We are the leading source of intelligent information for the world’s businesses and professionals, providing customers with competitive advantage. Intelligent information is a unique synthesis of human intelligence, industry expertise and innovative technology that provides decision-makers with the knowledge to act, enabling them to make better decisions faster. We deliver this must-have insight to the financial and risk, legal, tax and accounting, intellectual property and science and media markets, powered by the world’s most trusted news organization.

KNOWLEDGE SOLUTIONS POWERING DECISION MAKING

Thomson Reuters is an integrated knowledge services provider that assists the Islamic Finance industry through providing solutions that enhance transparency, clarity and accessibility of Islamic Finance to the global audience of businesses and professionals. We are proud to have been at the heart of Islamic banking since the first commercial Islamic bank was launched in 1975.

Our knowledge solutions help you gain clarity and transparency in the rapidly emerging Islamic finance industry by providing you with data services, research products and consulting services.

DATA SERVICES
Thomson Reuters Eikon and Zawya products provide access to a full spectrum of all relevant Islamic asset classes and content sets to give users the best of class research capabilities.

RESEARCH
Built on the back of the world’s most extensive data capabilities, Thomson Reuters leverages its global network to provide primary source intelligence on markets, industries and institutions relevant to Islamic finance.

CONSULTING
Thomson Reuters can provide bespoke service harnessing our global knowledge network combined with our deep expertise in Islamic finance.

ISLAMIC FINANCE GATEWAY COMMUNITY
Islamic Finance Gateway (IFG) Community is the one dedicated knowledge Gateway for professionals from across different countries to converge and interact on industry issues that matter in order to generate actionable outcomes to shape and speed up the industry’s growth.

To join the community: online.thomsonreuters.com/ifg

FOR MORE INFORMATION ABOUT THE COMMUNITY REACH US AT:
ifg.community@thomsonreuters.com
FOR RESEARCH AND CONSULTING:
ifgeditor@thomsonreuters.com
FOR SALES AND MARKETING:
Mohammed.alshara@thomsonreuters.com
FOR ALL OTHER ENQUIRIES:
Islamic.finance@thomsonreuters.com

Connect with Us:
# Table of Contents

- **Foreword** 4
- **Executive Summary** 7
- **Acknowledgements** 12
- **Report Purpose & Methodology** 14
- **The Global Islamic Economy Defined** 18
- **Key Drivers** 19
- **Profiling the Islamic Economy & Its Potential** 22
- **A Day in the Life of Halal Lifestyle-Driven Muslim Consumers** 26
- **Halal Food Sector** 30
  - **Demand Profile & Market Sectors** 36
  - **Current Landscape & Trends** 39
  - **Key Challenges & Opportunities** 43
- **Islamic Finance Sector** 52
  - **Demand Profile & Market Sectors** 58
  - **Current Landscape & Trends** 60
  - **Key Challenges & Opportunities** 68
- **Clothing/Fashion Sector** 82
  - **Demand Profile & Market Sectors** 88
  - **Current Landscape & Trends** 91
  - **Key Challenges & Opportunities** 94
- **Tourism Sector** 98
  - **Demand Profile & Market Sectors** 104
  - **Current Landscape & Trends** 107
  - **Key Challenges & Opportunities** 111
- **Media & Recreation Sector** 122
  - **Demand Profile & Market Sectors** 128
  - **Current Landscape & Trends** 131
  - **Key Challenges & Opportunities** 134
- **Pharmaceutical & Cosmetics Sector** 144
  - **Demand Profile & Market Sectors** 154
  - **Current Landscape & Trends** 157
  - **Key Challenges & Opportunities** 161
- **Convergence of Islamic Finance & Halal Food/Lifestyle Sectors** 167
- **Innovation & Entrepreneurship(SME) Imperative** 170
- **Centers of the Islamic Economy** 173
- **Strategy Framework & Checklists** 178
  - **Levels of Customization** 178
  - **Strategy Checklists** 179
- **Special Contribution: Select Case Studies** 182
  - **Case Study: Malaysia Halal Parks** 183
  - **Case Study: Islamic Superheroes — The 99** 184
  - **Case Study: Nestlé’s Success in Malaysia** 185
- **Appendix** 186
  - **Glossary** 186
  - **References** 189
Thomson Reuters is proud to present the first *State of the Global Islamic Economy Report 2013* developed in collaboration with DinarStandard and supported by the Dubai Capital of Islamic Economy.

The term Islamic economy has taken on new significance ever since His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai, announced the initiative to transform Dubai to become the Capital of the Islamic Economy. This raises the question in many people’s minds as to what exactly the Islamic economy refers to. Does it refer to the economies of the 57 member states of the Organisation of Islamic Cooperation, the OIC? Does it refer to those markets that are defined by Shariah compliance, such as finance and food? Does it refer to the general consumer markets of the Muslims all over the world?

In reality, it is all of the above, and there are various ways to perceive and define it. However, one thing is certain: the Islamic economy is not just another name for Islamic finance. From a commercial perspective, the Islamic economy naturally encompasses all those sectors driven by the Muslim population’s adherence to some form of faith-based activity that has market impact.

- Finance and banking, including sukuk issuance, takaful and other financial activities
- Food, ranging from meat & poultry all the way to non-meat foods and down to micro-ingredients, flavourings and colourings
- Family-friendly travel
- Fashion and clothing
- Cosmetics and personal care
- Pharmaceuticals
- Media and recreation

The Islamic economy in its totality currently represents all of these sectors and more. As the concept of the Islamic Economy gains greater traction, these
sectors will continue to diversify and mature. In the same way that the parameters of the halal food sector have expanded over the past decade to include sub-sectors like logistics or marketing, the Islamic finance sector is likely to expand to include microfinance, crowdfunding and venture capital as identifiable subsectors.

Yet, defining the sectors of the Islamic economy in specific terms is also a challenge of sorts, for it is more than just the sum of its parts; it has its own intrinsic reality. The diverse elements of the Islamic economy have an inherent relationship with each other in that they are all parts of a greater whole; this is why the dissolution of the silo walls between the sectors, such as between food and finance, is an important element of the maturation of the Islamic economy.

Indeed, it is important to see the Islamic economy within the full context of the broader message of Islam as something that is of relevance to everyone, not just to a specific group or sector. This is why His Highness’ announcement is groundbreaking and this study as a sequel to that announcement is critical. For years, sectors serving Muslim consumers have been viewed, and indeed have existed, in silos, covering separate aspects of the broader Islamic economy such as Halal food or Islamic finance, but it has never really been seen as a composite whole.

The release of such an in-depth report that attempts to size and analyze the potential of the Islamic economy is a defining moment that touches the lives of 1.65 billion Muslims living across the world, the combined population of which is growing at twice the rate of the global population. Never before has the Islamic economy been seen through this holistic prism that views the needs and aspirations of Muslims in the context of the sectors which seek to serve them. This wide aperture will facilitate a better understanding of the ‘way of life’ of Muslims and the opportunities to facilitate their economic development.

Yet, the opportunity doesn’t just end there. The Islamic economy isn’t just about the needs and preferences of the Muslims. Beside the trillion dollar halal goods trade that ranges from Australia to the Americas, Islamic values are gradually but steadily transcending the religion’s boundaries to signify relevance to a broader base of discerning consumers who seek ethical trade and wholesome experiences.

In Malaysia, for instance, ethnic Chinese businessmen bank with Islamic financial institutions due to their competitive features. In America, consumers of organic produce choose to eat Halal products from animals raised in an ethical and sustainable manner. The potential for this cross-over appeal is where the opportunity is most significant.

In the travel sector, tourists looking for a wholesome family experience, as well as airline crews and football teams, are starting to choose hotels that are Muslim-friendly. Trends in modest fashion appeal to women from diverse background from all parts of the world. Media and entertainment that are geared towards a socially-conscious Muslim audience has a wider appeal that crosses religious and cultural boundaries. Halal cosmetics and personal care products are in harmony with the ethical and animal welfare concerns of discerning consumers worldwide.

Indeed, the pattern that emerges is that the Islamic values that inform the choices of Muslim consumers are the same, in so many respects, as the ethical, moral and spiritual values of people all over the world, and it is this resonance that is pulling these products and services into the mainstream marketplace. As such, the Islamic economy transcends geographic, cultural and even religious boundaries, and is emerging as a new economic paradigm that is likely to have a significant global impact over the next decade.

We are proud, and at the same time somewhat humbled, to present you with this first edition of the State of the Global Islamic Economy Report 2013, and we sincerely hope that it will be a valuable contribution to the growth of the Islamic Economy.

Sincerely,

The State of the Global Islamic Economy Report Team
EXECUTIVE SUMMARY

Given the growing trend of unique products and services that are catering to the large 1.6 billion Muslim population, there is a distinct lack of a comprehensive view and potential assessment around these sectors. The State of the Global Islamic Economy 2013 Report is an attempt to fill this gap and is being exclusively released as part of the Global Islamic Economy Summit 2013. The Report is supported by the Dubai Capital of Islamic Economy initiative and is produced by Thomson Reuters in collaboration with DinarStandard.

The Report has for the first time collectively sized the potential of the Islamic economy sectors and the convergence of their global opportunities.

In aggregate, the global expenditure of Muslim consumers on food and lifestyle sectors is being estimated by this Report to be $1.62 trillion in 2012 and is expected to reach $2.47 trillion by 2018. These figure form the potential core markets for halal food and lifestyle sectors.

In addition, Islamic financial assets are currently estimated to be $1.35 trillion in total disclosed assets (2012) and growing at 15-20% a year in most core markets. This Report estimates the potential universe of Islamic banking assets in its core markets (assuming optimal scenario) to be $4.1 trillion.

While these Islamic economy sectors have large potentials, the synergistic opportunities for growth and investments are larger and could even be a necessity in realizing the real potentials of each sector.

Many challenges however confront this opportunity including those surrounding standardization and compliance, supply chain integrity, human capital deficit, consumer education, global positioning, venture financing, and operational excellence.
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.

Islamic Finance & Insurance industry, where financial institutions structurally comply with Islamic principles of finance, today lead this economy with a presence in 58 countries. However, the global halal food and lifestyle sectors are also gaining prominence providing tremendous opportunities in synergistic growth and investments. Collectively, the majors sectors of Islamic economy identified and covered in the Report are: Islamic finance and insurance, halal food, halal pharmaceuticals/cosmetics, modest clothing as well as Islamic values-influenced travel and media/recreation sectors.

The potential consumers of the Islamic economy are not only limited to Muslims, but also extend to those outside the Islamic faith who share similar values. The value-based needs that are driving the Islamic economy sectors include the need for pure and ethical food, modest clothing, ethical financing, family-friendly travel as well as other services with religious practice and gender interaction considerations. While the prominence of the Islamic finance sector is already quite well-acknowledged, it is the halal food and lifestyle sectors that open up a whole new horizon of opportunities for the Islamic economy as a whole.

Let’s consider some examples. In the food industry, 150 of Nestle’s 468 factories worldwide are Halal certified. They manufacture over 300 Halal food and beverage items in over 50 countries today. Carrefour, Tesco and other major global retailers are also growing halal food offerings in many markets. In core Muslim-majority markets, UAE-based halal frozen food company Al Islami Foods is winning customers in the GCC with a halal, high integrity and quality food product line. From Malaysia, Marrybrown, a halal Quick Service Restaurant (QSR) is expanding globally and currently has 380 outlets.

In the travel sector, The Ritz-Carlton now offers Quran, prayer carpets, halal food and bidets in select locations as part of its strategy to cater to the global multicultural travelers. Meanwhile, Caprice Thermal Palace in Turkey and Al Jawhara Hotels in UAE are being structured as family-friendly hotels that cater to customers who are sensitive to Islamic values with halal food, segregated beaches, swimming pools and spas. These resorts also serve no alcoholic drinks.

In another lifestyle segment, Sunsilk, a haircare product brand owned by Unilever, has introduced a line of special shampoos for women who wear the Islamic head cover. At the same time, halal-certified cosmetic brands Wardah, Ivy and OnePure are all gaining prominence in their respective markets. Various modest fashion clothing lines are also targeting the unique needs of Muslims. Shukr, an Islamic clothing line, has created a new space for modest yet fashionable Islamic clothing line popular with the Western Muslim communities and is now expanding fast globally. The Indonesia Islamic Fashion Fair (IIFF) is now in its fourth year. Its 2013 event featured over 150 brand exhibits showcasing the latest collection of Indonesian Muslim women fashion trends.

In regards to media and recreation segment, The 99, created by Kuwait-based Teshkeel Media, has the first comic books series featuring a group of superheroes born of an Islamic archetype, a theme park and an animation series that is presently airing in over 70 countries.

Driven by core Islamic injunctions on dietary requirements, modesty, and prayer practices, the halal food & lifestyle sectors are significant in potential size. It is however important to recognize the wide diversity in awareness and adoption of the halal principle within the core customer base of Muslims globally. The trend direction however is towards higher religious affinity, as evidenced by the growing importance of religion for Muslims as well as the fast growth of both Islamic finance and Halal food segments. Key estimates of global Muslim population expenditure on sectors most affected structurally by religious drivers (besides finance) are:

- **Food market**: Muslim consumers globally spent $1,088 billion in food and non-alcoholic beverage (F&B) consumption in 2012, which is 16.6% of global expenditure. This expenditure is expected to grow to $1,626 billion market by 2018. The top countries with the largest Muslim consumer food consumption are Indonesia ($197 billion), Turkey ($100 billion), Pakistan ($93 billion) and Egypt ($88 billion), based on 2012 data. The collective global Muslim F&B market is larger than the F&B consumption of China.

- **Clothing & Fashion market**: Muslim consumers globally spent $224 billion on clothing & footwear consumption in 2012 which is 10.6% of global expenditure. This expenditure is expected to grow to $322 billion by 2018. Top countries with Muslim consumers clothing consumption (based on 2012 data) are Turkey ($25 billion), Iran ($21 billion), Indonesia ($17 billion), Egypt ($16 billion), Saudi Arabia ($15 billion) and Pakistan ($14 billion) based on 2012 data. Collectively, this clothing consumer market is only second after the largest clothing market in the world — the United States ($494 billion of spending in 2012).

- **Travel market**: Muslim consumers globally spent $137 billion on travel in 2012 (not including Hajj/Umrah).
which is 12.5% of global expenditure. This expenditure is expected to grow to $181 billion by 2018. Regionally, tourists from the GCC countries (in order of size: Saudi Arabia, UAE, Kuwait, Qatar, Oman, Bahrain) are the largest in terms of expenditure, representing 31% of the total Muslim travel expenditure even though the population of these countries only represent 3% of the global Muslim population. The other top regions are MENA (minus the GCC) with a 25% share, East/Southeast Asia with 12% share and Western Europe with 11%. As a comparison, the collective global Muslim tourism market is larger than the largest tourism market of the United States.

- **Media & recreation market**: Muslim consumers globally spent $151 billion on recreation and cultural services in 2012 which is 4.6% of global expenditure. This expenditure is expected to grow to $205 billion by 2018. Top countries with Muslim consumers’ recreation consumption (based on 2012 data) are Iran ($12 billion), Turkey ($10.2 billion), United States ($10.2 billion), France ($9 billion), and Saudi Arabia ($8.4 billion.)

- **Pharmaceutical market**: Muslim consumers globally spent $70 billion on pharmaceuticals consumption in 2012 which is 6.6% of global expenditure. This expenditure is expected to grow to $97 billion by 2018. Top countries with Muslim consumer’s pharmaceutical expenditure are Turkey ($10.4 billion), Saudi Arabia ($5.2 billion), Indonesia ($5 billion), Iran ($3.7 billion), United States ($3.6 billion) and Algeria ($3.1 billion).

- **Cosmetics & Personal care market**: Muslim consumers globally spent $26 billion on cosmetics consumption in 2012 which is 5.7% of global expenditure. This expenditure is expected to grow to $39 billion by 2018. Countries with the largest Muslim cosmetics expenditures are Turkey ($4.4 billion), the United Arab Emirates ($4.3 billion), France ($1.7 billion), Russia ($1.6 billion) and Egypt ($1.6 billion).

- **Global environment-based drivers** are being led by the participation of global multinationals in the Islamic economy. The second driver is developed economies seeking growth markets. Then there is the growing global focus on business ethics and social responsibility that is in line with the ethical base of the Islamic economy. The final major driver that is facilitating Islamic economy sectors (especially lifestyle sectors) is the global revolution in communication technology. Together, these key drivers are shaping the growth of Islamic economy sectors.

**KEY CHALLENGES**

Major challenges facing the Islamic economy sectors include: regulations/standards/compliance; raw material/supply chain integrity; human capital development and training; consumer education; global positioning (sharia-compliant, halal, Muslim-friendly, family-friendly, other?); SME/Venture financing; and operational excellence (quality, competitive, innovative, efficient, and profitable solutions)

**KEY OPPORTUNITIES**

Based on an 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 as well as across the sectors:

- **ISLAMIC FINANCE/INVESTMENTS**: Perhaps the most prominent opportunity is for Islamic finance to connect with the synergetic halal food & lifestyle sectors which are in their infancy within a large and growing market segment.
  - In the halal food sector there are thousands of fragmented suppliers in the value chain which should be a major focus for investors and food and agriculture industry players from the OIC countries. A 91% trade deficit within OIC member countries in ‘meat and live animals’ trading should be a specific area of consideration.
  - As many Islamic-values themed Hotels & Resorts emerge in UAE, Turkey, Egypt, Malaysia and elsewhere, tremendous opportunity exists to invest in such projects given its inherent synergies with the Islamic finance sector.
  - A sizeable market with thousands of small companies inspired by Islamic values in the media, fashion, and cosmetics industries now exist that are attracting millions of consumers. This should be a draw for any related industry company or investor.
  - With a focus on SME development and financing in many OIC countries, these sectors offer an important

The Report identifies four major Islamic market-based drivers and four major global environment-based drivers that are shaping the growth and prominence of the Islamic economy.

The main growth engine of the Islamic economy is its large, young, and fast-growing demographic. Economically, Muslims belong to many of the world’s emerging markets, including Indonesia, Saudi Arabia, UAE, and Turkey. Tying these two drivers of demographic and economics that are shaping the Islamic economy sectors is the Islamic ethos/values that are increasingly driving lifestyle and business practices. The final driver of the Islamic market is the growing Intra-OIC trade. In 2005, the OIC had set a target of 20% Intra-OIC trade by 2015.
real investment opportunity given their fragmented but large volume activity.

