Ogilvy Noor JWT DinarStandard
Eco-System	Media and events catering to modest fashion	Indonesia Islamic Fashion Fair Malaysia Islamic Fashion Festival

Recent industry activities and trends

HIGHLIGHTS OF SELECT DEVELOPMENTS 2013/14

- **Modest fashion shows and events are proliferating:** Driven by the tremendous interest in modest clothing, Islamic fashion shows are proliferating all over the globe. In South East Asia, for example, **Indonesia Islamic Fashion Fair** and Malaysia's **Islamic Fashion Festival** are held on a national scale every year. Modest fashion events are also seen in countries where Muslims are a significant minority such as in USA and UK, albeit on a smaller scale.[2,3,4,5]

2 http://www.aquila-style.com/fashionbeauty/usa-islamic-fashion-week/50022/
3 http://www.aquila-style.com/fashionbeauty/hijab-fashion-week/48659/
4 http://www.patheos.com/blogs/mmw/2014/06/the-headwrap-expo-shifting-the-conversation/
5 https://www.facebook.com/hauteandmodesty

On the other hand, the abrupt cancellation of an Islamic fashion event early this year in Philadelphia, USA[6] also highlights an emerging need for modest/Islamic fashion industry association to issue guidelines and regulations for industry players.[7]

- **The emergence of modest fashion photography and modeling agencies:** In 2014, American photographer **Langston Hues** published a book on street style modest fashion, highlighting one of the main sources of inspiration for designers in this space.[8] Muslimah beauty pageants and modeling agencies are also mushrooming.[9,10] This phenomenon not only underlines the growing demand for Muslimah-friendly photography and modeling services, but also creates discussions and debates around modesty and the role of Muslim women in the fashion industry.[11,12]

- **Non-Muslim designers and labels are entering the space:** The high demand for Muslim wear has attracted non-Muslim designers to create select collections for their faithful customers. Malaysian designers **Melinda Looi**[13] and menswear designers **Joe Chia** and **Silas Liew**[14] are a few examples. Another notable example is **DKNY**, which launched a special collection for Ramadan in summer 201415. In the UK, retail chain **John Lewis** has launched a new line of hijab wear in its school uniform department this year.[16]

- **Creative collaborations:** As digital platforms are making the exchange of inspirations and ideas easier than ever, cross pollination of ideas and collaboration among creative entrepreneurs is going to continue to rise. Collaboration between **Shukr** and musicians **Zain Bikha** and **Native Deen**, as well as between London-based label **Nahara** and artist **Samir Malik**[17] are a couple examples.

- **Public figures setting trends:** Whether it's **Maher Zain's** hip-hop style or **Yuna Zarai's** turban and boots, Muslim men and women are getting their style cues from personalities they can relate to. The trend in Islamic fashion is often influenced or determined by a Muslim personality or public figure who gets a lot of attention in the media or social media.

6 http://www.aquila-style.com/focus-points/imfw-cancelled/61104/
7 http://www.islamicfashiondesigncouncil.org/guidelines/
8 http://www.aquila-style.com/fashionbeauty/photographer-langston-hues/59186/
9 http://www.aquila-style.com/focus-points/indonesians-hold-islams-answer-to-miss-world/45950/
10 http://underwrapsagency.carbonmade.com/
11 http://www.aquila-style.com/focus-points/hijabs-next-top-model/60926/
12 http://www.patheos.com/blogs/mmw/2013/06/on-not-living-up-to-the-hijab-tutorial-ideal/

13 http://www.nytimes.com/2011/02/18/fashion/18iht-rmuslim18.html?_r=0
14 http://www.thestar.com.my/Lifestyle/Features/2014/07/23/Menswear-for-Hari-Raya-4-designers-on-their-Aidilfitri-ensembles/
15 http://www.aquila-style.com/lifestyle/global-fashion/dkny-releases-special-ramadan-fashion-collection/71312/
16 http://rt.com/uk/180816-uk-retailer-school-hijabs/
17 http://islamicartsmagazine.com/magazine/view/nahara/

Photo courtesy of SHUKR Islamic Clothing

Key Challenges and Opportunities

Challenges

- **Scale and efficiency:** One of the constant challenges faced by small and medium enterprises in this space is how to balance quality and efficiency while at the same time following the fast-changing trend and growing the business. Financing to scale becomes a key hindrance such that effective R&D and operation adoption is able to sustain continued growth.

- **Competition from mainstream labels:** As mainstream labels are recognising the potentials of this space, Muslim-owned brands will face increasing competition from more established players with more capital and experience in the fashion industry.

- **Financing:** Many Muslim fashion start-ups are suffering to scale given limited Shariah-compliant small business financing options. In addition, the entrepreneurs lack a platform and support to develop the skills to attract and engage with investors.

- **Integrity:** One concern by many in the Islamic clothing and fashion industry is lack of integrity in adhering to the ideals and spirit of modest fashion based on Islamic principles. While various interpretations of modesty exist across the Muslim world, certain practices are seen to contradict the spirit of modest fashion. This can affect the credibility of this sector. It is similar to the Islamic Finance sector.

Opportunities

- **Digital platforms:** e-commerce, social media, mobile apps and other digital platforms provide unlimited opportunities for the growth of this space. It is crucial that players in this space keep up with technological advances and take advantage of the opportunities provided by digital platforms.

- **Clusters and collaborations:** players in this fragmented industry should seek out ways to achieve scale and efficiency through benchmarking and collaboration with other players. While design and creativity are necessary prerequisites to thrive in this space, business sustainability can only be achieved through operational excellence.

- **Western Muslim fashion market:** Muslims in Western Europe (Germany, France, UK) plus North America (US, Canada) collectively spent an estimated $22 billion on

clothing and footwear in 2013. This continues to be a large segment in itself with relative homogenous clothing patterns.

- **Developing branded global concepts:** with a $200+ billion consumer market, it is surprising that no focussed global fashion brand based on modest clothing exists today. There is an opportunity for developing global brands with Islam-inspired modesty and a global appeal.

- **OIC exporters/producers:** clothing production is a major industry for many of the OIC countries (Bangladesh, Turkey, Indonesia, Morocco, and Pakistan). Manufacturers who are producing clothing for global brands from the OIC countries already have the infrastructure to engage this market segment in a much more focussed way.

Photo courtesy of Modanisa

Photo courtesy of CitraStyle

SPECIAL FOCUS:
Clothing E-Commerce

Introduction

A few years ago, the fashion industry catering to the $224 billion[18] Muslim clothing consumer market started out its online presence as a niche market dominated by a few e-commerce sites selling predominantly ethnic clothing like traditional abayas and shalwar-khameez from Islamic countries. Today, fast-growing global clothing e-commerce focused on the Muslim consumers is estimated at $ 4.7 billion in 2013 by DinarStandard. While this represents a small percentage of the total clothing retail segment, it is the fastest growing channel. E-commerce apparel sales grew 25.4% in 2013 relative to its total sales growth worldwide of 5.8%. (eMarketer 2013)

The increasing simplicity of setting up a virtual store and social-media marketing has enabled many entrepreneurs in this field to extend sales beyond their national or regional boundaries. E-commerce is driving Muslim fashion creative space where fashion designers, entrepreneurs, event organisers, photographers and business professionals are

18 2012 DinarStandard estimate of Clothing & Footwear expenditure by Muslims globally

E-COMMERCE MUSLIM FASHION CATEGORIES

Source: DinarStandard Analysis

increasing cross-border homogeneity and purchasing of Muslim fashion. Muslim consumers in high-income western-markets are major target markets led by 'Hijab' (head-covering) fashion category for women.

E-Commerce Muslim Fashion Categories

Among existing major categories of fashion e-commerce sites, 'Hijab and related Women Fashion[19]' e-commerce sites by far is the leading category. In fact the term 'Hijab' is now a more popular search term on Google than 'Halal.' In a relative search term strength comparison as of May 2014, 'Hijab' was at 69, 'Halal' at 53 and 'Jilbab'[20] at 50.

19 Head-covering worn by Muslim women
20 A long and loose-fit coat worn by some Muslim women

e-Commerce Landscape

GLOBAL CONTEXT

Globally e-commerce continues to be a major growth story for retailers with 2.8 billion internet users globally in 2014 (40% of the global population,)[21] increasingly doing their purchases online. eMarketer, a global digital marketing research house, estimates that global consumer e-commerce purchases were up 20.1% from 2013 and will continue to rise significantly. Growth is expected to be driven from Asia-Pacific where Indonesia is a key e-commerce growth market and the largest Muslim consumer market globally. Meanwhile, the Middle East and Africa's digital buyer audience will grow faster than any other region, at a rate of 21.1% in 2014.

21 Worldwide Internet, Social Network And Mobile Users, Q2 2014 Complete Forecast, eMarketer

Specifically, e-commerce clothing sales grew 25.4% in 2013 relative to its total sales growth worldwide of 5.8%.

MUSLIM CLOTHING E-COMMERCE MARKET

Based on DinarStandard analysis, out of the $224 billion[22] Muslim clothing consumer market, e-commerce Clothing & Accessories purchases by Muslim consumers are estimated at $4.8 billion globally in 2013.[23]

The largest Muslim clothing e-commerce markets as of 2013 are Turkey ($474 million), USA ($442 mill), UAE ($428 mill), Saudi Arabia ($366 mill), Germany ($291 mill), UK ($239 mill), France ($211 mill), Iran ($191 mill), Egypt ($164 mill) and Morocco ($133 mill). This reflects the current internet and e-commerce penetration of these markets and Muslim population clothing spending.

An important observation is that four of these top ten markets are Western markets with Muslim consumers. While Indonesia is the second highest Muslim clothing retail market ($18 bill est.,) its clothing e-commerce is #13 in ranking and estimated at $110 million in 2013. However, Indonesia is one of the fastest growing e-commerce markets as highlighted earlier and as such a significant one as well.

Key Players

Below is a list of 25 most popular e-commerce properties catering to Muslim clothing market[24]. Turkey, UK, and Indonesia have the highest number of sites on this list. The highest number of sites are from the Western markets of UK, US and Germany. Malaysia, Saudi Arabia, UAE, Germany and USA all have two sites on this list.

22 2012 DinarStandard estimate of Clothing & Footwear expenditure by Muslims globally

23 2013 DinarStandard estimate of Clothing & Footwear ECOMMERCE expenditure by Muslim globally. Methodology: Applies retail E-commerce Sales as Percent of total Retail Sales to the estimated total Clothing & Footwear Retail sales data by Muslim population per country. Leverages eMarketer region level data on % of digital buyers as % of population

24 Based on Alexa.com ranking of Muslim related fashion/clothing sites that offer e-Commerce transactions. Please note Alexa's website popularity ranking is based on its estimated user visitors and does not represent actual eCommerce transactions.

Photo courtesy of Islamic Design House

TOP 25 MOST POPULAR E-COMMERCE PROPERTIES

Country based in	E-Commerce Site	URL	Category
Turkey	Modanisa	http://modanisa.com	Hijab / Women Fashion
Singapore	Zalora	http://www.zalora.com/	Conventional, w/ modest options for Muslims
India	Cbazaar	http://cbazaar.com	Ethnic clothing
Indonesia	Hijabenka	http://www.hijabenka.com	Hijab / Women Fashion
Indonesia	Hijup	http://www.hijup.com	Hijab / Women Fashion
UAE	Rabia Z	http://www.rabiaz.com/	Hijab / Women Fashion, Ethnic
India	My Batua	http://www.mybatua.com/	Women & Men Fashion, Other
Germany	CitraStyle	http://citrastyle.com/	Hijab / Women Fashion
Malaysia	Nashata	http://shop.nashata.com/	Sportswear& Swimsuits
Jordan	Shukr	http://shukronline.com	Women & Men Fashion, Other
UK	Inayah	http://www.inayahcollection.com/	Hijab / Women Fashion
Turkey	Aker	http://www.aker.com.tr/	Hijab / Women Fashion
Indonesia	Moshaict	http://moshaict.com	Hijab / Women Fashion
UK	Aab	http://www.aabcollection.com/	Hijab / Women Fashion
USA	Artizara	http://artizara.com	Hijab / Women Fashion
UAE	Anna Hariri	http://www.annahariri.com/	Hijab / Women Fashion
UK	Islamic Deisgn House	http://www.islamicdesignhouse.com/	Women & Men Fashion, Other
Turkey	Armine	http://www.armine.com.tr/	Hijab / Women Fashion
Malaysia	Tudung People	http://tudungpeople.com	Hijab / Women Fashion
UK	Pearl Daisy	http://pearl-daisy.com/	Hijab / Women Fashion
Germany	Style Islam	http://styleislam.com	Women & Men Fashion, Other
Saudi Arabia	Desert Store	http://www.desertstore.com/	Hijab / Women Fashion, Ethnic
Australia	Hijab House	http://www.hijabhouse.com.au/	Hijab / Women Fashion
Saudi Arabia	Al Jalabiya	http://www.aljalabiya.com/	Hijab / Women Fashion
Turkey	Kubra Tekin	http://kubratekin.com/	Hijab / Women Fashion

ETHNIC CLOTHING

Sellers of traditional plain black abayas such as Saudi Arabia-based **Desert Store**[25] are getting intense competition from vendors offering more colors and modern cuts. UK's **Aab**[26], **Roselle**[27] and **Abaya Addict**[28] — both are based in the UAE — are some examples of the latter.

The trend of combining traditional fabrics, prints and styling with touches of modernity is also seen in Malaysia and Indonesia. Designers **Jovian Mandagie and Rizalman** Ibrahim are a couple examples of Malaysia's creative talents who are famous for giving modern touches to traditional Malay outfit baju kurung. As kaftans gain more popularity in the West, so does the popularity of specialty fashion sites such as **Aljalabiya**[29], which focuses on selling kaftans suitable for Muslim fashion wearers. **CBazaar** is another specialty fashion e-store that sells Indian and Pakistani clothings. It has a special section for Eid/ Muslim fashion to cater to the specific needs of Muslim customers.

HIJAB/ WOMEN FASHION

HIjab fashion leads the e-commerce Muslim fashion sites which then includes other categories. Indonesia-based **Hijup**[30] has a diverse category ranging from hijabs to fashion magazines. In addition to hijabs, tops and bottoms, US-based **Artizara**[31] also has arts, gifts and jewelries as product categories. For other stores, the range of offering usually consists of all or some of the following: hijabs, clothes (tops, bottoms and dresses) and accessories. An example of an e-commerce site that adopts this strategy is Australia-based **Hijab House**[32] and Turkey's **Modanisa**[33].

Nevertheless, some enterprises have also been quite successful in building a sustainable business through a focused and consistent product innovation strategy. Lebanon-based **Bokitta**, for example, focuses on selling hassle-free hijabs[34]. Bokitta has franchises in Malaysia, Jordan and a number of African countries, including Nigeria. Its Nigerian retail partner, **MID Kollections**[35], also holds the exclusive retailing rights of several other familiar Islamic brands including the UK's **Islamic Design House**, the US's **Al Farah** and India's **My Batua**[36].

SPORTSWEAR & SWIMSUITS

As more and more Muslim women actively participate in sports, there is a growing need for hijab-friendly sportswear and swimming attire.

Several e-commerce sites that focus on providing sports hijabs and hijab fashion are **Capsters** (Netherlands), **Friniggi** (Botswana), **ResportOn** and **Queendom Hijabs** (Canada)[37] and **Nashata** (Singapore)[38].

Even non-Muslims are warming up to the idea of wearing a burkini aka modest swimsuit after celebrity chef Nigella Lawson was spotted relaxing on the beach wearing one. Sites that specialize on this category are **Ahiida** (Australia), **Al Sharifa** (USA), **Modestly Active** (UK)[39] and **Madamme BK**[40].

WOMEN & MEN FASHION, OTHER

Key e-commerce sites, led by Shukr Clothing, are catering equally to Men and Women clothing. Shukr has developed a reputation of high-quality, well designed, values inspired products. It is setting a strong branding benchmark that incorporates Islamic values as a core part of its product offering and customer experience.

Chenille Mens (UK)[41] and **Preview**[42] by Itang Yunasz (Indonesia) are providing hybrid options for modern Muslim men. Given the versatility and universal nature of T-shirt as a fashion item, T-shirts with Islamic slogans are now also widely available on the World Wide Web. Some well-known labels

25 http://www.desertstore.com
26 http://www.aabcollection.com
27 http://www.roselle.ae
28 https://www.abayaaddict.com
29 http://www.aljalabiya.com
30 http://www.hijup.com
31 http://artizara.com
32 http://hijabhouseonline.com.au
33 http://en.modanisa.com
34 http://www.bokitta.com/f
35 http://midkollections.com
36 http://www.aquila-style.com/fashionbeauty/nigeria-fashion-show/35575/
37 http://www.aquila-style.com/fashionbeauty/shopping/sports-hijabs-for-the-active-muslimah/18719/
38 http://shop.nashata.com/en
39 http://www.aquila-style.com/fashionbeauty/burqini-crush/52465/
40 http://coutureswimnsport.com
41 https://www.facebook.com/ChenilleMens
42 http://www.zalora.co.id/preview-itang-yunasz

Photo courtesy of Dian Pelangie

include **Islamic Design House**[43] (UK), **Style Islam**[44] (Germany) and **iHAQi**[45] (Indonesia).

Key Developments/ Trends:

ZALORA

A Singapore-based shopping website offering accessories, clothing, bags, shoes and beauty products. It has strong local presence with modest Muslim-consumer options in Indonesia and Malaysia. It has received $238 million in funding thus far[46]. Following its successful collaboration with Malaysian designer Rizalman Ibrahim in 2013[47], this year Zalora is working with up-and-coming Indonesian designer Jenahara to create an Islamic fashion line[48].

BERRYBENKA

Bullish about the industry growth and armed by US$5 million series B funding, Indonesia-born fashion e-commerce site Berrybenka has launched Hijabenka, a sister site especially catering to the needs of hijab fashion consumers[49].

MODANISA

One of the emerging contenders originating from this country is Modanisa[50]. Established in 2011, the Istanbul-based company has received $3 million investment from Aslanoba Capital in 2013 to finance its growth. Modanisa has made sales to customers in 45 countries; 26 percent of its sales come from outside Turkey[51]. In May 2014, Modanisa hosted the world's first online hijab fashion show, which was seen in 50 countries[52].

SHUKR

Jordanian company Shukr is an example of a Muslim fashion e-commerce venture that has successfully entered multiple markets. With

43 http://islamicdesignhouse.com
44 http://styleislam.com
45 http://ihaqishop.com
46 Crunchbase: http://www.crunchbase.com/organization/zalora
47 http://www.youtube.com/watch?v=xjqiKekvpAc
48 http://www.youtube.com/watch?v=xjqiKekvpAc
49 http://dailysocial.net/post/hijabenka
50 http://en.modanisa.com
51 http://webrazzi.com/2013/12/06/aslanoba-capital-modanisa-2-mily-on-dolar-yatirim-daha-yapti/
52 http://www.sabah.com.tr/Ekonomi/2014/05/30/50-ulkede-online-defile

distribution centers in North America, Europe and Australia as well as micro sites catering to these different markets, Shukr sets a benchmark on how multiple market expansion and distribution can be achieved in this space.

Opportunities & Challenges

ETHICAL FASHION AND PHILANTHROPY

The death of thousands of garment workers in the collapse of Rana Plaza in Bangladesh has highlighted the importance of ethical business practices in the fashion industry. For a number of major players in the modest fashion industry, including Shukr (Jordan), Artizara (USA) and Elenany (UK), ethical clothing production have been explicitly stated and integrated in their business values from the start.[53]

NICHE AREAS

Niche areas of opportunity include fashion for plus-size women, Muslim men's clothing, ethical or environmentally friendly-made Muslim clothes. Flash-sale e-commerce business model sites such as Gilt Groupe or Ideeli offer a unique opportunity for Muslim fashion e-commerce ventures. MarkaVIP is the largest e-commerce company in MENA in the apparel and accessories category with estimated US$9m in monthly orders and 450 employees. They operate the same business model as Gilt Groupe or Ideeli.

BUSINESS FUNDAMENTALS

Creativity, operational excellence and high adaptability to technological change are imperative traits to survive in this space. Better online retail experience and product viewing tools are key enablers. Mobile-commerce is an emerging area of e-commerce that should be focused on by e-commerce players. Collaboration among industry players and with entrepreneurs in other Islamic lifestyle sectors can also boost an enterprise's visibility and business growth.

ISLAMIC FINANCE & HALAL FASHION SME'S

Given the renewed focus on SME's by Islamic financial institutions, the Muslim fashion e-commerce sites should be an important one to consider given its fragmented but large volume activity. With some investments in the GCC and Turkey, there are already some benchmarks developing for investors.

53 http://www.aquila-style.com/lifestyle/ethical-muslim-fashion-brands/56541/

Photo courtesy of SHUKR Islamic Clothing

Interviews

Anas Sillwood, Co-Founder and Managing Partner
SHUKR Islamic Clothing (Jordan)

Business background

Launched in 2001, SHUKR was the first Islamic clothing company in the West to design and produce an innovative range of men's and women's clothing that combined Shariah principles for dressing with contemporary fashion.

SHUKR has registered companies in the USA, UK and Jordan and headquarters is based in Amman, Jordan. Production facilities are located in Jordan and Syria. It has its own distribution centre in Jordan and works with third party distribution centers in the USA and UK. SHUKR's main retail markets are North America and the UK, but there are substantial retail sales to over 50 countries across the world as well as numerous wholesale customers and franchisee holders.

Muslim consumer needs

SHUKR was the first Islamic clothing company to design and produce an innovative range of men's and women's clothing that combined Shariah principles for dressing with contemporary fashion. Rather than just focus on traditional Abayas, jilbabs, shalwar kameez and other styles found in the Muslim world, SHUKR introduced a unique product line of women's tops, skirts, trousers, dresses, jackets, coats, sportswear and knitwear, in addition to contemporary men's shirts, trousers, jackets and hats. SHUKR's products were initially aimed at meeting the needs of Muslim communities living in North America and in Europe where, especially after 9/11, there was a desperate need for contemporary Islamic clothing that was appropriate for Muslims living in the West.

Challenges

There are two types of challenges. One type is a business challenge and another a religious challenge.

As for the business challenge, it is related to the fact that the Islamic clothing market is still somewhat of a niche market. This causes production difficulties because producing high quality, competitively priced clothing normally requires significant production quantities, but the Islamic clothing market does not currently justify producing such large quantities in each style. Consequently, we have created our own production systems to deal with the problem of low volumes but still produced at high quality and at a competitive price.

As for the religious challenge, there is a tension between religion and commerce, in trying to find the right balance between Islamic modesty and producing and marketing attractive clothing.

Opportunities

Despite the explosion of Islamic clothing companies, Islamic fashion has not yet fully gone mainstream as a recognized industry, even in Muslim countries (except perhaps in Turkey). So there are numerous countries all around the world where there are untapped markets.

There are also no real multinational Islamic fashion brands like one finds in the mainstream fashion industry with solid presences in terms of brick-and-mortar stores all across the world. SHUKR aims to establish itself as the first truly multinational Islamic fashion brand.

