



HALAL LOGISTICS IMPLEMENTATION: SWOT ANALYSIS IN INDONESIA

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Abstract

This study examines the internal strengths and weaknesses, along with the external opportunities and threats in Halal logistics implementation. The scope of this study is Logistics Service Providers (LSPs) from two-sector, warehousing and transportation. In-depth interview and literature review were used to gain comprehensive data of Halal logistics practices from Logistic service provider in Indonesia. The purpose of this study is to identify the factor accompanying Halal logistics implementation and uncover strategies to cope with the problem related to Halal logistics. In implementation of halal logistics, companies, consumers, and governments face many problems and challenges since many companies do not understand how the halal concept is applied in the supply chain. Also, there are also concerns of the industry how the process of supply chain operations can be performed by separate products, facilities, and the process of distributing halal and non-halal. Halal logistics practice can also reveal the opportunities for companies. The findings show the summary of SWOT analysis including internal and external aspect of halal logistic practices in logistics service provider, especially transportation and warehousing sector. The findings can be used as an example to whom is interested in implementing Halal logistics service in their business process along with the strategy for its business practices.

Keywords: Halal Logistics, Halal Logistics Implementation, Halal Market, Indonesia, SWOT Analysis.

1. Background

The global Halal market is indeed incredibly large, and the demand for advanced halal logistics services continues to rise significantly (Karia & Asaari, 2016). Halal logistics is an essential activity in enhancing the Halal integrity of the product toward supply chain (Tieman & Ghazali, 2014). Halal integrity is needed not only to maintain Halal-ness product from production to the point of consumer purchase but also to contribute to the global Halal market (Tieman et al., 2014). Some countries in Asia show interest in this global market and trend of halal logistics, such as Singapore, Thailand, Taiwan, notably Japan that also indicates interest in the organization and halal value chain (Yousaf & Xiucheng, 2018; Yusof & Shutto, 2014).

The condition of Halal Logistic opportunity is also captured by the Indonesian government. Indonesia realized halal logistics is not only a trend, but also a necessity. As a result of enormous Halal market in Indonesia, as well as awareness of customer in Halal Integrity, currently, Halal logistics has been implemented by several logistics service providers in Indonesia. Halal logistics implementation can be used to enhance competitive advantage, especially to improving profit and logistics performance of the company (Azmi, Musa, Sihombing, & Fen, 2018; Hall & Prayag, 2019). Halal logistics performance has various components, there are including the maintenance of Halal integrity during logistics processes and practices that depend on Halal

standardization; Halal policy and government support; cross-contamination during delivery and storage; segregation related problem (dedicated facilities in transportation and warehousing); and issues rattled to tractability and traceability (Hall & Prayag, 2019). The aim of this study is to capture factor related to the implementation of halal logistics in Indonesia from a logistic service provider that has been successfully doing Halal business practices in their field. With these results, it can be used as a reference for other providers in implementing halal logistics.

2. Literature Review

2.1 SWOT Analysis

SWOT analysis in this study evaluates the internal strengths and weaknesses, and the external opportunities and threats in a logistics service provider. The internal investigation is used to identify resources, capabilities, core competencies, and competitive advantages inherent to the company. In contrast, the external analysis identifies market opportunities and threats by looking at competitors' resources (Sammut-bonnici, 2015). The objective of a SWOT analysis in this study is to examine the knowledge of organizations used in implementing Halal logistics as well as to reveal its strategy to deal with competitors. Internal review of the organization is critical in identifying the source of competitive advantage. In order to remain competitive, it identifies the resources that need to be developed and sustained. A competitive advantage must be unique to a company in order to gain more profit above the industry average. The strategic management process begins with an in-depth evaluation of the company by looking at its resource-based view, which is the source of its core competencies, creating a competitive advantage. In analyzing external opportunities and threats, an external factor is analyzed to determine major developments and future implications. The external factors, in this case, are beyond the control of a company, but still require analysis for the shifting business environment. An external analysis identifies possible threats and opportunities for further plan. It represents that if strengths are not attained, they can turn into a weakness, and if the opportunities presented are neglected, and they will become threats (Ab Talib & Hamid, 2014).

2.2 Halal Logistics Implementation

The term 'Halal logistics' can be defined as Halal based business practices with Islamic values and practices embedded in logistics systems. Such an example is an innovation in delivering halal products or services (Karia & Mohamad, 2015). According to (Tieman, 2013), Halal logistics is defined not only as of the process of managing the procurement, movement, storage and handling of material parts but also related information and documentation flows. Halal logistics can be used as a competitive advantage for the process of developing business and expanding business opportunities on an international scale because it is not only important discipline for the halal industry but also it becomes needed to expand business market worldwide (Tieman & Darun, 2015). Halal logistics can be expressed as the application of halal concept throughout the supply chain from supplier activity, manufacturing, warehousing, transportation and distribution of products in order to ensure the halal status of a product (Lestari, Okdinawati, & Simatupang, 2018; Talib, Hamid, Zulfakar, & Chin, 2015). In addition, the impact of Halal logistics can be included in the effort of halal value creation as well as sustainability (Karia & Asaari, 2016).