- Also to note is that for a trillion-dollar plus potential halal lifestyle market, there are barely any Funds dedicated to it.

- Key areas of financing & insurance include trade financing, working capital, start-up financing, growth capital, leasing financing, travel and auto takaful. These are all opportunities that are mostly untapped by Islamic financial and insurance institutions.

DEVELOPING GLOBALLY BRANDED CONCEPTS WITH UNDERLYING ISLAMIC PRINCIPLES:

Another major opportunity theme that emerges from this Report is the global opportunity of Islamic economy sectors to connect its underlying universal values with global trends such as: impact investment; ethical finance; organic and healthy food, medicine and personal care products; family-friendly services; and a global client base that is sensitive to doing business with socially responsible institutions.

- Despite a trillion dollar plus consumer market with a potential for a wider global consumer base, there are very few global brands that are based on halal integrity principles.

- In the food sector specifically, there is an opportunity for global food products or food retail concepts that are completely halal-certified.

- Global leadership opportunity exists for financial solutions that are positioned as part of an ethical and just financial system that strengthens real economy sectors.

- Given the significant size of the Muslim market as well as a wide global sub-segment that value family-oriented atmosphere or other amenities based on such shared values, opportunity exists to develop global hospitality brands based on Islamic values.

- With a total media and recreation market of $151 billion dollar, there are barely any global media brands that are based on Islamic values.

- Given the significant size of the halal pharmaceutical and cosmetics market, opportunity exists for current players to expand into this segment. Halal pharmaceuticals ingredients can also be used in the organic cosmetics and medicine sectors as well, presenting product concepts with wider appeal.

AN OPPORTUNITY FOR OIC BASED CONGLOMERATES:

There are over 400 billion dollar plus revenue conglomerates based out of the OIC countries covering diverse sectors such as food and agriculture, retail, clothing, logistics, media, travel, real-estate, communications and more. These entities have inherent synergies with Islamic economy sectors given their home-markets being Islamic and should be looking at investments and expansion into the Islamic economy market. Specifically, many of the large food and agriculture conglomerates in the OIC countries stand to benefit from the large ($72 billion) food trade deficit within OIC countries given halal food synergies. Clothing production is another specific area as OIC countries are top global producers (Bangladesh, Turkey, Indonesia, Morocco, and Pakistan).

OTHER KEY AREAS:

The other key areas of opportunities that emerge from the Report are: halal ingredients R&D and manufacturing, western Muslim markets (especially in relation to food, clothing, media, and travel sectors), Islamic Arts & Media Center of Excellence, and marketing partnerships within the Islamic economy as well as with the global ethical lifestyle sectors.

Synergy between different Islamic economy sectors can enhance the potential of the Islamic economy as a whole.

CONVERGENCE OF ISLAMIC FINANCE & HALAL FOOD/LIFESTYLE

This Report has highlighted the size and profile of these individual sectors. However, tremendous opportunity exists in their convergence given the underlying synergy of Islamic value-based drivers. Synergy between different Islamic economy sectors can enhance the potential of the Islamic economy as a whole. Today, there is very little connectivity between the Islamic finance and halal food sectors — two of the largest segments of this Economy. In an analysis of private equity, venture capital and merger and acquisition deals, only 17 completed transactions relating to halal food companies were reported worldwide with only seven disclosed deals amounting to $22 million. However, the broader food and agriculture segment within the OIC countries has seen 340 completed transactions (2011-2013) with a total disclosed value of transactions at $14.9 billion.

This Report identifies five key areas of connectivity for the Islamic economy sectors. Islamic capital is the key anchor to the synergy among the Islamic economy sectors. The Islamic finance sector has excess capital looking for productive investments while the other sectors of the Islamic economy are seeking Islamic capital. Other areas of connectivity include distribution & marketing, standardization/regulation/compliance, education & training services, and legal/other professional services.
The Islamic economy sectors have developed to a point where they are primed for convergence. The convergence between Islamic economy sectors is strongly expected to enhance the Islamic economy as a whole given the synergy potential as described earlier. This synergy gives many countries the opportunity to propel themselves as well as the individual Islamic economy sectors to the next level of evolution.

In an analysis of countries based on 11 criteria covering multiple Islamic economy sector strengths and reach, the following countries have the strongest potentials to develop further as centers of the Islamic economy. Malaysia has the strongest potential as the center of a comprehensive Islamic economic sector and is expected to maintain a strong presence in it. However, Malaysia may have reached a point of stagnation with limitation to its reach and impact. UAE (Dubai) is well-placed to take a leadership role in the next evolution of these sectors given its competitiveness in the space and recently announced ‘Dubai Capital of Islamic Economy’ strategy and initiatives. Other major centers of the Islamic economy are Saudi Arabia, Turkey, and Indonesia.
The “Dubai Capital of Islamic Economy” initiative was launched in early 2013 by His Highness Shaikh 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 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 Halal Food sector
- Destination of choice for family friendly tourist destination
- Leader in Islamic digital economy
- Become the capital of Islamic fashion, arts & design
- Leading global network of Islamic economy information & education
- World class centre for Islamic economy standards, certification & accreditation

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

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

REPORT LEAD     Dr. Sayd Farook, Global Head Islamic Capital Markets, Thomson Reuters
REPORT AUTHOR   Rafi-uddin Shikoh, Managing Director, DinarStandard
LEAD RESEARCH ANALYST Francis Dur, Associate, DinarStandard
ISLAMIC FINANCE LEAD Mustafa Adil, Head of Research & Product Development, Thomson Reuters
ISLAMIC FINANCE ANALYST Shaima Hasan, Research Team Leader, Thomson Reuters
ISLAMIC FINANCE ANALYST Blake Goud, Community Leader - IFG, Thomson Reuters
HALAL FOOD ANALYST Salama Evans, Senior Analyst, Imarat Consultants
HALAL FOOD ANALYST Fe Jazzareen, Senior Associate, DinarStandard
HALAL LIFESTYLE ANALYST Afia Fitriati, Senior Associate, DinarStandard
TRAVEL MARKET ANALYST Reem El-Shafaki, Senior Associate, DinarStandard
REPORT DESIGN   Kung Pik Liu, Founder, Studio of Kung Pik Liu

DISCLAIMER

The data of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Thomson Reuters and DinarStandard have delivered are based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views of Thomson Reuters. As such the information contained in this report is intended to provide general information only and, as such, should not be considered as legal or professional advice or a substitute for advice covering any specific situation. Thomson Reuters and DinarStandard specifically disclaim all liability arising out of any reliance placed on this material. Thomson Reuters and DinarStandard make no representations or warranties of any kind, express or implied about the completeness, accuracy, reliability or suitability of this material for your purposes.

Thomson Reuters 2013 All Rights Reserved.

The material in this report is subject to copyright. Because Thomson Reuters and ‘Dubai Capital of the Islamic Economy’ initiative encourage dissemination of this Report, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.
The Islamic economies of the world represent more than $8 trillion in GDP, a 1.6 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 center. 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 their Islamic sensitivities in the marketplace to products as varied as food, banking, finance extending all the way to fashion, cosmetics, travel and healthcare.

Despite the growing importance of the Global Islamic Economy, there is a distinct lack of a comprehensive view of the existing Islamic economic landscape as well as its future potentials and opportunities. Existing studies have mostly focused on the consumer side of the story by major advertising agencies or are sector specific (example: various Islamic Finance industry reports), while comprehensive insights on the infrastructure and business landscape to facilitate investments and industry growth are generally lacking.

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

The content objectives of the Report are to:

1. Profile and present key drivers of the global Islamic economy
2. Provide a global view of the Islamic economic landscape
3. Present specific market opportunity for each sector including current challenges and opportunities
4. Present frameworks for businesses, governments and industry bodies to evaluate and engage with the Global Islamic economy opportunity
5. Present existing and emerging Centers of the Global Islamic Economy
The Reports’ approach incorporates a top-down and bottom-up approach. This includes:

**PRIMARY RESEARCH:**
Original research of halal food & lifestyle market-related companies and ecosystem institutions were conducted by leveraging 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 19 related industry practitioners and influencers** across major geographic markets to identify key sector challenges, trends, and opportunities.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HALAL FOOD</strong></td>
<td>Saleh A. Lootah, CEO Al Islami Foods</td>
</tr>
<tr>
<td><strong>ISLAMIC FINANCE</strong></td>
<td>Tirad Mahmoud, CEO Abu Dhabi Islamic Bank (ADIB)</td>
</tr>
<tr>
<td><strong>CLOTHING/FASHION</strong></td>
<td>Anas Silwood, Managing Partner SHUKR Clothing</td>
</tr>
<tr>
<td><strong>TRAVEL</strong></td>
<td>Apoorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International</td>
</tr>
<tr>
<td><strong>MEDIA &amp; RECREATION</strong></td>
<td>Sharif Banna MBE, Awakening Worldwide</td>
</tr>
<tr>
<td><strong>PHARMACEUTICAL &amp; COSMETICS</strong></td>
<td>Dr. Mohammad Choudry, President IFANCA (Islamic Food &amp; Nutrition Council of America)</td>
</tr>
</tbody>
</table>

**HALAL FOOD SECTOR**
- Saleh A. Lootah, CEO Al Islami Foods
- Tirad Mahmoud, CEO Abu Dhabi Islamic Bank (ADIB)
- Anas Silwood, Managing Partner SHUKR Clothing
- Apoorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International
- Sharif Banna MBE, Awakening Worldwide
- Dr. Mohammad Choudry, President IFANCA (Islamic Food & Nutrition Council of America)

**ISLAMIC FINANCE SECTOR**
- Saleh A. Lootah, CEO Al Islami Foods
- Tirad Mahmoud, CEO Abu Dhabi Islamic Bank (ADIB)
- Anas Silwood, Managing Partner SHUKR Clothing
- Aboorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International
- Sharif Banna MBE, Awakening Worldwide
- Dr. Mohammad Choudry, President IFANCA (Islamic Food & Nutrition Council of America)

**CLOTHING/FASHION SECTOR**
- Anas Silwood, Managing Partner SHUKR Clothing
- Aboorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International
- Sharif Banna MBE, Awakening Worldwide
- Dr. Mohammad Choudry, President IFANCA (Islamic Food & Nutrition Council of America)

**TRAVEL SECTOR**
- Aboorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International
- Sharif Banna MBE, Awakening Worldwide
- Dr. Mohammad Choudry, President IFANCA (Islamic Food & Nutrition Council of America)

**MEDIA & RECREATION SECTOR**
- Aboorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International
- Sharif Banna MBE, Awakening Worldwide
- Dr. Mohammad Choudry, President IFANCA (Islamic Food & Nutrition Council of America)

**PHARMACEUTICAL & COSMETICS SECTOR**
- Aboorva N. Gandhi, VP, Multicultural Markets and Alliances Marriot International
- Sharif Banna MBE, Awakening Worldwide
- Dr. Mohammad Choudry, President IFANCA (Islamic Food & Nutrition Council of America)
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 clothing, travel, media/recreation, pharma/cosmetics) are based on the potential universe of the opportunity and focused on its core audience of Muslim consumers globally. Actual existing global market size is only presented for Islamic finance sector.

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

For the global Halal food market potential, global Muslim expenditure on ‘food & non-alcoholic beverages’ is considered. Expenditure data is baselined from 2005 International Comparison Program with addendums from national statistics agencies.

For the global Muslim modest clothing and media/recreation market potential, global Muslim expenditure on ‘clothing & footwear’ and ‘media and recreation’ is considered. Expenditure data is baselined from 2005 International Comparison Program with addendums from national statistics agencies.

For the global Muslim travel market potential, global Muslim expenditure on ‘outbound tourism expenditure’ is considered. Expenditure data is baselined from 2011 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 IMF Country GDP growth outlook. DinarStandard’s Industry value-chain segmentation is applied to analyze related industry trade data from UN Comtrade Database 2012.
THE GLOBAL ISLAMIC ECONOMY DEFINED

FIG. 1.1 KEY DRIVERS FOR THE GROWING ISLAMIC ECONOMY

GLOBAL MARKET DRIVERS

GLOBAL COMPANIES PARTICIPATION
HSBC / NESTLE / PFIZER / NOKIA / OTHERS

MARKETS SEEKING GROWTH OPPORTUNITIES
10 OF 30 EMERGING MARKETS HAVE LARGE MUSLIM POPULATIONS

ETHICAL CONSUMPTION GROWING
IMPACT INVESTMENT / ORGANIC FOOD / FAIR-TRADE / CSR

INTERNET, SOCIAL MEDIA, MOBILE REVOLUTION
1.2 BILLION MUSLIM CELLULAR SUBSCRIBERS

EMERGING GLOBAL

GLOBAL CONNECTIVITY

GLOBAL EXPANSION

ETHICS FOCUS

COMMUNICATION TECHNOLOGIES
KEY DRIVERS

In this Report we will define and present the large and growing Islamic economy sectors. We will show how the latent demand for this market extends across the globe. We will showcase the already burgeoning ecosystem of businesses that are starting to serve this market and we will also present the large gap and opportunity that exists in this market. However, before we present these findings, it is important to understand the key drivers that are shaping this growing global Islamic Economy.

Four major Islamic market-based drivers are shaping the growth and prominence of the Islamic economy. These drivers are: demographic drivers, Islamic values-driven consumption drivers, economic growth drivers, and Intra-OIC trade growth drivers. In addition, four major global environment-based drivers are also facilitating this Islamic economy. These drivers are: global multinationals participation, global markets seeking growth opportunities, growing ethical consumption drivers, and the revolutionizing communication technology drivers. Each of these drivers is discussed next.

![Diagram of Islamic Market Drivers](image-url)
LARGE, YOUNG & FAST-GROWING GLOBAL MUSLIM DEMOGRAPHIC

The world’s Muslim population is expected to rise from 1.6 billion in 2010 (23.4% of global) to 2.2 billion by 2030 (26.4%), according to Pew Research Center’s Forum on Religion & Public Life. The Pew study also projects 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. Based on these projections, Muslims will make up 26.4% of the world’s total projected population of 8.3 billion in 2030, up from 23.4% of the estimated 2010 world population of 6.9 billion. [Fig.1.2]

The ‘youth bulge’ among Muslim populations in the Arab countries is now a well-known phenomenon that had manifested in the Arab Spring revolutions. However, the young demographic profile also exists among most Muslim populations globally. Today, people under 30 make up about 60% of the population of these countries. While the Pew Report projects that the ‘youth bulge’ is peaking, it also expects the global Muslim population to remain comparatively youthful for decades to come. The median age in Muslim-majority countries was 24 in 2010 and is expected to climb to 30 by 2030. But this median age will still be lower than the median age in North America, Europe and other more-developed region 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, entrepreneurship engine).

LARGE & FAST-GROWING GLOBAL ISLAMIC ECONOMIES

- The 57 mostly Muslim-majority member countries of the OIC (Organization of Islamic Cooperation) represented 8.9% of the global GDP in 2012 which is US$ 6.4 trillion. These economies are also growing at a faster rate than the global economy. The projected growth of the OIC markets 2013 through 2018 is expected to be an average of 6.3% compared to the global GDP growth averaging 5.3% (based on IMF projections) during that period. [Fig.1.3]

- The top ten OIC countries by GDP are: Indonesia, Turkey, Saudi Arabia, Iran, UAE., Malaysia, Nigeria, Egypt, Iraq, and Kazakhstan. A past assessment (2000-2010) on ‘rapid-growth markets’ by an E&Y report showed that 10 of the top 25 real GDGrowth markets had significant Muslim populations. [Fig.1.4]

### FIG.1.2 CURRENT AND PROJECTED MUSLIM POPULATION BY REGION (POPULATION IN MILLIONS)

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated (2010)</th>
<th>Projected (2030)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>1,296</td>
<td>1,296</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>322</td>
<td>439</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>243</td>
<td>386</td>
</tr>
<tr>
<td>Europe</td>
<td>44</td>
<td>58</td>
</tr>
<tr>
<td>Americas</td>
<td>5</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: IMF World Bank 2012 database
**ISLAMIC ETHOS/VALUES ARE INCREASINGLY DRIVING LIFESTYLE AND BUSINESS PRACTICES**

Islam is seen by Muslims as a “way of life”; its guidance and values touch upon all aspects of a Muslim's life, including on consumption behavior. The unique Muslim lifestyle consumer drivers are centered around food (‘halal’ options), family-friendly environments, accommodation of religious practices, gender relation nuances, modest clothing, 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. An example is that the majority of Islamic finance customers in Malaysia are non-Muslims attracted by its risk-sharing, ethical and non-interest based financing models.

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 US rate religion as ‘very important’ in their lives.

A key point to note is that the importance of religion does vary among the various Muslim communities globally. While religion is very important for 90% of Muslims in Sub-Saharan Africa, Southeast and South Asia, the rate is lower in Central Asia — except for Turkey where 67% consider religion ‘very important’. In countries such as Tajikistan, Kazakhstan and others, the importance of religion is lower than 50%. It is also lower in some of the MENA markets, such as Lebanon where it is 59%.

**NEVERTHELESS, IN ESSENCE, FAITH AS A KEY MARKET ATTRIBUTE IS ALREADY REAL AND GROWING FOR MUSLIM CONSUMERS.** The global Islamic finance market (on risk-sharing, ethical, and non-interest based financing models) has over $1.3 trillion in assets and continues to grow at a 10%-15% range. Halal food consumption market is potentially over $1 trillion as this Report will highlight, representing 16.6% of the global food expenditure. As this Report asserts, other emerging sectors include travel, clothing/fashion, pharma/cosmetics, media and recreation. In travel, as will be highlighted later, many Muslim travelers are traveling to ‘Muslim-friendly’ travel destinations (e.g. Turkey, Malaysia) given values-based affinity, security, and comfort (e.g. halal food, family-friendly environments, prayer facilities, etc.)

**INTRA-OIC TRADE GROWTH**

There is a clear drive to develop Intra-OIC trade which is also facilitating development of the Islamic economy sectors. Intra-OIC trade among the 57 mostly Muslim-majority member countries has grown to 17% from 13% in 2000. In 2005, the OIC had set a target of 20% Intra-OIC trade 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. 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. Intra-OIC trade today stands at 17% and even with targets set by OIC of 20% by 2015 it is clear the that majority of Islamic economies will be engaged globally, facilitating the growth of the industries.

