

**FACTORS INFLUENCING READINESS TOWARDS HALAL LOGISTICS AMONG  
FOOD AND BEVERAGE INDUSTRY IN JOHOR**




**UNIVERSITI TEKNIKAL MALAYSIA MELAKA**

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## SUPERVISOR'S APPROVAL

**I/We, hereby declared that I/WE had read through this thesis and in my/our opinion that this thesis is adequate in terms of scope and quality which fulfil the requirements for the award of Bachelor of Technology Management with Honours**

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## DECLARATION

I hereby declare that all the work of this thesis entitled “THE FACTORS INFLUENCING READINESS TOWARDS HALAL LOGISTICS AMONG FOOD AND BEVERAGE INDUSTRY IN JOHOR” is original done by myself and no portion of the work encompassed in this research project proposal has been submitted in support of any application for any other degree or qualification of this or any other institute or university of learning.



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## DEDICATION

I would like to appreciate the dedication of my beloved family members who educated me and motivate me to learn until I achieve my degree level. Alhamdulillah and thank you Allah for this opportunity that you gave me. Thank you to my parents that did their best in order to let me fly higher till this level. My mak, Zarina Binti Abd Wahab and my Abah, Buang Bin Abdullah Timin has encouraged me to study and be the best version of myself. My brother and sister that helped me throughout my degree life, they supported me so that I could finish my study and make my family proud.

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Not to forget my classmate and roommate in UTeM, thank you for being there through my ups and down. I would not finish this degree without all of you. And also, I express a deep sense of gratitude to my lecturer whom also my supervisor for my final year project, Dr Siti Norbaya binti Yahya and my fellow friends. She has provided me fully support and advice throughout this research. Without their blessing and encouragement, this research is impossible to complete within short period of time.

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## ABSTRACT

Supply chain management and logistics are both important instrument for any kind of industry nowadays. The increase number of population in the world subsequently resulting higher number of Muslim population. Therefore, in order to keep track with halal food supply, each of food and beverage industry play important role in adopting halal logistics in their organization. Concern on Halal food and beverage has become one of the main reason to study the factors influencing readiness towards Halal logistics among food and beverage industry in Johor. Manufacturer need to be aware of this matter in order to provide a clean and Halal food and beverage towards customer. Therefore, with the emerged economy in Johor, the researcher would like to study this factors specifically in Johor. The goal for this study is to determine identify factor influencing readiness towards halal logistics among food and beverage industry in Johor. According to prior study, there are three variables that have been used to measure readiness of food and beverage industry which are political factors, social factors and technological factors. A total of 260 questionnaires have been sent out to respondents related in food and beverage industry. Furthermore, the findings of the respondents will be examined using the Statistical Package for Social Sciences (SPSS). To evaluate the researcher's hypothesis, descriptive statistics, Pearson's correlation coefficient, and multiple regression analysis are utilized. Based on the result, politic, social and technological factors have a significant relationship in influencing readiness towards halal logistics along food and beverage industry in Johor. In future research, the researchers can use the proposed new conceptual framework to carry out the study or add other variables for the study.

Keyword: Halal logistics, food and beverage industry

## ABSTRAK

Pengurusan rantaian bekalan dan logistik kedua-duanya merupakan instrumen penting untuk sebarang jenis industri pada masa kini. Pertambahan bilangan penduduk di dunia seterusnya mengakibatkan bilangan penduduk Islam semakin tinggi. Oleh itu, bagi menjejaki bekalan makanan halal, setiap industri makanan dan minuman memainkan peranan penting dalam mengguna pakai logistik halal dalam organisasi mereka. Keprihatinan terhadap makanan dan minuman Halal menjadi salah satu sebab utama untuk mengkaji faktor-faktor yang mempengaruhi kesediaan ke arah logistik Halal dalam kalangan industri makanan dan minuman di Johor. Pengilang perlu mengambil tahu tentang perkara ini untuk menyediakan makanan dan minuman yang bersih dan Halal kepada pelanggan. Oleh itu, dengan kemunculan ekonomi di Johor, pengkaji ingin mengkaji faktor ini secara khusus di Johor. Matlamat kajian ini adalah untuk mengenal pasti faktor yang mempengaruhi kesediaan ke arah logistik halal dalam kalangan industri makanan dan minuman di Johor. Mengikut kajian lepas, terdapat tiga pembolehubah yang telah digunakan untuk mengukur kesediaan industri makanan dan minuman iaitu faktor politik, faktor sosial dan faktor teknologi. Sebanyak 260 borang soal selidik telah dihantar kepada responden berkaitan industri makanan dan minuman. Seterusnya, dapatan responden akan diteliti menggunakan perisian Statistical Package for Social Sciences (SPSS). Untuk menilai hipotesis penyelidik, statistik deskriptif, pekali korelasi Pearson, dan analisis regresi berganda digunakan. Berdasarkan keputusan tersebut, faktor politik, sosial dan teknologi mempunyai hubungan yang signifikan dalam mempengaruhi kesediaan terhadap logistik halal di sepanjang industri makanan dan minuman di Johor. Dalam penyelidikan masa depan, penyelidik boleh menggunakan konsep baru yang dicadangkan

Kata kunci: Logistik halal, industri makanan dan minuman

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

This chapter explained about the introduction of the research. The introduction of this research contains background of study, problem statement, research objectives, research questions, scope and limitation of study and significance of study.