Finally, there is an opportunity for Islamic fashion to impact and cross over into the mainstream fashion sphere, appealing to non-Muslims as well as Muslims. There are many religious Christians, Jews and other faith communities who would like more modest offerings than what the current mainstream fashion industry offers. Although it may not be considered "trendy" to dress modestly, SHUKR hopes to help change this perspective, one garment at a time.

SHUKR
ISLAMIC CLOTHING

Interviews

Alia Khan, Chairwoman
Islamic Fashion Design Council (UAE)

Business background

The Islamic Fashion Design Council (IFDC) is the only platform that services, supports, and develops the Islamic fashion industry and its players comprehensively. We have a range of products and services currently being developed and will soon be offered. We will be getting behind the creation of great merchandise, sportswear, new designs, etc. We will also promote the sale of designer creations through several channels. The plan is extensive and will be rolled out in phases in sha' Allah (God willing).

Serving the Muslim market

There is an increasing demand for stylish, versatile, yet appropriate Islamic clothing. The Muslim market does not want to compromise its Islamic values, yet they are no less vibrant and ambitious... from mipsters to the Muslim professionals, the scene is changing and they all know what they want. We must be cognizant of this as we guide the designers and industry players to cater to this booming market.

Challenges

It is a vast market. The diversity can be good and it can be challenging. Not everyone has the same ideas about Halal, compliance, etc. Then there's the cultural factor that is an added layer. Muslims literally come from everywhere...the east and the west. Where jeans and hijab might be acceptable in a place like NYC, it most certainly may be out of place anywhere in Yemen. So the range is huge and a lot more has to be done to understand this and to a large degree respect it no matter what anyone's personal views are. I think it creates more opportunity for all the players in the Islamic fashion space; there is something for everyone so it does not have to be dictated by seasonal trends like it is with mainstream fashion. I see that as a good thing.

Opportunities

Islamic clothing is supported by a loyal market. For example, when a woman commits to wearing hijab she does it for a higher purpose. That commitment tends to be solid. In other words, it is not a fad -it is a lifelong way of life. Therefore you can have a loyal client base that will only grow as new generations come of age. To designers, that has to be exciting. Certain challenges that mainstream designers deal with are just not there as a result of this market. That's not to imply there are no challenges, there are; but I am simply drawing a distinction here of whom this market is and why we expect immense growth from it.

IFDC
ISLAMIC FASHION
DESIGN COUNCIL

Interviews

Muhammad Chbib, Co-Founder and CEO
Citra Style (United Arab Emirates)

Business background

Citra Style is a new fashion label, designing and producing fashion items that target modern Muslim women across the globe. Our products are available around the globe, with a strong footprint in the USA, United Kingdom, Canada, and Germany. Citra Style aims at positioning our brand globally as a medium-priced high quality and trendy brand targeting Muslim women that comply with the modesty rules of Islam. The company was founded by Syrian/German entrepreneurs with over 20 years of experience in blue chip companies as well as in building and growing international companies. Citra Style has an online shop that is available globally and serves as the main channel to reach our customer base. In addition, we collaborate with a number of retailers in Europe and North America that list our products. In the near future we will roll out a shop-in-shop concept as well as flagship stores in select locations of dense Muslim populations in North America and Western Europe.

Serving the Muslim Market

We design, produce and sell high quality, and very trendy clothing for Muslimahs. We present our fashion in 'full looks,' i.e. we provide our customers with a complete styling that fits different needs, be it casual, festive, work, or working casual. We help Muslimahs stick to their beliefs and values without compromising on style. Hence, the name of the brand, i.e. Citra stands for modesty, while Style stands for our trendiness. We consider the fusion of these two elements the gist of our brand.

Challenges

Building and positioning our brand globally requires significant investment as well as a highly strategic and long-term focussed approach. The biggest — and ironic — challenge nowadays is the **lack of infrastructure on the funding side**, i.e., financial investors in the Islamic lifestyle sector are difficult to find within the Middle East. Given our background, experience, and profile, one could think that it would be fairly easy to raise equity funding by investors in the Middle East. Unfortunately, everyone we spoke with in the initial seed phase has been too risk averse, asking for someone else to 'lead the round,' and they would gladly follow. In the end, we had to resort to our European network and relationships, and acquire a European angel investor with a flashy name. Once we had this person on board, we received over 10 offers for investment from local parties, and were able to cherry pick.

Another challenge is that there is a lot of **inefficiency in the targeting** exercise since a lot of the standard channels (like TV or online advertising) have no or very limited segments that cover Muslims only. Hence, a lot of the marketing spend reaches non-Muslims alongside Muslims.

Market opportunities

There is a significant market size that still is untapped by Islamic oriented brands. We believe that 5-10 global brand names will emerge within the next 5-10 years to serve the Muslim fashion needs globally that are not tied to one of the existing non-Muslim large fashion labels.

We do believe that there will be a significant uptake in retail presence of modern Muslim fashion both in western countries as well as in the Middle East. Asian players (Indonesia and Malaysia) will also play an increasingly important role on a global scale.

CITRA STYLE

Case studies

Dian Pelangi
Indonesia-based modest clothing/ fashion company

Dian Pelangi is a Muslim fashion company in Indonesia. The company was founded in 1991 by husband and wife Bapak Ir. Djamaloedin and Ibu Hernani and was named after their newborn baby girl. Dian Pelangi, the daughter, is now the company's designer, having successfully graduated from Ecole Superieur des Arts et Techniques de la Mode (ESMOD). She has become known for her vibrant palettes and the marrying of traditional and modern designs.

The company now has 15 boutiques in Indonesia and one in Malaysia. Dian Pelangi highly values the Indonesian culture and heritage. Their clothing is made by hand using age-old traditional techniques such as weaving, batik, tie dye, beadwork and others.

Dian Pelangi's collection contains various designs of long dresses, long skirts, hijabs, blouses etc. They also have a men's line as well as bridal wear for the bride and groom.

The company faces challenges in exporting to other Muslim countries because they use typical Indonesian design and fabrics that are mainly appreciated by Indonesian customers, and fashion taste and trends tend to be different based on culture and weather.

"We see that Muslims are more open-minded and see that it's allowed to look beautiful in Islam, as long as it's modest. The Muslim fashion industry is growing because of this." Dian Pelangi — company's designer.

Case studies

Islamic Design House
UK based modest clothing/ fashion

Islamic Design House is a fashion and retail business that has been successfully doing business for more than a decade. They are global pioneers in the modest fashion market with online franchises in the U.S., Canada, and France as well as storefronts in Jordan, Tanzania, South Africa, United Arab Emirates, Kuwait, and Egypt.

Their styles include elements of fashionable trends while adhering to the Shariah dress code standards.

Islamic Design House has three main avenues of sales: online, retail franchise, and distribution; with the distribution network spanning more than 60 countries/cities globally. About 80% of their sales are through distribution to other retail outlets as well as across their own IDH franchise stores.

Harun Rashid, CFO, believes that growth in the future will be in creating more IDH franchises stores. "This is the only way to ensure that the standards of excellence are established and maintained." The company is keen to create this Global Islamic Retail brand and establish its roots deep within the next 5-10 years. "To achieve this we have chosen the franchising root. As franchising gives you — without large scale capital investment — the capital needed to expand the network, which comes from the franchisees. Rapid expansion speeds consumer recognition of the brand, ultimately maturing the Muslim market sooner than later," says Harun Rashid.

"The availability of Halal investment/finance is one of the top challenges. This I believe is the greatest impediment to both startups and SME to grow."

The Muslim market is full of talented people with very creative ideas for both products and services. With a little help we will see many more ideas coming to life and therefore the rate at which the market matures will substantially increase in sha' Allah.

Building a global brand is essential for companies in the Islamic fashion market, since the Muslim market exists everywhere from Indonesia to the United States." Islamic Design House, Harun Rashid — CFO⬢

Case studies

modanisa

Modanisa.com
Turkey-based Muslim fashion e-commerce site

Modanisa is a multi-brand online fashion retail site, serving Muslim women globally. It was launched in early 2011 and now works with some 300 brands and 28 designers, and has 15,000 different selections. The e-commerce site now has 5 million visitors per month.

The Istanbul-based company has received $3 million investment from Aslanoba Capital in 2013 to finance its growth.

Their primary market is Turkey, while 37% of their sales are International. Dubai, Saudi Arabia, France, England, Egypt, USA are among the top 10 markets for them.

One of their challenges is having to adjust their selections for each country since there is no unified global Muslim fashion look and there are no global Muslim fashion brands like Zara, H&M stores today. The interpretation of Hijab differs from one country /region to another in terms of preferred patterns, colors, fabrics, and styles.

Photo courtesy of Awakening Worldwide

Media and Recreation Sector

In a sign of growing global recognition of Muslim-themed identities in media, **Marvel** in 2013 introduced another Muslim superhero Kamala Khan, a teenage Muslim girl growing up in Jersey city who tries to right the wrongs of the world. **DC Comics** introduced a French Algerian version of Batman called Nightrunner as well as an Arab American as a member of the Green Lantern Corps called Simon Baz. **Alchemiya** (UK) launched a new 'values driven' digitial broadcast channel using an innovative subscription business model. Ramadan drama-series (**Musalsalat**) continue their multi-million dollar budgets. Thousands of digital mobile apps with Islamic themed content continue to come online. **Bitsmedia's Muslim Pro app** reached more than 10 million downloads in 2014.

This Report estimates Muslim populations globally to have spent a total of **$185 billion on 'recreation and culture' in 2013**.[1] This represents 5.2% of the global expenditure. Compared to the previous year this amounts to **7.3% growth**.

This year, the **State of the Global Islamic Economy Report** introduces a **Halal Media & Recreation indicator** to evaluate countries' health and development of their family-friendly/Halal media and recreationecosystem. Across key 70 markets, **Singapore, United Arab Emirates, and United Kingdom** lead this ranking that includes related social metrics.

1 Expenditure data baselined from 2005 International Comparison Program (Nominal values) + National Statistics Agencies + DinarStandard Analysis; IMF Outlook 2012 Database for projections; Muslim market estimates and value chain from DinarStandard; Trade data from UN Comtrade Database 2012; OIC = Organization of Islamic Cooperation (57 member countries)

The Halal Media and Recreation Indicator

- The 2014 State of the Global Islamic Economy Report introduces a 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 the United Kingdom** lead this inaugural **Halal Media and Recreation Indicator** ranking that focusses 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.)
    1. Supply drivers relative to country size (recreation exports to OIC[2])
    2. Awareness (number of news articles and events)
    3. Social (Internet access Index)

TOP 15 HALAL MEDIA AND RECREATION INDICATOR COUNTRIES: SUB-CATEGORY BREAKDOWN

	Sector Score	Recreation Exports to OIC	Aware	Social	GIE Ranking
Singapore	90.7	166.2	0.0	105.8	13
United Arab Emirates	80.4	81.4	32.4	127.5	2
United Kingdom	53.6	30.6	0.0	130.2	21
Malaysia	52.7	14.1	46.8	97.1	1
Lebanon	47.4	39.9	0.0	102.2	25
Germany	45.4	14.5	0.0	121.7	32
France	45.4	17.3	0.0	118.7	26
Bahrain	43.9	1.2	0.0	130.4	3
United States	42.5	5.6	0.0	122.0	33
Qatar	42.4	3.6	0.0	123.6	6
Australia	40.5	1.3	0.0	120.3	15
Kuwait	37.1	1.9	0.0	109.4	7
Oman	36.6	1.6	12.0	96.3	4
Brunei	36.2	0.1	14.9	93.5	11
Italy	34.1	17.7	0.0	84.7	36

- **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 Arab Emirates** and **Malaysia** rank very high in all three indicator categories (supply, awareness and social) that no other country in top 10 shares. The UAE's phenomenal growth in the Internet connectivity contributes to this as well.[3]

- **United Kingdom** is third 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 is to be noted that the UK has the most number (8) of Islamic- themed dedicated TV/broadcast channels out of any non-Muslim countries.

- **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.

- **Bahrain** and **Qatar's** appearance in the top 10 is mainly due to their very high Internet penetration (social indicator). Similarly to the United Arab Emirates, Bahrain has seen rapid growth in Internet access in recent years, a trend that is also visible in other Middle Eastern countries.[4]

- **Oman** and **Brunei** demonstrate high awareness implying growing awareness and interest in this category.

3 http://www.internetsociety.org/blog/2012/12/huge-gains-internet-connectivity-uae

4 http://www.zawya.com/story/UAE_Leads_Internet_Access_and_Use_in_the_Region-ZAWYA20140120132825/

Demand Profile and Market Sectors

Values and adoption spectrum

Muslims are enjoined by the Quran to adhere to high moral standards for the sake of God. They are enjoined above all else to be righteous and adhere to honesty and good behaviour with others. As such Muslims try to fulfil these obligations of good character by busying themselves with activities that will not have negative effects on themselves or their families. Though Muslims do not always agree on how to interpret these Quranic mandates in the modern age, generally speaking they incline towards forms of entertainment and media that have a positive effect on themselves and their families. Some Quranic verses on the subject of good or righteous behaviour are as follows:

- *But they who believe and do righteous deeds — those are the companions of Paradise; they will abide therein eternally. (2:82)*

- *Righteousness is not that you turn your faces toward the east or the west, but [true] righteousness is [in] one who believes in Allah, the Last Day, the angels, the Book, and the prophets and gives wealth, in spite of love for it, to relatives, orphans, the needy, the traveller, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives Zakat; [those who] fulfill their promise when they promise; and [those who] are patient in poverty and hardship and during battle. Those are the ones who have been true, and it is those who are the righteous. (2:177)*

It is important to acknowledge that there is a wide diversity in awareness and adoption of various Islamic values influencing Media and Recreation practices by Muslims globally.

Market size and profile — 185 billion market (5.2 % of global expenditure)

- Recreation and Culture as defined by World Bank's International Comparison Program is a broad category that includes movies, theatre, music, television subscription and equipment, sports equipment and activities, outdoor recreation, toys, art galleries, museums, parks, magazines, newspapers, and books.

- This Report estimates Muslim populations globally to have spent a total of $185 billion on Recreation and Culture in 2013.[5]This represents 5.2% of global

5 Expenditure data baselined from 2005 International Comparison Program (Nominal values) + national statistics agencies + DinarStandard analysis; IMF Outlook 2012 Database for projections; Muslim market estimates and value chain from DinarStandard; Trade data from UN Comtrade Database 2012; OIC = Organization of Islamic Cooperation (57 member countries)

expenditure. Compared to the previous year this accounts for 7.3% growth. (Note: additional countries were added compared to last year's GIE Report.) This expenditure is expected to reach $301 billion by 2019 (6.1% of global expenditure). Global spending on Recreation and Culture was expected to be US$ 3.6 trillion in 2013. 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 considered a country, it would be the fourth largest in the world compared to countries globally; with United States consumers spending the most ($1,043 billion in 2013). China, Japan, UK, Germany, and France are the next largest markets. China saw the biggest jump becoming the second largest after being the sixth largest last year.

- Top countries with Muslim consumers' recreation consumption (based on 2012 data) Turkey ($30.3 billion), Indonesia ($9.4), United States ($9.2 billion), Iran ($9.1 billion), and France ($9.1 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 $38 billion on Media and Recreation in 2013. **This would make the western Muslim media and recreation market the largest when compared to the largest country Turkey ($30 billion).**

- The global Media and Recreation industry trade trend offers a good indicator of the supply and demand profile of Muslim Media and Recreation services. The 57 mostly-Muslim majority countries that form the OIC (Organization of Islamic Cooperation) are net importers of Media and Recreation services $4.5 billion in exports in 2013 (2.8% of global exports) and $12 billion in imports (6.6% of global imports).[6]

TOP MUSLIM MEDIA AND RECREATION CONSUMPTION MARKETS

Country	2013 est (US$ bill)
Turkey	$ 30.27
Indonesia	$ 9.37
United States	$ 9.15
Iran, Islamic Rep.	$ 9.14
France	$ 9.08
United Kingdom	$ 8.72
Germany	$ 8.51
Russian Federation	$ 8.19
Saudi Arabia	$ 8.13
Egypt, Arab Rep.	$ 6.58
United Arab Emirates	$ 4.42
Malaysia	$ 3.64
Kazakhstan	$ 3.22
Morocco	$ 3.17
Canada	$ 2.91

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

6 Only for print (news, books, other) toys, games, sports, cultural recreational services, media and other information services. Based on trade data from UN Comtrade Database 2012; DinarStandard analysis; OIC = Organization of Islamic Cooperation (57 member countries)

Current Landscape & Trends

Industry value chain

- The key segments of the recreation industry value chain that are structurally impacted by Islamic values are: service providers, distribution channels (i.e. TV, radio, online/ apps, mobile cellular, print, and theatre) and talents. From the wider industry support ecosystem, marketing and financial services are also impacted as presented below.

Recent industry activities and trends

Media/ Recreation Segments	'Muslim' Recreation Impact	Select Companies
Talent	Talents catering to unique Islamic values and traditions	
Service providers	Media and recreation content producers addressing unique Islamic values and traditions (apps, print/ digital media, music, film, special events, toys/games, TV and radio)	**'Niche' Islamic media organizations:** Awakening Records (UK) Teshkeel Media Group (Kuwait) Ala (Turkey) Aquila Style (Singapore) Alnoor Holdings (Qatar)
Distribution channels	Unique distribution brands or concepts engaging the Muslim recreation audiences (online/ apps, mobile cellular, print, TV/ radio, retail, events/theatre)	**Regional/national broadcast media:** Astro Malaysia Rotana (Pan Arab) MBC (Pan-Arab) Dogan Media Group (Turkey) Geo TV Network (Pakistan) MNC International (Indonesia) **Religious/ lifestyle themed media:** Alchemiya (UK) Samanyolu TV Dost TV (Turkey) Peace TV (India) Republika (Indonesia) Quran TV (Pakistan) Al Quran (Saudi Arabia) **Digital Apps:** Thousands of mobile apps are now available catering to unique Islamic contents. On Android mobile platform there are over 3700 such titles **Other:** Islamic Art Festival (UAE) Zabiha.com (USA) Sakina Design (USA)

Media/ Recreation Segments	'Muslim' Recreation Impact	Select Companies
Financial services	Supporting Shariah-compliant financing for Muslim Media and Recreation businesses/ startups	
Training	Developing industry talent and best practices on Islamic values driven media and recreation	Creative Ummah
Marketing	Marketing campaigns that consider unique Muslim values	Ogilvy Noor JWT Middle East

- **Halalywood,** the first halal-certified film industry for Muslims, has been created in 2014 by Regan who has appeared in films such as Rush Hour 2. According to the Muslim comedian, the Halal film industry aims to defy the stereotyped image of Muslims portrayed in western and American media. Halalywoood is in the process of producing its first film under the title 'American Shari`ah.' The comedy/action film depicts the prejudice of U.S. officials who misuse the term of 'Islamophobia' to gain more power.[7]

- After 9/11, **Marvel Comics** introduced its first Muslim superhero, the Burqa clad Sooraya Qadir, who has the ability to transform into sand. In 2013, Marvel introduced another Muslim superhero Kamala Khan, a teenage Muslim girl growing up in Jersey city who tries to right the wrongs of the world. DC Comics, Marvel's main competitor, introduced a French Algerian version of Batman called Nightrunner as well as an Arab American as a member of the Green Lantern Corps called Simon Baz.[8]

- **British Muslim TV** is a new channel aimed at British Muslims that was launched in the UK in June 2014. It joins an already growing number of specialised, niche channels for religious and ethnic minorities in recent years. Airing on the British Sky digital platform, filming has already been underway to create content that reflects the different voices of the Muslim community in the UK and to embody the tagline 'Confidently Muslim, Comfortably British.' It has a line-up of programs that include entertainment and educational formats such as 'Teenie Vision' for younger audiences, lifestyle shows like 'Halal Kitchen' and political/current affairs based programs.[9]

- With **Awakenings Records** at the lead, the Islamic music industry continues to grow. Maher Zain, who is signed to Awakening Records, now has two multi-platinum albums under his belt. Sami Yusuf, who also started with Awakenings but is no longer with them, has self-coined a genre called 'Spiritique,' which he describes as more spiritual than religious and hopes for it to transcend race and religion. Saif Adam, a popular UK-born Muslim artist, also aims to produce music for Muslims and non-Muslims alike.[10]

- **Ramadan drama-series/Musalsalat** are growing in prominence. (See focus report.)

- **Muslim comedians** are attracting a lot of attention. In the U.S., American-Palestinian Muslim comedian Yousef Erakat, who started the YouTube channel FouseyTube in 2011, has more than 150 million views for his comedy sketches, which include light-hearted religious content such as funny things Muslims do while praying, to tackling serious social issues like homelessness and bullying. In the UK, 28-year-old Humza Arshad started a YouTube series Diary of a Bad Man in 2010 in which he

7 Islamic "Halalywood" Film Industry Set for Global Launch, Travel Impact Newswire, April 2014.
8 Marvel's newest hero is a Muslim girl. Entertainment industry, take note, The Guardian, November 2013.
9 New TV channel launches for 'comfortably British' Muslims, The Amilin Post, June 2014.
10 Halalywood: The rise of the Islamic entertainment industry, Aquila Style, April 2014.

REUTERS/Erik De Castro

presents a 'fictionalised' version of himself and his relationships with friends and family, which has also made him into something of an Internet celebrity.[11]

- **Bitsmedia** is a Singapore-based mobile apps factory specialising in apps for iPhone and Android. It released its **Muslim Pro app** during Ramadan in August 2010. Muslim Pro has reached more than 10 million downloads in 2014 across 216 countries worldwide since its launch. Muslim Pro, being the first Islamic app to be translated into 15 languages, provides accurate prayer times and Qibla directions based on a user's location as well as being integrated with popular location-based application Foursquare to find Halal restaurants or mosques.[12]

- **The gaming sector** is estimated to be worth more than US$1 billion in the Middle East and US$70 billion globally. Reports suggest that the Middle East is responsible for more than US$100 million in annual revenues from the online gaming industry. twofour54, the commercial arm of the Media Zone Authority, is an active investor in the gaming industry with a current investment portfolio that includes Tahadi Games, Falafel Games, Jawaker, SAE Institute, D1G, PopArabia, T-Break Media, Akhtaboot, Nibras, Istikana, as well as investments in specific content projects. twofour54 has also recently announced a partnership with accelerator, Flat6Labs, to provide seed funding, strategic mentorship, workspace and direct support for start-ups through an expansive network of partners and entrepreneurial activities.[13]

- Founded in 2010, **Falafel Games** is a leading developer for regional MMO titles that are culturally relevant and speak to Arab audiences. The company's founders, Vince Ghossoub and Radwan Kasmiya, have extensive experience in game development both regionally and internationally. The company aspires to be the leading developer of Browser and Mobile MMO Games in both the Middle East and the Muslim world through highly relevant content. It is the producer of 'Knights of Glory' — the first Arabic MMOSG (Massive Multiplayer Online Strategy Game) with Arabic themes, winner of the Readers' Choice Awards for 2011, 2012 and 2013, and currently the best-selling browser MMO in the MENA- and boasts an impressive pipeline of future titles.