---

**FIG.1.5 GLOBAL MUSLIMS VALUES-TO-CONSUMPTION SPECTRUM**

<table>
<thead>
<tr>
<th>FOR MANY... ISLAM: “WAY OF LIFE”</th>
<th>...TOUCHES MANY SECTORS</th>
<th>...VALUES WITH UNIVERSAL APPEAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>God consciousness</td>
<td>Food and food services</td>
<td>Just and equitable business</td>
</tr>
<tr>
<td>Family values</td>
<td>House financing</td>
<td>Zakat – charity</td>
</tr>
<tr>
<td>Modesty</td>
<td>Recreation</td>
<td>Family values</td>
</tr>
<tr>
<td>Dietary law/healthy</td>
<td>Clothing</td>
<td>Fasting/self-countrol</td>
</tr>
<tr>
<td>Just and equitable financing</td>
<td>Service</td>
<td>Wholesome food</td>
</tr>
<tr>
<td>Education</td>
<td>Education</td>
<td>Education</td>
</tr>
<tr>
<td>Spirituality</td>
<td>Service/Charity</td>
<td></td>
</tr>
<tr>
<td>Social responsibility</td>
<td>Business to business infrastructure</td>
<td></td>
</tr>
</tbody>
</table>

Source: DinarStandard
This global interconnectedness is driving global companies ranging from banks globally (Deutsche Bank, HSBC, Citi) 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 been a region where much of the focus on growth is centered. Political changes in the 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 such as the United States to quadruple their direct investment in this continent within a decade; currently the US’ direct investment totals $4.1 trillion, of which 15% are to Asia, 1.5% to Africa and 1% to the Middle East.

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. 10 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.

**ETHICS AND SOCIAL CONSCIOUSNESS GLOBALLY INFLUENCING INDUSTRIES**

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, business educators and consumers are all reassessing the 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 tangible impact on government policies, education systems and consumer behaviors. These trends are also influencing the potential of Islamic economy sectors that have ethical and socially-responsible underpinnings.

**TECHNOLOGY AND CONNECTEDNESS**

Communication technologies are revolutionizing 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. As is highlighted in the report later, the cellular subscription base of Muslims globally is 1.3 billion, which is 21% of the global figure.
This is 12.5% of global expenditure and is expected to reach $181 billion by 2018. This is 12.5% of global expenditure. Expected to reach $181 billion by 2018.

- Media & recreation market: $151 billion in expenditure (2012) on recreation and cultural services globally by Muslims. This is 4.6% of global expenditure and is expected to reach $205 billion by 2018.

- Pharmaceutical market: $70 billion in expenditure (2012) on pharmaceuticals globally by Muslims. This is 6.6% of global expenditure and is expected to reach $97 billion by 2018.

- Cosmetics & personal care market: $26 billion in expenditure (2012) and is expected to reach $39 billion by 2018.
The Global Islamic Economy Defined

**Core Sectors**

- Food
- Finance
- Travel
- Pharmaceuticals & Cosmetics
- Clothing/Fashion
- Media & Recreation
- Others: Education, Philanthropy

**Figure 1.6 Global Islamic Economy**

- **Food**
  - $1,088 Billion
  - 2012 Expenditure

- **Finance**
  - $1,354 Billion
  - 2012 Assets

- **Clothing**
  - $224 Billion
  - 2012 Expenditure

- **Travel**
  - $137 Billion
  - 2012 Expenditure

...structurally affected by Islamic values

- Halal food compliance
- Islamic law compliant
- Halal food, prayers services
- Halal ingredient compliance
- Custom clothing
- Family friendly/Halal media
As part of the report we have asked three different Muslim families from different corners of the globe (Malaysia, UAE, UK) to share with us their halal lifestyle-driven travel, banking, and other lifestyle purchase decisions. While the families don’t 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.

1) A MUSLIM FAMILY VACATION
2) MY BANKING EXPERIENCE WITH AN ISLAMIC BANK
3) LIVING A HALAL LIFESTYLE: A MUSLIM WOMAN EXPERIENCE
A MUSLIM FAMILY VACATION

My name is Rajib Choudhury. I live in the UK with my wife, Amirun Nessa. We have two kids: Taybah is seven and my son Yunus is five years old. They are really active children who always keep us busy! Once every week, I take my family out for a family lunch or dinner. Usually, we go to McDonald’s or other restaurants that serve Chinese, Italian or Indian dishes — my family’s favorite. We prefer to eat at halal restaurants whenever possible. Unfortunately, Muslims don’t have a united Muslim body that provides halal certification. Too many halal certification bodies make us confused and guilty when choosing our food!

For our last vacation, our family travelled to Turkey, Jordan and Jerusalem. We chose these places because of their family-friendly atmospheres, Muslim facilities and cultural attractions. Religious values are an important consideration in choosing our vacation destination. As Muslims we feel that we need to be able to find places to pray, eat halal food and avoid places of vice. That is why we signed up for a Muslim-friendly holiday package from islamictravel.com, an online travel agent that caters to the needs of Muslims.

We flew from London to Istanbul and later to Amman. Halal food was provided during our flights so we had nothing to complain about. In Istanbul, we stayed at Shahin Paradise in Turkey, an Islamic beach resort with segregated swimming pools and women-only beach. The whole family had a wonderful time enjoying water-based activities and relaxing. Halal food was easy to be found in this city and our room had kibla direction, which was useful.

From Amman, we travelled by coach to Jerusalem. We made a few stops during the trip for prayers, food and toilet breaks. The coach also provided us with Islamic lectures throughout the trip to keep us entertained.

In Jerusalem, we stayed at the Commodore Hotel, a four-star hotel which doesn’t serve alcohol and is close to the Al Aqsa mosque. We had chosen to visit Jerusalem to pay a pilgrimage to this holy city. We were pleased because our knowledgeable tour guide gave us a satisfactory overview of the cultural and historic backgrounds of the places that we visited. While almost half of our vacation budget was spent for sightseeing, which was the main goal of our holiday, we also shopped a little.

Overall, we found our week-long vacation was both enlightening and relaxing. We couldn’t ask for more!
My name is Hoda from the Emirates. I am married with two daughters. Our family can be described as quite a well-to-do family. My eldest, Melika (7), loves to travel while the youngest, Maha (4) likes to buy expensive toys.

I consider religious values to be important for my financial needs, which is why I try to choose Islamic Banks as much as possible to stay on the safe side. We do use conventional banking for our current account, which is used mainly for salary transfer and paying bills.

My husband, Yasir, loves cars and does not mind car loans, but I try to avoid it as much as I can. When we did need a car loan for our Nissan Pathfinder in 2010, I chose to get one from Ajman Bank because it is an Islamic bank. The car loan is the only type of financing that we have right now. I think the rate that we get at 4.5% is quite competitive. I'm quite happy with my banking experience.
My name is Maria Zain and I live in Malaysia with my husband and four children. I wear an abaya and hijab when I go out of the house but I don’t consider myself very religious.

My clothes are usually purchased online as I don’t have the time or resources to go shopping in the physical sense — not with 4 children. There are some international stores that operate online like Shukr and SunnahStyle that I like, and I have noticed that they carry better quality materials and run in larger sizes as compared to local producers. However, they are definitely more expensive, and I need to consider shipping costs as well. Nevertheless, I have bought a few pieces from them as and when I can afford them. I do have to be selective of course.

The men in the family probably have more flexibility in the way they dress, but my husband is still generally more conservative. He has a few t-shirts with emblems of his favourite music bands and football teams (those without alcohol-based sponsors), and that’s as liberal as he gets. With the boys, I just ensure there are no explicit messages on their T-shirts or any images that contradict our values. I don’t appreciate tight-fitting tops for boys either.

I’m not a big consumer of cosmetics and neither is my daughter, but we usually purchase from local (Malaysian) producers who tend to use more local or natural products and less chemicals. They have Halal certification from our religious board, and that is something we look for. These would include toothpaste, facial washes and lotions. But sometimes we do have bigger brands in the household like Colgate, Johnson & Johnson, etc.

We do not consume pharmaceutical products. We are concerned with the “halal-ness” of the medications that we take and thus have preferred homeopathic or natural remedies made by local producers for the past six years. If we were to have to consume pharmaceutical products, we would ensure that they were free from any ambiguous ingredients that could render them as non-halal.

I rarely watch television. I spend much of my spare time on social media (Facebook) and watching religious talks or listening to the Qur’an on Youtube. I do browse the Internet for information related to parenting and homeschooling. My children rarely watch the television either. They prefer to play online games and educational apps. When they do, they watch children-appropriate movies or animations.

I believe there are more sound Muslim products out there, and I am interested in looking into more media outlets, websites or apps relating to religious matters.
HALAL FOOD SECTOR

Comprised of the world’s largest food manufacturers, such as Nestlé’s 150 Halal certified factories worldwide, to the individually-managed halal food carts on the streets of Manhattan, halal food is a large market segment serving the 1.6 billion of the global Muslim population while also gaining attention of a wider global audience. This Report estimates that Muslim consumers globally spent $1,088 billion in food consumption in 2012, which is 16.6% of global expenditure.

Despite this significant market size that spans the globe, the gap in serving the increasing demand of these markets for quality food that is credibly halal is also sizable. The credibility of halal food certifications is a barrier for the industry’s growth as there is fragmentation of standardization and regulatory methods globally. Also, dedicated halal food companies are highly fragmented and are struggling to scale and operate efficiently. For a one trillion dollar market, there are surprisingly no global brands today that are dedicatedly halal. While overcoming these challenges presents growth opportunities within core Muslim halal markets, the connectivity of the halal food segment with the global organic and fair trade-based food segment also provides a global opportunity given halal foods’ ethical and organic underpinning. All of this makes the halal food sector a socially conscious, high growth potential market.
**VALUE CHAIN**

**SUPPLIERS**
- Vegetable
- Animal
- Agricultural

**TECHNOLOGY**
- Machinery/ Specialized Equipment

**PROCESSED FOOD MANUFACTURING**
- Processed Food Manufacturers

**CHANNELS**
- Wholesalers or Agents
- Retailers
- Online

**CUSTOMERS**
- Customers

**LOGISTICS**
- Transportation/Freight

**ECO-SYSTEM**
- R & D, Marketing, Technology, Financial Services, Regulation, Compliance, Training

---

**MUSLIMS GLOBALLY SPENT**

$1,088 BILLION

ON FOOD & BEVERAGE IN 2012

(16.6% OF GLOBAL F&B EXPENDITURE)

**EXPECTED TO REACH**

$1,626 BILLION

IN 2018

(17.4% OF GLOBAL EXPENDITURE)

**SELECT KEY PLAYERS**

**OIC-BASED TOP FOOD & AGRI COMPANIES**
- SAVOLA GROUP
- YILDIZ HOLDING/ULKER
- FELDA HOLDINGS
- GOLDEN AGRI-RESOURCES
- IOI GROUP
- INDOFOOD
- BIM A.Ş.
- GUDANG GARAM TBK PT KUALA LUMPUR KEPONG

**GLOBAL BRANDS**
- NESTLÉ
- TESCO
- CARREFOUR
- ABBOTT NUTRITION
- KFC

**SPECIALTY HALAL FOOD COMPANIES**
- SAFFRON ROAD
- ALLANA
- TAHIRA
- AL ISLAMI
- ISLA DELICE

---

**GLOBAL MUSLIM MARKET BENCHMARKED AGAINST TOP FOOD & BEVERAGE MARKETS (US BILLION)**

- UNITED STATES: $848
- JAPAN: $736
- INDIA: $486
- RUSSIA: $376
- CHINA: $288

**MUSLIMS GLOBALLY SPENT $1,088 BILLION ON FOOD & BEVERAGE IN 2012 (16.6% OF GLOBAL F&B EXPENDITURE)**

**EXPECTED TO REACH $1,626 BILLION IN 2018 (17.4% OF GLOBAL EXPENDITURE)**

**OIC COUNTRIES IMPORT**

$15.4 BILLION MEAT & LIVE ANIMAL

**OIC COUNTRIES EXPORT**

$1.5 BILLION MEAT & LIVE ANIMAL

**GLOBAL BRANDS**
- NESTLÉ
- TESCO
- CARREFOUR
- ABBOTT NUTRITION
- KFC

**SPECIALTY HALAL FOOD COMPANIES**
- SAFFRON ROAD
- ALLANA
- TAHIRA
- AL ISLAMI
- ISLA DELICE

**91% OF OIC COUNTRIES’ MEAT & LIVE ANIMAL IMPORTS COME FROM NON-OIC COUNTRIES**

**OIC FOOD IMPORTS**

- HALAL FOOD & BEVERAGE MARKET

**VALUE CHAIN**

**SUPPLIERS**
- Vegetable
- Animal
- Agricultural

**TECHNOLOGY**
- Machinery/Specialized Equipment

**PROCESSED FOOD MANUFACTURING**
- Processed Food Manufacturers

**CHANNELS**
- Wholesalers or Agents
- Retailers
- Online

**CUSTOMERS**
- Customers

**LOGISTICS**
- Transportation/Freight

**ECO-SYSTEM**
- R & D, Marketing, Technology, Financial Services, Regulation, Compliance, Training
MUSLIM FOOD & BEVERAGE MARKET — REGIONAL EXPENDITURE (US BILLION)

OIC COUNTRIES IMPORT $15.4 BILLION MEAT & LIVE ANIMAL VS OIC COUNTRIES EXPORT $1.5 BILLION MEAT & LIVE ANIMAL

GLOBAL MUSLIM MARKET BENCHMARKED AGAINST TOP FOOD & BEVERAGE MARKETS (US BILLION)

MUSLIMS GLOBALLY SPENT 1,088 BILLION ON FOOD & BEVERAGE IN 2012 (16.6% OF GLOBAL F&B EXPENDITURE)

EXPECTED TO REACH 1,626 BILLION IN 2018 (17.4% OF GLOBAL EXPENDITURE)

OIC COUNTRIES IMPORT $15.4 BILLION MEAT & LIVE ANIMAL

OIC COUNTRIES EXPORT $1.5 BILLION MEAT & LIVE ANIMAL

GLOBAL BRANDS
NESTLÉ
TESCO
CARREFOUR
ABBOTT NUTRITION
KFC

SPECIALTY HALAL FOOD COMPANIES
SAFFRON ROAD
ALLANA
TAHIRA
AL ISLAMI
ISLA DELICE

91% OF OIC COUNTRIES’ MEAT & LIVE ANIMAL IMPORTS COME FROM NON-OIC COUNTRIES

LOGISTICS TRANSPORTATION/FREIGHT ECOSYSTEM
R & D, MARKETING, TECHNOLOGY, FINANCIAL SERVICES, REGULATION, COMPLIANCE, TRAINING
TOP MUSLIM FOOD CONSUMPTION MARKETS
US BILLION, 2012

1. INDONESIA $197
2. TURKEY $100
3. PAKISTAN $93
4. EGYPT $88
5. IRAN $77

TOP EXPORT COUNTRIES TO OIC COUNTRIES
MEAT & LIVE ANIMALS
US BILLION, 2012

1. USA $17.3
2. BRAZIL $14.4
3. NETHERLANDS $12.3
4. GERMANY $11.8
5. AUSTRALIA $8.5

TOP OIC IMPORT COUNTRIES
MEAT & LIVE ANIMALS
US BILLION, 2012

1. SAUDI ARABIA $2.28
2. EGYPT $1.47
3. UAE $1.41
4. TURKEY $0.95
5. MALAYSIA $0.80

“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.” Al-Quran 16:115

Halal food and beverage consumption needs 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.” Al-Quran 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.” Al-Quran 12:168

“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.” Al-Quran 15:90

There is a 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. Below is a general illustration of some halal food customer ‘personas.’ (these are illustrative and are not meant to be exhaustive) [Fig.2.1]
MARKET SIZE & PROFILE — 1,088 BILLION MARKET (16.6% OF GLOBAL EXPENDITURE):

- This Report estimates global Muslim spending on food and beverages (F&B) to be $1,088 billion in 2012. The total global F&B spending during the same period is estimated to be $6,550 billion in 2012, making the Muslim food market 16.6% of global expenditure.

- The Muslim food expenditure is expected to grow to $1,626 billion market by 2018 and will account for 17.4% of global expenditure.

- This Report does not put forth an actual halal-certified global food consumption estimate given inconsistency of standardizations 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 $915 billion in 2012. 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 is however positive, as the initiative from the Institute of Standards and Metrology for Muslim Countries (SMIIC) to bring consistency in halal food certification standards will mean a more credible process on the verification of halal food certification across the world.