#### 1.2 Research Flow



#### 1.3 Background Study

According to JAKIM (Jabatan Kemajuan Islam Malaysia), the word '*Halal*' is originated from an Arabic word which means permitted or allowable. This is according to the guidelines given by Allah (The God) in the Qur'an and Sunnah by Muhammad (The Prophet) the Messenger of Allah. This has been the Muslim dietary law ever since Islam has spread from Arab to around the world but *Halal* aspect is not only about the ingredients of the food products. It is including the process the food products get through from raw materials until final food



products. Anything related to *Halal* food or/and non-food products should be complied with Islamic rules including the logistics activities for the *Halal* products, based on the 5<sup>th</sup> principle of *Halal* (HDC, 2012). In term to ensure that the *Halal* aspects is happen thorough the whole process of food products to end customers, logistics activity has become a part of the process of *Halal* products. *Halal* logistics activities involved *halal* transports, *halal* warehouse and *halal* retail. The *halal* industry was expected to contribute 8.1 per cent to the country's gross domestic product (GDP) and generate RM56 billion export revenue in 2025 compared to Rm30.6 billion in 2020, according to the 12<sup>th</sup> Malaysia Plan (MIDA, 2021).

*Halal* logistics have been a very popular industry nowadays as Muslim people started to be very serious about the source of food they want to buy and also the process the products going through including the transportation the product takes in order to come to retailer and customer. As we can see that Halal food is not only searched by Muslim people but also non-Muslim people as most of people claim that Halal food is clean and come from a very trusted farmer, seller or manufacturer. This is the reason why *halal* logistics have become an important scheme in the *halal* market. Halal logistics has known as an innovation in the logistics industry and grow bigger day by day. It helps to avoid *syubhah* or a doubtful feeling while having the products. Not only transportation that involve but it also includes the warehousing, material handling, packaging and also retailing the food product.

## 1.4 Problem Statement

Nowadays people started to be aware of *halal* food and it has create rising in *halal* demand around the world especially in Johor which majority lives by Muslim. We can see at the supermarket that sometimes *halal* and *non-halal* food get mixed up which makes consumer confused and feel doubted to buy the product. Therefore, the increasing of technologies application has also increased the awareness of people towards *halal* product which people can search the details about product they want to buy. Currently there are growing number of F&B manufacturers getting *halal* certificate from both Muslim and Non-Muslim manufacturers. The real question is that did this F&B industry ready to adapt *halal* logistics? It will definitely take a few steps for a company of manufacturers to be ready. Hence, this will help to fulfill the *halal* demand nowadays.

In addition, there are emerged in Halal of economy sector in Johor whereas J-Biotech CEO Wan Amir Jeffery Wan Abdul Majid points out that JHP provides facilities and services that add value to the *halal* and biotech industries, such as scientific *halal* laboratories, consolidated processing and packaging, cold storage and logistics, and a one-stop centre to assist businesses with licencing approval and taxation issues (Leng, T. A., & Leng, T. A., 2016).

The global *halal* logistics market size was valued at USD 289.96 billion in 2019 and it is expected to expand at a compound annual growth rate (CAGR) of 8.4% from 2020 to 2027 (Gr and view research, 2020). In 2018, Muslim spent over USD 2 trillion on *halal* and Islamic lifestyle. Furthermore, the increasing number of Muslim make the *halal* industry expanded from not just the *halal* food product but also into various lifestyle like *halal* pharmaceutical, hospitality, fashion, travel services and more. Tenu Teguh Sdn Bhd (TTSB) CEO Mohd Noor Abd Salam tells City & Country stated that a HALAL economy would emerge as another economic engine for Iskandar Malaysia, with Johor having opened the industry to Japanese and other Asian enterprises (Leng, T. A., & Leng, T. A., 2016).

Therefore, there a huge potential growth for this *halal* market in future and definitely rise in demand for *halal* logistics will happen. This will make food and beverage industry growth rise up and the service providers and F&B company should be preparing in all aspect to accept this new wave of innovation in logistics. They should look into the infrastructure of the

warehousing, transportation, packaging and material handling for the *halal* product. this will need collaboration between political, social and technological factors.