- Interest in **contemporary Islamic art** has increased significantly among curators, art dealers, and collectors. Major exhibitions of Middle Eastern contemporary artists have been growing noticeably in Europe and the United States in recent years. In addition to that, the Middle East witnessed the opening of major contemporary art museums in Saudi Arabia, Iran, the United Arab Emirates, and Morocco.[14]

- **Muslim online blogs** continue to flourish. The Brass Crescent Awards[15] is an annual awards ceremony that honours the best writers and thinkers of the emerging Muslim blogosphere (a.k.a. the Islamsphere). Nominations are taken from blog readers, who then vote for the winners. Recent winners include: **ProductiveMuslim** which offers tips on being a more fulfilled practitioner of Islam, **MuslimMatters**, which was covered in CNN news report due to their efforts to combat extremism with their blend of traditional Islam and modernity, and Muslim Life Hackers (Mifrah Mahroof) which provides ways on how to get more out of you Islamic life through fun and entertaining ways, including a Ramadan maximising guide and a Facebook sunsighting project.[16]

11 Halalywood: The rise of the Islamic entertainment industry, Aquila Style, April 2014.
12 Muslim Pro app hits 10m downloads, Emirates 24/7, April 2014.
13 twofour54 Invests in Arabic Online Games Developer 'Falafel Games' Media Zones, Global Media Hubs, August 2014.
14 Global Trends in Contemporary Islamic Art, H-NET, June 2014.
15 Presenting the winners of the Tenth Annual Brass Crescent Awards, Brass Crescent, 2013.
16 Presenting the winners of the Tenth Annual Brass Crescent Awards, Brass Crescent, 2013.

Key Challenges and Opportunities

Challenges:

- **Financing** remains a major hurdle for Islamic media initiatives. Halalywood had to resort to crowdfunding to finance its first movie.[17] There is a dire need for Islamic institutional funding to support this promising sector.

- **Perception and education:** perception of Islamic media both from consumers and possible investors is limited to religious education media only. Not seeing the wider appeal and potential of entertainment and recreation media that is based on Islamic ethos is limiting the interest from both consumers and investors. The other challenge pertains to the negative global perceptions relating to geo-politics and Islam. This is affecting acceptance of Islam-inspired global media. A prime example has been the backlash that the successful 'The 99' comic series received in the Unites States over its mainstream distribution there.

- **Integrity:** certain forms of entertainment, being coined as Islamic, 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.

Opportunities:

- **Broadening the genre:** Islamic media and recreation is a booming sector with a large customer base. Additionally, many Muslim artists have expanded their scope to attract a larger audience as evidenced by Sami Yusuf's new 'Spiritique' genre. Muslim comedy artists also seem to transcend religious boundaries and attract large viewership.

- **Gaming:** the gaming industry seems to be especially promising and it has witnessed a number of new entrants in the past decade. With companies such as twofour54 and Flat6Labs providing seed funding and direct support for start-ups, it seems that this area is bound to flourish further.[18]

17 Halalywood: The rise of the Islamic entertainment industry, Aquila Style, April 2014
18 twofour54 Invests in Arabic Online Games Developer 'Falafel Games' Media Zones, Global Media Hubs, August 2014.

- **Marketing partnerships with other Islamic sectors:** given Media and Recreation draw large audiences, and in this case Muslim audiences, Halal Media and Recreation services should be able to develop strong marketing relationships with other Islamic economy sectors of food, finance, fashion, personal care, and others.

- **Western markets:** as highlighted earlier, Muslims in minority markets are a significant segment of the Muslim Media and Recreation market. Muslims in Western Europe (Germany, France, UK) plus North America (U.S., Canada) collectively spent an estimated $US38 billion on media and recreation in 2013. This is a large segment in itself with relative homogenous Media and Recreation needs. While small brands exist, there still remains a big opportunity to scale and develop regional media and recreation offerings.

- **Digital platforms:** technological innovations such as the Internet and mobile platforms have opened new doors for the industry and have facilitated market entry. A number of Muslim comedians gained popularity through their YouTube channels which gave them the exposure they needed to allow them to later go into mainstream media.

- **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.[19]

- **Developing globally branded halal integrity-based media concepts:** with more than a $US151 billion Media and Recreation consumer market, there are still barely any focussed global media brands based on Islamic values. The opportunity for developing global media brands with Islamic (family and socially conscious) values can have a global appeal. The 99 superheroes animation series is a good example. The next big Media and Recreation segment may be to develop global media/ recreation brands that are inspired by Islamic values.

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

Photo courtesy of Awakening Worldwide

SPECIAL FOCUS:
Islam-Themed Media Genres
Broadcast and Ramadan ('Musalsalats')

In the Muslim world religion dictates social and moral codes to a greater extent and not surprisingly plays an immense role in entertainment consumption and demand patterns of the faithful. Religious programming has been part of state broadcasts in several Arab countries for decades before the satellite era and now has enjoyed a renewed popularity in the satellite era.

National broadcast media set the stage prominent national broadcast media include Saudi Arabia. In the 1980s more than 25% of programming on Saudi channels was religious and by 1990s (Boyd, 2006) it rose to 50%. Dedicated channels for religious content are amongst the highest in terms of growth in the Arab world growing by 13% between 2009-2013 (Arab Media Outlook 2011-15).

Even in Asia, religious programming has substantial share amongst predominantly Muslim countries. Malaysia has overall 13.5% of the Islamic programming content broadcast on its stations with some

channels dedicating greater air time for religiously inspired content. AlHijrah for example has the most Islamic programs (67%) of its total broadcasting hours followed by TV9 at 23%.[20]

In Turkey, religiously inspired content has been increasing its share over the years with the launch of dedicated channels such as Irmak in 2013. There are today more than 10 dedicated Islamic channels in Turkey.

MUSLIM- MAJORITY COUNTRIES GROWING THEIR BROADCAST MEDIA ADVERTISING:

in the last 15 years since the advent of satellite TV in the OIC countries, the sector has witnessed significant developments, both in terms of escalated viewership and their distribution mechanism. Most OIC countries have recently seen proliferation of TV channels in a fashion that has resulted in amplified TV advertising. The projected TV advertising CAGR for OIC countries broadcast TV channels (terrestrial, satellite, cable) collectively between years 2013-18 is much higher at 9.91% than global average of 5.5% for the same time period, underscoring strong fundamentals for the sector in these markets.

PROFILE OF ISLAM THEMED GENRES:

The religious genre should not be considered with limitation of core-faith based programming alone (Quranic recitation; Tafseer programs,). Aas of today, this genre entails talk-shows, call-ins, reality programs, dramas, with a mix of prayer music and cartoons with moral messages.

In the MENA region, private broadcasters realiszed the potential with in this genre in the 1990s. ART from KSASaudi Arabia, established Iqra in 1998 as a channels appealing to youth and women. Iqra religious programming falls into many genres featuring popular Islamic preachers and live interaction with the audience. The trend set by Iqra was soon followed by Al Majd and Al Reslah . (Arab Television Industries Kraidy & Khalil, 2009).

TRADITIONAL CHANNELS & TV PERSONALITIES:

- **Al Majd** is an example of 'Ttraditional " channel as no singing, dancing, and only certain sounds and human chants are permissible following conservative doctrinal interpretations that prohibit or severely restrict the use of songs.

- **Al Resalah,** as an example of the latter, was established as 'unabashedly hip Islamic' by Kingdom Holding owner of Rotana. It has a slick screen appearance and its programing constitutes a mix of prayer, talk shows, music and cartoons with moral messages.

- **The success of thematic Islamic channels** has forced both local and general entertainment channels also to qualitatively and quantitatively develop religious programs — more so during Ramadan in most OIC countries from Pakistan to Egypt.

- **Charismatic speakers:** today the long and monotonous sermons of yesteryears have receded in favour of programmes featuring religious Sheikhs (clerics), Da'iya (preachers) and inspirational speakers. Some **tele-Islamists**[21] have created multimedia empires with books CDs, DVDs, websites, and most centrally, television. Perhaps the most successful is **Amr Khaled** the charismatic Egyptian preacher who every year revamps his daily show during Ramadan to focus on themes related to the holy month and to feature live viewer participation. Khaled's show alone accounted for 80% of advertising received by Iqra channel.

  The trend of these charismatic speakers is common across the entire OIC world with examples from the growing popularity of Nihat Hatipoglu, the most popular preacher in Turkey to Dr. Amir Liaqat who is a popular televangelist in Pakistan. These shows are interactive with passionate audiences, similar to evangelical TV shows in the United States, for instance, where intense audience participation is common.

20 http://irep.iium.edu.my/7554/2/Islamic_Program_in_Malaysian_TV.pdf

21 http://www.al-monitor.com/pulse/originals/2014/07/tremblay-media-ramadan-preachers-turkey-fast.html#ixzz37AgL0z1o

English-language global channels

There is an emerging trend to establish Arab-based Islamic channels broadcasting in English to reach non-Arabic but English speaking Muslims living in Europe and Asia. These channels are realising the potential of wider global Muslim audiences. Cairo-based **Al Huda** is an example of such a venture made possible by a budget of $13.3 million; its programming is more religiously skewed including Quranic teachings, fatwa and talk shows. The channel targets pan-Islamic rather than Pan-Arab audiences, drawing its anchors from multiethnic backgrounds representing and reaching out to the universal Muslim Ummah.

Likewise **Peace TV** broadcasting from Dubai with a similar strategy has all its programs in English targeting the wider global Muslim audience. Even channels originating from the west such as UK-based **Islam Channel** are targeting global Muslim markets because of the wider reach from their English programming and greater audience share.

LEADING GLOBAL ISLAMIC CHANNELS

Country	Location	Target Market	Platform
Al Huda	Egypt	Global	Free to Air
Islam Channel	UK	Global	Free to Air on Pay TV Platform
Peace TV	UAE	Global	Free to Air
Iqra	Saudi Arabia, Egypt, Jordan	Global	Global

Ramadan effect — drama series/ Musalsalat

During Ramadan religious programme broadcasting amplifies in all of the key markets of the OIC countries. In the Arab world during Ramadan there is an increased emphasis on religious content even on general entertainment channels to the effect that MTV Arabia decided against playing music during Ramadan in 2008. Ramadan shows have also proven to achieve high levels of ratings in Turkey also, with the most secular media outlets now providing some sort of Ramadan programming. Demand for religious programming is so high that Turkish state TV did not air the FIFA 2014 World Cup matches during Iftar (breaking the fast) programming and allotted those times for religious programs.

Ramadan creates momentary intra-industry rivalry between general and religious channels across OIC countries to capture the spirit of the holy month and increase the size of their audience. During Ramadan there is one programming type where religious dominance is clearly visible, which is the drama series, or Musalsalat in Arabic.

Today, in an overwhelmingly imported dominated TV market especially in MENA region, these drama series a.k.a. Musalsalat stand out in their indigenousness and mass popularity, being rivalled only by movies and football. The Arabic term Musalsalat stands for drama series with episodes of 30-45 minutes duration. The format is close to that of a Latin American telenovela, a concept of clear cut stories with definitive endings that permit narrative closures. Traditionally, Musalsalat were either situational comedies or religiously inspired. Present-day productions have started to address historical, creative and socially progressive issues, targeting the young and well-travelled audiences. Within this programming type, religiously and culturally relevant stories still are most coveted both by audiences and producers, especially those with directly religious themes.

These drama series get prime ratings throughout the year, with over 50 per cent of MENA viewers opting to watch them, according to research done by OSN network in 2013. However, Ramadan serves as the launch pad for many of these productions. It is evident that Musalsalat are paramount in Ramadan programming by their dominance on the grid and their ability to attract heavy ad-spend. The number of drama series produced specifically for Ramadan reached over 100 last year in the MENA region with Ramadan TV advertising amounting to $1,947billion constituting 21% of the total regional TV ad-spend of

$9,189billion. (PARC Ipsos, Internal Analysis)
The 2014 FIFA World Cup saw a big conflict from Ramadan programming TV and ad-times.[22]

Similar to the MENA region, the drama series genre is popular across other OIC markets such as in Indonesia and others during Ramadan. In Indonesia, Ramadan drama series and variations on which are now widely produced by most major national stations, have transformed the religious TV market in a spectacular fashion into a major generator of both revenue and perceived public good will.[23] Drama series in Pakistan also have had successful runs on various networks and have seen increased production over the years. Some of these series are being 'windowed' across various markets with strong links between Turkey and MENA. For instance, an emerging trend of subtitled programming is reaching as far as South East Asia.

22 http://variety.com/2014/tv/news/world-cup-to-compete-with-muslim-holiday-in-middle-east-1201219143/
23 https://www.academia.edu/2594429/Commercial_Islam_in_Indonesia_How_Television_Producers_Mediate_Religiosity_Among_National_Audiences

Opportunities

- **Musalsalat big budget productions:** The MENA region has seen big-budget Musalsalat (drama-series) production in recent years with mammoth investments in cinematography, set design, costumes and special effects, averaging a budget of $2 million to $3 million. This is reflective of the growing original content needed as advertising revenues and viewership rises.

REUTERS/Suhaib Salem

REUTERS/Bazuki Muhammad

- **Growing cross border trade within OIC:** there is a growing trend of exchange of content within this genre between OIC countries. Similarities between member countries within the OIC in terms of cultural and religious values is a key driver. The Turkish Arabic-language dubbed drama series 'Noor,' had 85 million viewers above 15 years of age for its finale) above 15 yearsof age in the MENA region, out of whom 60% were female.

- **MBC**, the leading regional broadcaster, for instance, has not only invested heavily in buying Turkish programing within the genre but also has successfully exported the Arabic content. For example, Salah Eldine el Ayoubi, a biopic of Saladin, was dubbed into Turkish and has enjoyed great success.

- **The quality of dubbing** is on the rise and the consistency in actors enables audiences to create an emotional attachment.

- **Mega-production across markets in OIC countries**: productions are themed around topics that may find resonance beyond the Arab world, such as epics set in bygone days of the Islamic empire and biographies exploring the lives of famous personalities. These have included dramatisations of the life of Salah Eldine el Ayoub, 11th century Persian poet Omar Khayyam and subjects of immense religious significance such as Omar. The Omar series is touted as the biggest drama production ever in the history of Arabic television aired in 2012 on MBC and is finding windowing opportunities in the form of English subtitled DVDs to be viewed as far as Southeast Asia.[24]

The series was broadcasted by ATV Company in Turkey after being dubbed in Turkish. Likewise, MBC also went into agreements with Malaysian, Indonesian, French and English companies to showcase their production.

Challenges

- **Controversies:** Although promising, the Islamic-themed genres are highly sensitive in regard to the audiences' expectations and reactions, with some of the best work produced being mired in controversies. 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. A case in point is the 2012 drama series, Omar, which was MBC's $50million production, portraying the life of Omar Ibn Al Khattab, the second Caliph of Islam that created huge controversies. Despite campaigns for the show to be boycotted and fatwas advising Muslims not to watch it because of its depiction of the Caliph for the first time on screen, the programme become a major hit for MBC, putting it in the top 10 most viewed shows for Ramadan in Saudi Arabia and the Arabian Gulf.

- **Arab Spring sensitivities:** the genre is also sensitive particularly (but not exclusively) in those markets which have been impacted by the Arab Spring, where some of the new channel launches have acted as a forum for airing converging religious and political views on sectarian lines to forward specific political mandates. For example, the recent launch of twelve new channels in Iraq and Lebanon are example of this trend.

24 http://www.dhakatribune.com/weekend/2014/jun/28/ramadan-tv-30-days-omar

Interviews

Navid Akhtar, CEO and Founder
Alchemiya Media (UK)

Business background

Alchemiya is offering an online video-on-demand TV service delivered via the internet to any web-enabled device (TV, desktop, laptop, table or smart phone). The channel features the world's best content about the Muslim world. Feature films, documentaries and lifestyle content, that features art, history, architecture, culture, science, business, education, spirituality and children's programmes.

Our target audience is the intelligent, cultured, thinking Muslim audience, which we call Global Urban Muslims. This unserved demographic is clustered in cites all over the world. They are young, well-educated, politically aware and socially conscious. They are raising young families, and are concerned with issues of education, health and child development.

Alchemiya aims to establish itself as a premium TV service that becomes the go-to channel for showcasing the best of Islam. We aim to establish and develop a global network of creative producers who produce high quality content. In return we seek to attract a customer base that is the vanguard of global Islam who is educated, productive, thoughtful, high achievers. Our channel goes online in 2015. We are targeting revenue of $1.3 million in our first year, growing to $120 million by the fifth year.

Financing

we are currently raising funds by way of advance subscriptions using a crowd-funding model through our website www.alchemiya.com. Out target is to raise 10,000 advance subscriptions at $160 (£100) each. This method employs the current start-up methodology of the lean start-up and Islamic Finance principles of shared risk and ownership. We continue to search for like-minded investors.

Challenges

I started my career at the BBC over 20 years ago and at that time faced a lot of criticism from both family and community who considered television as Haram. While this situation has now changed, we are still faced with investors who struggle to understand this industry, its workings and its opportunities.

Investment is further hampered by the inability of Islamic Finance to consider 'non actualised assets' and projects that are built on intellectual property. Finding and working with investors who genuinely understand this medium is a major challenge.

Future opportunities in the market

we have recently seen fast growth in the Halal tourism/ travel sector and in a similar way, Muslim consumers keep on growing as a significant market to serve. What was once a religious requirement focused on food is now an opportunity to create new goods and services that don't just meet needs but go beyond and enhance the Muslim identity. When executed well, it also attracts non-Muslim consumers who see the universal value of what is offered. Halal Food is for everyone, Islamic Finance can benefit society, and documentaries about Islamic art are watched by all.

ALCHEMIYA
ONLINE TELEVISION CHANNEL

Interviews

Sharif Banna MBE, Co-Founder & CEO
Awakening Worldwide (UK)

Business background

the Awakening brand is recognised as a one of the most respected Islamic media and publishing companies. For more than a decade, Awakening has been instrumental in increasing standards and pioneering ideas throughout this sector, whether it be for an album release or a state-of-the-art live concert. The reputation of Awakening's artists, authors and orators, along with its unflinching commitment to quality, have established Awakening as a leading brand and trendsetter in the market.

Our proposition is global and is primarily but not exclusively serving the global Muslim market cultural sector. There is a demand for faith-inspired and value-driven media content including music, comedy and live concerts. We have agreements in place with companies operating from Afghanistan to Austria and from Indonesia to Kuwait. By delivering high quality, easily accessible Islamic media content, Awakening is serving the faith-inspired global demand for Islamic media and entertainment. We are able to deliver this through fully leveraging the potential of social media such that we have the highest number of likes on Facebook for an Islamic media company (30 million +) and our content on YouTube has reached one billion views.

Challenges

The challenges are varied:

- Technology platforms: the intervention of digital platforms like iTunes has meant that in many of the markets the consumers simply cannot be accessed (low purchasing power via credit cards) or that the legal and regulatory infrastructure is simply not in place to protect rights of media companies. Due to this, significant revenue is lost.

- Ethical considerations: many lucrative partnership and sponsorship opportunities are lost because of these considerations.

- Financing: to our knowledge it is very challenging to attract equity financing in this sector. Even Islamic Finance institutions have made minimal investments in this sector — perhaps due the volatility of the media sector but more to do with lack of vision and in helping to grow the Islamic economy. We have been fortunate in having been able to successfully raise equity finance from Gulf-based individual investors who buy into our vision and market potential, and who invested in their personal capacities.

Opportunities

the opportunities lie in the challenges. Better regulatory frameworks in key markets will be important. Monetisation of the online space via Google/YouTube is set to break media companies into uncharted territories. Mobile telecommunications penetrating otherwise untouched markets is also set to be a significant driver of growth for media companies — something we are already leveraging (hence we have over 47 agreements with old and emerging telecom companies accessing markets we never targeted e.g.. Afghanistan and Thailand.

Future plans

We aim to consolidate our presence and expand into new media related sectors. Consolidation will consist of localising a lot of our content across the different markets we operate in. So for example, in parallel to focussing on creating global music celebrities we are harnessing local talents to become regional cultural icons. We are also expanding into movie production and the children's market through Awakening Pictures and Awakening Kids.

AWAKENING

Interviews

Peter Gould, Brand Designer & Digital Artist
Peter-Gould.com (Australia)

Business background

Around ten years ago I started a little design studio which has now grown into a beautiful team made up of talented, creative and fun people, alhamdulillah (praise be to God). Together we explore various avenues of expression using design and technology. Our core focus is centred around helping clients develop exciting brands, products, events and experiences, usually inspired by Islam. I consider myself so blessed to work on a diverse range of projects but especially bringing joy to children's education with games, e-books, apps and board games. It's a fun space to be in!

Fun brands and products for Muslims

my intention is to develop cool and exciting Muslim-oriented brands, products and creative experiences that benefit people in sha'Allah (God willing). When my first child arrived a few years back, I looked at the market and spoke to some other parents who also felt the need for some fun, vibrant Muslim-oriented apps, games and books that we not purely about religious instruction.

Most of the brands out there were doing a great job at showing Muslim kids how to pray, fast and learn about the Quran, but they didn't have the cool factor enough for kids to really want them, the way they might love Dora, Little Einsteins, Ben 10 etc. So in the last five years I've been developing Kids of the Ummah, Salam Sisters, Amina's Kitchen and Noor Quest each for different areas of the Muslim Kids market. It's in its early days yet but very promising so far.

Challenges

A big one for me personally is navigating spiritual intentions through commercial applications — making sure what I'm working on has benefit and purpose and is not just about making money. I have faith that we can use these new opportunities to benefit and support our relationship with Allah, but we have to be very mindful about the journey and conscious of what we are doing, check our intentions and make sure we're not just creating more distraction.

A wider issue is that unity of the global Muslim community is really lacking. If more of us worked together with our ideas, projects, brands and products we could stop the duplication of efforts. This was the inspiration behind my new project at www.creativeummah.com — to help entrepreneurs and creatives connect and collaborate, in sha'Allah.

Future opportunities

with technology changing by the minute, there are so many new avenues to realise a concept once dismissed as lofty or impossible. The sky is basically the limit and I'm so excited about what we can do collectively as Muslim community. It's a blessing to live in such a time in history. I feel we are at the start of a whole new chapter of beautiful brands, experiences and products to enrich the daily lives and experiences of Muslims. Personally, I'm very much into exploring the potential of new technology. I have Google Glass for which I'm developing a prayer-assistance app and also Oculus Rift. I'm a huge believer in what we can do with virtual reality and augmented reality, ever since my first working prototype was created around 10 years ago. Dream big I say. I'm always playing around with something.

يا سين
petergould

Interviews

Abdalhamid Evans, Founder
HalalFocus (UK / Global)

Business background

we started HalalFocus in 2007 as an online news portal that gathered all of the reports and stories relevant to the Halal sector as a way of driving awareness and highlighting the opportunities. HalalFocus now has around 4,000 news articles organised into over 60 categories. It is the largest online archive of Halal sector news, reports and research articles, and is updated daily. We also write our own editorial and opinion pieces. In a market that has always been characterised by a general lack of information and data, HalalFocus offers a comprehensive archive going back to 2007. It is used a lot by industry professionals, researchers, students and journalists, and of course by the general public who have increasingly been well-informed, and often given passionate views on the whole topic of Halal.