- Based on total food consumption, the top countries with Muslim food consumption are Indonesia ($197 billion), Turkey ($100 billion), Pakistan ($93 billion) and Egypt ($88 billion) based on 2012 data. [Fig.2.2]

- Comparatively, the collective global Muslim F&B market is larger than the F&B consumption of China, which was $848 billion in 2012, followed by the United States at $736 billion, Japan at $486 billion and India at $376 billion. [Fig.2.3]

- Regionally, Muslim expenditure on food and non-alcoholic beverage was the highest in the following regions: MENA-Other ($237 billion), East Asia ($229 billion), Central Asia ($137 billion), Sub-Saharan Africa ($120 billion) and MENA-GCC (85 billion). [Fig.2.4]

### FIG.2.2 TOP MUSLIM FOOD CONSUMPTION MARKET

<table>
<thead>
<tr>
<th>Top Muslim Food Consumption Market</th>
<th>Size (US Bill, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>$197</td>
</tr>
<tr>
<td>Turkey</td>
<td>$100</td>
</tr>
<tr>
<td>Pakistan</td>
<td>$93</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>$88</td>
</tr>
<tr>
<td>Iran, Islamic Rep.</td>
<td>$77</td>
</tr>
<tr>
<td>Nigeria</td>
<td>$53</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$44</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>$43</td>
</tr>
<tr>
<td>India</td>
<td>$38</td>
</tr>
<tr>
<td>Russia</td>
<td>$34</td>
</tr>
<tr>
<td>Iraq</td>
<td>$26</td>
</tr>
<tr>
<td>Sudan</td>
<td>$25</td>
</tr>
<tr>
<td>Morocco</td>
<td>$22</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>$20</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>$20</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$14</td>
</tr>
<tr>
<td>United States</td>
<td>$13</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>$12</td>
</tr>
<tr>
<td>China</td>
<td>$11</td>
</tr>
<tr>
<td>France</td>
<td>$11</td>
</tr>
<tr>
<td>Germany</td>
<td>$9</td>
</tr>
<tr>
<td>Jordan</td>
<td>$9</td>
</tr>
<tr>
<td>Kuwait</td>
<td>$8</td>
</tr>
<tr>
<td>Tunisia</td>
<td>$8</td>
</tr>
<tr>
<td>Oman</td>
<td>$6</td>
</tr>
</tbody>
</table>

### FIG.2.3 MUSLIM MARKET BENCHMARKED AGAINST TOP FOOD & BEVERAGE MARKETS GLOBALLY (US BILLION, 2012 EST.)

### FIG.2.4 TOP MUSLIM FOOD EXPENDITURE

<table>
<thead>
<tr>
<th>Country</th>
<th>Size (US Bill, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MENA-Other</td>
<td>$237</td>
</tr>
<tr>
<td>E. Asia</td>
<td>$229</td>
</tr>
<tr>
<td>South Asia</td>
<td>$177</td>
</tr>
<tr>
<td>Central Asia</td>
<td>$137</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>$120</td>
</tr>
<tr>
<td>MENA-GCC</td>
<td>$85</td>
</tr>
<tr>
<td>W. Europe</td>
<td>$45</td>
</tr>
<tr>
<td>E. Europe</td>
<td>$40</td>
</tr>
<tr>
<td>North America</td>
<td>$15</td>
</tr>
<tr>
<td>Americas South</td>
<td>$2</td>
</tr>
<tr>
<td>Australia</td>
<td>$2</td>
</tr>
</tbody>
</table>
TRADE INDICATORS — MAJOR TRADE GAP IN FOOD IMPORTS BY OIC MEMBER COUNTRIES:

- A strong indicator of halal food volume demand and key markets of demand can be obtained by gauging its trade flow. There was a $72 billion food & beverage trade gap by OIC member countries in 2012. Global exports of food & beverage accounted for $1,576 billion in 2012 (covering animal products, vegetable products, and processed food — minus swine, spirits and tobacco). 7.6% of this amount was exports made by OIC markets, with an export value of a $119 billion. Meanwhile, global imports of food & beverage were $1,816 billion and OIC countries share was $191 billion (10.5% of global volume). [Fig.2.5]

- One of the core sectors of the food industry affected by ‘halal’ processes is the Meat and Live Animal sectors.

Based on 2012 trade data, OIC member countries total ‘Meat & Live Animals’ exports were a mere 1% of global exports ($1.5 billion of $137 billion globally). Meanwhile, their ‘Meat & Live Animal’ imports were 6.2% of global imports ($15 billion of $247 billion in total). The trade gap implies $14 billion or 91% of ‘Meat & Live Animal’ imports to OIC countries are from non-OIC countries. [Fig.2.6, 2.7, 2.8]

- The above analysis implies $14 billion opportunity of the global ‘Meat & Live Animal’ supply chain in serving this potential Halal food market. The other implication is for major OIC based agriculture and live animal endowed countries to seek to serve this large synergetic Halal ‘Meat & Live Animal’ market.

### FIG.2.5 OIC MARKETS FOOD TRADE BREAKDOWN (US BILLION, 2012 EST.)

<table>
<thead>
<tr>
<th>OIC EXPORTS</th>
<th>OIC IMPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anim. &amp; Anim. Products</td>
<td>$1.52</td>
</tr>
<tr>
<td>Vegetable Products</td>
<td>$30</td>
</tr>
<tr>
<td>Food Processing/Manufacturing</td>
<td>$34</td>
</tr>
<tr>
<td>Total</td>
<td>$102</td>
</tr>
</tbody>
</table>

### FIG.2.6 OIC TRADE IN MEAT & LIVE ANIMALS (US BILLION, 2012 EST.)

- OIC EXPORTS: $15.41
- OIC IMPORTS: $1.52

### FIG.2.7 MEAT AND LIVE ANIMALS — TOP EXPORTING COUNTRIES GLOBALLY

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>US BILL, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>$17.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>$14.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$12.3</td>
</tr>
<tr>
<td>Germany</td>
<td>$11.8</td>
</tr>
<tr>
<td>Australia</td>
<td>$8.5</td>
</tr>
<tr>
<td>France</td>
<td>$7.0</td>
</tr>
<tr>
<td>Canada</td>
<td>$6.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>$6.0</td>
</tr>
<tr>
<td>Spain</td>
<td>$5.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>$4.7</td>
</tr>
</tbody>
</table>

### FIG.2.8 MEAT AND LIVE ANIMALS — TOP IMPORTING COUNTRIES WITHIN OIC

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>US BILL, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>$2.28</td>
</tr>
<tr>
<td>Egypt</td>
<td>$1.47</td>
</tr>
<tr>
<td>UAE</td>
<td>$1.41</td>
</tr>
<tr>
<td>Turkey</td>
<td>$0.95</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$0.80</td>
</tr>
<tr>
<td>Iraq</td>
<td>$0.73</td>
</tr>
<tr>
<td>Iran</td>
<td>$0.66</td>
</tr>
<tr>
<td>Jordan</td>
<td>$0.62</td>
</tr>
<tr>
<td>Kuwait</td>
<td>$0.54</td>
</tr>
<tr>
<td>Libya</td>
<td>$0.45</td>
</tr>
</tbody>
</table>


INDUSTRY VALUE CHAIN — HALAL IMPACT FROM ‘FARM TO FORK’:

Almost every segment 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 are described below: [Fig.2.9, 2.10]

**FIG.2.9**

<table>
<thead>
<tr>
<th>FOOD INDUSTRY SEGMENT</th>
<th>HALAL PROCESS IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Suppliers</td>
<td>Core feeding, slaughtering and handling of Animals and Animal products that adhere to Islamic rulings. Halal certification of core food preservatives and other ingredients.</td>
</tr>
<tr>
<td>Technology</td>
<td>Specialized technologies to facilitate slaughtering of animals and related management technologies.</td>
</tr>
<tr>
<td>Food Processing</td>
<td>Halal certification of sourced food supplies and all ingredients used in producing and managing the food.</td>
</tr>
<tr>
<td>Channels</td>
<td>Retailers focus on creating space and positioning of Halal food products. This is especially relevant in markets where Muslims are not a majority.</td>
</tr>
<tr>
<td>Logistics</td>
<td>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.</td>
</tr>
<tr>
<td>Eco-System</td>
<td>Training, R&amp;D, marketing, financial services, regulations, and compliance are all needed to address ‘halal’ needs.</td>
</tr>
</tbody>
</table>

**FIG.2.10 FOOD & BEVERAGE INDUSTRY — VALUE CHAIN**

---

Source: DinarStandard Industry value chains, aligned with International Harmonized Code (HC)
SELECT KEY PLAYERS IN THE VALUE CHAIN:

MAJOR SUPPLIERS:
BRF (Brazil)
Formerly known as Brasil Foods S.A, BRF is a Brazilian food company created from the 2009 merger of Perdigao and Sadia. BRF is among the world’s ten-largest food companies and Brazil’s second in revenue, after global giant JBS. Brands include Perdigao, Sadia, Batavo, Rezende, Wilson and Qualy. BRF had a revenue of US$ 13.9 billion in 2012, and has a market share of 20% of the world’s poultry trade. BRF’s Sadia is a major producer and distributor of Halal chicken and is making further headway into the halal food segment by building a production plant in the United Arab Emirates to produce meat, marinated and processed foods and bakery lines. BRF’s investment of US$ 91.3 million into the Khalifa Industrial Zone, Abu Dhabi (Kizad) will house a facility covering 1,743,000 square foot in size, with an annual production capacity of 80,000 tonnes, expected to be operational by 2014.

Allanasons (India)
Allanasons is among the world’s largest exporters of frozen Halal Buffalo meat. It is also India’s single largest exporter of frozen meat, processed/frozen fruit and vegetable products15. The group’s exports grew 44% in the last two years and have also been marked as a “Five Star Trading House” by the Indian government.

American Foods Group (USA)
American Foods Group is the 5th largest beef processing company in the US, shipping over four million pounds of beef a day and exporting to over 38 countries. With over 4,000 employees, the American Foods Group is the leading provider of beef products to American military personnel worldwide, a leading provider of Kosher and Halal beef for the U.S. and export markets, and is one of the largest suppliers of beef products to the federal school lunch program. Harvest facilities are approved for Halal — all beef products are supervised and inspected by the Islamic Society of the Washington Area (ISWA).

SELECT KEY FOOD MANUFACTURERS/PROCESSORS:
Nestlé (Switzerland)
Nestlé leads the way as the leading halal food producer. In July 2013, the company invested an additional RM 150 million into new facility factories in Malaysia. Nestlé’s investment of close to RM 1 billion in Malaysia alone in the last five years is testament to Nestlé’s continuing commitment to the halal principle. Nestlé leads regional certification by global players in the industry. Nestlé’s halal processes appear to be leading by miles compared to other multinationals (companies like Fonterra, Kraft, Dutch Lady, Unilever etc. also carry halal-certified products in certain regions).

Al Islami (UAE)
Established in 1970, Al Islami today is a major name in many Halal food categories across the UAE and the Gulf. By coordinating Islamic supervision on all meat products imported into the UAE, Al Islami continues to set the quality benchmark in the halal food industry. With some of the most stringent quality control processes in place, the Dubai Municipality considers Al Islami products as the benchmark for halal products.16

Saffron Road (USA)
Having kept ethical consumerism at the core of its business, Saffron Road is a natural multiethnic food company. Its focal point is serving halal food but several other ethical considerations have also been put in place to achieve not just halal certification but also tayyib (good/wholesome) quality. According to the Company, Saffron Road is the only food producer in the world that is all natural, antibiotic free and certified humane as well as halal.17

Tahira Foods (UK)
Tahira Foods is a UK-based halal food company founded in 1994 that now turns over £7.8 million annually across Europe. They are one of the largest halal food companies in the UK, supplying all the major supermarkets and small Halal stores in the country. They are also a distributor possessing an in-house brand. According to the company’s website, their products can be found in leading supermarket chains in the UK such as Asda, Sainsbury’s, Iceland, Somerfield-Kwiksave and Safeway as well as over 1800 convenience stores, specialist and ethnic retailers across the EU.

FOOD RETAILERS:
TESCO (UK)
The third largest retailer in the world in terms of revenue has also incorporated a halal segment in its offerings. 14 countries currently house a Tesco retail location and while the UK holds the bulk of the market share at 30%, Muslim markets such as Malaysia are also seeing an increased presence. 27 Tesco superstores in the UK offer halal meat counters.18

Carrefour (France)
The largest hypermarket chain in the world, counting 1,452 hypermarkets in 2011, boasts an impressive presence in the Middle East notably in the UAE, Qatar and Saudi Arabia. Carrefour has also come up with its unique line of Halal meat products. The Grand Mosque of Paris helps to administrate the line and Carrefour also complies with a local halal certification body.

BIM (Turkey)
BIM, a discount retailer, is known as Turkey’s largest supermarket group and currently operates 3,655 stores. BIM has decided to open 30 new stores in Egypt alone and is expanding into Morocco as well. It has a strong halal food process focus as well as pursuing ‘participation’ (Islamic)
bank financing. BIM also makes use of the local value chain by incorporating local/small producers from the region.

Marrybrown Sdn Bhd (Malaysia)
As the world’s largest Halal Quick Service Restaurant (QSR) brand originating from Malaysia, Marrybrown Sdn Bhd has 380 outlets all over the world. Marrybrown has a strong international presence with outlets operating in Malaysia, China, Indonesia, India, Sri Lanka, Maldives, Africa, the Middle East and Myanmar.

FOOD LOGISTICS:
Port of Rotterdam (Netherlands)
Rotterdam is one of the largest European ports with large cargo flows. In 2006/2007, The Port of Rotterdam Authority together with industry players had developed a dedicated warehouse for halal products to support halal supply chain integrity solutions.

REGULATORS:
According to a research by the International Halal Integrity Alliance, in 2011 there were 300 Halal certification agencies worldwide of which only 30% were legal entities. In essence, there are no global standards for halal food or an international regulatory framework for the halal market. However, some recent initiatives are steering the industry towards a possibly better alignment and standardization.

SMIIC — Institute of Standards and Metrology for Muslim Countries (OIC/Turkey)
SMIIC is a mandated body of the OIC leading the charge on halal market standardization. Member states of the OIC are meant to follow the standardizations imposed by the SMIIC in terms of education, training and technical assistance in areas of laboratory testing, metrology and standardization. Formed and legislated in Turkey, the ultimate goal of the SMIIC is to provide a platform for members to share their findings in hopes of creating processes that are ideal for all OIC member states.

International Halal Integrity Alliance (Malaysia)
The International Halal Integrity Alliance (IHI Alliance) is an international non-profit organization created to uphold the integrity of the halal market concept in global trade through recognition, collaboration and membership. The formation of the IHI Alliance was the outcome of a resolution that was passed at the inaugural World Halal Forum in May 2006 by international delegates representing all areas of the halal industry value chain and around 30 countries, which was to form its own industry organisation.19

JAKIM (Malaysia)
The Department of Islamic Development (JAKIM) was born in 1997 in an effort to support Malaysia’s halal industries. A number of bodies prior to JAKIM were created as a result, yet JAKIM is the main governing body. Its mandates include discussing and advising the Council of Rulers, the State Government and the State’s Islamic Religious Affairs and Council members. JAKIM has transformed into the leading voice for regulatory affairs in Malaysia.

IFANCA (USA)
IFANCA (The Islamic Food and Nutrition Council of America), based in the USA, is an non-for-profit organization that is centered on raising awareness and promotion for halal food. IFANCA has created an international presence and certifies halal products in over 50 countries around the globe. IFANCA has not limited itself to food products but also certifies vaccines, pharmaceuticals, cosmetics, packaging materials and sanitation chemicals.

While most of the companies in the global halal food value chain are either global multinationals or small niche players, a sizeable number of large food and beverage companies domiciled in the Muslim majority countries do exist. DinarStandard's DS100 list of Top 100 Companies of the OIC has nine food and agriculture-related companies led by Savola Group ($6.7 billion revenue in 2011, Saudi Arabia), Ulker ($6.3 billion, Turkey) and Indofood ($4.7 billion, Indonesia) as major processed food manufacturers. While there are sizeable OIC-based food companies, their leadership in the global halal market development is conspicuously missing. [Fig.2.11]

FIG.2.11 TOP OIC BASED FOOD/AGRI/RETAIL CONGLOMERATES

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>2011 REVENUE US BILLION</th>
<th>COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savola Group</td>
<td>$6.72</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>Yildiz Holding/Ulker</td>
<td>$6.26</td>
<td>Turkey</td>
</tr>
<tr>
<td>Felda Holdings Bhd</td>
<td>$5.98</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Golden Agri-Resources</td>
<td>$5.95</td>
<td>Indonesia</td>
</tr>
<tr>
<td>IOI Group</td>
<td>$5.22</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Indofood</td>
<td>$4.67</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Bim A.Ş.</td>
<td>$4.50</td>
<td>Turkey</td>
</tr>
<tr>
<td>Gudang Garam TbK PT</td>
<td>$4.31</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Kuala Lumpur Kepong</td>
<td>$3.58</td>
<td>Malaysia</td>
</tr>
</tbody>
</table>

Source: DinarStandards’ DS100 — Top 100 Businesses of the Muslim World List
RECENT INDUSTRY ACTIVITIES & TRENDS:

HIGHLIGHT OF KEY ISSUES IN 2012/2013

- In China, over 20 metric tons of pork labelled as halal meat to be sold to Muslims: Chinese police in Shaanxi Province discovered that 22 tons of pork was sold as certified halal beef. The factory sold up to 2,000 kg to local markets or roughly two tons before the scam was detected. It is unknown if any of this pork left local markets with the Halal label.20 (October 2013)

- Undeclared horse meat as well as traces of horse and pork DNA has been found in meat products in the UK. These include beef burgers, lasagne and bolognaise ready meal products contaminated by horse meat, and pork DNA found in a selection of meat pies labelled as Halal. Industry and the government are conducting large scale nationwide testing.21 (March 2013)

- The UK government was sued by prisoners for pork-contaminated pies: UK’s Ministry of Justice faces legal charges by 186 inmates following the discovery of contaminated halal food in three separate prisons. These prisoners accused the government of breaching their rights under Article 9 of the European Convention on Human Rights (ECHR), after halal sausage rolls, steak and kidney pies were found to have pig meat.22 (February 2013)

- McDonald’s is sued for false advertising in Michigan for mistakenly serving non-halal product to Muslim consumer. A judge has finalised a USD 700,000 settlement between McDonald’s and members of a Muslim community over claims that a Detroit-area restaurant falsely advertised food as prepared according to Islamic law.23 (October 2013)

- Swedish parents’ anger over children being fed halal food in cafeteria: Non-Muslim parents filed a report with the schools agency, saying they do not want their children to eat Halal meat. Saying that the children are supposed to be getting Sweden’s principle of religion-neutral education, they want also for schools to be banned from purchasing and serving meat from halal slaughterhouses. This discovery came after four years of the school serving halal meat.24 (October 2013)

- Poland imposes ban on religious slaughter, both halal and kosher: Poland will ban the religious slaughter of animals after the country’s constitutional court ruled that killing animals for kosher and halal meat contradicted animal welfare laws. The court’s ruling could spark a dispute with the EU, which is due to introduce rules defending the practice of ritual slaughter on the grounds of religious freedom.25 (November 2012)

- Netherlands pressing EU on non-stunned meat labelling: The Netherlands is pressing the European Commission to expedite a study on the issue of labeling meat produced from animals slaughtered without stunning. “We consider it essential to inform consumers correctly about the products they purchase,” the Dutch delegation wrote in a note to the EU. “This includes greater transparency about the slaughter method used.”26 (July 2013)

HIGHLIGHT OF SELECT NEW DEVELOPMENTS IN 2012/2013

We are seeing a picking up in momentum for interest in the halal principles. There have been a lot of activities within the non-Muslim majority countries to discover areas of opportunities. There is demand from the East Asia markets to participate in the large-scale halal segment. Japan, Korea, China, Hong Kong and Taiwan are all stepping up with the intent to set up respective halal certification bodies and obtain recognition from counterparts such as Malaysia.