### 1.5 Research Objectives

The aim of the study is to study the factors influencing readiness towards *halal* logistics among food and beverage industry in Johor. The research objectives developed in this study was based on problem statement above as follow:

- 1) To identify the factors influencing readiness of F&B industry toward *halal* logistics
- 2) To analysis the relationship between factor influencing the readiness of F&B toward *halal* logistics
- 3) To examine the most significance factors faced by F&B industry toward *halal* food logistics



### 1.6 Research Questions

The purpose of this study is to answer the following questions:

- 1) What are the factors influencing readiness of F&B industry toward *halal* logistics?
- 2) What are the relationship between factor influencing the readiness of F&B toward *halal* logistics?
- 3) What is the key challenges face by F&B industry toward *halal* food logistics?

### **1.7 Scope and Limitations of Study**

The research is about the factors influencing readiness towards halal logistics among food and beverage industry in Johor. The scope of this study comprises the readiness of F&B industry in Johor. This research will be conducted in Johor, Malaysia and the respondent will be chosen among over 764 companies in this industry including the employees who work in the F&B industry.

### **1.8 Significance of Study**

From research perspective, this study is expected to be in terms of factors influencing readiness towards halal logistics among food and beverage industry in Johor and to encourage more halal logistics studies to be conducted in this developing countries to determine the similarity of studies conducted. Furthermore, this study will bring benefits to food and beverage company to act as a reference for halal logistics companies to have a deeper level of understanding about implementing halal logistics instrument in Johor. As halal food chain consumer is increasing, this study can identify the factors influencing readiness towards halal logistics and increase the awareness of food and beverage company on their readiness implementing halal logistics.

### **1.9 Summary**

This chapter outlines the overview of the research study. The researcher has briefly explained the background of study, defined problem statement, research objectives and research questions of the study. The research objectives and questions are developed according on the problem statement. Furthermore, the researcher has explained scope and limitation of study the coverage and restrictions of this study. Lastly, significance of study is described by defining the goal of study and advantages of this research.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

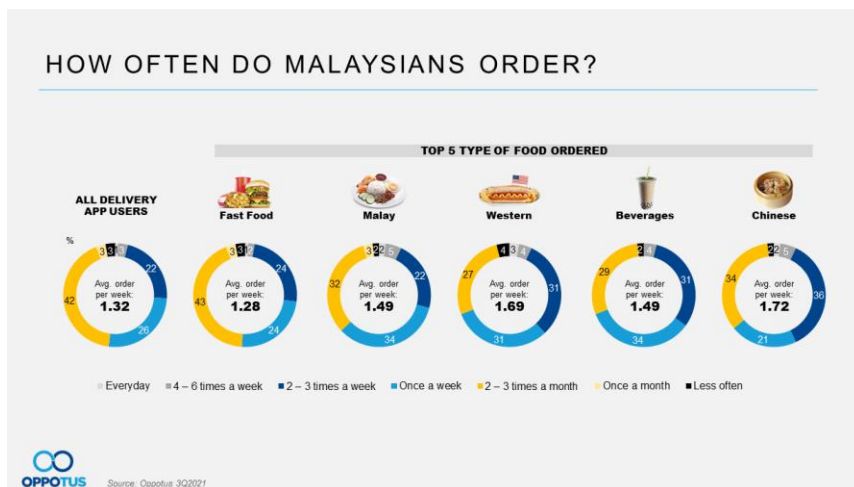
This chapter analyses empirical knowledge on dependent variable and independent variable of this study. The relevant literature is explained in terms of economy, social and technology. This section provides background information about the conceptual framework developed to elaborate on the relationship between factors influencing readiness toward halal logistics. In this chapter, hypothesis testing is covered to predict the expected outcome of this study.

#### 2.2 Malaysia's Food and Beverage Industry

Food and beverage industry in Malaysia has contributed a huge amount of money to Malaysian economy. It is one of the industries that is popular around the world also in Malaysia because food is an essential component in a person's life. In 2018, the Malaysia Food and Beverage Industry are growing with 7.6% rate whereas around RM117.822 billion in value (Flanders and Trade, 2020). There are a lot of varieties for food and beverage industry in Malaysia which also include all the processed food with Asian taste and also diet preference food with western twist recipes. This industry is dominantly concurred by Small and Medium Enterprises (SMEs) and also Multinational Companies (MNCs) which also manufactured process food in

Malaysia. Other than that, in Malaysia there are also many food outlets, full service restaurants, small stalls, fast food restaurant, bars and café (Maizatulaidawati Md Husin, Suizilawati Kamarudin & Adriana Mohd Rizal, 2021). Even though Malaysia is popular by its diversity of food and its own agricultural product but the market food and beverage product are not limited to only that. Based on Malaysian Investment Development Authority (2019), food that has been processed in Malaysia are estimated exported to more than 200 countries around the world and also RM21.176 billion from that has been contributed to Malaysian economy.