Challenges

the concept of media that focusses specifically on the Halal market, and now the Islamic Economy, is still very much in its infancy. It is not like starting a food business where you get your product onto the supermarket shelves. It is really a matter of building awareness about the industry and creating a strong platform. We have also worked in print media and TV as well as online, and the challenge is to take this topic into the mainstream without losing the integrity of the core of the matter, which is adherence to divine instructions. So the commercial aspect has to always be balanced by the religious and spiritual realities that are the foundation of this market.

Opportunity

because our business has been based on gathering and collating news from all over the world, we have been able to build a broad dynamic picture of the evolution of the Halal marketplace. We still see great opportunity in this market.

For the food sector, growth is still hindered by the lack of common standards and inconsistency in the way certification is carried out, but there are initiatives underway that are likely to resolve these issues in the near future. The market has its own dynamics that will tend to reduce uncertainty, and create robust partnerships, and there are initiatives at many levels — government, multi-national, entrepreneurial — that will consolidate growth over the next phase.

Changing consumer awareness in both Muslim and non-Muslim markets continues to increase, and this will push commercial enterprises to be more transparent about their Halal integrity. This will in turn encourage more investment into the sector in general. The media has a very important role to play in this respect by simultaneously creating more awareness, and also by providing a platform that enables businesses to reach Halal sector customers.

Future plans

For the future, we are looking to expand our scope to include more diverse content. As the Halal sector is now really a component of the wider Islamic Economy, we are also including more content that could be classified as socio-cultural -film, music, art, environmental and ethical issues, the digital economy and innovation. In its fullest capacity, the Islamic Economy is very broad, but has a consistent common factor that is not always easily defined. It is the task of the media to give a voice to the thought-leaders who can see where this market is going, and how it will develop.

There is still a massive contribution to come from the Halal sector, for example over animal welfare and moral issues that are missing from the general commercial world, and we intend to be a part of this next phase of growth and consolidation.

Halal Focus
Halal Market News
Daily Updates,
Analysis &
Commentary

REUTERS/Bazuki Muhammad

Case Studies

Khutuwat Alshaytan/Moez Masoud
Egypt-based drama series

Khutuwat Alshaytan (which translates to 'the Footsteps of Satan') is a television drama series, that was first released in Ramadan 2013. A second series aired in 2014. The show is the brainchild of Moez Masoud, a public intellectual and television and radio presenter who focusses on the fields of contemporary spirituality, interfaith dialogue, and Islam in the modern world.

Season One is a drama series in which the main character, 'Adam,' struggles with everyday temptations; Moez Masoud appears — neatly embedded into the drama -discussing with the main character vices such as lying, greed, pride, envy and desire which are all caused by the impure ego and capitalised upon by the devil. Season Two's focus was on the Quranic verse **"We have made you into peoples and tribes that you may know one another."**

The drama series, which is a syndicated show, was broadcasted on Abu Dhabi Al Oula, Al Emirat, CBC, CBC+2. The series can also be watched on Moez Masoud's YouTube Channel. In 2013, the show was ranked as the ninth most viewed in the Gulf even when it was competing with conventional TV dramas, and ranked first in the religious genre. The second season of **Khutuwat Alshaytan** was featured on MBC One and CBC, CBC+2 channels in Ramadan 2014, and later on CBC Drama, and continued to appear in the top ranks.

Masoud's first Arabic program was **Al-Tareeq Al-Sah** (the Enlightened Path) which premiered in Ramadan 2007 and was filmed on location in Cairo, Jeddah, Istanbul, and Madinah. In the program, Masoud addresses issues facing the Muslim world, including taboo topics such as drugs, alcohol, gender relations, homosexuality and the roots of terrorism.

Both shows reflect programming that is directed at the youth to whom traditional religious programming is less appealing. In the case of **Khutuwat Alshaytan,** interweaving a fast-paced drama, featuring young relatable characters, with the religious messaging presented by Masoud, heightens audience engagement. With **Al-Tareeq Al-Sah,** the topics discussed are relevant to today's youth and Masoud discusses them in a very down-to-earth way in which he is able to relate to his young audience.

Masoud is featured in the 2014/2015 **Muslim 500** list of the world's most influential Muslims as number #33. He is active in various social media sites, including Facebook, where he had over five million followers at the time of writing this Report, and over 1 million Twitter followers. In 2011, Masoud was described by The Economist as one of the world's five most influential Muslim preachers. Masoud is a Fellow of the Royal Aal al-Bayt Institute for Islamic Thought and holds an MPhil Degree in the Psychology of Religion from the University of Cambridge, where he is a research affiliate with the Psychology and Religion Research Group.'preachers'. Masoud is a Fellow of the Royal Aal al-Bayt Institute for Islamic Thought, and holds an MPhil Degree in the Psychology of Religion from the University of Cambridge, where he is a research affiliate with the Psychology and Religion Research Group.

Case Studies

Bitsmedia
Mobile apps company

Founded in 2009 by Erwan Macé, Bitsmedia Pte Ltd is a Singapore-based mobile apps company. Their most popular app is Muslim Pro. It provides accurate prayer times and Adhan (call for prayer) notifications, a complete version of the Holy Quran translated in five languages, a Qibla locator using the phones built-in compass and a calendar of various Muslim holidays. The iPhone version also allows users to locate nearby Halal restaurants and mosques.

The Muslim Pro app has now been downloaded more than 14 million times with the following five countries having more than a million downloads each: Indonesia, Malaysia, Saudi Arabia, France and the United States.

The app first started becoming successful in non-Muslim countries with important Muslim minorities and strong smartphone penetrations like the U.S., France and the UK. It is also in these countries that Muslims need to rely on their mobile devices the most for prayer times, Adhan, or Halal restaurants nearby since this information is not readily available elsewhere. Muslim countries like Indonesia, Malaysia, Saudi Arabia or the UAE followed once smartphone penetration took off. In these countries, users need the app more for the Holy Quran than for the Adhan. It is also a great tool when travelling.

In terms of Bitsmedia's plans for the future, Erwan Macé said, "The Muslim/Halal mobile application industry has become increasingly competitive over the past two years and with two billion Muslims worldwide and a fast growing smartphone penetration in emerging markets, we now see more and more apps trying to leverage these new opportunities. We have identified close to 1,000 apps related to Islam across the Apple App Store and Google Play Store. Users are also becoming more and more tech savvy and devices more and more powerful. As a result, we try to innovate at a fast pace and continue to release new versions of the Muslim Pro app frequently in order to secure our leadership. As an example, we're already researching new possibilities emerging from wearable devices such as smartwatches (a very natural move for an app which provides prayer times). We are also looking beyond just religion and are working on a series of lifestyle applications tailored for the Muslim community."

Bitsmedia is a company that entered the apps market early, at the very early stages of the mobile apps boom and when they started becoming successful decided to focus entirely on developing their own apps, rather than create apps for enterprise clients which was their initial business model. After the success of the Muslim Pro app, which focussed on the faith-based needs of Muslims, it will be interesting to see what they will come up with next in terms of their Muslim lifestyle app.

Case Studies

Islam Channel
UK based Muslim lifestyle channel

Islam Channel is a leading free-to-air English language satellite Muslim lifestyle channel based in the United Kingdom. A non-profit organisation launched in 2004 by Tunisian national Mohammed Ali Harrath, Islam Channel provides alternative news, current affairs and entertainment programming. The channel is available via satellite or the Internet and is broadcasted to over 132 countries. The channel's programming is positioned to appeal to both Muslims and non-Muslims and strives to raise public awareness about Islam and its way of life. The programmes cover a wide range of topics ranging from religion, current affairs, politics, lifestyle, entertainment, children's programs, health, game shows, women, and more. The majority of the programs on Islam Channel are produced in their own studios.

Islam Channel's programming covers religious programs, in addition to lifestyle and entertainment programs, including reality TV. 'Street Challenge' is an example of their entertainment programs that aims to engage the wider public. The program's team hits the streets asking the general public basic questions about Islam and Muslims. Through this lighthearted program, the producers aim to bring awareness and break stereotypes about Islam by engaging with people who may not necessarily come into contact with Muslims.

One example of their reality TV shows includes a show titled the 'Marriage Show' which will be launched soon. In this show, individuals wishing to find the perfect spouse are featured. Each episode follows two single people, who share their background, interests, and their personal experience in looking for a spouse within an Islamic framework. The show will also feature weekly advice from a scholar on how to prepare for marriage and what to expect in your search for a life partner. At a later stage in the series, we will revisit participants to see how their searches went and see who was successful in finding a match.

Another example of their programmes is a game show called '**5 Pillars Game Show**' in which contestants participate virtually and answer questions on the five pillars of Islam. Contestants can choose the difficulty level of the questions, but the harder the question, the more points they get. In the second round of the game, contestants must guess three linked words using clues and descriptions provided by the presenter.

Islam Channel is a good example of how a channel in the West aims to provide education and entertainment for a Muslim audience, while trying to also appeal to the general public to raise their awareness of Islam and combat negative stereotypes.

REUTERS/Beawiharta

PHARMACEUTICALS AND COSMETICS SECTOR

Driven by the need for Halal ingredients in medicine, major global pharmaceutical companies **Merck, Pfizer and GlaxoSmithKline** are already engaged in Halal certification of their medicines marketed to Muslims globally. Related cosmetics/ personal care sector is also seeing niche brands that have organic and Halal ingredients. This potential market is significant as well.

This Report estimates that global Muslim consumer spending on pharmaceuticals has **increased 2.1% to reach $72 billion in 2013**. This makes the Muslim pharmaceutical market to be 6.6% of global expenditure. They spent an estimated **$46 billion on cosmetics in 2013 which is 6.8%** of global expenditure and also saw sluggish growth of 1% only from year before.

While Halal-consciousness in medicine and cosmetics is growing, it is still in its infancy. The majority of Muslims are not aware or are not concerned about Halal certification in pharmaceuticals and cosmetics assuming that the government is managing it. However, given the latent demand and positive trend, opportunities exist in ingredients manufacturing, global branded concepts of organic and Halal cosmetics, and opportunities for many OIC-based pharmaceutical conglomerates to take a leadership role in developing this space.

This year, the State of the Global Islamic Economy Report introduces a **Halal Pharmaceuticals and Cosmetics Indicator** to evaluate countries' health and development of their Halal pharmaceuticals and cosmetics ecosystem. Across key 70 markets, **Malaysia, Egypt and Singapore** lead this ranking that includes related social metrics.

The Halal Pharmaceuticals and Cosmetics Indicator

- The 2014 State of the Global Islamic Economy Report introduces a 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.

- **Malaysia, Egypt and Singapore** lead this inaugural Halal Pharmaceuticals and Cosmetics Indicator ranking that focusses 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.)
  1. Supply drivers relative to country size (pharmaceuticals and cosmetics export to OIC)
  2. Governance (Halal regulations and compliance)
  3. Awareness (number of news articles and events)
  4. Social (pharmaceuticals and cosmetics pricing index)

TOP 15 COUNTRIES IN THE HALAL PHARMACEUTICALS AND COSMETICS INDICATOR: SUB-CATEGORY BREAKDOWN

	Sector Score	Exports to OIC Score	Governance	Awareness Score	Social Score	GIE Ranking
Malaysia	57.4	9.3	100.0	79.9	40.5	1
Egypt	55.7	33.0	100.0	0.0	89.9	16
Singapore	53.0	106.2	83.3	0.0	22.5	13
Pakistan	50.9	3.4	100.0	6.9	93.4	9
United Arab Emirates	46.9	29.0	100.0	35.6	22.9	2
Jordan	43.9	57.2	66.7	0.0	51.7	8
Brunei	43.5	0.0	100.0	43.5	30.4	11
Indonesia	41.3	5.3	100.0	11.6	48.4	10
Saudi Arabia	40.6	21.9	100.0	2.5	37.9	5
Oman	38.2	4.5	100.0	7.7	40.7	4
Gambia	37.9	0.0	66.7	0.0	84.9	38
Yemen	37.2	0.4	83.3	0.0	64.9	19
Bahrain	37.2	7.0	100.0	9.2	32.5	3
Uganda	35.5	0.2	66.7	0.0	75.0	39
Guinea	34.4	0.0	66.7	0.0	71.1	42

- **Malaysia** ranks the highest in having the strongest awareness score while having strong governance. It is indeed regarded as an important hub for Halal pharmaceuticals and cosmetics[1] with strong government and industry support. It was the first country to create Halal pharmaceuticals guidelines[2]. 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.

- **Egypt** is a significant exporter of pharmaceuticals and cosmetics to OIC countries but its main strengths are both the governance and the social indicators. Cosmetic and pharmaceutical products in Egypt are affordable, thus the high social indicator.

- While **Singapore** has little awareness score, 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.

- **Pakistan's** 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 ten lists (the other three are in the top 25). The GCC, due to the very high purchasing power of higher income households, are eager to consume pharmaceuticals and cosmetics products.[3]

1 http://www.hdcglobal.com/publisher/halal_park_about
2 http://www.investkl.gov.my/News-@-Malaysia_Creates_History_With_First_Halal_Pharmaceuticals_Guidelines.aspx

3 http://www.organicmonitor.com/r0111.htm

Demand Profile and Market Sectors

Values and adoption spectrum

- Halal requirement in pharmaceuticals and cosmetics is driven by their respective ingredients that are in many cases not Halal (have pork or pork by-products) and is a concern to many Muslim customers.

  Additionally, products containing alcohol are also religiously impermissible to consume or to wear as they are considered impure substances. Though in the modern age byproducts of pork and alcohol are difficult to avoid, awareness among Muslims and Muslim-majority governments is increasing to ensure Halal-compliance. Select verses in regard to the Islamic concept of Halal consumption are as follows:

  > *Say: "I find not in the message received by me by inspiration any (meat) forbidden to be eaten by one who wishes to eat it, unless it be dead meat, or blood poured forth, or the flesh of swine, for it is an abomination ,or what is impious, (meat) on which a name has been invoked, other than Allah's. But (even so), if a person is forced by necessity, without willful disobedience, nor transgressing due limits, thy Lord is Oft-forgiving, Most Merciful." 6:145*

  > *As narrated by Abu Darda, a companion of the Prophet Muhammad (peace be upon him, p.b.u.h), "The Prophet (peace be upon him) said Allah has sent down both the disease and the cure, and He has appointed a cure for every disease, so treat yourselves medically, but use nothing unlawful."*

- It is important to acknowledge that there is a wide diversity in awareness and adoption of Halal cosmetics and pharmaceuticals within the core Muslim customer base globally. In Muslim-majority countries most are unaware of or not concerned about Halal certification of pharmaceuticals or cosmetics. They assume the government has verified it. A smaller but growing segment of Muslims are conscious of the Halal certification need for pharmaceuticals or cosmetics and seek alternatives. However most are not well-informed on what to look for.

Pharmaceuticals market size and profile — $266 billion market (11.9 % of global expenditure)

- This Report estimates global Muslim spending on pharmaceuticals to be $72 billion in 2013 which is 6.6% of global expenditure. Total global spending on pharmaceuticals was estimated to be $1,094 billion in 2013.

- Comparatively this is a 2.1% increase from 2012 parmaceutical expenditure that was $70.6 billion. (adjusted from 2013 Report given updated baseline data from National insutry sources) The potential Halal Muslim pharmaceutical expenditure is expected to reach $103 billion by 2019 and will account for 7.7% of global expenditure.

- If this market were a country, it would be ranked fourth after the United States ($347 billion), Japan ($113 billion) and China ($87 billion) in 2013 spending.

- Top countries with Muslim pharmaceutical consumers are Turkey ($8.9 billion), Saudi Arabia ($5.9 billion), Indonesia ($4.9 billion), Iran ($2.5 billion), Russia ($2.9 billion) and France ($2.4 billion) based on 2013 data.

- Muslim-minority countries such as Russia, ($ 2.9 billion), France ($2.4 billion), United States ($2.2 billion), Germany ($2.2 billion), and the United Kingdom ($1.4 billion) account for a total expenditure of $11.1 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.**

TOP MUSLIM PHARMACEUTICALS* CONSUMPTION MARKETS

Country	Size (US$ bill)
Turkey	$ 8.88
Saudi Arabia	$ 5.89
Indonesia	$ 4.88
Iran, Islamic Rep.	$ 2.45
Algeria	$ 3.37
Russian Federation	$ 2.89
France	$ 2.42
United States	$ 2.2
Germany	$ 2.17
Pakistan	$ 1.99
Egypt, Arab Rep.	$ 2.28
India	$ 1.57
United Kingdom	$ 1.40
Bangladesh	$ 1.61
United Arab Emirates	$ 1.45

Industry trade trends

- A strong indicator of pharmaceuticals volume demand and key markets of demand is its trade flow. OIC member country pharmaceuticals imports were $33 billion (7% of global imports). This reflects a major trade deficit as exports from OIC countries as a whole were only $4 billion (0.7% of global exports).

- Major exporters to OIC markets were France, Switzerland and Germany.

TOP COUNTRIES: PHARMACEUTICAL EXPORTS TO OIC COUNTRIES

Country	Size (US$ mill)
France	$ 4.68
Switzerland	$ 4.38
Germany	$ 3.99
Belgium	$ 3.40
United Kingdom	$ 1.82
India	$ 1.68
Netherlands	$ 1.26
Denmark	$ 1.03
USA	$ 0.99
Italy	$ 0.80

Cosmetics market size and profile — $46 billion market (6.8% of global expenditure):

- This Report estimates global Muslim spending on cosmetics to be $46 billion in 2013 which is 6.78% 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 $683 billion in 2013. The Muslim cosmetics market is expected to increase to $73 billion by 2019 and will make up over 8.2% of global expenditure.

TOP MUSLIM PERSONAL CARE/COSMETIC EXPENDITURE 2013

Country	Size (US$ bill)
United Arab Emirates	$ 4.9
Turkey	$ 4.4
India	$ 3.5
Russian Federation	$ 3.4
Indonesia	$ 3.4
Malaysia	$ 2.6
France	$ 1.7
Germany	$ 1.5
United Kingdom	$ 1.2
Egypt, Arab Rep.	$ 1.0
Saudi Arabia	$ 1.0
United States	$ 0.8
Italy	$ 0.8
China	$ 0.6
Canada	$ 0.6

TOP COUNTRIES: PERSONAL CARE/COSMETICS EXPORTS GLOBALLY (NOT JUST OIC)

Country	Size (US$ mill)
France	$ 16.64
Germany	$ 11.17
USA	$ 11.05
Ireland	$ 8.21
United Kingdom	$ 6.13
Singapore	$ 4.51
Italy	$ 4.38
Spain	$ 4.04
China	$ 3.62
Netherlands	$ 3.31

Photo courtesy of Noor Vitamins

- Comparatively, the global Muslim cosmetics market is the fourth largest market compared to top countries. Cosmetics expenditure is the highest in the United States ($81 billion), followed by Japan ($78 billion), and China ($49 billion).

- Top countries with Muslim cosmetics consumers are **United Arab Emirates** ($4.9 billion), **Turkey** ($4.4 billion), **India** ($3.5 billion), **Russia** ($3.4 billion) and **Indonesia** ($3.4 billion) based on 2013 estimates.

- Muslim-minority countries such as Russia ($ 3.4 billion), France ($1.7 billion), Germany ($1.5 billion), United Kingdom ($1.2 billion), the United States ($0.8 billion), Italy ($0.8 billion) and Canada ($0.6 billion) account for a total expenditure of $9.9 billion. **Collectively, these western Muslim markets are larger in cosmetics spending than the largest Muslim-majority cosmetics market — UAE.**

Industry trade trends:

- A strong indicator of Halal cosmetics volume demand and key markets of demand is its trade flow. OIC member country pharmaceuticals imports were $12 billion (11.2% of global imports). This reflects a major trade deficit as exports from OIC countries as a whole were only $3.1 billion (2.9% of global exports).

- Major exporters of personal care products globally were France, Germany, and USA who already are exporting to Muslim markets as well and would be best positioned to further tap into this Halal cosmetics market.

Current Landscape and Trends

Halal Pharmaceuticals and Cosmetics industry — value chain impact

- Broadly, the global value-chain of the pharmaceuticals industry covers core suppliers, R&D/testing, technology, pharmaceuticals manufacturing, and distribution channels. There is also a wider eco-system of industry players covering its regulations, compliance, training services and others.

- For established companies in the pharmaceuticals industry, a strict adherence to the Halal principles may mean a total revamp of their value chains. This is why some firms have been opposing regulations for a stricter Halal law, such as the case in Indonesia.[4]

- Industry impact and select players as examples are as follows:

Pharma Segment	Pharma Impact	Main Companies
Core suppliers	Use of Halal raw supplies	
Product Manufacturing	Ensuring the compliance of Halal rules during manufacturing	CCM Berhad (Malaysia) Kalbe Farma (Indonesia) Noor Vitamins (USA) Julphar (UAE) Pfizer (USA)
Distribution channels	Reaching appropriate markets and supplying demand	
Financial services	Supporting Shariah-compliant financing	
Logistics	Transportation and freight	
Marketing	Marketing campaigns that consider unique Muslim values	
Compliance, training	Ensuring compliance and enforcement of various relevant Shariah laws	

- The key segments of the global cosmetics industry value chain that are structurally impacted by the needs of the cosmetic industry are raw materials consisting of odoriferous mixtures and preservatives which then pass through the product manufacturing stage to turn into essential oils, perfumes, cosmetics and toiletries. Parties such as wholesale distributors, retailers and hospitals intercept the distribution channel before reaching the end consumers.

4 The Jakarta Globe. 2013. Halal Law 'Will Destroy' Indonesia's Pharmaceutical Industry: Bio Farma — The Jakarta Globe. [online] Available at: http://www.thejakartaglobe.com/archive/Halal-law-will-destroy-indonesias-pharmaceutical-industry-bio-farma/

REUTERS/Darren Staples

Cosmetic Segment	'Muslim' Recreation Impact	Main Companies
Core Suppliers	Use of Halal raw supplies	
Product Manufacturing	Ensuring the compliance of Halal rules during manufacturing	Wardah (Indonesia) Ivy Beauty Corporation (Malaysia) Pure Halal Beauty (UK) OnePure (UAE) Tanamera Tropical Spa (Malaysia)
Manufacturing of Preservatives	Reaching appropriate markets and supplying demand	
Financial services	Supporting Shariah-compliant financing	
Logistics	Transportation and freight	
Marketing	Marketing campaigns that consider unique Muslim values	
Compliance, training	Ensuring compliance and enforcement of various relevant Shariah laws	

Recent industry activities and trends

PHARMACEUTICALS

- **Halal vaccines:** the Halal Industry Development Corporation has received an investment of $100 million to help the production of Halal and pork-free vaccines in Malaysia within three years.[5]

- **Consumer awareness:** with the world's first Halal pharmaceutical standard produced by Malaysia (MS2424:2012) there is potential to build consumer awareness about the need of Halal pharmaceuticals[6]. This awareness will also stimulate the supply and meet the needs that will arise from the demand.