- Halal restaurant opens on Star Cruise: Hoping to attract more Muslim tourists to take up cruise vacation packages, Star Cruise, a cruise ship operator, took steps to refurbish its SuperStar Libra ship to house a halal restaurant. The idea of opening a restaurant came about when the Star Cruise management realised that Muslims were not fond of taking up cruise vacation packages because of the food served on cruise ships.27 (October 2013)

- Kansai International Airport, Japan is now serving halal udon and prayer rooms in efforts to attract Muslim tourist28 (September 2013)

- Regal Riverside Hotel, Hong Kong launches halal-certified kitchen29 (August 2013)

- Tajikistan launches halal certification30 (July 2013)

- Japan’s Nippon Express Co. is seeking halal certification in Malaysia to start a food distribution business in the Muslim-majority nation31 (September 2013)

- Kosovo certifies its first halal food producer32 (September 2013)

- Lithuania puts in efforts to legalize halal slaughter of livestock to target both Muslim and Jewish consumers to capitalize on exports potential following a ban on religious slaughter in neighbouring Poland. Before the ban, Polish farmers and exporters of meat to Israel and Muslim countries exported up to 350 million euros ($460 million) worth of kosher and halal meat annually.33 (October 2013)

- UK’s Eblex is working on obtaining assurance scheme specifically for halal meat34 (September 2013)

- UK’s IHP Limited became the first abattoir to be halal certified and monitored by the Sharia Halal Board (SHB). IHP is one of the largest halal poultry abattoirs in the UK slaughtering around 300,000 birds a week35 (September 2013)
CHALLENGES

- **Industry scale & efficiency**: Many of the companies in the halal food supply chain are small and fragmented institutions supplying to a few large global players. Lack of support in financial and investment services toward this sector has been a challenge. Many of these entrepreneurs are seeking Islamic-compliant financing options but are struggling to find these options.

- **Global Halal authority leadership**: Who will lead the halal standardization/compliance framework? This has been the question in this sector from the beginning. Policy holders in global halal initiatives are also responsible for legislative matters and enforcement. Emerging halal authority leadership is being challenged by the task of developing a total halal conformance infrastructure — consisting of standardization, accreditation, certification, trade facilitation and the crafting and institutionalization of relevant laws and regulations - not just the halal standards alone. The organization must be strong enough to sustain the pressures and demands of international, cross-border relations. The International Halal Integrity Alliance (IHIA) had begun this effort with commendable success and professional rigor via its series of global halal standards but may lack the resources and support it needs to sustain momentum. Currently, we are seeing strong movement from the OIC-backed SMIIC to play the role of the global halal accreditation agency. This is one step further to what the International Halal Integrity Alliance (IHIA) had aspired to do earlier via its series of global halal standards. Will SMIIC pick up from IHIA or establish a working cooperation still remains to be seen.

- **Integrity of Halal regulatory framework**: Integrity is the foundational building block of the halal concept. The need is pronounced given the number of high profile global cases of meat integrity issues (e.g. horse meat and pork traces in the global meat production chain) or other fraud halal labelling cases globally. Malaysia has had the advantage of having halal conformance infrastructure strongly government-backed. Being funded by the government, halal certification practices there have little commercial goals and focuses on serving the industry needs by ensuring that the halal integrity is maintained. The UAE Government is now pursuing this level of guidance and oversight through the Emirates Standardisation and Metrology Authority (ESMA)’s role in its overall OIC-mandated global halal standardization initiatives and domestic requirements. Regulatory frameworks ensuring the halal integrity are being challenged by the establishment of a sustainable check and balance in the ecosystem with a balanced representation of non-conflicting parties; regulatory enforcement based on transparent policies and efficient certification practices conducted by competent officers.

- **Availability of Halal raw materials, supply chain issues (cost factor, quality, and consistency)**: With the massive list of halal raw ingredients to substitute, sourcing will be a challenge for industry players. The most common, talked-about ingredient — halal gelatine — is still barely touching

With 91% of meat and live animals being imported into OIC member countries tremendous opportunity exists to streamline the 100’s of fragmented suppliers in this value chain to gain integrity in the value chain and scale.
2% of the global market share, limited by lack of halal raw materials. The ability to scale and resource these products both in terms of their wider applicability and cost of development is a challenge. In addition, Halal ‘farm-to-fork’ requirement for full traceability also indicates organizational total supply chain ‘shift’ into halal in order to become 100% compliant. Identification of any non-compliance in the supply chain is a risk factor for industry players.

- **Quality human capital:** Halal industry knowledge base is underrated. The convergence of three conventionally different education backbones in the halal concept — theology, science & technology and commerce — makes it a very complex subject for any one person to comprehend alone. The need for quality human capital must be a focus area to cope with the global industry growth — to provide the needed talent pool to manage industry risks, to generate competent, capable certifiers to provide the required validation services, and policy makers who must understand all three areas for consideration in setting qualifying criteria.

- **Global perception challenge:** The growth of the halal markets, especially in Western countries, is being challenged by negative reaction to halal food initiatives by mainstream companies. This is due to the negative geopolitical climate associated with Muslims. This reaction is now extending to government halal regulation levels as some countries are limiting or banning halal meat (e.g. in Poland, the Netherlands).

- **Consumer confidence:** The challenge of halal certification goes hand in hand with consumer confidence, which will ultimately hamper further demand. The industry is also limiting its positioning with consumers by not focusing on both the halal and tayyab part of its proposition to satisfy a wider global appeal. To compound on this problem, Muslim consumers have limited awareness of halal ingredient concerns, especially in non-Muslim-majority markets.

---

**Opportunities**

- **Islamic finance/investments & consolidation:** Despite the large size of the halal food market, many of the companies in the supply chain are small and fragmented. This presents the investment community tremendous opportunities, especially in the synergistic Islamic finance industry. Specific example is an opportunity in the ‘Meat and Live Animal’ part of the Halal food and beverage industry value chain. With 91% 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. (see Islamic Finance section, opportunity area for additional comments.)

- **Global halal food brands:** With a consumer market totalling over one trillion dollar, 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 & 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.

- **$72 billion opportunity for OIC-based players:** Many of the large food conglomerates in the OIC countries stand to benefit from the large ($72 billion) food trade deficit within OIC countries. Their extension into related halal food segments and value chain will make them more naturally synergistic given their hosts’ halal markets while offering tremendous growth opportunities.

- **Halal standards-backing leadership:** While the demand for halal products and services escalate, its effective realization for countries and companies is dependent on effective standardization leadership and the credibility of regulatory institutions. It is in all industry stakeholders’ interest to support the development of credible halal food value-chain standards and compliance.

- **Accreditation, certification and testing:** There is a distinct opportunity in facilitating basic service infrastructure of halal conformance measurement. These services need to be branded and marketed in a way that they are recognized and accepted by the majority of countries involved in the halal market.

- **Product research & development:** Organizations shifting their business practice (or partial practice) into the halal sector need to source for halal ingredients or its alternatives. Opportunity exists for dedicated facilities which

---

Many of the large food conglomerates in the OIC countries stand to benefit from the large ($72 billion) food trade deficit within OIC countries.
study halal alternatives with the specific objectives of substituting critical ingredients.

- **Market intelligence:** A leadership supported by structured industry and market data is key. With structured information, greater transparency can be practiced and justifies rationale in investment and operational decisionmaking. This step will very much prove beneficial as the core support for supply chain movement, reducing technical barriers to trade and strengthening market potential.

- **Halal Center of Excellence:** The basic infrastructure of halal education, product/consumer research, professional networking, training, best-practices sharing — in other words, the ‘go to’ point for industry resources globally, is yet to be established. New age education and knowledge platforms must be considered and should not be limited to the mindset of tertiary/formal education. While various initiatives exist centered in Malaysia, their reach is still limited.

- **Large-scale halal ingredients production & processing:** New opportunities exist in the growing space of halal ingredient substitutes. With a large list of halal raw ingredients to substitute, expected sourcing challenge for industry players present viable opportunities to explore. Halal gelatine is already gaining interest but there are wider applicability and scale needs to be addressed. Other aspects will include technology solutions and production of chemicals and processing aids for both food and non-food sectors.

- **Consumer media platforms:** The growing interest in the halal concept is being challenged by concerns on credibility and awareness. Tremendous opportunity exists in engaging the global audience with media solutions for halal food consumers. Zabiha.com and many halal food consumer blogs have been at the forefront but with primary focus on the Western Muslim markets. Other solutions could include halal & tayyab food education with global reach and in multiple languages, which remains a gap.
1) Can you describe a brief profile of your company:
SMIIC has been established as the The Standards and Metrology Institute for the Islamic Countries by the OIC. It is headquartered in Istanbul, Turkey. Its aim is to establish harmonized standards in the Member States that will eliminate technical barriers to trade and thus developing the trade among themselves. It is also driving certification and accreditation schemes beginning with mutual recognition of certificates.

2) How are you serving and benefiting from the halal market?
In short, the OIC countries continue to face, in a rapidly changing world, challenging problems in the areas of industrial production, technology and optimal utilization of resources.

On the other hand, standardization is a key element to push up the capacities of export and competition and is a necessary process for ensuring effectiveness in any product/service. Standards are vital because they provide a common language among the buyers and sellers coming from a large variety of cultures.

It's highly important to conduct the activities to harmonize the standards and conformity assessment procedures under the auspices of an international or regional organization.

Consequently, without wasting time of OIC member countries, it is a top-priority to initiate and develop joint action aiming to establish, promote and expand industrial cooperation amongst themselves to boost the intra-OIC trade on the basis of sustainable economic, environmental and social development with the help of standardization which gives a crucial role to SMIIC and that is the main reason of establishment of SMIIC.
As an institution established by the OIC Members States SMIIC feels obliged to help the Islamic Countries in establishing their own standardization, metrology and accreditation mechanisms according to the needs of Islamic Countries while keeping Islamic Sensitivity.

SMIIC, as an inter-continental standardization organization and an affiliated institution to OIC, has already published a series of Halal Food Standards. So, we believe that this subject will have an accelerating effect on the implementation of unified standards among Islamic Countries.

3) What are some of the challenges you are facing in this halal market?
There are many certifying bodies working on halal certification throughout the world serving the Ummah. Unfortunately, it has been observed that most of these certifying bodies are not very well aware of the internationally accepted standardization concept. Generally, individual Certification Bodies take into account the visibility and awareness of their existence, which creates chaos and in contradiction to the World Trade Organization requirements as far as common standardization and accreditation is concerned, although there is a recently developing consensus on the need for a global halal standard.

4) What are the future opportunities you see in the halal market?
SMIIC as an intercontinental standardization body similar to the equivalent ones as ISO, IEC, etc., is entrusted to systematically remove these undesirable situations in line with the internationally accepted rules on both halal certification and other technical areas for the needs of the Ummah.

That’s why, the main elements for elimination of the Technical Barries to Trade (TBT) as standardization, metrology and accreditation are the scope of duties of SMIIC.
1) Can you describe a brief profile of your company:
Starbucks is a coffee company that operates more than 18,000 stores across the globe. The turnover is in access of USD 13 billion. It was first started in the year 1971 and have grown across the America region, Europe, China and Asia Pacific. Its regional headquarter is in Hong Kong and the global headquarter is in Seattle. It has 15,000 employees globally and is present in America, Europe and Asia Pacific. Currently, Starbucks Malaysia is certified halal by Jakim.

2) How are you serving and benefiting from the halal market?
Currently halal certification is only in Malaysia market and with Brunei coming along for 2014. Indonesia is also an emerging market to be serviced by our halal products.

3) What are some of the challenges you are facing in this halal market?
Halal is relatively new to our business and with most manufacturing still situated outside of Southeast Asia (SEA). Getting certification outside of SEA has been a challenge and with different governing body in US and Europe, it has been a challenge.

4) What are the future opportunities you see in the halal market?
We see continued and future opportunities in markets like Indonesia and the Middle East. The awareness and understanding of halal is still at infancy and the opportunity to gain more understanding of such requirements will open up more opportunities.
1) Can you describe a brief profile of your company

Al Islami Foods was established in 1981 as a leading trendsetter in the GCC’s frozen and halal food industry, employing the most advanced technologies in its operations to offer high quality and nutritious processed frozen products. The brand identity is consistent with Al Islami’s plans to reach a broader global audience of high quality processed halal food consumers.

Al Islami Foods products are considered as quality benchmark trusted by consumers across the Middle East, which has made it one of the best and most preferred brands in the region. Al Islami Foods is also committed to monitoring all products such as burgers, sausages, kebabs, processed meat, and many more. All these untiring efforts and unswerving commitments have helped Al Islami Foods gain the trust of millions of people around the world.

Under an MoU with the Mohammed Bin Rashid Establishment for SME Development, Al Islami Foods are making consolidated efforts to further accelerate the growth of halal products that have a growing potential in other continents. We pursue our commitment of social responsibility by establishing a strong business-base for young entrepreneurs in UAE, offering them with profitable franchise opportunities, encouraging them to get into the field of business.

2) How are your company’s offerings catering to the unique needs of the Muslim audiences?

Muslim customers have always trusted Al Islami Foods’ strict adherence to halal throughout all our operations. Our products are considered as quality benchmark trusted by consumers across the Middle East, which has made it one of the best and most preferred brands in the region. In order to ensure that quality halal foods are made available to its consumers, Al Islami Foods has exerted tremendous efforts and has succeeded to procure special permits from some of these countries to
slaughter animals according to the Islamic tenets. Al Islami Foods continues to monitor the whole process — starting from production line to packing and shipping — to ensure that everything is conducted in compliance with the principles of Islamic Sharia.

3) What are some of the challenges you are facing in this space?
The GCC will continue to remain our key focus market that will drive our growth and expansion. Over the past few decades, we have successfully penetrated this market, with the support of our local partners. Al Islami is now keen to take the halal message to countries such as Europe and Far East, where we have seen a huge demand for halal products. Fortunately, awareness about halal products is spreading across the globe and consumers are noticing the health benefits of eating halal products. This is leading to a huge demand for our products. Satisfying that huge demand will be a challenge that Al Islami is keen to overcome.

4) What are future opportunities you see in this space? (both for your Company and the Industry as a whole from Halal point of view.)
As mentioned, we see tremendous growth in markets such as Europe and the Far East, where there already exists a high degree of awareness about halal products. Our team recently visited Russia and were encouraged to see that this market was untapped for halal products, though there are a high number of Muslim consumers. Al Islami will build on this demand by taking its products to these new markets soon.
ISLAMIC FINANCE
POTENTIAL MARKET
ISLAMIC FINANCE SECTOR

Islamic finance has attracted the attention of global finance while becoming a major economic driver for the economies of Muslim-majority countries. Global banks such as Deutsche Bank, HSBC, Standard Chartered and Citi have their investment banks serving as lead arrangers on Sukuk issuances around the world, many have Islamic window or separate Islamic banking subsidiaries, while the United Kingdom’s government has become the first non-Islamic country to announce a major sukuk issuance. In the core Muslim majority markets, the share of Islamic assets is steadily rising with Saudi Arabia’s reaching 49% and various other markets expanding with double digit growth. In 2012, Islamic finance assets stood at $1.35 trillion.

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 Islamic banking assets in mostly Muslim majority markets of the OIC would be an estimated $4.1 trillion in 2013 with an opportunity to address its large non-banked population and drive entrepreneurship, especially in the related Islamic economy sectors. Beyond this core opportunity for Islamic finance, there is a tremendous potential to engage with the wider multi-trillion dollar global ‘impact investing’ and ‘social investing’ markets as well as the growing socially-conscious consumers. However, challenges are abound ranging from regulatory hurdles, consumer education and operational inefficiencies.
2012 Current Islamic Finance Assets

$1,354 Billion

(Includes banking, takaful, sukuk, funds, other from disclosed data)

Select Key Players

OIC-Based Top Financial Institutions (Including Conventional)

ISBANK
ZIRAAT BANK
AKBANK TAS
BANK MANDIRI
BANK RAKYAT INDONESIA
BANK SADERAT IRAN
MAYBANK GROUP
BANK MELLAT
HALKBANK
VAKIF BANK

420 Institutions W/ Islamic Finance Courses

113 Institutions W/ Islamic Finance Degrees

Top Islamic Financial Institutions

Al Rajhi Bank
Bank Maskan
Kuwait Finance House
Bank Melli Iran
AmIslamic Bank Berhad
Maybank Islamic Berhad
Dubai Islamic Bank
Bank KerjasaMA Rakyat
Bank Saderat Iran
Abu Dhabi Islamic Bank

Specialty Islamic Finance Institutions

Shekra
WafaAEnd
Al Rajhi Endowment
Awqaf South Africa

Potential Islamic Banking Universe

$4,095 Billion

(3.3% of Global Banking Assets)

Eco-System

Intelligence, Training/ Education, Technology, Legal, Accountancy/Tax, Marketing

Channels

Commercial Banks

Investment Banks

Insurance Companies

Agents

Brokers

Users

为客户

Businesses

Consumers

Intermediaries

Clearing Houses

Exchanges

Others

Product Providers

Commercial Banks

Insurance Companies

Investment Banks

Agents

Brokers

Consumers

Customers
**TOP CURRENT ISLAMIC FINANCE MARKETS**
BY CURRENT SIZE (US BILLION, 2012)

1. MALAYSIA $412
2. SAUDI ARABIA $270
3. IRAN $185
4. UAE $118
5. KUWAIT $81

**TOP POTENTIAL ISLAMIC FINANCE MARKETS**
BY POTENTIAL SIZE (US BILLION, 2012)

1. TURKEY $775
2. IRAN $512
3. SAUDI ARABIA $461
4. UAE $381
5. INDONESIA $375

Source:
COUNTRIES THAT HAVE STANDALONE REGULATIONS FOR ISLAMIC BANKING

TOP CURRENT ISLAMIC FINANCE MARKETS
BY CURRENT SIZE (US BILLION, 2012)

1. MALAYSIA $412
2. SAUDI ARABIA $270
3. IRAN $185
4. UAE $118
5. KUWAIT $81

COUNTRIES THAT HAVE STANDALONE REGULATIONS
FOR ISLAMIC BANKING

TOP POTENTIAL ISLAMIC FINANCE MARKETS
BY POTENTIAL SIZE (US BILLION, 2012)

1. TURKEY $775
2. IRAN $512
3. SAUDI ARABIA $461
4. UAE $381
5. INDONESIA $375

TOP ISLAMIC BANKS

1. AL RAJHI BANK SAUDI ARABIA
2. BANK MASKAN IRAN
3. KUWAIT FINANCE HOUSE KUWAIT
4. BANK MELLI IRAN
5. AMISLAMIC BANK BERHAD MALAYSIA

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 these regards 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

“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

“And establish prayer and give zakah, and whatever good you put forward for yourselves — you will find it with Allah. Indeed, Allah of what you do, is Seeing.” Al-Quran 2:110

There is a wide diversity in awareness and adoption of Islamic finance within the core customer base of Muslims globally. Below is a general illustration of some Islamic finance customer ‘personas.’ (these are illustrative and not meant to be exhaustive) [Fig.3.1]
MARKET SIZE & PROFILE — A $4.1 TRILLION POTENTIAL OF ISLAMIC BANKING UNIVERSE (ASSETS):

The existing Islamic finance market stands at an estimated $1.35 trillion in assets based on disclosed assets by all Islamic finance institutions (full sharia-compliant as well as those with sharia ‘windows’) covering commercial banking, funds, sukuk, takaful, and other segments. The breakdown by category is as follows: $985 billion for commercial banking, $251 billion for sukuk (bonds), $44 billion for Islamic funds, $26 billion for takaful (insurance.) While this represents a very small proportion of the global financial assets, it is a fast growing segment growing at 15-20% a year in many of its core markets. In addition, an estimated $628 million of Islamic microfinance assets is also a growing segment although only representing about 0.8% of the estimated total global microfinance market of $78 billion (2011). (Fig. 3.2)

Globally, banking assets (i.e. excluding funds, insurance and other distinct segments) accounted for $123.7 trillion in assets in 2012. Current Islamic banking assets amount to $985 billion, comprising less than 1% of global assets. (Fig. 3.3)

The gap between the potential and existing Islamic finance market remains large. Assuming an optimal scenario in core Islamic finance markets of the OIC countries, the 2012 potential of the Islamic banking universe could reach $4,095 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. (Fig. 3.4)

Islamic Microfinance: With a large segment of the global low-income population concentrated in Muslim majority countries, it is also estimated that 72% of people living in Muslim-majority countries do not use formal financial services. This makes Islamic microfinance an important market given Islamic finance law sensitivities among all segments of the Muslim population. The Islamic microfinance market is also a growing segment but with a huge gap relative to its potential. According to the Study released by the Consultative Group to Assist the Poor (CGAP), the estimated size of Islamic microfinance today is $628 million in managed assets (2011), which is 0.8% of the estimated total global microfinance market of $78 billion (2011). Between 2006 and 2011, Islamic microfinance market has quadrupled according to the CGAP study.