Halal logistics is still a growing industry worldwide, and Indonesia is developing a system that supports by the regulation of Halal Assurance System, but there are still not many service providers applying the correct method. In term of government policy, Indonesian government has support industries to implement halal concept in their practices by establishing a constitution. In Indonesia, constitution number 33 of year 2014 of the first clause concerning on the Halal Product Assurance. It is stated that Halal products are products that have been declared halal in accordance with Islamic law (Sharia). It is also stated that the Halal product

process is a series of activities to ensure Halal product covering the equipping of materials, processing, storage, packaging, distribution, sales, and product presentation. The regulations for obtaining halal certification in Indonesia are summarized in the regulations issued by MUI's LPPOM in the form of a halal assurance system, namely HAS 23000 LPPOM_MUI.

In the implementation of halal logistics, companies, consumers, and governments face many problems and challenges since many companies do not understand how the halal concept is applied in the supply chain (Battour & Ismail, 2016; Hashim & Shariff, 2016). There are also concerns on the part of the industry as to how the process of supply chain operations can be carried out by separate products, facilities and the halal and non-halal distribution process. Consequently, the obstacles for the industry to implement the halal logistics is the perception that implementing halal logistics means expensive, lots of rules, not to mention the new regulation is not yet finished (Ab Talib, Hamid, & Zulfakar, 2015). Though, there is already awareness on logistic provider and even several companies that already obtained halal logistic certification. So, there are two general problems for a company to implement halal logistics, regulation related problems and financial issue and perception. The problem in financial issue and perception is seen today by the industry is related to the application of halal logistics concept, which means bringing additional costs such as warehouse separation, segregation according to the nature of the product, and others (Lestari et al., 2018). Therefore, this study can be used as an example on adopting Halal logistics practice.

3. Methods

This study used a mix method approach that contains an interview and extensive literature review. Data were collected with an in-depth interview, and semi-structured format was used to obtain comprehensive data about halal logistics implementation while keeping the answers open-ended. Interviews were conducted, recorded, and transcribed to be further coded and analyzed. Then, extensive literature review was conducted to gain supporting data and valuable information about logistics industry. In this study, there are two companies from a logistic service provider that used as cases to give extensive understanding in halal logistics implementation. The logistic service provider represents two different logistic fields one of them (Company 1) that focuses dedicated halal cold storage and warehousing, and the other one (Company 2) is focused on transportation in term of trucking. After the paper from literature was reviewed and the result from the interviews was transcribed, SWOT analysis was conducted to grouping and summarized the variables into the four SWOT categories, strengths, weaknesses, opportunities and threats.

4. Analysis and Discussion

The two companies in this study have offered different logistics services; Company 1 has dedicated Halal warehousing, while company 2 has transportation business activity that implements Halal logistics practices. The studies from (Chin, Abdul Hamid, Talib, & Abu Rahim, 2017) showed that having dedicated Halal logistics facilities and equipment is needed to comply customers' demand, but once the products are passed to a different company, chances for broken Halal chain and contamination is very likely if the receiving party did not practice Halal logistics. On the other hand, transportation activities in Halal logistics play a vital role and are also the stage where cross-contamination between Halal and non-Halal product potentially happen. Besides that, during the delivery and distribution stage, it is very likely that the Halal chain is easily broken especially if the product is delivered by different entities (Zailani, Jafarzadeh, Iranmanesh, Nikbin, & Selim, 2018).

In Company 1, halal logistics implementation started since the business plan process where the company wants to develop dedicated cold storage and warehouse because of management encouragement in establishing dedicated halal cold storage. It is also one of the management

strategies as competitive advantages. Table 1 provides a summary of SWOT analysis (Strengths, Weakness, Opportunities and Threats) from Company I. The most important aspect in Halal logistics practice that company I obtained is support from management and government in term of training. Management is fully aware of the opportunity in Halal based business.

“[...] Well, management sees an opportunity, why doesn't Indonesia make it like Malaysia. Start from making Halal Port, but as management decision is turned into Halal Logistics. To my knowledge, there are other competitors, but outside the port. Cold storage is something new in this area, specially dedicated for Halal product.”

Management support is represented by providing dedicated Halal storage facility and training for all employee to encourage them to have good knowledge and skill in Halal Assurance System. Also, the company I have a strategic location as a strength of their business practice. In terms of resource management, there is an internal Halal training for all staff involved in halal logistics. Other than that, those who are trained are specifically for the Internal Halal Audit Committee and directly related management.

Company 1:

“[...] All staff and related management, especially those directly involved in halal logistics, get internal training from the Internal Halal Audit Committee. The training conducted by the internal audit committee is the result of knowledge transfer from LPPOM-MUI.”

However, despite having external opportunities and strength, Company I still has some weaknesses and threats that must be reckoned and prepare a better plan for the future. The challenges that are encountered by Company 1 is related to the customer awareness of Halal logistics standard. Most of their customer is using their warehousing service because of the location of their cold storage facility have the closest distance to the port.