- **Halal certification:** Halal certification helps to boost customers' trust regarding the products purchased as well as increase the product sales. Recently Malaysia launched its Halal certification for pharmaceutical products, MS2424: 2012, and it is confident that it will boost its exports[7]. Additionally, Indonesia has also indicated that this is a crucial matter as it is a human right to consume Halal pharmaceutical products[8].

- **Emerging Halal-certified companies:** Many firms see the opportunity in the market. CCM and others highlighted earlier are offering Halal products. U.S.-based Noor Vitamins[9], for example, was created to fill the need of high quality, Halal-certified multivitamins. Another U.S.-based company, Nutrition Enhancement is producing Halal-certified prenatal multivitamin. Malaysia's state of Selangor's subsidiary company, Worldwide Medivest Sdn Bhd, has invested RM80 million to set up Halal surgical suture manufacturing.

COSMETICS

- **First Indian cosmetic brand created:** Iba Halal Care is India's first Halal cosmetic brand. Created in 2014, Iba ensures that the "source of every ingredient is researched and it is ensured that products are 100% free of non-Halal ingredients."[10]

- **New Halal cosmetics:** the emergence of new

5 http://halalfocus.net/malaysia-halal-vaccines-to-be-available-in-3-years/
6 http://halalfocus.net/halal-pharmacies-the-next-big-thing/
7 http://www.freemalaysiatoday.com/category/business/2013/02/04/halal-cert-for-pharmaceutical-products-%E2%80%98will-boost-exports%E2%80%99/
8 https://www.medtech.org/news/global.aspx?recid=4308
9 http://www.noorvitamins.com/
10 http://halalfocus.net/indias-first-halal-cosmetic-brand-iba-halal-care-launched/

Halal cosmetics allows consumers to expand their options and they are very eager to buy and use them. The BCI group marketed "H", the first nail polish to receive Halal certification in the Middle East. The nail polish segment is growing fast amongst the Muslim population in both Asia and the western world.[11]

- **Growing demand:** the increase of the Muslim population is a major growth driver for demand growth,[12] and additionally the increasing range of Halal cosmetics makes consumers more aware of their availability and more likely to these products.

- **Internet and technology:** as mentioned by Malaysia External Trade Development Corporation (Matrade) Trade Advisor Ali Sher Mohamad, the Internet has been growing consumers' interest in Halal-certified products as they have more information available online and it is easy it is for them to travel.[13]

- **Cross-industry development:** the Halal cosmetic industry can be used to promote other non-related national industries. In Korea, where the rice consumption was decreasing, a scientist decided to apply his agricultural knowledge to develop cosmetics that would use rice as their main ingredient.[14]

- **OIC markets attractive to western countries:** as the demand for Halal products is growing so is the appetite of western companies and countries to invest in important Halal markets. Poland has already signed agreements with Malaysia in order to grow its presence in the Malaysian market and use it as a hub for both Halal cosmetics and food products.[15]

11 http://webcache.googleusercontent.com/search?q=cache:http://www.ft.com/cms/s/0/630af2f0-f840-11e2-b4c4-00144feabdc0.html#axzz3FFS2hzda

12 http://uk.reuters.com/article/2014/04/16/research-and-markets-idUKnBw165532a+100+BSW20140416

13 http://www.eat-halal.com/malaysian-halal-cosmetics-firms-urged-tap-kazakhstan-market/

14 http://www.koreatimes.co.kr/www/news/nation/2014/03/100_134000.html

15 http://www.theborneopost.com/2013/07/09/poland-hopes-to-penetrate-malaysias-halal-industry-region/

Key Challenges and Opportunities

Challenges

- **Halal certification criteria:** currently, several bodies throughout the world certify pharmaceuticals and cosmetic products but some of them have different criteria.[16] This is slowly getting addressed. An example of this is the recent partnership between Malaysia and Turkey that is expected to establish new and standardised criteria to be applied in every OIC country.[17]

- **R&D challenge:** pharmaceutical companies have been challenged to develop Halal ingredient substitutes as well as ensure the integrity of the full process, especially because of time required to develop new Pharma products.

- **Consumer awareness:** the cosmetics market, or broadly the personal care products market and pharmaceuticals, is primarily concerned about non-Halal or Haram (e.g. pork-based) ingredients. Awareness among consumers is growing especially in South East Asia. Conversely, in Muslim-majority markets like the GCC there is less of an awareness of this need and consumers mostly rely on the government to take care of it. Meanwhile, governments have yet to have a strong strategy or regulation around this.

Opportunities

- **Western Muslim markets:** As highlighted in the market sizing section, western markets with Muslim populations (Russia, France, U.S., Germany and UK) collectively are a larger Muslim pharmaceuticals market than the largest Muslim-majority market — Turkey. This is a tremendous opportunity in a regional segment of Halal pharma products. A similar trend is being seen in fashion and media brands developing across western Muslim markets.

- **OIC exporters/producers:** OIC countries have many major large pharmaceutical companies (e.g. Julphar, Eczacıbaşı's, Hikma, Kalbe Farma and many others). These companies already have the infrastructure and resources to engage in this market segment in a much more focussed way. Halal ingredients focussed R&D with patentable products is an opportunity for pharmaceutical industry players from OIC countries.

- **Ingredients manufacturing:** Halal substitute ingredients to regular non-Halal ingredients are a tremendous opportunity for major global suppliers as well as niche producers in the

16 http://www.theborneopost.com/2014/04/10/malaysia-to-take-the-lead-in-standardising-halal-certification/
17 http://muslimvillage.com/2014/04/13/52279/malaysian-company-to-provide-halal-vaccines/

pharmaceuticals and cosmetics value chain. For example, since the majority of gelatin coating used in medicine and vitamins in the market comes from non-Halal sources, there is a large opportunity for companies that produce the Halal alternative.

- **Finance** — Research and development requires a significant amount of funding to enhance the high standards of excellence in Halal practices. However, due to both the uncertain and unpredictable nature of the pharmaceutical industry, most conventional lenders are unwilling to borrow or invest. The high risks involved in developing new pharmaceutical drugs present a novel opportunity for Islamic Finance products and strengthen the Halal pharmaceutical industry.

- Decorative products: Although personal care products tend to have a steadier growth rate compared to make-up products, the success of O2M nail polish reveals that there is a tremendous market opportunity in decorative products that serve the specific needs of Muslim women.

INTERVIEWS

PHARMACEUTICALS

Leonard Ariff Abdul Shatar,
Chief Executive Officer
Chemical Company
of Malaysia Berhad (Malaysia)

Business background

Chemical Company of Malaysia Berhad (CCM) is Malaysia's largest generic pharmaceuticals and compound fertilizers manufacturer. We are listed on the Main Board of Bursa Malaysia (the Stock Exchange of Malaysia) since 1966 and further listed as a Shariah-compliant security by the Shariah Advisory Council of the Securities Commission Malaysia. We are also one of Malaysia's Top Government Linked Companies (GLCs).

We were the first to obtain the 'Halal Malaysia' certification for the pharmaceutical and chemical products manufactured by our group of companies. We were also the first to obtain the Halal Malaysia certification under the world's first Halal Pharmaceutical Standard, through our three pharmaceutical subsidiaries, an achievement which is now listed in the Malaysia Book of Records.

Our pharmaceutical products are sold to both public and private hospitals, the Ministry of Defense and other health institutions such as clinics and pharmacies, domestically and regionally, to both Muslims-majority and Muslim-minority populations. We are steadily increasing our presence in the MENA region, as our pharmaceutical plant has been certified by the Saudi Food and Drugs Authority (SFDA).

Challenges

Our main challenge is sourcing Halal-compliant ingredients, if not Halal-certified, which is also an issue faced by the Food and Beverages (F&B) industry. This has a two-pronged effect i.e. the ingredients can be of high cost due to low demand and/or limited sources, and on the other end, such constrained access narrows the type of medicines which can be produced as Halal pharmaceuticals.

Another challenge is changing the mindset of the public on the perception that Halal is just for Food and Beverage, and that it's all about the method of slaughtering animals and the content of alcohol in drinks. Halal in its true sense comes in two combined words in Arabic — 'Halalan Taiyuan' which gives the meaning of both permissible and wholesome — safe, effective, and of high quality and hygienic. Therefore it covers a wider spectrum of consumable goods, including pharmaceutical products. CCM lobbied for, and thereafter is a part of, the Working Group which developed the world's first Halal pharmaceutical standard, i.e. the MS2424: 2012 Halal pharmaceuticals — general guidelines.

Future Plans

We are also positioning ourselves to become the world's first Halal vaccines fill and finish producer in the very near future to tap into the growing Muslim market. This is especially so for mandatory vaccines such as those required for Hajj and Umrah pilgrims.

INTERVIEWS

PHARMACEUTICALS

Dr. Mohamed Issa, President and CEO
Noor Pharmaceuticals, United States-based Halal pharmaceutical company

Business background

Noor Pharmaceuticals is the first U.S.-based Halal pharmaceutical company. Their facilities are certified by the U.S. Food and Drug Administration (FDA) and all of their products/ingredients are halal-certified. Additionally, their business practices are all Islamically compliant from their contracting to their financing.

In addition to selling through their online store, they have partnered with major partners like Whole Foods, Duane Read, Walgreens and even Vitamin Angels — the leading Vitamin non-profit in the world — distributing needed vitamins to countries in need.

Their products include multivitamins for adults and children, OMEGA-3 fish oil, prenatal vitamins, vitamin D and others. Their latest product is the first ever Halal children's gummy vitamin.

Serving the Muslim market

Dr. Mohamed Issa, President and CEO says, “For a long time, Muslim consumers felt like they needed to sacrifice quality for Halal when in reality Halal should be the highest possible quality. For example, our products are just as, if not more, complete than the leading vitamin brands in the world and halal-certified. Additionally, we adhere to the highest manufacturing quality certifications.”

Although the company’s primary focus is on the Muslim consumer, non-Muslims make up about 15% of their customer base. The company tries to make its brand more inclusive by educating non-Muslim consumers on what Halal really means; a halal product is not limited to Muslims, it is a high quality product that meets and exceeds what non-Muslims look for in a premium product.

Challenges

The company feels they still have a lot of work to do in raising the awareness of Halal vitamins among Muslim consumers. They also face challenges convincing major US retails to carry their products as they fear carrying Halal brands may disenfranchise their non-Muslim consumers.

Market evolution

On how the market was different 10 years ago Dr. Issa says, “Several differences exist. First and foremost the Halal market has grown and expanded beyond Halal meat to pharmaceuticals, cosmetics, financial services etc. This is a testament to both the Muslim consumer base growing in influence and the Muslim entrepreneurs growing in capabilities to create innovative products and services. Another major difference is the world is now a much smaller place with technology connecting the east and west which allows us to bridge cultures, people and

resources far better than ever before. The growing wave of Muslim consumers are more tech savvy and aware that no product or service is out of reach. Finally, the era of social media has allowed brands and consumers to communicate directly, which allows brands to be more responsive to consumer's needs and consumers building a 'relationship' with their Halal brands."

Future plans

Noor Pharmaceuticals are actively seeking partner distributors in markets outside of the U.S. to introduce their products to the growing Muslim market in Europe, the Middle East and Asia. They are also always looking at related sectors that they can leverage their resources to compete in; this includes cosmetics and prescription medicines and others.

INTERVIEWS

COSMETICS

Faisal Ahmad Fadzil, Founder
and Managing Director
Tanamera Sdn Bhd (Malaysia)

Business background

We are a company specialising in manufacturing and marketing all-natural, halal, vegetarian-certified, personal care products such as shampoo, body wash, scrubs, post-natal products, etc.

We focus on supplying products that are halal and safe. Safety is one tenet of Halal requirements that is often ignored. Most products focus only on that they're free from porcine or Haram animal by-products. We believe that safety is paramount in deciding if the product is Halal or Haram. We also use the products to explain to non-Muslims what the Halal concept is all about. We believe that it's a great way to bridge the distance between non-Muslims and Muslims.

Revenue

The company is still small. For many years we were mainly focussing on developing our range of products and brand. Our sales this year will only reach about $1.5 million but we are seeing double digit growth and hopefully we will find more good partners internationally.

Customers

Our bigger markets are non-Muslim markets such as Russia and Germany. Over 70% of our market is in non-Muslim countries and even in Malaysia, we tend to attract more tourists and expats that are non-Muslim. I think since our focus is on the product being natural and safe, it tends to target a market that is more aware of those issues. Sadly, the Muslim market is more obsessed with products from European countries than Muslim products. Also they tend to focus on face efficacy without thinking of the safety aspect. A lot of products that work fast are adulterated with dangerous chemicals and are illegal. The industry has a lot of potential but we have to market it in a language that non-Muslims can appreciate such as fair trade, animal friendly, etc.

Challenges

I believe the biggest challenge is perception. Being a premium brand it's hard to convince some people that we are as good or even better than a lot of products from Europe. Most Halal products are FMCG and are usually cheap and do not use good safe and natural ingredients. Interestingly, we don't have this perception from the western market.

Financing is always an issue since we are self-financed. It's not easy to get a bank loan in Malaysia for a small business. We can go far with the right support and capital investment.

TANAMERA
TROPICAL SPA PRODUCTS

INTERVIEWS

COSMETICS

RJ. Liow, CEO
Halal4Wellness.com (Malaysia)

Business background

Halal4Wellness.com is an e-commerce platform that offers Halal cosmetics and personal care products. The website includes over 300 products, under 12 categories, ranging from hair care to body care — all of which are Halal-certified. Our platform allows brand owners to reach consumers directly.

Halal4Wellness.com also includes a section for Muslim holidays and Hajj and Umrah, which includes travel packages in addition to personal care products, clothing and travel accessories.
I am a non-Muslim who is interested in the Halal space. I'm a speaker and also published my first book — "Marketing Halal: Creating New Economy -New Wealth", which is a business bestseller in Malaysia. I'm also the founder to AYS, a Halal Food and services provider.

Challenges

The understanding and awareness of what Halal is, is still very low in countries such as China, Korea and India. Even in Malaysia, some consumers think that Halal is related to meat and food only. They are not aware of the entire Halal ecosystem.

Another challenge is the cost of running a Halal business is higher — in terms of the supply chain such as the production floor, transportation and warehousing, as Halal and non-Halal products need to be segregated to avoid contamination, on top of costs involved in certification and auditing.

The time it takes to get Halal-certified could be long, with each new product needing to be certified, which delays new product launches and in turn the sales and profitability of a company. Non-Muslims may shy away from products that carry a Halal logo especially in the west due to perception issues.

Opportunities

Halal cosmetics and personal care products will continue to grow strongly, still mainly driven by Muslims in South East Asia and the Middle East. As non-Muslims are becoming more aware of the concept of Halal over the years, Halal cosmetics and personal care products will also appeal to the non-Muslim segment thus expanding the market size.

halal4wellness.com
The Essence of Halal Beauty

CASE-STUDIES

Abbott Nutrition
United States-based nutritional products company

Abbott Nutrition — a division of Abbott, a global health care company — is a nutritional products company whose products include Similac for infants; PediaSure, for children; Ensure for active adults; Glucerna for people with diabetes and several others.

Abbott has obtained Halal certification for all its products in order to reach a wide global market. It began the process to become Halal-certified in 2003 in Indonesia, Malaysia and Singapore and now implements it in all of its manufacturing plants around the world, including the United States. In 2011 Abbot received IFANCA's (the Islamic Food and Nutrition Council of America) Company of the Year award, for its Halal compliance in its manufacturing practices and its work towards obtaining Halal certification globally. In addition to IFANCA, Abbott's certifiers include the Islamic Religious Council of Singapore (MUIS), the Halal Food Council of Europe (HFCE).

CASE-STUDIES

Wardah Beauty Cosmetics
Indonesia-based cosmetics company

Wardah Cosmetics is a leading provider of skincare, makeup and fragrance products in Indonesia. Founded in 1995, their products are Halal-certified by MUI.

Wardah relies on brand ambassadors to build positive public relations for the brand. The company selects women who have achieved fame, whether they are singers, fashion designers, etc and are popular with their target audience. Wardah also has male brand ambassadors. Among its brand ambassadors is fashion designer Dian Pelangi, also featured in this report.

The company's marketing team also works with bloggers, including video bloggers to provide product reviews and participates in many fashion events.

In a market dominated by western brands, Wardah Cosmetics has been successful in building a trusted brand that is both a quality product and is positioned in a way that resonates with its Muslim target market. The models appearing in the company's marketing material either wear the Hijab or dress modestly, and the brand ambassadors are local celebrities.

CASE-STUDIES

Nashmir Capsule Sdn Bhd
Malaysian-based pharmaceutical company that produces Halal gelatin capsules

Nashmir Capsule is the only Halal-certified hard gelatin capsule shell manufacturer in Malaysia. Their manufacturing facility is inspected and certified by JAKIM. The company has been in the capsules business since 2006, and started manufacturing Halal gelatin capsules in 2010. The company supplies capsules to most of the major pharmaceutical companies in Malaysia and exports to countries in ASEAN, Africa, Central and Latin America.

The company plans to increase its production capacity by 2016, to meet the country's annual consumption of 6.5 billion capsules. They also have a three-year plan to penetrate ASEAN countries, the Middle East and Europe.

The company has achieved a revenue growth of 7-10% during the past year and is targeting a 10-15% growth for 2015. Despite being the sole producer of Halal capsules in the country, they still face competition as many local businesses prefer importing cheaper dietary capsules that may not be approved by JAKIM. Nashmir Capsule fills an important gap in the market in providing Halal-certified gelatin capsules for pharmaceutical use.

CONVERGENCE OF HALAL FOOD/ LIFESTYLE AND ISLAMIC FINANCE

Five key areas of connectivity for the Islamic economy sectors were introduced in the inaugural Global Islamic Economy Report last year. This convergence opportunity for all related sectors is driven by the common set of potential customers.

The most prominent area of connectivity/convergence is access to Islamic capital which all segments of the Islamic economy are seeking. Other areas of connectivity include: distribution and marketing; standards/ regulation/ compliance; education and training services; and legal/ other professional services.

Since last year, a variety of initiatives have been seen in this growing opportunity of convergence. Key initiatives to highlight are:

- **Industry events expanding scope:** various industry events have seen a broadening of scope to include a wider mix of sectors. As an example, the Global Islamic Finance Forum 2014 (GIFF) in Malaysia, and World Islamic Economic Forum 2014 in Dubai had a variety of Halal Food & lifestyle sector topics in addition to Islamic Finance. Italy hosted an Islamic Economy event covering the full set of opportunities to explore.

- **Zilzar launched — a Muslim Lifestyle marketplace:** Zilzar.com was launched with much fanfare at the World Islamic Economic Forum in Dubai as a 'Alibaba' for the Islamic economy sectors. A private sector entrepreneurial initiative, it looks to become the marketing and transaction platform for millions of globally dispersed Halal small and medium enterprises (SMEs).

- **Convergence course — BIBF:** the Bahrain Institute of Banking and Finance (BIBF), a leading finance training institution, is to launch a course early in 2015 on 'Convergence of Halal Economy and Islamic Capital.' BIBF aims to develop core skills for both Islamic Finance and other Islamic economy sectors to engage in financing connectivity. (Disclosure: BIBF is a client of DinarStandard, Lead Research/Author of this Report.)

- **Lifestyle sector collaboration:** Some co-branding and marketing collaboration between Islamic econmy sectors is emerging although still very limited relative to the opportunity. U.S.-based modest clothing brand Atrizara has collaborated with Asutralia-based Islamic design expert Peter Gould to produce a new co-branded line — Artizaan.

- **MasterCard's initiatives:** in an innovative initiative, Mastercard, is launcing a program to deliver unique benefits for its Shariah-compliant card holders in South East Asia. It has also launched a partnership with Zilzar.com as its payment partner. With CrescenRating, a leading authority on the Muslim travel market, it is co-developing the 'MasterCard-CrescentRating Global Muslim Travel Index.' (Disclosure: MasterCard is a client of DinarStandard, Lead Research/Author of this Report.)

5 AREAS OF CONNECTIVITY FOR ISLAMIC ECONOMY CONVERGENCE

Case Study

MasterCard — Islamic economy collaborations

MasterCard, a global technology company in the payments industry with a network of more than 24,000 financial institutions in more than 210 countries, is forging its presence in the Muslim lifestyle market. In January 2015, it will launch a Halal Benefits Program for its Shariah-compliant debit and credit cardholders in Malaysia and Indonesia. Also in January 2015, the company will release its first 'MasterCard CrescentRating Global Muslim Travel Index,' an index that will rate destinations on their Muslim-friendliness. MasterCard also announced their collaboration with Zilzar.com, the world's first global Muslim lifestyle marketplace platform where they are the strategic payment partner.

MasterCard's Halal Benefits Program will include exclusive offers at selected Halal restaurants and hotels, both domestically as well as in key corridor destinations such as Singapore and Thailand; along with special offers on worldwide travel packages. The first phase of the program will be launched in January 2015 and is expected to expand to more regions and pillars in consecutive phases. MasterCard's initiative is the first of its kind to be launched on such a wide scale by a global company. Shariah-compliant banks have been providing benefits to their clients, but on a smaller scale and, often, limited to local offers.

"The Shariah-compliant payment market is an exciting segment that needs to be further explored and developed. The Halal Benefits Program is a great opportunity to work with esteemed leaders in the Halal industry to bring forth various innovative Shariah-compliant products and solutions to our customers," said Safdar Khan, group country manager, Indonesia, Malaysia and Brunei; group head, Islamic Payments, South East Asia, MasterCard.

In a bid to solidify its footing in the Muslim-friendly travel space, MasterCard signed an agreement with CrescenRating, a leading authority on the Muslim travel market, to co-develop the 'MasterCard-CrescentRating Global Muslim Travel Index.' The agreement was signed in October 2014, during the 10th World Islamic Economic Forum in Dubai. The index, which will be released in January 2015 and will be updated quarterly, will allow Muslim travellers to identify the most Muslim-friendly destinations, as well as help the travel industry and investors understand and keep track of the growth potential each destination has to offer.

MasterCard is further increasing its presence in the Muslim lifestyle segment by collaborating with Zilzar.com, the world's first global Muslim lifestyle marketplace platform. The launch of Zilzar.com was officiated by the Prime Minister of Malaysia at the 10th World Islamic Economic Forum in Dubai. The collaboration will see MasterCard offering its expertise in world leading payment technology to support Zilzar.com's infrastructure and provide a safe, secure and scalable payments capability.

MasterCard's latest initiatives are a great example of convergence; whereby a global technology organisation in the financial payments industry is collaborating with the Halal Food, Muslim-friendly travel, and Muslim lifestyle sectors, to enhance their customer experience, and provide a holistic Muslim-centric experience through the use of their products and services. The company is also banking on its expertise in building secure payment infrastructures to facilitate a global marketplace for Muslims, in the case of Zilzar.com. These MasterCard initiatives demonstrate how cross-sector partnerships can be mutually beneficial for companies and customers alike.