Waqfs: Another important segment of Islamic economics is the large fragmented segment of Waqfs (Islamic endowments). While this study has not sized the Waqf market, it is quite clear that the market is large and extends globally with large private Waqfs (e.g. AlRajhi Waqf, Saudi Arabia) to large number of Government managed Waqfs. In India, for example, the management of Waqfs is done by the Central Waqf Council, a statutory body under the Government of India. As per the report of Sachar Committee, there were about 500,000 registered Waqf properties in India with 600,000 acres (2,400 km2) land in India and US$19.3 billion in book value. Large Waqf infrastructure exists across all major Muslim countries including in Turkey, Indonesia, Egypt, Pakistan and the GCC countries. There are smaller Waqfs institutions as well in countries with Muslim minorities such as South Africa, New Zealand, United States and others.

**Fig. 3.2** Top Current Islamic Finance Markets

<table>
<thead>
<tr>
<th>Country</th>
<th>US Bill, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>$412</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$270</td>
</tr>
<tr>
<td>Iran</td>
<td>$185</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>$118</td>
</tr>
<tr>
<td>Kuwait</td>
<td>$81</td>
</tr>
<tr>
<td>Qatar</td>
<td>$71</td>
</tr>
<tr>
<td>Bahrain</td>
<td>$47</td>
</tr>
<tr>
<td>Turkey</td>
<td>$38</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$33</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>$18</td>
</tr>
<tr>
<td>Pakistan</td>
<td>$14</td>
</tr>
<tr>
<td>Egypt</td>
<td>$12</td>
</tr>
<tr>
<td>Sudan</td>
<td>$8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$7</td>
</tr>
<tr>
<td>Jordan</td>
<td>$5</td>
</tr>
</tbody>
</table>

**Fig. 3.3** Islamic Banking Assets Benchmarked Against Top Markets Globally (US Billion, 2012 est.)

<table>
<thead>
<tr>
<th>Country</th>
<th>US Bill, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$21,550</td>
</tr>
<tr>
<td>United States</td>
<td>$13,140</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$12,633</td>
</tr>
<tr>
<td>Germany</td>
<td>$10,227</td>
</tr>
<tr>
<td>Japan</td>
<td>$10,179</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$985</td>
</tr>
</tbody>
</table>

**Fig. 3.4** Top Islamic Finance Universe Markets (Optimal Scenario)

<table>
<thead>
<tr>
<th>Country</th>
<th>US Bill, 2012e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>$775</td>
</tr>
<tr>
<td>Iran, Islamic Rep.</td>
<td>$512</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$461</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>$381</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$375</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$374</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>$221</td>
</tr>
<tr>
<td>Qatar</td>
<td>$179</td>
</tr>
<tr>
<td>Kuwait</td>
<td>$145</td>
</tr>
<tr>
<td>Morocco</td>
<td>$139</td>
</tr>
<tr>
<td>Pakistan</td>
<td>$96</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>$88</td>
</tr>
<tr>
<td>Nigeria</td>
<td>$63</td>
</tr>
<tr>
<td>Bahrain</td>
<td>$60</td>
</tr>
<tr>
<td>Jordan</td>
<td>$60</td>
</tr>
</tbody>
</table>
CURRENT LANDSCAPE & TRENDS

INDUSTRY VALUE CHAIN:

- Pretty much 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. [Fig.3.5]

SELECT KEY PLAYERS:

STANDARD SETTERS/REGULATORS

AAOIFI: This organization was created in 1991 to issue international standards on accounting, auditing and corporate governance. It has 200 members from 45 countries, including central banks, Islamic financial institutions, and other participants in the Islamic banking and finance industry.

IFSB: In 2003, another regulatory body was established with the support of the IMF by central banks and the Islamic Development Bank: the Malaysia-based Islamic Financial Services Board (IFSB). Its mandate is to “promote and enhance the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors”. The 189 members of the IFSB comprise 53 regulatory and supervisory authorities, eight international intergovernmental organisations and 128 market players, professional firms and industry associations operating in 44 jurisdictions.

International Islamic Liquidity Management Corporation (IILM) was established by central banks, monetary authorities and multilateral organisations to create and issue short-term Shariah compliant financial instruments to facilitate effective cross-border Islamic liquidity management.

Regulations landscape: 30 countries have stand-alone regulations for Islamic finance. 11 have stand-alone regulations for Islamic finance.

FIG.3.5 FINANCIAL SERVICES — VALUE CHAIN

Source: DinarStandard Industry value chains
regulations for takaful/retakaful operators. 16 countries have stand-alone regulations for sukuk and Islamic funds. [Fig.3.6]

**SUUKS ARRANGERS**

Major global banks are prominent players as lead arrangers of sukuks. HSBC, Standard Chartered and Citi led the latest Sukuk lead arranger table for 2013. [Fig.3.7]

**COMMERCIAL BANKS**

There are a total of 249 full Islamic banks and 114 Islamic banking windows. The largest banks with Islamic assets are Saudi Arabia-based National Commercial Bank and Al Rajhi Bank. In terms of number of Islamic banks, Malaysia leads with 21 banks. Select key players include: [Fig.3.8]

---

**FIG.3.6 COUNTRIES WITH STAND-ALONE ISLAMIC FINANCE REGULATIONS**

<table>
<thead>
<tr>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
</tr>
<tr>
<td>Bahrain</td>
</tr>
<tr>
<td>Bangladesh</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
</tr>
<tr>
<td>Djibouti</td>
</tr>
<tr>
<td>Gambia</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>Iran</td>
</tr>
<tr>
<td>Jordan</td>
</tr>
<tr>
<td>Kazakhstan</td>
</tr>
<tr>
<td>Kuwait</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
</tr>
<tr>
<td>Lebanon</td>
</tr>
<tr>
<td>Libya</td>
</tr>
<tr>
<td>Malaysia</td>
</tr>
<tr>
<td>Maldives</td>
</tr>
<tr>
<td>Mauritius</td>
</tr>
<tr>
<td>Nigeria</td>
</tr>
<tr>
<td>Oman</td>
</tr>
<tr>
<td>Pakistan</td>
</tr>
<tr>
<td>Philippines</td>
</tr>
<tr>
<td>Qatar</td>
</tr>
<tr>
<td>Senegal</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
<tr>
<td>Somalia</td>
</tr>
<tr>
<td>Sudan</td>
</tr>
<tr>
<td>Syria</td>
</tr>
<tr>
<td>Turkey</td>
</tr>
<tr>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Yemen</td>
</tr>
</tbody>
</table>

---

**FIG.3.7 INTERNATIONAL LEAD ARRANGER LEAGUE TABLE (YTD Q3, 2013)**

<table>
<thead>
<tr>
<th>BOOK RUNNER</th>
<th>AMOUNT ISSUED (US MILLION)</th>
<th>MARKET SHARE</th>
<th>NUMBER OF ISSUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC Holdings PLC</td>
<td>1,987.5</td>
<td>14.8</td>
<td>7</td>
</tr>
<tr>
<td>Standard Chartered PLC</td>
<td>1,682.0</td>
<td>12.5</td>
<td>9</td>
</tr>
<tr>
<td>Citi</td>
<td>1,282.2</td>
<td>9.5</td>
<td>5</td>
</tr>
<tr>
<td>Emirates NBD PJSC</td>
<td>886.0</td>
<td>6.6</td>
<td>7</td>
</tr>
<tr>
<td>Dubai Islamic Bank Ltd</td>
<td>682.2</td>
<td>5.1</td>
<td>4</td>
</tr>
<tr>
<td>National Bank of Abu Dhabi</td>
<td>537.5</td>
<td>4.0</td>
<td>4</td>
</tr>
<tr>
<td>Riyadh Bank Ltd</td>
<td>500.0</td>
<td>3.7</td>
<td>1</td>
</tr>
<tr>
<td>Bank Al Bilad</td>
<td>500.0</td>
<td>3.7</td>
<td>1</td>
</tr>
<tr>
<td>Alinma Bank</td>
<td>500.0</td>
<td>3.7</td>
<td>1</td>
</tr>
<tr>
<td>RHB</td>
<td>434.4</td>
<td>3.2</td>
<td>3</td>
</tr>
<tr>
<td>Abu Dhabi Islamic Bank (ADIB)</td>
<td>332.2</td>
<td>2.5</td>
<td>2</td>
</tr>
<tr>
<td>RBS</td>
<td>291.7</td>
<td>2.2</td>
<td>2</td>
</tr>
<tr>
<td>Malayan Banking Bhd</td>
<td>200.0</td>
<td>1.5</td>
<td>1</td>
</tr>
<tr>
<td>Abu Dhabi Commercial Bank Ltd</td>
<td>165.6</td>
<td>1.2</td>
<td>1</td>
</tr>
<tr>
<td>Natl Comm Bank Saudi Arabia</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>Kuwait Finance House</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>Natixis</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>Al Hilal Islamic Bank</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>CIMB Group Sdn Bhd</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>Credit Agricole CIB</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>Barwa Bank QSC</td>
<td>125.0</td>
<td>.9</td>
<td>1</td>
</tr>
<tr>
<td>Masraf Al Rayan</td>
<td>74.6</td>
<td>.6</td>
<td>1</td>
</tr>
<tr>
<td>QInvest LLC</td>
<td>74.6</td>
<td>.6</td>
<td>1</td>
</tr>
<tr>
<td>Alkhair Capital Saudi Arabia</td>
<td>74.6</td>
<td>.6</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>13,474.9</strong></td>
<td><strong>100</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

Source: Thomson Reuters
FIG. 3.8 TOP ISLAMIC BANKS GLOBALLY (BY ASSETS)

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>FULL ISLAMIC</th>
<th>COUNTRY</th>
<th>TOTAL ASSETS (US BILLION)</th>
<th>ROE%</th>
<th>ROA%</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Commercial Bank</td>
<td>Islamic Window</td>
<td>Saudi Arabia</td>
<td>$92.09</td>
<td>16.38</td>
<td>1.87</td>
</tr>
<tr>
<td>Al Rajhi Bank</td>
<td>Full Islamic</td>
<td>Saudi Arabia</td>
<td>$71.29</td>
<td>21.62</td>
<td>2.95</td>
</tr>
<tr>
<td>Bank Maskan</td>
<td>Full Islamic</td>
<td>Iran</td>
<td>$54.62</td>
<td>5.42</td>
<td>0.00</td>
</tr>
<tr>
<td>Kuwait Finance House</td>
<td>Full Islamic</td>
<td>Kuwait</td>
<td>$52.29</td>
<td>4.36</td>
<td>0.60</td>
</tr>
<tr>
<td>Bank Melli</td>
<td>Full Islamic</td>
<td>Iran</td>
<td>$37.84</td>
<td>8.72</td>
<td>0.44</td>
</tr>
<tr>
<td>Amislamic bank Berhad</td>
<td>Full Islamic</td>
<td>Malaysia</td>
<td>$33.79</td>
<td>13.60</td>
<td>0.01</td>
</tr>
<tr>
<td>Maybank Islamic Berhad</td>
<td>Full Islamic</td>
<td>Malaysia</td>
<td>$29.90</td>
<td>19.50</td>
<td>0.97</td>
</tr>
<tr>
<td>Dubai Islamic Bank</td>
<td>Full Islamic</td>
<td>UAE</td>
<td>$25.96</td>
<td>11.99</td>
<td>1.21</td>
</tr>
<tr>
<td>Bank Kerjasama Rakyat Malaysia Berhad</td>
<td>Full Islamic</td>
<td>Malaysia</td>
<td>$25.96</td>
<td>16.43</td>
<td>2.19</td>
</tr>
<tr>
<td>Bank Saderat Iran</td>
<td>Full Islamic</td>
<td>Iran</td>
<td>$24.32</td>
<td>18.14</td>
<td>1.00</td>
</tr>
<tr>
<td>Abu Dhabi Islamic Bank</td>
<td>Full Islamic</td>
<td>UAE</td>
<td>$23.32</td>
<td>9.52</td>
<td>1.40</td>
</tr>
<tr>
<td>Qatar Islamic Bank</td>
<td>Full Islamic</td>
<td>Qatar</td>
<td>$20.10</td>
<td>10.82</td>
<td>1.70</td>
</tr>
<tr>
<td>Al Baraka Banking Group</td>
<td>Full Islamic</td>
<td>Bahrain</td>
<td>$19.06</td>
<td>0.24</td>
<td>36.64</td>
</tr>
<tr>
<td>CIMB Bank Berhad (Islamic)</td>
<td>Full Islamic</td>
<td>Malaysia</td>
<td>$18.75</td>
<td>21.08</td>
<td>1.38</td>
</tr>
<tr>
<td>Islamic Development Bank</td>
<td>Full Islamic</td>
<td>Saudi Arabia</td>
<td>$17.62</td>
<td>1.64</td>
<td>1.00</td>
</tr>
<tr>
<td>Masraf Al Rayan</td>
<td>Full Islamic</td>
<td>Qatar</td>
<td>$16.93</td>
<td>15.68</td>
<td>2.44</td>
</tr>
<tr>
<td>Standard Chartered Bank Malaysia Berhad (Saadiq)</td>
<td>Full Islamic</td>
<td>Malaysia</td>
<td>$15.65</td>
<td>17.48</td>
<td>1.29</td>
</tr>
<tr>
<td>Alinma Bank</td>
<td>Full Islamic</td>
<td>Saudi Arabia</td>
<td>$14.40</td>
<td>4.40</td>
<td>1.36</td>
</tr>
<tr>
<td>Bank Aljazeera</td>
<td>Full Islamic</td>
<td>Saudi Arabia</td>
<td>$13.59</td>
<td>9.99</td>
<td>0.98</td>
</tr>
<tr>
<td>Bank Sepah</td>
<td>Full Islamic</td>
<td>Iran</td>
<td>$12.76</td>
<td>3.15</td>
<td>0.10</td>
</tr>
<tr>
<td>Parsian Bank</td>
<td>Full Islamic</td>
<td>Iran</td>
<td>$12.59</td>
<td>27.29</td>
<td>2.20</td>
</tr>
<tr>
<td>Bank Islam Malaysia Berhad</td>
<td>Full Islamic</td>
<td>Malaysia</td>
<td>$12.24</td>
<td>13.77</td>
<td>1.14</td>
</tr>
<tr>
<td>Emirates NBD PJSC</td>
<td>Islamic Window</td>
<td>UAE</td>
<td>$11.09</td>
<td></td>
<td>-0.07</td>
</tr>
<tr>
<td>Bank Asya</td>
<td>Full Islamic</td>
<td>Turkey</td>
<td>$10.73</td>
<td>0.91</td>
<td>0.00</td>
</tr>
<tr>
<td>Emirates Islamic Bank</td>
<td>Full Islamic</td>
<td>UAE</td>
<td>$10.15</td>
<td>3.15</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Source: Thomson Reuters 2013

FIG. 3.9 THE LARGEST 10 ISLAMIC FUNDS

<table>
<thead>
<tr>
<th>FUND</th>
<th>FUND MANAGER</th>
<th>AUM (US MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETFS Physical Gold</td>
<td>ETFS Commodities Sec Ltd</td>
<td>4,968</td>
</tr>
<tr>
<td>AlAhli Saudi Riyal Trade</td>
<td>NCB Capital CJSC</td>
<td>4,130</td>
</tr>
<tr>
<td>Al Rajhi Capital SAR Commodity</td>
<td>Al-Rajhi Capital Co</td>
<td>3,152</td>
</tr>
<tr>
<td>International Trade Finance Fd (Sunbullah SAR)</td>
<td>Samba Cap &amp; Invest Mgmt</td>
<td>2,773</td>
</tr>
<tr>
<td>Amana Growth Fund</td>
<td>Saturna Capital Corporation</td>
<td>2,136</td>
</tr>
<tr>
<td>AlAhli Diversified Saudi Riyal Trade</td>
<td>NCB Capital CJSC</td>
<td>1,963</td>
</tr>
<tr>
<td>Amana Income Fund</td>
<td>Saturna Capital Corporation</td>
<td>1,475</td>
</tr>
<tr>
<td>Public Ittikal</td>
<td>Public Mutual Berhad</td>
<td>1,248</td>
</tr>
<tr>
<td>Public Islamic Dividend</td>
<td>Public Mutual Berhad</td>
<td>1,185</td>
</tr>
<tr>
<td>CIMB Islamic DALL Equity Growth</td>
<td>CIMB-Principal Asset Man</td>
<td>1,059</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>24,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Thomson Reuters, Islamic Asset Management Report 2013
its authorized capital to $150 billion to better serve its members countries. The Bank continues to receive the highest credit ratings of AAA by major rating agencies. IDB Group is comprised of five entities, consisting of Islamic Development Bank (IDB), Islamic Research & Training Institute (IRTI), Islamic Corporation for Development of the Private Sector (ICD), Islamic Corporation for Insurance of Investment and Export Credit (ICIEC) and International Islamic Trade Finance Corporation (ITFC).