We can see that Malaysian agricultural product are becoming famous among other countries meanwhile demand for American fast food franchise in Malaysia are higher by year like McDonalds, KFC and Pizza Hut but in 2020 demand for plant-based and healthy food has remarkably increase. in 2020/2021 GrabFood Trend Report has shown that seven out of 10 Malaysians people choose to order healthier food and are willing to pay more money for it (The Stars, 2022). This shown that there is food shift demand in food and beverage industry in Malaysia and even though there are a lot of cheap and tasty fast food franchise in Malaysia but Malaysian are willing to pay more money to healthier plant-based foods. We can see that there are increase in organic food consumption in Malaysian Food and Beverage Industry. With the help of food delivery services and apps such as McDelivery, Kfc Delivery, FoodPanda and GrabFood, food delivery trend also rising and making food and beverage industry learn to adapt with this food delivery trends in order to keep track with the high demand for foods Malaysia (Oppotus, 2022).



### **FIGURE 2.2: Frequency of Usage (OPPOTUS, 2022)**

Based on picture above, Malaysian makes an order delivery around 1-2 times a week using delivery services and apps on average and most of the user ordered 2-3 times per months which make it 42% in percentage monthly. With the high demand of food in food and beverage company, there will definitely effecting the trend in halal logistics.

### **2.3 Halal Logistics**

According to Azmin Azliza Aziz and Suhaiza Zailani (2017), Since halal is becoming more popular across the supply chain, the food and logistics industries are working together to ensure the 'halalness' of the products when they reach the final client. This leads to the establishment of halal logistics, in which logistical activities are carried out in accordance with halal standards. (Abdul, Ismail, Hashim & Johari, 2009). Halal logistics is all of the process of managing the procurement, movement of product, packaging, storage for both of food and non-food, through the organization and supply chain compliance. Besides, with the increasing demand of halal product it has been one of the challenges for halal manufacturer and logistics company. This has become the same for food and beverage company whereas the success of halal marketplace in Malaysia has become the influenced via halal guarantee product (Eko Ruddy Cahyadi, 2021). Halal logistics is very significance nowadays as the ascending of popularity for halal items worldwide same as in Malaysia. As a result, halal food logistics has become important in order to ensure the kosher dependability of the whole logistics process indicated above, the process of procurement, movement, manufacturing, storage, and organization of the product meet and follow Shariah Law for Halal logistics.

In order to guarantee that the food and beverage product meet and follow the Shariah Law, halal logistics players need to focused on their equipment and also facilities specification for the halal certified products (Mubin, N. A. ., Rahman, A. A. ., Kamarulzaman, N. H. ., & Yusof, R. N. R., 2021). This include the transportation like truck, lorry or ships. This is based on JAKIM to ensure that company who send halal certificate application find the meet and follow their terms and regulation to earn the certificate. Deputy Minister in the Prime Minister's Department, Fuziah Salleh stated that JAKIM has rigorous criteria for halal certification because

of the notion of 'halalan toyyiban,' which means not only being 'halal' (permissible), but also 'toyyib' (acceptable). This standard is recognized by 45 nations and 78 organizations worldwide, and we cannot lower it (MalayMail, 2019). However, majority of the business in food and beverage industry are still hesitant in implementing halal logistics in their business operation due to high criteria stated by JAKIM.

One of the halal arrangements is the organization's requirement to ensure the halal acceptability of such supply chain. Storing, shipping, and terminal operations are the three most important aspects of HFL. In Malaysia, halal gauges produced by the certified authority; Department of Standards Malaysia (MS) that correspond to Shariah law are available (Norlila Mahidin, Adam Mohd Saifudin & Siti Norezam Othman,2017). Besides, halal logistics practices are important due to upgrade of supply chain performance. A lot of study concerning halal logistics and SMEs, implementation of supply chain and influence of stakeholders toward halal logistics (Husin et al,2021).

#### **2.4 Political Factors**

Malaysia has a very strategic position which lead to a good external trade and Malaysian government gave a very strong support to the logistics industry. The government's responsibility is evident in the logistics business, since political interventions, such as the building of critical logistical facilities, will drive the growth and development of the logistics industry (Abu Talib & Abdul Hamid,2016). Other than that, government role in logistic industry effecting employee's promotion, education, training and also supplying the employee's needs and rights. In tern of political and government roles in logistics industry especially in halal logistic medium, there are many efforts given from the government like financial supports for both employees and business owner, certification and regulations for company in this industry and also tax incentives.