REUTERS/Mosab Omar

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INNOVATION AND ENTREPRENEURSHIP (SME) IMPERATIVE

Leveraging disruptive technologies

Disruptive technologies are shaping global products and services and their competitiveness. Mega trends and technologies include 'smart' and mobile technologies, 3D/4D printing, big data, digital currencies, augmented/virtual reality, transport technologies, personal robots, personalised and precision medicine, machine-to-machine communication through the 'internet of things,' and nanotechnology.

Customers, including Muslim consumers globally, increasingly expect products to be as high quality and innovative as any conventional products and services. Islamic economy products and services have to compete and solve customer needs at par if not better than the alternatives.

Fortunately, Islamic economy sectors are buzzing with innovation and entrepreneurship. Entrepreneurs from Indonesia and Malaysia to the USA, UK, and France and everywhere in between are starting ventures across all of the Islamic economy sectors solving customer needs in creative ways. However, opportunities are mainly driven by global technological developments. 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.

Halal Food Sector

Select global technological innovations

- **Growing meat without animals:** 3D printing can help in producing lab-grown meat from stem cells — in other words, without keeping live animals. The first hamburger in a lab was produced this year starting from stem cells extracted from a biopsy of a cow and then growing 20,000 fibers pressing them together to form the hamburger.[1] Currently, one conventional hamburger takes 2,400 liters of water to produce so the aim is to create a potential solution to the worsening impact of meat production on our environment, climate change, our growing global population and increased desire for meat.[2] The question will be: Is a lab burger Halal and if it is, is it Tayyab?

- **Smart (precision) farming:** expectations are that precision farming will vastly increase crop yields. Drones and mini-satellites can collect much more data than before. Monitoring and control will improve the predictive ability of models and the use of robotics will make it possible to customise irrigation, fertilisation and the use of pesticides.[3] This also includes shifting from irrigation by flooding to more efficient irrigation systems, including drip irrigation and introducing crop varieties that are resilient to salinity and aridity.[4]

- **Vertical farming:** locally-cultivated vertical farms — stacked greenhouses that use artificial light to grow crops — can provide considerable savings, which could then be passed along to consumers[5]. A plant production unit the size of a city block and just a few stories high could produce the same volume of high-quality crops as a large farm, while consuming only about 10% as much water as traditional farms— all in less space than the average multi-story parking lot.[6]

- **Seaweed farming:** food production under maritime conditions offers great opportunities to increase food production in a sustainable manner. Seaweed is a promising crop in this respect. It is an excellent source of protein for human consumption and animal production. Moreover, it is a highly productive crop. Preliminary results of research on an experimental 'sea farm' show that it is possible to produce at least 25 tons of seaweed dry weight per ha per year. This largely exceeds production levels of terrestrial crops.[7]

1 First Hamburger Made from Lab-Grown Meat to be Served at Press Conference. The Guardian. August 5, 2013.
2 2013 -2014 State of the Future. The Millennium Project. 2014.
3 Survey of Technological Innovations for the Physical Domain. Council for the Environment and Infrastructure. Netherlands.
4 2013 -2014 State of the Future. The Millennium Project. 2014.5 Could vertical farms feed the world? World Economic Forum blog. August 29, 2014.
5 Could vertical farms feed the world? World Economic Forum blog. August 29, 2014.
6 Fast Forward to 2025: New Mega Trends — Transforming the World as We Know It. Frost and Sullivan.
7 Seaweeds for Feed and Food Production. Global Forum for Innovations in Agriculture.

- **Nanotechnology that could lead to a new agricultural revolution:** greenhouses, water pumps and filters and other structures for large-scale enclosed agriculture could be built via atomically precise manufacturing processes. The rewards would include higher yields, improved quality of foods and crops grown without pesticides.[8]
- **Genetically modified food (golden rice):** 'golden rice' could deliver 15-20% of the daily nutrition requirements by 2030.[9]

Select Muslim market innovations

- **Electronic seal for halal tracking and improving labelling of halal products:** a device called the e-seal was developed by the Brazilian Meat Exporting Industries Association (ABIEC). This device is equipped with a chip that contains basic information about the container, and data pertaining to the actual Halal slaughter. This experimental project which was launched in the Port of Santos showed that cargo is cleared in 1½ hours instead of 2½ days using paper documentation.[10]

- **First all-natural, humanely raised without antibiotics or GMOs, organically-inclined, hand-slaughtered halal butcher shop:** a higher-end butcher shop, Honest Chops, in New York City, USA with delivery service to all five boroughs. The shop's locally grown focus has also attracted secular people who make up 60% of its customers. Unlike conventional butcheries that source mainly boxed cuts, Honest Chops carves chuck roasts, sirloins, flank steaks and also sells sausages and seasoned hamburger patties.[11]

- **Ready-to-eat halal British and Italian meals:** 29-year-old Shazia Saleem from Luton, UK saw a niche in the Halal market for supermarkets in the UK and recently has become the founder of ready-meals business ieat Foods. She began with a small range of traditional British and Italian dishes — such as shepherd's pie and lasagna to appeal to the younger market, and has just added a Far East range and many more British dishes to her product range.[12]

8 A Radical Future for Nano Technology. The Futurist. Sept — Oct 2013 issue.
9 Fast Forward to 2025: New Mega Trends — Transforming the World as We Know It. Frost and Sullivan.
10 Halal Market Offers Exporters an Opportunity. Brazil-Arab News Agency. November 6, 2013.
11 www.honestchops.com
12 UK: The Young Muslim Entrepreneur Who is Hungry for Success. Halal Focus. February 24, 2014.

Select global technological innovations

- **Mobile banking:** moving from contract-based transactions to smartphone transactions. Voice and fingerprint authentication solutions-enabled mobile phones are growing in popularity as the world shifts from contact-based financial transactions to smartphones fitted with biometrics integrated operating systems.[13] Could mobile banking help fight poverty? Mobile money and electronic transfers could bring financial services to 2.5 billion marginalised people, according to a World Bank report.[14] A combination of smartphones, unbanked customers and a device culture is driving this trend in emerging markets.

- **E-commerce in Africa, companies leapfrogging ahead:** the emergence of the Internet revolution in Africa over the last decade has led to 16 percent of the 1 billion population gaining access to the internet. This has precipitated the emergence of e-commerce in Africa, which is projected to grow by 40 percent annually over the next ten years. Companies not recognising the need to migrate to some form of online system that pays particular attention to the customer, may well be left behind.[15]

- **M-Commerce and m-banking in India:** the segments of m-commerce that have gained some traction in the Indian market are that of m-payments and m-banking. The various services that have gained traction here include payment of utility bills, payments made for online purchases, and basic banking services. M-commerce and m-banking, particularly, hold great value for Indian markets where close to 50 percent of the population still does not have access to banking facilities.[16]
- **Convergence of m-money and microfinance in Sub-Saharan Africa:** Sub-Saharan Africa has leapfrogged fixed Internet access and entered straight into the mobile market, becoming a forerunner in m-money product development. The convergence of m-money and financial institutions is leading to expanded product and service offerings in the form of mobile-microcredit, microinsurance, and microsavings products.[17]

- **Digital currencies such as Bitcoin:** mobile financial transactions, now in crypto currencies such as Bitcoin, where $11 billion worth are in circulation currently,[18] have proven that a currency can exist purely in the digital realm, without a centralised bank or even a government. If you think of what Bitcoin's benefit is in terms of payments, it's a transaction-free, borderless global payments system. SmartMetric is launching

13 Biometrics in Cellphones. Frost and Sullivan. February 14, 2014.
14 Digital Payment Could Help Billions of People without Access to Banks. The Guardian. August 28,
15 E-Commerce in Africa: Companies Leapfrogging Ahead. Frost and Sullivan. July 9, 2014.
16 Mobile Commerce in India. Frost and Sullivan. June 9, 2014.
17 Convergence of mMoney and Microfinance: Leading Sub-Saharan Africa to Financial Inclusion. Frost and Sullivan. July 16, 2014.
18 ???

the world's first Bitcoin card with biometric fingerprint protection.[19]

- **Mobile wallets used pay at retailers:** motorists in Sri Lanka can now pay for fuel by placing one of the NFC-enabled stickers any time they wish (such as a wallet or key fob) and then tapping this on the checkout. Customers are immediately notified of their payment via SMS and can log in to the mobile app to view details of their transaction. In Singapore and Australia, people can pay pre-paid Visa cards through their m-wallet and they can also top them up with cash. This is also happening in Thailand where users are tapping their mobile against NFC-enabled tablets at participating retailers.[20]

Select Muslim market innovations

- **Online payment system in the Arab world:** Payfort, a payment gateway of the Arab world, reports that there is a 45% increase in e-commerce purchases in the MENA region, the highest growth rate in the world. Payfort presented its innovative online service payment offering businesses, governments, startups, and other institutions with a new payment method for both banked and non-banked online shoppers. This recurrent payment method allows customers to order items from outside or inside their country through a pay-at-home option rather than cash on delivery.[21]

- **Crowdfunding solution in Egypt:** Shekra is a crowdfunding solution supporting startups education, legalities, funding, mentoring, and monitoring processes. There are many innovative ideas and initiatives out there as well as successful businesses that need to grow, and Shekra was initiated to offer support and guidance. Shekra has a special focus on upgrading the success rate of startups in the region to cope with global standards, aiming to bridge the gap between startups or small enterprises and a wide spectrum of investors.[22]

- **Investing in Arab entrepreneurs:** Arabreneur engages young entrepreneurs in their development and provides them with facilities to use their creativity and time to develop start-up companies and provides them economic and social growth. They provide a venture fund, accelerator, angel network, mentor network, and ways to explore new markets internationally.

- **Abu Dhabi taxis to accept smartphone payment:** a new app will enable passengers to pay for all taxi journeys via smartphone; currently passengers must pay by cash or debit/credit card. The service will come first to airport taxis and then be rolled out across the fleet by mid-2015.[23]

- **Mobile phone accounts at Indonesian bank:** CIMB Niaga launched the mobile phone account that allows bank customers to use their mobile number to pay at major merchants across Indonesia to withdraw cash and pay utility bills or transfer money to peers that do not have bank accounts.[24]

19 SmartMetric to Launch World's First Bitcoin Card with Biometric Fingerprint Protection. YahooFinance. January 10, 2014.
20 ???
21 Payfort Releases Comprehensive Online Payment Report for the Arab World. Arabnet. June 3, 2014.
22 Shekra.com
23 Perfect Payments. Trendwatching.com
24 Perfect Payments. Trendwatching.com

Travel Sector

Select global technological innovations

- **The sharing economy:** this refers to people renting out other people's homes, cars, and equipment while travelling, on websites like Airbnb, Lyft, RelayRides, Uber and Zipcar.[25] Airbnb has already generated $632 million in NYC and $240 million in Paris in 2012-2013.[26] Uber now has a Jeddah airport to Makkah route available.[27] The largest age group open to the sharing economy are the Millennials (age 21-34) at 35%. This concept can be applied to Muslim families who want to experience Ramadan or Eid in Muslim countries.

- **The silent traveller:** the silent traveller is the travel consumer who turns to their mobile devices first, seeking solutions to in-trip challenges that have traditionally been the domain of customer-service staff. Approximately 30-40% of people aged 18-44 prefer to search or use social media to resolve a travel problem. E-books like 'Umrah under £300'[28] are now being published teaching Muslims the ins-and-outs of miles and points savings to create inexpensive five-star travel experiences themselves from start to finish without contacting customer service staff.

- **Smart travel:** destinations worldwide required on average two-thirds of the world's population to obtain a visa prior to departure. A 'smart travel' model, one that includes smart visas, smart borders, smart security processes and smart infrastructure, could revolutionise the travel and tourism sector the way the smartphone has transformed the telecommunications and media industries. Barriers to 'smart travel' are outdated visa practices and the airport experience but dynamic solutions include fully automated check-in, security and border control and smart/e-visas.[29]

Select Muslim market innovations

- **Innovative Hajj mobile apps and smart cards:** apps include: Mecca 3D,[30] taking you on a virtual hajj; MasterCard, Premier Bank launching the first reloadable Hajj prepaid card in Bangladesh:[31] crowd analytics software used by military personnel, police and crowd

25 Airbnb and the Unstoppable Rise of the Share Economy. Forbes. January 23, 2013.
26 Skift Report #20. http://skift.com/travel-trends/the-state-of-travel-2014/
27 Uber.com
28 http://umrahunder300.com
29 Smart Travel: Unlocking Economic Growth and Development through Travel Facilitation. World Economic Forum.
30 Mecca 3D App Takes You On a Virtual Hajj. The Huffington Post. June 9, 2014.
31 MasterCard, Premier Bank Launch First Reloadable Hajj Prepaid Card in Bangladesh. Banking Services Cards. June 11, 2014.

managers to predict where overcrowding is likely to happen:[32] and HajjSalam app that can run without a live internet connection, offering pilgrims the real-time, location and guidance in every step, counting the number of circuits made around the Ka'aba, and full camera, map and social media integration;[33] and an app to geo-tag their tent to find it upon arriving again.

- **Innovative Hajj infrastructure developments:** some innovative infrastructure technologies being evaluated for Hajj include electronic gates at seven entry points to Makkah to screen for illegal pilgrims, where buses will be fitted with smart chips and pilgrims will be given wristbands and the electronic gates will detect the buses without the chips and illegal pilgrims without wristbands.[34] There is also an innovative solution to Makkah's transportation challenges using an aerial ropeway transit (ART)[35] - a type of aerial transportation in which passengers are transported in cabins that are suspended and pulled by cables.

- **HalalBooking.com:** over the past years, Halalbooking.com has developed a very advanced website. A customer can search a hotel on their website, check the exact pricing for the entire family (precise total prices are calculated for the entire family taking into account the number of adults and exact ages of children to ensure 100% correct pricing) and preferred dates, and book and pay for the hotel all online. They provide a room suitability guarantee.[36]

- **Holiday Bosnia focuses on tourism and tourists giving back to the community:** in addition to providing tailored and high quality tours in Bosnia-Herzegovina, Holiday Bosnia has a unique 'ethical' tourism approach by providing tourists with opportunities to help get involved in local social development projects to improve the lives of the poor and vulnerable who were affected by the 1992-5 war, such as charity activities, youth development, volunteering on farms, rebuilding war damaged schools and homes of the poor and supporting orphans.[37]

- **Etihad Airlines launches three-room luxury suite with personal butler:** Etihad Airway's new plane design on the Airbus A380 and Boeing B787 is the most sophisticated way to travel. It is more like a five-star hotel, with a three-room private suite, including a living room, bathroom and bedroom and a Savoy Academy-trained butler to cater to all their needs. All for £12,500. One way.[38]

- **Carpool Arabia:** carpool allows drivers who wish to make money from carpooling set up their route, timing, and price so that people who wish to get a ride in that area and time are able to do so easily.[39]

32 Mapping Pilgrims' Body Heat to Make a Safer Hajj. New Scientist. December 4, 2013.
33 Convergence of Technology and Hajj with the New HajjSalam Smartphone App. PR Newswire. October 8, 2013.
34 Hajj in Mecca is Going High-Tech This Year. eTN Global Travel Industry News. July 29, 2013. Success in Controlling the Arrival and Departure Electronically. Ministry of Hajj Portal, Saudia Arabia. July 6, 2014.
35 Video: Aerial Ropeway Transit in Makkah, Saudi Arabia. Gondolaproject.com. November 15, 2011.
36 www.halalbooking.com
37 HolidayBosnia.com
38 The height of luxury: A three-room suite, personal butler and gourmet food - Etihad introduces the world's most exclusive way to travel, but it will cost £12,500 ONE WAY. Daily Mail. May 5, 2014.
39 Meet the SMEs at ArabNet's Digital Showcase. Arabnet. June 2, 2014.

Pharmaceuticals and Cosmetics Sector

Select global technological innovations

- **Smart drugs - precision drugs and nano robots:** drug designers have made the transition from blind guesswork to the systematic design of precision drugs using carefully selected molecular targets, thereby reducing adverse effects. Also, many disorders can't be cured by one-sized-fits-all drugs because down at the molecular level each one is in fact a cluster of different disorders. Repeated with enough different patients, iPOP tracking (massive databases with molecular data) will reveal the details of all the molecular pathways to a disease, and thus supply drug designers with the information they need to design targeted drugs.[40]

- **Personalised drugs, preventive medicine and personalised nutrition:** the future of healthcare is moving towards being more personalised—i.e. genetics based. An individual's genetic information has become a crucial component to assess the risks and predispositions one has towards acquiring a host of indications. Embracing genetic-based tests will help world economies by reducing the millions of dollars spent on present diagnostic approaches. Preventative healthcare will also become a more concrete lifestyle choice due to the awareness people receive from their genomic data. The direct-to-consumer industry, which was close to absent a decade ago, is currently a thriving market segment within the personal genomics space.[41]

- **Needle-free vaccines:** the present mode of delivering vaccines into human tissue locations using a needle and syringe has several limitations. Such limitations include administering vaccines to candidates who are needle-phobic, accidental needle-stick injuries, and the improper and unsafe usage of needles that may lead to the rapid spread of infectious diseases. Forms of needle-free vaccine delivery include: jet injectors, micro needles, transdermal patches, oral/nasal sprays and inhalers, vaccine implants and fast-dissolving tablets.[42]

- **Faster, electronic, clinical trial solutions:** over the past 20 years, annual spending on biopharma R&D has almost tripled to more than $50 billion. Late-stage failures put patients at risk and add to drug development costs, about $1 billion per drug failure. Innovations developing to address this include technological advances such as cloud computing, analytics, and data repository solutions. Also, microchips (or chip modelling organs) or 3D bioprinting of human organs, such as kidneys, livers and hearts

40 Rx Disruption: Technology Trends in Medicine and Health Care. The Futurist. May-June 2014 issue. Nanotechnology — A Boon in Targeted Drug Delivery Systems? Frost and Sullivan. March 3, 2014.
41 Survey of Technological Innovations for the Physical Domain. Council for the Environment and Infrastructure. Netherlands.
42 Future of Personalized Genomics. Frost and Sullivan. March 31, 2014.

are being developed to model human organs or entire physiological systems.[43]

Select Muslim Market Innovations

- **Halal vaccines — Global Vacc al-shifa:** HIB Vaccine is the brand name by Chennai-based Halal India of the World's first HIB Halal vaccine.[44] Recently, a Saudi corporation has invested $100 million in the Halal Industry Development Corporation (HDC) in Malaysia to produce Halal vaccines for meningitis, hepatitis and meningococcal disease in three years.[45] The Halal vaccines will help alleviate fears and doubts among Muslims on the integrity of the products.

- **First Halal certified nail polish:** the nail polish brand called 'H' by BCI group is the first nail polish to receive Halal certification in the Middle East. The first breathable nail polish line was created by Inglot Cosmetics based in Poland.[46]

- **Clay soap cleans out Najis:** the Halal Science Center of Chulalongkorn University in Bangkok has created a clay soap which can rinse out all kinds of Najis (impurities) and is certified by the Central Islamic Council of Thailand.[47]

- **Verify Halal certifications of suppliers faster:** through Malaysia-based Halal verified engine (HVE) website www.halalverify.com, certifiers and the public can get information about international Halal certifiers who list themselves. Suppliers and manufacturers can research company Halal certifications, if registered, themselves without a lot of paperwork. There is also a rating and review system to help build confidence on both sides. Assistance on the site is built in to make the application process for Halal certification easier and faster.[48]

- **Miswak tooth stick cutter-case making it easy to take on the go:** companies like Penwak[49] and THIS Toothbrush[50] have taken an ancient method of dental care and have given it a modern cutter case that features a transparent, rinseable tube making it easy to carry your Miswak on the go. The Miswak is bio-degradable and requires no water, brush or paste. The Miswak stick is 100% natural and when used correctly, is a healthy alternative to a toothbrush for superior oral hygiene.

43 eSource: Electronic Clinical Trial Solution. Frost and Sullivan. July 4, 2014.
44 OIC: Al-Shifa Approved as World's First HIB Halal Certified Preventive Medicine. Eat Halal. December 21, 2013.
45 Malaysia: Halal Vaccines to be Available in 3 Years. Halal Focus. April 10, 2014.
46 UAE: S'N'B Unveils Luxury Collection of Natural Halal Nail Polishes. Halal Focus. January 5, 2014.
47 Development of Clay Liquid Detergent for Islamic Cleansing and the Stability Study. Research Gate.
48 Halalverified.com
49 Penwak.com
50 thisisatoothbrush.com

Fashion Sector

Select global technological innovations

- **Wearable technology (smart watches, glasses, clothing):** an easily accessible wearable device might have the potential to replace smartphones. A smartwatch could be used for consultations, making calls, sending messages, scheduling visits, paging, or even displaying fresh lab test results. People want to own the data and be in better control of their lifestyle. But the players in the wearable arena still need to master the fashion element for the technology to be widely accepted and reach the same success as smartphones or tablets did with the aesthetic design of the iPhone.[51] Current developments include: Google (Google Glass), Microsoft (The SPOT - smartwatch) and Apple (iWatch).[52]

- **E-commerce and m-commerce:** many retailers including e-commerce are beginning to prepare for the consumer transition to mobile by fitting out their stores with near-field communication (NFC), a technology which supports data transfer over short distances, to encourage shoppers to purchase in-store merchandise online with a wave of their smartphones. With access to increasingly sophisticated user profiling and data mining techniques, brands are now able to utilise algorithmic recommendations to deliver ever more personalised experiences to consumers, providing tailor-made purchase suggestions by collecting previous consumer behavioural data from various online channels.[53]

- **Augmented reality (AR) and virtual reality (VR) used in shopping:** e-commerce, m-commerce, AR and VR are poised to completely overturn our conventional understanding of the retail shopping experience. According to data from Juniper Research, 60 million users across smartphones, tablets and smart glasses will utilise augmented reality apps in 2014; this number is expected to more than triple to 200 million unique users by 2018. Augmented reality provides a digitally enhanced view (reality) of the world in which we live and interact on a daily basis. Virtual reality is all about convincing the user they are in a place where they actually are not. "Imagine going shopping in a virtual store just by putting on goggles in your own home," Facebook founder Mark Zuckerburg said. "We'll keep building out the ad platform as part of this." 3 Examples of augmented reality used in retail currently include: Topshop Kinect Dressing Rooms, Shisedio Makeup Mirror, American Apparel Colour-Changing App, De Beers 'Forevermark Fitting', IKEA AR Catalog, Sayduck Furniture, Visualizer, IBM AR

51 Bring Your Own Device and Wear Your Own Device — the Technological Revolutions That Will Challenge the Communication Test Industry. Frost and Sullivan. January 29, 2014.
52 What's the Deal with Wearable Technology? Arab Net. June 4, 2014.
53 How eCommerce, Augmented and Virtual Reality Will Define the Retail Experience. Social Media Today. July 1, 2014.

App, Converse Shoe Sampler, Burberry Beauty Box and the Moosejaw X-Ray App.[54]

Select Muslim market innovations

- **Ramadan campaigns by Macy's and DKNY:** Macy's Ramadan store decoration[55] in California, USA directed to American Muslim consumers as well as GCC tourists and DKNY's marketing campaign[56] directed to Muslims in the Middle East recognised the importance of the customer group, and were looking to make them feel welcome. Although everyone recognises that this is good marketing to an important customer base, they haven't lost sight of the significance. While spearheading this project, the store realised they wanted their Muslim employees to know that Macy's cares about them.