Al Baraka
Al Baraka Banking Group is a Bahrain based leading international Islamic bank offering retail, corporate, treasury and investment banking services in accordance with the principles of Islamic law. The authorized capital of Al Baraka is US$1.5 billion, while total equity amounts to about US$1.9 billion. The Group has a wide geographical presence that extends to fifteen countries that include Jordan, Tunisia, Sudan, Turkey, Bahrain, Egypt, Algeria, Pakistan, South Africa, Lebanon, Syria, Indonesia, Libya, Iraq and Saudi Arabia. The company is listed on the Bahrain Stock Exchange and NASDAQ Dubai.

TAKAFUL
There are a total of 216 takaful/ retakaful operators. The largest numbers are in Saudi Arabia (33), Indonesia (22) and Malaysia (21). These operators are present in 34 countries around the world. Out of these, 52 are listed. Below are select prominent institutions:

Aman Insurance
Dubai Islamic Insurance and Reinsurance Company (AMAN Insurance) is the largest Islamic Insurance provider in the UAE. As a national public shareholders company, its activities are conducted in accordance with Shariah guidelines under the supervision of the Fatwa and Shariah Supervisory Board.

Salama — Islamic Arab Insurance Company (UAE)
A leading provider of Shari’ah compliant Takaful solutions around the world. It is the world’s largest Takaful and Re-Takaful Company. BEST-RE, its Tunis-based operation, is the world’s largest Re-Takaful company, operating in more than 60 countries. Overall it has six direct Takaful companies who provide Takaful solutions to customers based in UAE, Saudi Arabia, Egypt, Senegal, Algeria and Jordan.

Hannover Re
Hannover’s entry into the Islamic insurance market makes it the first major reinsurance company to devote a segment to Islamic Finance. Most of the clients are in the Middle East and North Africa, followed by South East Asia, South Asia sub-continent, South Africa, Sudan and the United Kingdom.

Weqaya (Saudi Arabia)
Weqaya is a joint-stock company based in Saudi Arabia that has SR 200 million in paid-up capital. The asset base has investors from various different facets, including Reinsurers, and underwriters. This company provides savings, medical and general insurance products and services to satisfy the specific needs and expectations of the customers.

ISLAMIC FUNDS
There are a total of 636 Islamic funds recorded by the Thomson Reuters Islamic Finance Development Report (2013). Most of these funds are based on ‘sharia’ negative screens that filter out non-investable companies based on Islamic laws. A majority of these funds are concentrated in Malaysia (190) and Saudi Arabia (147).

The largest 10 Islamic funds represent 44% of total fund AUM with large players benefiting from economies of scale and market share, while smaller players are being forced out of the market. Money Market Funds are the largest asset class within the Islamic fund sector, boasting AUM in excess of USD 20 Billion in 2013. Thomson Reuters Islamic Asset Management Report presents a detailed profile of this sector. New crossovers funds are also emerging that incorporate ESG criteria on sharia screened funds. SEDCO, (Saudi Economic and Development Company), has recently incorporated environmental, social and governance (ESG) principles into two of its equity funds. [Fig.3.9]

MICROFINANCE
The Islamic microfinance market key players are concentrated in Bangladesh, Indonesia and Sudan in terms of total number of microfinance clients (1.3 million), according to a Study released by the Consultative Group to Assist the Poor (CGAP). Two players are as follows:

Al Amal Microfinance
In 2010, Al-Amal Microfinance Bank (AMB) of Yemen was the winner of CGAP’s Islamic Microfinance Challenge. Al Amal acts as field partner for the well-established and renowned Microfinance organization: Kiva. Since 2005, Kiva has had 1,008,346 lenders and has provided $490,563,640 in loans. Al-Amal is also in collaboration with private sector shareholders, the Social Fund for Development, and Arab Gulf Programme for Development (AGFUND). 18 branches currently provide loans to low-income households in hopes of fighting poverty and unemployment. 79,843 clients have currently been served through AMB and $18.1 million in loans have been distributed to the Yemeni population in need.

Akhuwat (Pakistan)
Akhuwat is a Pakistan-based institute which has distributed $47.65 million amongst 300,000 families via Islamic microfinance. Akhuwat has a unique model whereby it provides interest free microfinance loans to the Pakistani community in need. Akhuwat has established its presence in 38 cities, and their current model has been replicated by 10 NGOs due to its success.
CROWDFUNDING
Crowdfunding is the latest global financial services innovation that allows large numbers of individuals to invest or finance small amounts for usually small business projects, leveraging the internet as platform for the transaction. Islamic markets are beginning to leverage this innovation as well. Below are select key players:

Shekra
Shekra Crowdfunding, a Cairo based LLC, is an initiative which has been successfully launched in 2013 aiming to fill the funding gap that SMEs are facing (too big for microfinance and too small for VCs). Shekra has successfully funded three companies: Minbetna, Qptimizer, and Nofoos.

Kiva (USA)
Kiva, a US-based non-profit, has been a global leader in innovative online peer-to-peer microfinance, and its leadership has extended to Islamic microfinance. Kiva has promoted this through a partnership network throughout the Middle East. Kiva has accomplished increased outreach of Sharia-compliant products by providing special lines credit restricted to those products, as well as support to partners for product design. Total number of clients served through these special products is now in the thousands.

Yomken
Crowdfunding is now accessible to the Arab world through Yomken, which has established itself as the “first-open innovation and crowdfunding platform”. Yomken is also a platform for experts and volunteers to state their opinions on posted content. Yomken received funding from the World Bank's Youth Innovation Fund.

WAQF
Waqf institutions extend globally in the forms of large private Waqfs (e.g. AlRajhi Waqf, Saudi Arabia) to government-managed Waqfs. Large Waqf infrastructure exists across all major Muslim countries, including in Turkey, Indonesia, Egypt, Pakistan and the GCC countries. There are smaller Waqfs institutions as well in countries with Muslim minorities such as South Africa, New Zealand, United States and others. Select Waqfs are listed below:

AlRajhi Endowment
Set up in place by Saudi billionaire and philanthropist Sulaiman Al-Rajhi who used parts of his $7.7 billion in assets to create the Al-Rajhi endowment fund. The endowment fund focuses on real estate, agricultural and social developments. Having established the world's largest Islamic Bank, Al-Rajhi moved on to farming. His efforts led to the creation of Middle East’s largest farms and a variety of other organic and halal farming initiatives.

Awqaf South Africa
Awqaf South Africa is an independent and exclusive Waqf endowment institution that focuses its effort in the disadvantaged communities of South Africa. Awqaf South Africa provides a broad range of offerings within the social, economical, political, educational, intellectual, moral and religious spheres. The overall objective is to empower communities faced with oppression, promote tolerance within the various communities and mobilize the community.

Awqaf and Minors Affairs Foundation (AMAF)
The official government department and legal authority on Awqaf within Dubai is the Awqaf and Minors Affairs Foundation (AMAF). Social Solidarity is the main driver behind their strategic objectives which encompass the encouragement of charitable work, adequate supervision and investment of funds as well as advice and consultation for endowment supervisors, all while respecting Sharia Law.

EDUCATION & RESEARCH
Based on a recently released study by Yurizk, there are a total of 742 Islamic finance education and knowledge service providers. 43% are based in Asia, 22% in Europe, 19% in MENA and 8% in North America. Two prominent Institutions are as follows:

INCEIF (International Centre for Education in Islamic Finance)
Malaysia based INCEIF is the one of the most recognized and fully dedicated Islamic finance higher education, training and executive education Institute. It was established by Bank Negara Malaysia (Central Bank of Malaysia) in 2005 to meet the growing global demand for qualified professionals in Islamic finance. It offers a Masters and PhD degree in Islamic Finance in addition to a Chartered Islamic Finance Professional (CIFP) program.

ETHICA
Primarily a technology based platform, Ethica is a dedicated Islamic finance portal offering training videos, certification, career counseling, recruiting assistance, live webinars, and a library of scholar-approved answers available online. Ethica has certified professionals in over 100 financial institutions in 56 countries. Ethica’s 4-month Certified Islamic Finance Executive™ (CIFE™) certificate is accredited by scholars to fully comply with AAOIFI, the world’s leading Islamic finance standards body.

Islamic Research & Training Institute (IRTI)
Based in Jeddah, IRTI is an affiliate of the Islamic Development Bank Group focused on research, advisory and training to develop socio-economic development focus of Islamic Financial Services Industry in IDB member countries. It commissions and delivers industry focused research, has a range of publications, databases, conducts policy dialogues, and administers prizes to recognize and encourage industry research.
**RECENT INDUSTRY ACTIVITIES & TRENDS:**

**SUKUK**
- **Demand for Islamic bonds seen rising strongly:** Demand for sukuk, or Islamic bonds, is expected to almost double in value over the next four years, driven by strong economic growth in the Middle East and Asia and their spread to new markets, according to a report by Thomson Reuters. Global demand for sukuk is expected to reach $421 billion by 2016 from $240 billion in 2012, according to a Thomson Reuters survey of 169 investors and sukuk arrangers, mainly from the Gulf region and Asia, conducted in August and September.

- **Pakistan plans its first air time sukuk:** Meezan bank is planning to issue a sukuk for a telecommunications operator in Pakistan. The bond is to be valued at ($68.5 Million US dollars) with a five to ten year maturity. The approval for this bond was still granted despite having fewer tangible assets, a common pre-requisite behind Islamic banking. The airtime minutes were treated as inventory through the use of prepaid cards and were granted a serial number, thereby allowing quantification of the economic value behind the service.57

- **Malaysia sukuk being planned through European Bank:** France’s second largest bank will also become the second bank in Europe to issue a Sukuk and the first bank within the region to issue one in Asia. The Societe Generale first sought the expertise of Hong Leong Islamic Bank before planning to issue the $300 million Sukuk. The approval has been granted by the Central Bank and the funds are expected to be re-invested in the purchase of assets in Dubai, which also serves as the Societe Generale’s headquarters.58

- **FWU Group offers the largest ever Sukuk bond from a European company:**59 FWU AG Group (FWU), a Munich-based financial services company, recently issued a US$55,000,000 Sukuk — the first ever Sukuk issuance by a German corporate and the largest ever Sukuk from a European Corporate. This is also the first Sukuk to utilize a computer software programme and intellectual property rights under an Ijara structure.

- **Small likelihood of Egypt sovereign sukuk soon:** While the fall of the Muslim Brotherhood means less political support for Islamic Finance development in Egypt, both economic pressure and strong consumer demand means the industry should continue to grow albeit slowly. A planned major sovereign Sukuk program seems shelved for now but there is no official ‘no’ either.

- **Tunisia aims to issue $634 million in Islamic bonds in 2014:**60 Tunisia’s aimed to issue 1 billion dinars ($634 million) worth of Islamic bonds, the first time the country had used the developing sector to fund public borrowing. “One billion dinars are to be available from the Islamic bonds by 2013 budget for the first time,” Finance Minister Slim Besbes told state radio. The issuance is now expected Feb/March of 2014.

- **Sukuk become tool in Basel III capital-raising:** In November 2012 there was a $1 billion sukuk issue by Abu Dhabi Islamic Bank (ADIB). ADIB attracted a spectacular order book of over $15 billion for the $1 billion perpetual sukuk, which has no maturity date; ADIB can choose to repay the bond on certain dates from 2018 if it wishes. The hybrid sukuk was the first to be publicly issued by a bank to meet the Tier 1 capital requirement in Basel III global banking standards that will be phased in around the world over the next several years — although ADIB privately placed a $2 billion Tier 1 note in 2009.

- **Food producer Almarai completes first hybrid Sukuk:** Almarai became the first corporation in the Gulf to issue a hybrid sukuk worth $435 million. BNP Paribas, HSBC, Saudi Fransi (Credit Agricole) and Standard Chartered served as the leads on the issuance. The sukuk enables Almarai to diversify its funding sources to pursue its expansion strategy in a cost-effective way.

- **Britain will be the first western country to issue sovereign sukuk:** David Cameron announced a 200 million pound sukuk to be issued in 2014. This issuance hopes to make England at par with other global leaders within the Islamic finance industry. It is also expected to strongly strengthen the domestic Islamic finance industry. The current legislation within the UK supports sukuk’s unique infrastructure and has resulted in over $34 billion dollars in Sukuk listings61. In parallel, the London Stock Exchange will create an index to give a more accurate rating to Sukus.

- **Australian solar consortium plans offshore sukuk:** Australia’s entry into the sukuk market maybe through a solar consortium consisting of two companies located in Brisbane to finance an Indonesia based solar power project. A planned issuance worth a total $104 million is on the cards and is expected to be placed mostly with Malaysian investors. Given the growth of sukuk market, Australian companies are showing interest in taking advantage of this growing investment pool.

**RETAIL**
- **Oman introduces Islamic Financing:** Oman is the last GCC country to allow Islamic banking with the launch of its Islamic Banking Regulatory Framework (IBRF) and launching two Islamic banks62. In October 2012, two new local banks, Bank Nizwa and Alizz Islamic Bank, were granted initial approvals by the central bank of Oman to operate under the newly launched Islamic banking regulatory system.
Alizz Islamic bank decided to establish a broad network of around 10 branches and 12 customer service centers in the next five years adding to the existing network of 461 branches. Rival Bank Nizwa launched their Islamic finance operations opening three branches in January and planning to open an average of five every year.

**HSBC withdraws its retail banking presence in certain countries:** HSBC's decisions to lessen its presence within Islamic Banking Operations were counter-reacted by the National Bank of Abu Dhabi with its plans to triple its sharia compliant operations in the span of 8 years. HSBC decided to withdraw its operations in markets like Britain, United Arab Emirates, Bahrain, Bangladesh, Singapore and Mauritius. HSBC reasons its for the fact that the competitive advantages foreign banks had in the Gulf during the 2008 financial crisis have weakened and the returns they once experienced are no longer comparable.

**The UAE decides to put a mortgage cap** to prevent the formation of the real estate bubbles it suffered in the past. The caps are set at 50% for first purchases and 40% for subsequent or secondary homes for foreigners. Locals however are allowed a 70% loan for their first purchases and 60% for their secondary ones. Retail banks are still unsure of how they will handle this unprecedented legislative change and how the major foreign homebuyers who account for 80% of UAE’s eight million population will react to this new law.

**Egyptian Agriculture bank launched retail services:** The portfolio will amount to 50 million Egyptian pounds, which corresponds to 7.5 million US dollars. Known as the Principal Bank of Development and Agricultural Credit (PBDAC), the government-owned bank slowly gained momentum within the Islamic Banking division through a ten-branch operation that has run for decades. Out of their 1210 branches, 18 will offer retail services like murabaha and musharaka. The commercial utility of these financing options will be seen around agricultural, medical and educational purchases. The banks believe that the proportion of farmers utilizing Islamic borrowing methods, which is currently 1 million out of the 5.8 million farmers, will increase.

**Omani Islamic banks build inter-bank wakala network:** In order to deal with prohibition of commodity murabaha in Oman for inter-bank money market, Islamic banks in Oman are building a network for wakala to use as a major tool for their inter-bank funding needs. This approach could be a lesson to other countries. Wakala is a Sharia-compliant agency agreement.

**MICROFINANCE**

**The Consultative Group to Assist the Poor (CGAP) releases a report on Islamic microfinance:** CGAP, a non-profit organization focusing on global microfinance sector support released a report titled “Trends in Sharia-Compliant Financial Inclusion.” The Report found that the overall supply of Islamic microfinance products is still small relative to the conventional microfinance sector, but it is growing rapidly. According to the report, 255 financial service providers offer Sharia-compliant microfinance products globally, with 92% concentrated in two regions — East Asia and the Pacific (164 providers) and the Middle East and North Africa (72 providers). The majority of institutions offering Sharia-compliant services are rural banks, but when measured by the number of clients served, commercial banks are the largest providers.

**India launches first chit fund:** Integrating Islamic banking in the Indian economy through the conventional legal route would call for parliamentary intervention, modification of the current banking legislation and a 2/3 parliamentary vote in favor. To ease the integration of Islamic financing in India, Zayd Chit fund or ROSCA (Rotating Savings and Credit Association) was established as the first registered Sharia-compliant chit fund in India. Chit fund is a savings vehicle which enables participative savings popular in India. Zayf Chit Fund took one of the two alternative routes between using a non-banking financial company or being a venture capital, both of which are governed respectively by the Reserve Bank of India and The Securities Board of India.

**WAQF**

**Malaysia Waqf regulation reviews decision on handing over Waqf authority to corporations:** Religious bodies may no longer have exclusive authority over the governance and control of religious endowments. This responsibility may be handed over to private corporations if the Malaysian government manages to pass the initial review which outlines the reasoning behind the change. The motivation behind passing on the responsibility of over $384 million dollars worth of land currently within the Malaysian Waqf treasury is to enhance efficiency and increase total returns on these assets. Malaysia is utilizing the academic research being done on Waqf development centers around the fact that there is an increase in productivity when corporate bodies are administrating these funds, as opposed to religious ones.

**CORPORATE FINANCE**

**Amendments needed to the United Arab Emirates Bankruptcy laws:** These amendments are aimed to simplify processes and the better guiding of failing companies during their restructuring processes, but are taking longer than expected. The final amended draft
may not be ready until the end of 2013. The draft has been a work in progress since 2009, the eventual implementation of the amended draft hopes to heighten the opportunity for both quoted and unquoted companies by simplifying compliance procedures and opting for restructuring rather than following lengthy bankruptcy or liquidation proceedings. The OPEC member’s government realizes that the new compliance regulations will increase the assurance for foreign investors and bring in more cash from overseas.