Table 1. Summary SWOT Analysis of Company I (Warehousing)

Strengths (S)	Weaknesses (W)
<ul style="list-style-type: none"> • Providing dedicated Halal cold storage and warehouse • All staff involved in Halal logistics practices have good knowledge and skills in Halal Assurance System • Top Management support • Strategic location, one of the closest warehousing company near the port 	<ul style="list-style-type: none"> • Providing dedicated Halal cold storage and warehouse • The lack of specialized Halal warehousing guideline expertise within the business. • The lack of a comprehensive marketing plan and strategy • Limited capacity
Opportunities (O)	Threats (T)
<ul style="list-style-type: none"> • Government support • Halal Islamic Economy opportunity • High demand for transit facility for export-import Halal product • The growth of Halal product and service popularity • The growth in middle Providing dedicated Halal cold storage and warehouse. 	<ul style="list-style-type: none"> • Lack of customer awareness on Halal logistics • Well-established competitors • Different perception regarding Halal principles • Lack of standardization on Halal Logistics guideline and activities • Substitute services

Company II has their reason for implementing halal logistic. Table 2 provides a summary of SWOT analysis from Company II. The reason is related to customer drivers. The customer needed a halal supply chain in term of transport their Halal products. Therefore, the

standardization of customer's product and distribution was reciprocal with their halal system. Hence, management of Company 2 sees it as an opportunity as well as a competitive advantage.

Company II:

"[...] We start to get halal certification because our customers require their products to have Halal assurance system, they only say to us, if we have the halal certification it will be good. The customer also does not force us to have a halal certification but only recommend it. We think it's good too. We see it as momentum to develop our business."

Then, the decision made by management to adopt a Halal logistics system and support with the adequate facility. Staff was provided with experience trainer in Halal Assurance System, and they become an early adopter in Halal logistics practice. The Halal system and it becomes their strength and even as a brand image to their customer. Even though the managerial of company II is committed with the Halal assurance system, the challenges have more come from the public perception of Halal logistics. Public perception of Halal logistics is not well distributed.

Table 2. Summary SWOT Analysis of Company II (Transportation)

Strengths (S)	Weaknesses (W)
<ul style="list-style-type: none"> • Halal logistics practice has labelled as a brand image • Highly needed by customer/manufacturer and retailer who need Halal Transportation system • The knowledge and skills of staff • Managerial commitment to Halal Assurance System 	<ul style="list-style-type: none"> • A large amount of initial investment in Halal logistics facilities • Lack of logistics service Halal standardization • Limited trucking capacity
Opportunities (O)	Threats (T)
<ul style="list-style-type: none"> • Increasing potential customer needed Halal Transportation • Government assistance • Opportunity on Islamic Economy 	<ul style="list-style-type: none"> • Lack of public promotion about Halal logistics • Substitute services • Lack of customer awareness on Halal logistics

The main issue of both companies is the lack of Halal standardization. Therefore, a consultant in Halal logistics standardization is needed to arrange Halal manual practice for the business process, and it is a costly and timely process even though both companies see it as an investment for future trend. Government support is needed in term of public promotion about Halal logistics in Indonesia. The government can promote Halal product supply chain process as an integrity process that must be done from raw material until end customer. The purpose is to make public understand the importance of Halal. Halal-ness is not only finished product, but also might become a way to increase Halal service industry, especially Halal logistics. With the increasing public awareness of halal logistics, the demand for halal logistics services will also increase and the logistics service provider will gain the profit from it.

In term of Halal certification, both of logistic service providers have already obtained permits and halal certificates from Indonesian certification body which is LPPOM-MUI in term Halal Assurance System (HAS) status which refers to HAS 23000. Implementing Halal Assurance System and followed the general guideline of HAS 23000 is a pre-requisite programmed for obtaining halal certificate from MUI, even though the guideline that precisely for logistics service is written in HAS 23106, which is often echoed in the news in Indonesia. But the

technical instructions of HAS 23106 have not been yet published to the public by the regulator. Thus, Halal logistics is still a new thing and not too well understood by many logistics providers. Nevertheless, both of company have not mentioned about the halal issue in terms of the environmental and ethical values. The successful implementation of Halal logistics has not

This study will add more value to the existing academic research done on SWOT analysis and broadening the Halal logistics business understanding. Furthermore, hope it will contribute as a guideline for the logistics service provider who is interested in implementing Halal logistics and have a better understanding of the Halal industry.

5. Conclusion

The result of SWOT analyses on Halal logistics implementation in Indonesia. The variables mentioned in Table 1 and Table 2 are explain the internal and external environment in relation to Halal logistics implementation. Furthermore, there are several limitations that need to be highlighted, the SWOT analysis in this study only represent two logistics service providers, and the result of SWOT analysis does not represent any achievement of competitive advantage. In addition, the SWOT analysis conducted may be outdated, as the external and internal environments are forever changing. Thus, it reflects that if strengths are not sustained, they may turn into a weakness, and if the opportunities presented are ignored, they will become threats.

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