- **Fashion designers leveraging social media for large followings and e-commerce conversions:** Muslim fashion e-commerce stores are gaining marketing traction through social media followings and YouTube videos. An example of this is Hijup, who records 12 million views on YouTube.[57] Other designers include Rabia Z (UAE), Jenahara (Indonesia), Dian Pelangi (Indonesia), Pearl Daisy (YouTube celebrity).

54 10 Examples of Augmented Reality in Retail. Creativeguerillamarketing.com
55 Our Journey to Macy's. American Muslim Consumer Consortium. June 26, 2014.
56 www.dkny.com/dknyramadan
57 Islamic fashion e-store HijUP records 12 million YouTube views; is it effective marketing? Tech In Asia. November 7, 2013.

Media and Recreation Sector

Select global technological innovations

- **Smartphone penetration in India, the platform of today:** India has the second largest number of mobile phones users in the world. With the government set to implement the technology into their branches of office, and in rural India, and with the economic growth and with the rise of technological reform that promises to bring together different civic agencies, the demand for smartphones and the apps which will eventually bring them to life, is set to increase exponentially.[58]

- **Augmented/virtual reality (AR/VR) games, the platform of tomorrow:** as Facebook CEO Mark Zuckerberg noted regarding the acquisition of Oculus, a virtual reality brand, "There aren't many things that have the potential to be the next big computing platform…Oculus has the potential to be the most social platform ever. Immersive, virtual and augmented reality will be part of people's daily lives."[59] Augmented reality (AR) will also bring transformational shifts to the future of education. Classrooms will get virtual and field trips will get interactive and wholly immersive. Disney is one company that probably timed its invention to perfection by introducing AR toys that brought its flagship Disney characters to life for its next gen customers.

Select Muslim market innovations

- **ArabOnlineGames.com:** as a hub of entertainment for the Arab speaking community, this platform aggregates and Arabises top-of-the-line games from a number of top European companies. With Internet users on the rise across MENA and the gaming industry still booming, the founders of AOG picked up on a need in the region.[60]

- **Online fantasy football game for MENA fans:** Fariqak.com is the first online fantasy football game based on European Leagues to be designed for MENA fans.[61]

- **First Arabic-focused social media monitoring platform:** Crowd Analyzer is a tool that enables companies to monitor people's feelings about their brands expressed on social media through sentiment analysis. It takes into account different meanings of Arabic words and Arabic dialects.[62]

58 Smartphone Penetration in India: What Would it Mean for the Test Equipment Vendors? Frost and Sullivan. April 21, 2014.
59 How eCommerce, Augmented and Virtual Reality Will Define the Retail Experience. Social Media Today. July 1, 2014.
60 ArabOnlineGames: MENA's Newest Online Game Portal Brings Global Hits Home. Arabnet. June 18, 2014.
61 Meet the SMEs at ArabNet's Digital Showcase. Arabnet. June 2, 2014.
62 Meet the SMEs at ArabNet's Digital Showcase. Arabnet. June 2, 2014.

- **British Muslim TV:** an example of second generation Islamic media, British Muslim TV is a new sky satellite channel that provides both Muslim and non-Muslim communities with news, views and insights into how British Muslims live today.[63]

- **Halal film industry for Muslims?** besides Hollywood and Bollywood (and Lollywood and Nollywood), what about Halalywood? American actor and comedian Omar Regan, who has appeared in films such as Rush Hour 2, has set out to create a Halal film industry for Muslims. Regan is set to release his first movie American Shariah later this year, a comedy/action film about rogue government officials using Islamophobia to maintain power, later this year.[64]

- **Online platform for marriage and sexual education:** Karaz is an online platform that provides marriage, relationship and sexual education and an e-commerce store for marital and sexual products.[65]

63 www.britishmuslim.tv
64 Opinion: Now 'Muslim Michael Jackson' Comes with a Halal Certified Film. Halal-focus.net. August 4, 2014.
65 Meet the SMEs at ArabNet's Digital Showcase. Arabnet. June 2, 2014.

Innovations that Apply to Multiple Sectors

- **3D printing and its effects on food, pharmaceuticals, and fashion sectorss**

  In the food industry, engineers (and future 'food architects') in the food industry are now printing out chocolates, candies, and other foods that used to be the exclusive domain of chefs.[66]

  In the pharmaceuticals industry, companies are excited by the 3D bioprinting of organs, such as kidneys, livers and hearts, with stem cells serving as 'ink.' This capability will restructure the entire pharmaceuticals industry and the world of biotechnology.[67] However, regulation will be a huge challenge, as anyone will be able to print drugs containing patented molecules. Bionic ears and simpler organs will be printed at the patient's bedside; printing transplantable human organs could eradicate waiting lists.

  In the fashion industry, the push towards 3D printed fashions is more realistic today than ever as the availability of the intricate technology becomes more widespread. Imagine a world where instead of going to a shop for a piece of clothing it's printed at home from a design you downloaded from your favorite store. Today you will see 3D printed high heels, eye glasses, watches, sweatshirts, jewelry, hats, accessories, sneakers, and handbags. In a recent Victoria's Secret show, a 'clothing architect' designed, completed, and custom-fitted fashions over the course of the event, using scanning technology and CAD software.[68]

- **Internet of things:** tele-everything is set to disrupt every industry in the next 1-2 decades. Examples include Google Glass, wearable technologies, smartwatches, smart buildings, and smart cities.

- **Commercial drones:** commercial drones are now being used by companies like Amazon.com and DHL to deliver packages. Security and privacy issues will arise as drones will be flying around. Hollywood filmmakers are using drones on sets to replace helicopters and planes while Facebook is planning on using drones to bring Internet access to parts of the world where it does not exist.

- **Commercial space flight:** there is a race to develop supersonic business jets with the help of Airbus' Defence and Space Unit. Virgin is providing suborbital spaceflights to space tourists, suborbital launches for space science mission, and orbital launches of small satellites.

66 3-D Printing Keeps Growing. The Futurist. May-June 2014 issue.
67 How Printable Organs Will Change the Future of Medicine. World Economic Forum blog. August 29, 2014.
68 3D Printed Fashions. Trend Hunter. http://www.trendhunter.com/slideshow/3d-printed-fashions

- **Microalgae as a green plant ingredient substitute in food, travel and pharmaceuticals and cosmetics sectors:** a new green plant resource that food, pharmaceutical and cosmetic producers are tapping into. A Norwegian firm, Uni Research, is cultivating the omega-3 microalgae for its oil byproducts, which have potential as a clean, renewable biofuel for aircraft and cars, food additive, nutritional supplement and substitute ingredient for an array of cosmetics (skin care treatments), baby formulas and pharmaceuticals.[69]

- **Manufacturing efficiency through cloud-based ERP software and 3D printing:** enterprise resource planning software that can run on mobile devices and desktop computers, such as Plex Systems, can detect whether equipment on the assembly line is malfunctioning and be shut down to avoid a single recall. Also, manufacturers looking to cut production costs are increasingly achieving it by turning to 3D printing. General Electric's aviation division announced in October 2013 that it was installing new 3-D printers to fabricate fuel nozzles. GE now plans to print about 85,000 fuel nozzles from the printers between 2016 and 2021.

- **Smart packaging through nanotechnology for pharmaceuticals and food sectors:** smart packaging involves the ability to sense or measure an attribute of the product, the inner atmosphere of the package or the shipping environment. Examples of smart packaging include wrapping that detects when food starts to spoil, monitoring moisture, corrosion, oxygen, temperature, and shock and vibration. Radio-frequency identification (RFID) chips are becoming more common as smart labels are used to track and trace packages and unit loads throughout distribution. Also, security printing methods are used as specialised labels to confirm that the product in the package is not counterfeit.[70]

69 Microalgae to Feed and Fuel the World, The Futurist. March — April 2014. Global Forum for Innovations in Agriculture. http://www.innovationsinagriculture.com/Event-programme/Project-partners/Pages/Accordion-Photobioreactor

70 Active Packaging. Wikipedia. http://en.wikipedia.org/wiki/Active_packaging. Evolving Trends in the Pharmaceutical Packaging Industry. Frost and Sullivan. June 20, 2014.

REUTERS/Mohamed Abd El Ghany

RECOMMENDED STRATEGIES AND WORKSHEETS

New and existing companies in the Global Islamic Economy can benefit tremendously from this Report by considering how it applies 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. It also includes a master worksheet for strategy professionals and business development managers to easily plan out their growth strategy.

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 experienced in 2014 based on year-on-year industry news, trends and interviews with key industry players. Below you will find the overall recommended strategies for each industry in 2015 based on these year-on-year insights.

Recommended strategies: Halal Food

INDUSTRY COMPANIES

- Prepare for stricter Halal regulations/monitoring: companies, especially multi-nationals exporting into Muslim markets, should expect growing scrutiny as evident by incidences in Malaysia and Qatar (see Halal Food Chapter).
- Halal (lawful) and Tayyab (wholesome/pure) cross-over products/ brands should be pursued to provide a wider global market universe.
- Tayyab food focus in western markets will also alleviate PR challenges against Halal in western markets.
- OIC-based large food manufacturing companies should develop their Halal credentials for exports as well as the opportunity to supply ingredients to non-OIC-based multi-nationals.
- While GCC countries offer the highest per-capita food consumption, other Muslim market regions are larger in aggregate size and should also be prioritised.
- Encourage and support the consolidation and unification of Halal certification standards. Better prepare and package (professional business/ investment plan, structure, governance) for Shariah-compliant financial services and investment appeal.

FINANCIAL SERVICES FIRMS

- Evaluate and pursue Islamic economy opportunities within target jurisdictions.
- Incorporate co-branding with Islamic economy brands to strengthen marketing, given overlapping client-base.
- Have related industry experts on staff to better evaluate and pursue Islamic lifestyle economy opportunities.

POLICY MAKERS/REGULATORS

- Protect customers and create Halal sector competitiveness by pursuing national Halal regulations, standards, and auditing processes.
- Partner with industry companies to raise consumer awareness through marketing resources.

Key Drivers	2014 Key Challenges	2014 Key Opportunities	Future Outlook
• Younger demographic; growing middle class with disposable income; more eating out and socialising • More non-Muslim consumers preferring Halal because of Tayyab/wholesomeness • Growing trend towards natural and organic products	• Lack of unified Halal standards*; multi-national companies see market potential but are very confused (too many certifiers) • Not feasible to limit suppliers extensively for raw material and packaging; increases cost • Perception: backlash from non-Muslim consumers about Halal • Lack access to Islamic Finance limits growth, scaling and efficiency • Fragmented market geographically, ethnically and disposable income	• Consolidate and unify Halal certification standards • Multi-national companies can help authorities to unify Halal standards and avoid unrealistic expectations for raw materials by suppliers as well as leverage its marketing resources to raise consumer awareness about certification • Islamic Finance investments for scaling • Make Halal Food available in supermarkets in western markets • Cross-over and expansion into global organic and wholesome (Tayyab) offerings • Halal ingredients	• Clear and unified Halal certification standards • Tayyab/wholesome and organic will get more footing • More transparent Halal integrity based on consumer pressures and awareness • Media will continue to create more awareness of this market and give companies a platform to engage with consumers

*Certification: lack of unified Halal standards hinders growth because it limits trade barriers between countries. Rules are not defined and regulations are not clearly identified. Halal requirements are sometimes too strict, increasing the cost tremendously. Then there are food contamination issues either intentionally (fraud, scandals, fake certificates) or unintentionally.

Recommended strategies: Islamic Finance

FINANCIAL SERVICES FIRMS

- Evaluate and pursue Islamic lifestyle economy sector (Halal Food, travel, fashion, pharmaceuticals, media/recreation, education) opportunities within target jurisdictions.
- Develop SRI, impact investment and social entrepreneurship financing as themes that broaden Islamic Finance appeal to a global audience.
- More pension funds should create Shariah-compliant arms to tap into a growing Shariah-compliant investment instruments and serve their customer demands.
- Evaluate Hajj funds/saving programs in both national and private capacities
- Evaluate developing/supporting Shariah-compliant crowdfunding platforms as well as create SME financing initiatives.
- Evaluate key new markets for expansion: Tunisia, Azerbaijan, Indonesia, Morocco, India, West/East Africa.
- Incorporate co-branding with Islamic economy brands to strengthen marketing, given overlapping client base.

POLICY MAKERS/REGULATORS

- Develop/strengthen regulations around crowdfunding.

Key Drivers	2014 Key Challenges	2014 Key Opportunities	Future Outlook
• High growth; recent appetite for ethical and Shariah-compliant investment • Muslim population becoming wealthier and more sophisticated as investors • Innovations in Sukuk market, private equity, real estate and commodities • Significant progress with standardisation, diversity of institutions, wider range of products and services	• Economies of scale to competitive pricing; operational efficiency • Talent: finding asset/fund managers who understand Shariah investment • Gap in products for high-net-worth client base • Lack of government support for Islamic products • Difference in interpretation of what is Shariah-compliant • Islamic banking sector needs more standardisation; need for flexible regulatory frameworks for Sukuk issuance • Recent geopolitical instability (oil prices, terrorism, civil wars)	• SRI, impact investment, social entrepreneurs • Halal Food and lifestyle sectors • Leverage technology to improve operation inefficiency and marketing • Leverage Saudi Arabia's opening of their stock market to foreign investors and UAE's and Qatar's upgrade by MSCI • Crowdfunding/ SME financing • New markets • Continue to standardise banking sector	• Growth of industry remains strong; Muslim population to continue to become wealthier • Further standardisation and unification in practices • Recent opening of Saudi stock market will pave its inclusion into MSCI emerging market index, thereby access to more capital flow. • More government support and involvement • More money moving across the globe for investments • Sukuk continues to gain popularity; private equity to flourish in GCC and ASEAN markets; Islamic banks continue to grow noticeably faster

Recommended strategies: Travel

INDUSTRY COMPANIES

- Hotels and resorts should evaluate and pursue Muslim-friendly offerings packaged as family-friendly with cross-over appeal to a wider audience.
- Luxury hotels and luxury travel packages targeting GCC tourist should be considered
- For non-OIC destinations, strong local Halal Food services ecosystem should be developed with a strong mix of restaurants with local authentic menu items carrying credible Halal certification.
- Medical tourism opportunity should be evaluated and marketed.
- Industry body(s) should consider a collaboration on developing further consumer awareness on family-friendly options.
- Business travel should be targeted given many would appreciate the quietness of a Halal hotel.

FINANCIAL SERVICES FIRMS

- Evaluate and pursue Halal travel opportunities as commercial real-estate investment opportunities within target jurisdictions. Also pursue financing and insurance options.
- Incorporate co-branding with other Islamic economy sector brands to strengthen marketing, given overlapping client base.
- Have related industry experts on staff to better evaluate and pursue Islamic lifestyle economy opportunities.

POLICY MAKERS/REGULATORS

- Similar to or by leveraging Malaysia's developed Muslim-friendly hotel guidelines, put in place standards and guidelines to protect consumers and ensure sector integrity and quality for Halal-certified hotels.
- Partner with industry companies to raise consumer awareness through marketing resources.

Key Drivers	2014 Key Challenges	2014 Key Opportunities	Future Outlook
• Large, lucrative market and customer base • Consumers want to experience the world without compromising faith-sensitivities • Growth in physical travel and accommodation demands • Growing affluence of consumers	• Not enough investors/ funding to scale; • Positioning challenges: How best to brand and market any such offerings to be inclusive of wider audiences • Backlash to 'Muslim' market services in Muslim and Non-Muslim countries • Not enough five-star Muslim-friendly hotels • Hajj market challenges in pilgrim transportation, disease control, crowd management, and scams.	• Family-friendly and business traveller cross-over appeal to Muslim-friendly services • Luxury Muslim market segment • Investment opportunity as commercial real-estate • Consolidate Halal travel guidelines/ certification standards • Create consumer awareness of Muslim-friendly services available • Halal-themed packages • E-commerce, mobile, social media marketing platforms	• Market will grow rapidly, therefore Food and Beverage industry will adapt to Halal. • More international travel companies will start to enter in the luxury, mid-scale and budget sub-markets • Growth opens up opportunities for related businesses (Halal Food, tour guides

Recommended strategies: Fashion

INDUSTRY COMPANIES

- Evaluate offerings focussed on western Muslim markets.
- Develop sector talent pool especially as it relates to design.
- Premium modest fashion brands should be considered for GCC and other affluent customers globally.
- Industry body(s) should consider a collaboration on developing further consumer awareness on modest fashion and companies.
- Aggressively adopt digital platforms for marketing and sales.

FINANCIAL SERVICES FIRMS

- Evaluate and invest in modest fashion brands in jurisdiction. Also pursue financing and insurance options.
- Incorporate co-branding with other Islamic economy sector brands to strengthen marketing, given overlapping client-base.

Key Drivers	2014 Key Challenges	2014 Key Opportunities	Future Outlook
• Vast market and increasing demand for lifestyle brands that reflect Islamic values • Stylish, fun, chic customer base (Mipsters, Muslim professionals) • Large multi-nationals show interest in breaking into the market (e.g. Prada) • Large upsurge of Islamic clothing companies	• Lack of funding and financial investors • Lack of efficiency for marketing channels to directly target Muslim market • Less global ambition and more local and ethnic markets • Low volume production hinders economies of scale and price • Finding right balance between modesty and attractive fashion	• Expand with retail outlets, physical stores, franchising and distribution partnerships • Western Muslim markets are largest segment • Better target marketing platforms • Brands still in infancy • Cross-sell to other faith-based, modest-conscious consumers - with a global brand positioning strategy	• More global Islamic fashion brands • Significant uptake in retail presence, franchises and physical stores and fashion blogs • Distribution hubs in numerous countries • Indonesia and Malaysia to play an important role

Recommended strategies: Media and Recreation

INDUSTRY COMPANIES

- Evaluate offerings focussed on western Muslim markets.
- Build digital platforms for marketing, sales (monetising), and financing.
- Pursue cross-border marketing of content.
- Evaluate gaming services.
- Pursue crowdfunding options.

FINANCIAL SERVICES FIRMS

- Evaluate and invest in Islamic economy media/recreation brands in target jurisdiction. Also pursue financing and insurance options.
- Incorporate co-branding with other Islamic economy sector brands to strengthen marketing, given overlapping client base.

GOVERNMENT ENTITIES

- Develop IP protection to encourage sector growth

Key Drivers	2014 Key Challenges	2014 Key Opportunities	Future Outlook
• Technology • Muslim consumers are increasing; new Muslim consumers are demanding high-quality faith-inspired content; customer demands to put the 'cool factor' in spiritual products • Large and consistent upsurge of interest in Global Islamic Economy and will continue to grow	• Financing to scale • The media industry is in its infancy stages; legal and regulatory infrastructure to protect rights of media companies from new technological platforms • Balancing the commercial aspect without losing religious integrity • Professional talent for high-quality, easy accessible Islamic media products	• Integrating technology/ new media, social media (Google Glass for apps, Oculus for virtual/ augmented reality) • Crowdfunding • Creatives collaboration • Create strong platforms so companies have access to its customers • Develop globally branded Halal media and celebrities or regional icons	• Leveraging technology and social media, e.g. monetisation of online space (YouTube), subscription services, wearable devices, social media • Penetrating untouched markets through mobile • More movie production, products in the children's market and more competition in the apps space

Recommended strategies: Pharmaceuticals and Cosmetics

INDUSTRY COMPANIES

- Prepare for stricter Halal regulations/monitoring: companies, especially multi-nationals exporting into Muslim markets, should expect growing scrutiny.
- OIC-based large pharmaceuticals and cosmetics manufacturing companies should develop their Halal credentials for exports as well as leverage the opportunity to supply ingredients to non-OIC based multi-nationals.
- Encourage and support the consolidation and unification of Halal certification standards.
- Partner with industry companies to raise consumer awareness through marketing resources.

FINANCIAL SERVICES FIRMS

- Evaluate and pursue Halal pharmaceuticals and cosmetics ingredients, and vaccine-related companies within target jurisdictions.

POLICY MAKERS/REGULATORS

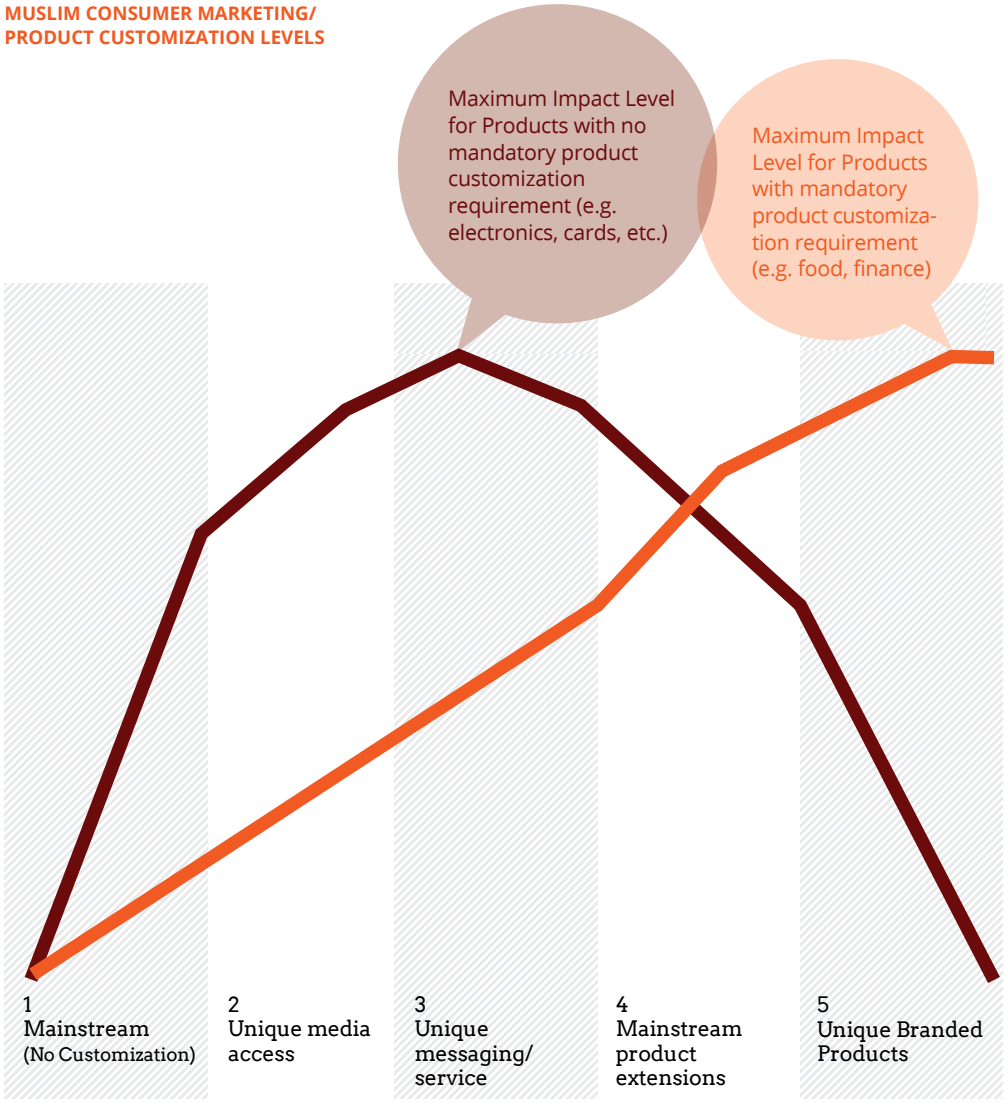
- Create sector competitiveness by pursuing national Halal regulations, standards, and auditing processes.
- Partner with industry companies to raise consumer awareness through marketing resources.

Key Drivers	2014 Key Challenges	2014 Key Opportunities	Future Outlook
• Halal ingredients compliance • Positioned as not only Halal but safe, high-quality and hygienic with fair-trade and animal-friendly • Halal pharmaceutical standards in place (e.g. in Malaysia) • Sizeable non-Muslim consumer base looking for high quality, hygiene products	• Public perception that Halal cannot have better quality than mainstream companies • Stiff competition from global brand giants • Muslim market may not be as interested as the non-Muslim market • Funding to scale the company • Convincing major retailers to carry the products	• Increase awareness that quality is usually higher • Halal vaccines, especially for Hajj/Umrah • Partner with major retailers and overcome political stigma over Halal brands • Entrepreneurs from non-Muslim countries (e.g. China, Korea, Japan) visit seminars in countries like Malaysia to learn how to set up a Halal business	• More consumer awareness towards Halal beyond food • More pharmaceutical companies will come on board • Pharmaceuticals and cosmetics to grow strongly, still mainly driven in South East Asia and Middle East

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.[1]

MUSLIM CONSUMER MARKETING/ PRODUCT CUSTOMIZATION LEVELS



1 DinarStandard Muslim Lifestyle Market customisation framework

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.

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 standardizing 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 ompany 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)*	

Expert Insights

Shelina Janmohamed, Vice President
Ogilvy Noor

1. What do companies within the Islamic economy need to do to develop global brands?

The Muslim consumer segment is an exciting opportunity for global brands, precisely because it is a fully global segment that shares the same underlying values irrespective of geography, language or culture. Brands therefore need to unearth and bring to life deep insights about the Muslim consumer and ensure that they are standing in their shoes, rather than re-playing stereotypes about the kinds of products and brand values such Muslim consumers are seeking. For example, many brands feel it is enough to put a Halal logo on their product, but forget quality, brand promises and category insight. This infuriates Muslim consumers who are fed up of being seen as an after-thought, or being charged extra for a product that is positioned for a Muslim audience. Brands should realise that the label 'Islamic' is not enough either. Muslim consumers want brands to explain why a product is most suited to their Muslim aspirations and how it lives up to the promise of Islamic values. Brands must demonstrate in their construction, values and execution that they are built for Muslim consumers, and be honest and transparent about what they offer and stand for. Most of all, Muslim consumers want to know that the brand is the best global quality and offering for Muslim audiences, remembering all the while that the global connectivity of Muslim consumers can enhance a brand's reach.

2. What considerations do they need to address in their communication strategy?

Any communications strategy, just like the brand and the product, must be developed from the ground up with a core Muslim consumer insight in mind, which needs to be reflected in each touch point. One pitfall it is important to avoid is that of stereotypical imagery: including crescents, stars, dates, rosaries and other lazy shorthand to say 'this is for a Muslim consumer.' Equally, Muslim consumers are looking for brands that feel fresh and modern in their design. Finally, using the digital world is extremely important and powerful as this is an important

resource for Muslim consumers, as well as a channel through which they share their positive and negative opinions about brands.

3. How can businesses within the Islamic Economy become more innovative?
Businesses need to uncover insights about the way today's Muslim consumers live that are affected by their lifestyle and value choices. For example, Sunsilk was the first hair care product that understood that when Muslim women cover their hair it affects their hair care needs because hair behaves in a different way. They also were brave enough not to show manes of glossy hair, something which is a staple of shampoo adverts. Really thinking about the different product and communications needs of the target consumer created an innovative product and positioning.

4. Can you provide a comment on one of the challenges facing one of the following Muslim Lifestyle sectors and what needs to be done to address it (fashion, media, pharma, cosmetics)?
Muslim fashion is an industry that is growing in importance and prominence. Any big city in the world will be home to achingly hip young Muslim women dressed in the latest trends with stylishly draped headscarves. There is also a wider consumer trend among women to think about fashion moving away from worries about fixed beauty ideals that are currently dominated by western fashion. The global fashion industry therefore needs to think about how it can best address the growing young Muslim population that is interested in fashion, while wanting to maintain its boundaries of faith. This will include the kinds of looks it creates, the imagery it projects and the language in which it talks about modesty in dressing.

Ogilvynoor

Expert Insights

Jonathan (Bilal) A.J. Wilson
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Editor, Journal of Islamic Marketing

Critical success factors that will pose challenges; and of course deliver the biggest opportunities:

1. **Classical and contemporary orthodoxy and heterodoxy:** whilst responding to the rise of the Islamic Economy, challenges remain as to how idealised tropes and concepts are applied with pragmatism, credibility, and authenticity. This isn't an easy process — and finding a way to protect forums for healthy debate, dialogue and experimentation is vital.

2. **Public relations, reputation and crisis management — the mission, and the narrative:** as the landscape changes, and Islamic economies and Muslim geographies develop, the narrative too has to advance. The intended outcome is that people feel empowered, engage with, and evangelise from a position of authority. This has to beyond parroting big statistical numbers, asserting a religious obligation, or refuting misconceptions — it means tackling the big issues; regardless of whether they are grounded in unfair judgements.

3. **The knowledge economy and skills competences:** whilst there is now a proliferation of Islamic Finance courses, fewer can be observed for the other seven silos. Notably, Halal for example, whilst being researched, seldom appears on curricula. There is the potential to create cross-disciplinary university programmes that tackle the entire Halal chain. This could form a degree in Halal Business Administration, including topics of certification, slaughter, logistics and supply chains, Islamic Finance, international marketing, organisational behaviour and human resource management.

4. **Employment and protected characteristics:** the younger generation has shown great interest in and given a vote of confidence to an Islamic economy. However, are there enough jobs being created? Is enough being

done to offer support to minority groups, which are referred to in UK employment law by the umbrella term, 'protected characteristics.' The strength of an Islamic economy would be to take a lead on key societal issues.

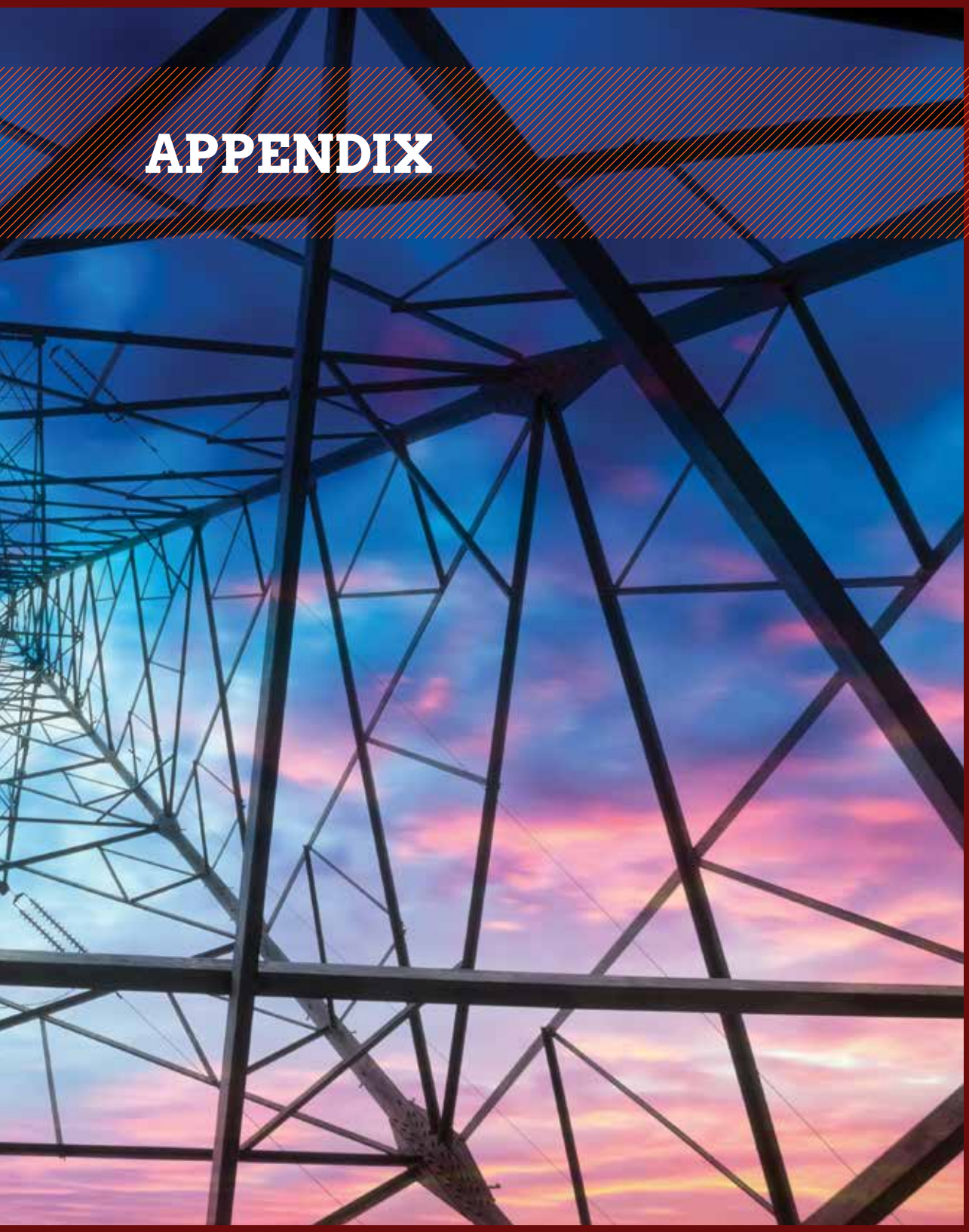
5. **Nation branding:** one challenge is how Muslim nations should mediate and balance the interests of a nation, under the banner of an Islamic paradigm? My view is that healthy competition and nation branding to showcase diversity within the Ummah and presenting collective wealth creation.

6. **Halal brands:** more has to be done to create Halal, as opposed to brands that are created and then seek Halal certification, graft on Islamic elements, or target Muslims as a secondary captive audience.

7. **Change at scale:** never before have we had to consider how so many Halal products and services can be produced to meet the demands of so many people; whilst preserving the values and ideals beyond mere ingredient and technical compliance. This is very much work in progress and will require minds from across a wide range of subject disciplines and industries.

8. **Digital literacy, creativity, innovation, and futurism:** the following are the lifeblood to a new and forward-thinking virtual silk route of modern interconnected globalised souks: harnessing the power of technology; smartphone and mobile; recycling devices, distributing and penetrating developing economies; online and internet access; Wi-Fi and cloud computing; social media and user generated content; the democratisation of information exchanges; secure transactions; online shopping, monetisation, and shipping.

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.

GCC (Gulf Cooperation Council)	Southeast Asia	South East Asia	Europe
Bahrain	Brunei Darussalam	Afghanistan	Albania
Kuwait	Indonesia	Turkmenistan	France
Oman	Malaysia	Bangladesh	Germany
Qatar	Singapore	India	Italy
Saudi Arabia	Thailand	Maldives	Switzerland
United Arab Emirates		Pakistan	Turkey
		Sri Lanka	United Kingdom

Other MENA (Middle East & North Africa Excluding GCC)	Sub-Saharan Africa	Others
Algeria	Benin	Australia
Egypt	Burkina Faso	Azerbaijan
Iran	Cameroon	China
Iraq	Chad	Guyana
Jordan	Comoros	Kazakhstan
Lebanon	Djibouti	Kyrgyzstan
Libya	Gabon	Suriname
Mauritania	Gambia	
Morocco	Guinea	
Palestine	Guinea-Bissau	
Sudan	Ivory Coast	
Syria	Kenya	
Tunisia	Mali	
Yemen	Mozambique	
	Niger	
	Nigeria	
	Senegal	
	Sierra Leone	
	Somalia	
	South Africa	
	Togo	
	Uganda	

GIEI METRICS

Sector	Indicator	Metrics
Islamic Finance	Financial	IFI assets
		Number of IFIs
		Value of outstanding sukuk
		Number of outstanding sukuk
		Value of Islamic funds
		Number of Islamic funds
	Governance	Regulations for Islamic Finance
		Centralised Shariah Board
		Number of Shariah scholars
		Disclosure index score
	Awareness	Number of IF education institutions
		Number of news articles
		Number of research papers
		Number of IF events
	Social	Value of Zakat and charity
		CSR disclosure index score
Halal Food	Financial Halal food in diningces	Export to OIC
	Governance	Halal regulations
		Certification required for imports
		Certification available for local producers
	Awareness	Number of news articles
		Number of events
	Social	Food pricing index
Travel	Financial	Inbound Muslim travel
		Halal-friendly ecosystem
	Governance	Number of news articles
	Awareness	Number of events
		Contribution to employment
Islamic Fashion	Financial	Clothing export to OIC
	Awareness	Number of news articles
		Number of events
	Social	Clothing pricing index
		Labour fairness index

GIEI METRICS

Sector	Indicator	Metrics
Recreation	Financial	Recreation exports to OIC
	Awareness	Number of news articles
		Number of events
	Social	Access to Internet
Recreation	Financial Halal food in diningces	Pharma exports to OIC
	Awareness	Cosmetic exports to OIC
		Halal regulations
	Social	Certification required for imports
Pharmaceuticals and Cosmetics	Financial	Certification available for local producers
		Halal regulations for cosmetics
	Governance	Certification required for cosmetic imports
		Certification available for local cosmetic producers
		Number of news articles
		Number of events
		Pharma pricing index
		Cosmetic pricing index
	Awareness	Number of News Articles
		Number of Events
	Social	Pharma pricing index
		Cosmetic pricing index

Indicator calculation methodology

The methodology for calculating the indicator values has been developed based on the following key characteristics:

- Each indicator and sub-indicator should be equally weighted, ensuring no dimension has greater importance or preference to any other.
- The indicator should be capable of measuring the growth in any of the given dimensions.
- The indicators should not be restricted to a set range.
- The absolute values should be adjusted or rationalised based on the overall size of the country/ economy to ensure comparability among countries.
- The methodology should have minimal subjectivity, and be based on a consistent formula across metrics.

The **Global indicator** is based on the arithmetic mean of the individual country indicators.
The **Country indicators** are based on the arithmetic means of their individual indicators.
The **individual sectors** are based on the arithmetic means of their sub-indicators.
The **sub-sectors** are based on the sum of the metric values of their individual metrics.
The **metric value** is designed to be aggregated to provide the sub-indicator values .

- For numerical values ($ amounts) and numbers (e.g. number of seminars/conferences):

$$\textit{Metric Value} = \frac{\textit{Absolute Value}}{\textit{(Scale Value x Rationalising Coefficient)}} \; x \; \frac{\textit{Metric Weight}}{2}$$

- The rationalising coefficient is calculated as follows:
  For percentage values (e.g. return on equity):

$$\textit{Metric Value} = \frac{\textit{Absolute Value}}{\textit{Scale Value}} \; x \; \frac{\textit{Metric Weight}}{2}$$

For yes/no values (e.g. are there regulations for Islamic banks):
Metric Value = Metric Weight if yes, 0 if no

- The **scale value** is the average for all absolute values for that metric (not including zeros). This value forms the basis of our scale for that metric and will remain unchanged for future years. This will ensure the development of the metric is not restricted to a particular range, and the first year will form the base year against which relative growth in the metric is measured.

- The metric weight is designed to ensure that metrics of a particular sub-indicator are weighted to ensure that all sub-indicators are comparable, regardless of the number of metrics used to derive each.

The metric weight is calculated as follows:

$$\textit{Metric Weight} = \frac{100}{\textit{Total metrics within the Sub-Indicator}}$$

- The **rationalizing coefficient** is specific to each country and is designed to adjust the scale based on the size of the country. This is designed to ensure comparability of the indicator values across countries. We have designed the rationalizing coefficient to compare the relevant size of countries based on the size of their GDP and population. These are compared to median value for all countries (so as not to be skewed by extreme values at both ends of the scale). The average variance is reduced by half and applied to the metric value formula (when applicable) to adjust the scale values.

$$\text{Rationalizing Coefficient} = 1 + \frac{\text{Average}\left(\frac{\text{GDP - Median GDP}}{\text{Median GDP}} \times \frac{\text{Population - Median Population}}{\text{Median Population}}\right)}{4}$$

Glossary

Phonetic Spelling	Term	Definition
A		
Abaya	Robe type garment worn by Muslim women	A full-length cloak worn by Women in Islam.
Alhamdulillah	Praise to Allah	Is an Arabic phrase meaning "Praise to God" or "All praise belongs to God
Allah	God	An Arabic word for God.
B		
Burqa	Robe type garment worn by Muslim women	A loose, usually black or light blue robe that is worn by Muslim women, especially in Afghanistan, that covers the body from head to toe.
E		
Eid	Muslims Holiday	Occurs twice per year, Eid al-Fitr (after Ramadan) and Eid al-Adha (after Hajj)
F		
Fatwa	Edict	Legal opinion on a matter of Islamic law issued by a scholar
Friday Jumu'ah prayers	Congregational Friday Prayer	Jumu'ah (also "Friday prayer") is a congregational prayer that Muslims perform every friday just after noon which includes a sermon
H		
Hadith	A report of an utterance, deed, affirma-tion or characteristic of the Prophet Muhammad (pbuh) and his companions	A report of an utterance, deed, affirma- tion or characteristic of the Prophet Muhammad (pbuh). The ahadith are the source texts by which teachings are preserved. Plural: ahadith.
Hajj	Pilgrimage to Mecca in the month of Dhu al-Qadah	A pillar of Islam is a pilgrimage to Mecca during the month of Dhu al-Qadah; at least once in a lifetime a Muslim is expected to make a religious journey to Mecca if means permit.
Halal	Lawful	Religiously permissible according to Islamic law
Halalan Tayyiban	Lawful and pure	Lawful and pure/wholesome. This is a level that goes beyond just Halal and is used as a concept in Halal Food compliance and quality.
HALMAS accreditation	An accreditation given to Halal Park operators	HALMAS is an accreditation given to Halal Park operators who have successfully complied with the requirements and guidelines stipulated under the HDC designated Halal Park Development.
Haram	Unlawful	Religiously prohibited according to Islamic law
Hijab	Head scarf	Blanket term used in the modern age to describe Muslim women's headscarf

Phonetic Spelling	Term	Definition
I		
Iftar	Break fast	The meal eaten by Muslims after sunset during Ramadan
Ihram	Hajj garment	The ceremonially plain clothing worn by Muslims on pilgrimage in Makkah for Hajj
Ijara	Lease,rent or Wage	Ijarah is an exchange transaction in which a known benefit arising from a specified asset is made available in return for a payment, but where ownership of the asset itself is not transferred
In sha' Allah	God willing	Often used when one is planning to do something in the near future.
Istisna	Manufacturing Contract	Istisna is a contract used to order for the manufacture of goods for purchase. The contract allows cash payment in advance and future delivery or future payment and future delivery. Istisna contracts are used for providing a facility for financing for manufacturing or construction of projects
Islam	Submission/Surrender	The religion of the Muslims, a monotheistic faith regarded as revealed through the Prophet Muhammad (pbuh)
J		
Jilbab	Woman's full length garment	Any full-length external garment worn in the Middle East
K		
Ka'aba	'Square house'	A cube-shaped building in Makkah. The most sacred Muslim pilgrim shrine, into which is built the black stone believed to have been given by Gabriel to Abraham. Muslims turn in its direction when praying
Kosher	ritually pure	Religiously permissible according to Jewish law
M		
Makkah	A city in Saudia Arabia	Holy city of Islam that houses the Kaba toward which Muslims pray
Mudarabah	Investment management partnership	A form of partnership where one party provides the funds while the other provides expertise and management. Any profits accrued are shared between the two parties on a pre-agreed basis, while loss is borne by the provider(s) of the capital. Synonym: qirad.
Murabaha	Full disclosure trust sale also, Markup/ Cost plus sale	Originally a term describing a sale in which the seller sells his merchandise for more than the price at which he acquired it. The term is used in contemporary Islamic finance to describe a financing scheme in which a financial institution, usually a bank, agrees to purchase merchandise for a client provided that the client promises to purchase it from the financial institution at an agreed mark-up.

Phonetic Spelling	Term	Definition
Musharakah	Investment Partnership	standard Islamic transaction in which two or more parties enter into any one of several related types of partnerships see mudaraba, musaqa, muzara'a). In a typical musharaka agreement, two or more parties agree to provide capital (ra's mal) towards the financ- ing of a commer- cial venture, share profits according to a stipulated ratio and share losses on the basis of equity participation.
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Muslimah	Muslim woman	A Muslim woman
N		
Najis	Impure	Things or persons regarded as ritually unclean
Namaz	Muslim Prayer	Ritual prayers observed five times a day, prescribed in Islam.
Niqab	Face veil	Some sort of veil covering th efface used by Muslim women in public places
Q		
Qard Hasan	Interest-free loan	An interest-free loan given for either welfare pur- poses or for fulfilling short-term funding require- ments. The borrower is only obligated to repay back the principal amount of the loan
Qibla	Direction of Prayer	Direction of Mecca. The direct that Muslims should face during prayer.
Quran	Holy book of Islam	Holy book of Islam
R		
Ramadan	Holy month of fasting	The 9th month of the Islamic calendar in which Muslims fast from sunrise to sundown
Riba	Interest	Riba means Interest. Riba is forbidden in Islamic economic jurisprudence (fiqh) and considered as a major sin. Simply, unjust gains in trade or business, generally through exploitation

Phonetic Spelling	Term	Definition
S		
Salam	Sale	A sale in which delivery is deferred until some stated date in the future. It is used for agriculturalproducts and other fungibles. In order to comply with the sharia, a salam contract must specify the quality of the good to be delivered, and payment must be made at the time the contract is entered
Shalwar kameez	Long shirt and Pants	Long shirt and pants traditionally worn in Subcontinent
Shariah	Islamic Law	Islamic law as set forth in the Quran and traditions of the Prophet (pbuh)
Shariah-compliant	In accordance with Islamic Law	An investment fund which meets all of the requirements of Shariah law and the principles articulated for "Islamic finance."
Sheikh	Religious leader	A religious leader in a Muslim community or organisation.
Sukuk	Islamic Bond	A term used in contemporary Islamic finance to describe financial certificate quivalents to conventional debt issu- ances such as bonds. However, unlike debt issuances, sukuk holders are the legal and/or beneficial owners of the underlying assets, and as such, receive the equivalent of a coupon from the shart stipulation, condition.
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 Makkah	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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State of the GLOBAL ISLAMIC ECONOMY

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