**Sukuk restructuring for UAE’s Dana Gas:** The first company ever within the UAE to miss a repayment-maturing bond was Dana Gas. The gas company was running into difficulties due to repayment delays from clients in Egypt and Iraq. In order to restructure its previous 920 million Islamic bond, a new sukuk has been issued to Dana Gas totaling $850 million while 70 million will now be paid cash.

**TAKAFUL**

**MENA Insurance Barometer Study reveals important implications for Takaful:** The verdict behind the first ever survey to have been conducted on the Takaful market by the Qatar Financial Centre Authority, entitled MENA Insurance Barometer, gives an important indication of the relevance and future direction of the Takaful market. The survey notes that the potential of the Takaful market has been “overestimated” and that Takaful does not act as “a substitute to conventional insurance.” Numerically, 18% of the 35 insurance firms surveyed within the Gulf Region, Turkey and North Africa stated that the growth is slower than the total market. 44% agreed that the growth is mirroring market growth while 38% believed growth for Takafuls are actually faster than the market growth.

**FWU AG GROUP’s issuance of a $55,000,000 Sukuk:** This sukuk now holds the title of being the first sukuk issuance by a German company, the largest sukuk derived from a European entity and pioneering the use of computer software programming in the Islamic banking sector. This is an important milestone for those operating within the Takaful industry, as this acts as a catalyst for further expansion, growth and investor confidence in Takaful funds.

**Modifications suggested for current Omani insurance market:** The Capital Market Authority (CMA) feels that the insurance sector and also the banking sector in general are “overcrowded”. The executive president of the CMA feels that the Omani business environment and market cannot sustain the number of insurance companies, which consists of 23 for the country of Oman. The CMA has approved three takaful licenses one of which is to convert a conventional one to takaful.

**FUNDS**

**Saudi Arabia launches mutual funds:** In hopes of expanding its reach and tap into a larger pool of opportunities, the largest manager in Saudi Arabia, NCB capital, is launching a set of mutual funds. The total asset portfolio of NCB is 12.1 billion US dollars. NCB has orchestrated a sales team that will help launch attract foreign investment for these funds. A sukuk fund is also in the process of being created amongst 18 other types of funds and will also be promoted to investors who want to take advantage of markets other than emerging ones.

**SEDCO launches ESG principle based funds:** The Saudi Economic and Development Company, a leading private wealth management organization that conducts its business according to the injunctions of Shari’ah, has recently incorporated environmental, social and governance (ESG) principles into two of its equity funds with $230 million in assets. A large cry from industry visionaries, SEDCO has taken this concrete step to widen the appeal of their funds to include ethically minded investors in general.

**RESEARCH & EDUCATION**

**The ICD-Thomson Reuters Islamic Finance Development Indicator announces initial findings on Islamic Education and Research Centers:** Thomas Reuters and Islamic Corporation for the Development of the Private Sector (ICD) are releasing the first-ever barometer for the development of the Islamic Finance industry. Initial findings focused on the development of the Islamic finance educational infrastructure were released in October 2013 showing UK and Malaysia as global leaders in Islamic finance education and research. The UK has “over 60 institutions offering Islamic finance courses and 22 universities offering degree programs specializing in Islamic finance”, making it a pioneer of financial education. In comparison, Malaysia has 18 universities offering degree programs and 54 entities that provide courses in Islamic finance.

**First Islamic finance center run by the World Bank in Borsa Istanbul:** In October 2013, the World Bank launched its first ever center focusing on Islamic finance in Turkey. The Islamic Finance Center is to be hosted at the Borsa Istanbul in order to leverage Borsa Istanbul’s regional reach. Last year, Turkey issued its first sukuk and this year hosted a conference to improve a better understanding of the Islamic financial systems.
Global opportunity: While Islamic banking has focused on its core audience of Muslims, its underlying tenets of an ethical and just financial system that strengthens real-economy sectors has tremendous global relevance. A larger global client base exists that is sensitive to doing business with socially responsible institutions. With a wider brand positioning that leverages Islamic financial underlying tenets, institutions can engage a wider global audience. The industry’s credentials on being structurally strong have been recognized, with the IMF acknowledging that Islamic banking had on average shown, “stronger resilience during the global financial crisis”\(^\text{61}\). On the other hand, large segments of global consumers are showing preference of working with businesses that are socially conscious and this includes various social entrepreneurs and other socially-conscious business leaders.

Financing for halal food & lifestyle sectors: A collective potential Halal food and lifestyle market of $1.62 trillion in 2012, 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. Very little focus has been given to these sectors by Islamic banking. Specifically:

- Consolidation opportunity means opportunity for M&A work by Islamic banks.
- Growing entities present investment opportunity by sharia compliant PE firms.
- Strong SME development presents VC 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 (e.g. using the SAMI Halal Food Index).
- Opportunities for banks to track how much of their financing goes to support sharia 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.

Trade financing: While imports and exports by the 57 member states of the Organisation of Islamic Cooperation totalled $3.9 trillion in 2011, only a small portion of it was financed through Islamic finance. The largest-focused initiative in this regard is by IDB’s International Islamic Trade Finance Corp, which financed transactions worth $3 billion in 2011. Indeed the potential is great given the ready affinity of these markets toward Islamic finance. As trade flows between OIC member countries increase, Islamic finance trade facilities will also be able to scale. Kuwait-based Aisyah Investments is another entity that has recently launched an Islamic finance fund with $20 million in seed capital. Aisyah Investments seeks to tap into the growing trade between the GCC and the emerging Asia economies, which is growing at 30 percent annually.\(^\text{62}\)

Consumer education: Consumer education and trust development with both retail and business customers remain a major impediment to the growth of Islamic banking in its core
Muslim majority markets. The industry should consider developing marketing and education campaigns as a holistic project that is supported by an industry body to both educate and build goodwill. This lack of education also provides the industry with an opportunity to frame the industry’s value proposition with a wider and universal ethical/social perspective.

- **Performance woes:** One of the challenges Islamic banks are facing is their financial performance not being at par with industry standards. Quality of service, product offerings and price seem to be the key challenges for retail banking. Operational costs relative to conventional counterparts in many of Islamic banking markets are higher for Islamic banks, requiring management efficiency and better application of technology solutions.

**Sukuk**

- **Growth suffers in 2013:** Based on the recent trajectory of Sukuk issuance and an industry survey presented in Thomson Reuters Sukuk Forecast & Perception Study 2014, the first 9 months of the year Sukuk issuance plunged 27.5% to $79 billion from the high of $109 billion for the same period last year. Despite the drop in Sukuk value this year, the Study shows a rising sentiment outside the traditional powerhouses Malaysia and the GCC as growth in smaller Sukuk markets and developments in new ones signal opportunities for the years to come. The industry is looking forward to issuances from a number of emerging markets, particularly Oman, Morocco, Azerbaijan, Libya and Tunisia. While Egypt’s planned Sukuk issuance was also one of the anticipated ones, it has since faltered given political turmoil. According to the Study, around 70% of lead arrangers surveyed believe that liquidity and tradability drive the price gap between Sukuk and bonds. While small steps have been taken the market believes there is still a long way to go. However, demand is still expected to outstrip supply. The Study expects Sukuk demand and supply gap to narrow to $187.4 billion in 2018 from $230 billion in 2014. [Fig.3.10]

- **Corporate Sukuk from large OIC-based corporations:** There is tremendous potential to tap into corporations based in the OIC countries for Sukuk issuances. DinarStandard’s DS100 ranking of Top 100 Companies of the OIC shows sizeable companies across

![Fig.3.10](image1)

**Fig.3.10 Which of the following emerging markets is the most attractive for Sukuk investment/issuance?**

![Fig.3.11](image2)

**Fig.3.11 Top 100 Companies of the OIC — Top sectors by number of companies on the list**

Source: DinarStandard 2012 DS100 Ranking
a number of sectors representing a total of $1.8 trillion in revenue (2012 ranking, representing 13% of Fortune 100 company revenues). Given the unique nature of OIC-based companies, the 2012 ranking includes 31 government-owned, 12 private-owned, and 57 listed companies. Some of the DS100 listed companies that have issued Sukus recently include SABIC (Saudi Arabia), Savola Group (Saudi Arabia) and Golden Agri Resources (Indonesia). [Fig.3.11]

**TAKAFUL (ISLAMIC INSURANCE)**

- **Growing but at a slower pace:** According to a Report by Ernst & Young,84 expansion of the takaful industry is slowing as firms struggle for scale and face growing competition, but the sector is still poised to sustain double-digit growth. According to the Report, takaful globally is expected to grow by 16 percent annually in coming years compared to an average 22 percent rate between 2007 and 2011.

  The Report highlights profitability and operating models as key challenges that need to be managed by scale, risk diversification and improvements in claims and expense ratios. Takaful firms have struggled to control costs. They are also losing customers to conventional rivals which can underwrite larger risks more efficiently. Regulators are also being asked to simplify regulations for cross-border expansion and to support larger, regional players.

**FUNDS/INVESTMENTS**

- **Hajj financing/funds:** Saudi Arabia is working aggressively to upgrade and expand its airport, rail infrastructure as well as the Makkah Grand Mosque capacity to accommodate the increasing demand and pressure of Hajj/Umrah pilgrims worldwide. The Grand Mosque is expected to increase capacity from current 800,000 worshipers to 2.5 million worshipers. DinarStandard estimates total Hajj/Umrah expenditure in 2012 to have been $15.6 billion reaching $22.5 billion by 2018. Given the requirement of performing Hajj for 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 organization, 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. The Fund is one of the most successful investment funds in the world, with more than 5 million depositors and $ 9 billion in assets.

- **Islamic pensions:** Islamic pensions offer a tremendous opportunity for Islamic asset management. While most pension funds around the world are government-funded, Pakistan, Malaysia and Turkey have all developed private pensions to broaden their financial markets. Islamic finance can play a strong role in facilitating this trend further. According to Ernst & Young, if state-owned pensions in major Muslim-majority markets shifted a portion of their money into sharia-compliant initiatives, it could add between $160 billion and $190 billion to the sector. However, a primary challenge is that while the trend is positive, the size of the Islamic fund management industry is miniscule compared to the requirements of the pension industry.

- **Halal sectors funds:** As highlighted in the commercial banking section, the large and growing yet fragmented halal food and lifestyle sectors offer tremendous untapped opportunity for Islamic funds and investment firms as well. Dedicated halal food or lifestyle private equity funds are certainly a viable consideration given that this trillion-dollar plus market has barely any fund dedicated to it. The first initiative of its kind has been the recently-announced, Malaysia-based $ 500 million fund, Azka Capital, focusing on the halal food sector.

**MICROFINANCE**

- **Microfinancing opportunity:** Microfinancing is an area that would typically appeal to budding entrepreneurs, especially in troubled areas that lack employment opportunities. Many however have labeled Islamic banking as “banking for the rich” since less than 1 percent of the 1.35 trillion dollar industry is devoted
towards microfinancing. Meanwhile, factual evidence proves that Islamic markets are in dire need of capital injections, especially in the form of microfinancing. It is believed that 46% of global poverty exists within the Muslim World. Various low income Muslim population centers have shown their larger affinity towards Sharia compliance of finance options. Microfinance is first a major area that needs to be developed to address the Muslim markets’ potential demand but can also serve global audiences given recent criticisms and challenges with microfinance models (excessive interest rates and their resulting financial burden).

Crowdfunding: An innovative way to access and deliver Islamic microfinance is through innovative technology-based ‘crowdfunding’ programs. ‘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 organizations. Kiva is a global example while Egypt-based Shekra is a new platform based on Sharia-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.

Research conducted for microfinance initiatives reveals challenges needing to be addressed:
Research done in the area of microfinance by Mohammed Nurul Alam, Associate Professor at the School of Business Administration at the Canadian University of Dubai, identified key areas of microfinance that need to be addressed. The sheer volume of funding and its ability to be channeled adequately towards areas of need, were the two main challenges brought forward by Dr. Mohammed. Furthermore, he urges not to discount the individual challenges pertaining to each unique country and the need to develop frameworks that respond well to the challenges within each geographical cluster. Dr. Mohammed warns of the potential for losses, like the one experienced by Cyprus with regards to microfinance, but this typically occurs when adequate risk management policies are not applied.

Political climate: Beside market demand, the most important consideration for the success of Islamic finance has been national regulatory environments supporting fair Islamic finance participation. As a number of countries are considering Islamic finance regulations, political instability is becoming a major hindrance. Egypt is a prime example where Islamic Finance development has been put into disarray despite huge demand. Geopolitical stability, especially in markets defined by a large potential Muslim consumer market, is a necessary prerequisite for effective dialogue between relevant parties, in hopes of coming to a standardized conclusion.

Insolvency frameworks: As the industry’s standardization environment matures, experts believe there is a strong need to enforce a consistent framework for all participants in Islamic banking, notably in the area of insolvency. The inability to provide proper treatment for risk sharing with regards to potential insolvency issues can create significant barriers, especially in transactions that involve foreign parties.

National Central Sharia Boards or not: One of the issues involved in the standardization debate is the degree to which countries should have a central sharia board, as well as the degree to which standards can be developed internationally. In both cases, a frequent criticism is that agreement is not possible on sharia issues globally. Morocco’s regulators are currently considering a national central Sharia board.
AN INTERVIEW WITH
TIRAD AL MAHMOUD

CEO
ABU DHABI ISLAMIC BANK (ADIB)

1) Can you describe a brief profile of your Company: Abu Dhabi Islamic Bank (ADIB) is a top-tier Islamic financial services institution and the fourth largest Islamic bank globally by assets. Its mission is to offer Islamic financial solutions for individuals, corporates and institutions globally with a vision to be a top tier Islamic financial services group.

In the UAE, ADIB is expanding its domestic footprint, having the third largest retail network in the country reaching more than 500,000 customers to date, with 80 branches and more than 550 ATMs. The bank has doubled its asset base over the past 5 years and is continuing to build its presence internationally in countries such as Egypt, in which it has 75 branches, as well as KSA, UK, Sudan, Iraq and Qatar.

2) How are the services your institution is offering successfully catering to the unique needs of Muslim customers? ADIB carries out all contracts, operations and transactions in accordance with Islamic Sharī'a principles and under its central value to bring ‘banking as it should be’ which is reflected in its 5 values: Simple and Sensible; Transparent; Mutual Benefit; Hospitality and Tolerance; and Sharī'a inspired. Within this framework, ADIB is focusing its efforts on demonstrating and driving the universality of Islamic banking — an industry grounded in ethics and a ‘back to basics’ approach — to people of all faiths and backgrounds.

ADIB focuses on delivering a customer-centric behaviour in line with its promise to provide customers with ‘Banking as it should be’. It is the close relationship that it shares with its customers and the open dialogue about the customers’ needs that helped ADIB earn the best customer service award in the UAE for the third time in a row.
3) What are some of the challenges you see in this space?

In terms of the challenges, I believe we need to focus on the following areas:

- Introduce more liquidity management instruments issued by sovereign parties where Islamic banks can invest in a less risky way.
- We need to develop experienced bankers who are subject matter experts in our business model.
- We need to develop more competitive solutions in the area of Working Capital Finance.

4) What are future opportunities you see in this space?

Islamic Banking has witnessed significant growth in the past few years, especially after the global financial crisis, where customers are increasingly demanding more ethical products and morally-sound business models and practices. Islamic banks are well-suited to cater to this demand. If this business model is more successfully publicised, with Islamic banks highlighting their added value of ethical banking, then the global demand for Sharī'a-compliant banks and their services will increase dramatically and eventually outpace conventional banks. In ADIB, whilst our core customer base is still predominantly Muslim, we are seeing more non-Muslim expatriates opting for Islamic banking services. Customers appreciate our operational transparency and our aim to protect their best interests through our specifically designed features and services.
1) Can you describe a brief profile of your company?
The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral organization affiliated with the Islamic Development Bank (IDB) and established in 1999 in Saudi Arabia.

ICD was started to support the economic development of its member countries by providing financial assistance to private sector projects in accordance with the principles of Shari’a law and is aimed at creating employment opportunities and enhancing their export potential.

ICD offers three sets of Shari’a compliant business products and services to its private sector clients in member countries: Financing and Investment Products (providing both term financing and equity contribution to private sector, either greenfield, expansion or modernization projects, etc.), Asset Management (participating in private equity funds and other special purpose investment vehicles) and Advisory Services (assessing the business environment of member countries along with any required reform actions, project financing, restructuring/ rehabilitation of companies year, etc.)

Since its inception, ICD has approved 243 projects comprising $2.59 billion of gross approvals across the member countries of which the Middle East and North Africa regions account for 47% and the Eastern Europe and Central Asia regions for 16%.

Last year ICD employed 110 people and generated $82.45 million of revenues achieving a net profit margin of almost 15%.

2) What are your views on the convergence of Islamic capital with the halal market?
The global halal market is estimated to be worth more than
$1.6 trillion and its convergence with Islamic capital has already started. I expect that this convergence will intensify due to the increasing awareness of consumers, investors, as well as their increased literacy and professional training associated with the Islamic economy.

This progression can be seen, for example, in the creation of the SAMI Halal Index, launched in 2011, which tracks the performance of publically listed halal food companies within the Muslim world. This Index shows the interest of Islamic capital with the halal market and leads to its intensification as it allows investors to identify more easily halal food companies in which to invest or index their investments.

3) What are some of the challenges IF is facing?
I believe that there are a variety of challenges facing the Islamic finance industry specifically in facilitating cross-border cash flow between emerging economies and finding the proper means to increase international participation in Islamic financial markets.

Today, the lack of a skilled labor force is also a crucial challenge of the Islamic finance industry. In order to meet this challenge, last year, ICD launched the Islamic Finance Talent Development Program which aimed to select and equip young professionals with a structured academic Islamic finance background in order to effectively serve the financial channels and institutions established by ICD.

4) What are future opportunities you see for IF?
There are vast opportunities for the industry to grow in Maghreb countries, North Africa and Sub-Saharan Africa where ICD launched various projects, such as in Tunisia. ICD is very keen to explore further potential markets such as the African market.

The uniqueness of Islamic banking principles makes it a perfect alternative to the traditional and conventional banking system that leaves a large proportion of Africans unsatisfied. ICD stands ready to cooperate and extend its available expertise and resources to all potential partners and viable projects to contribute to the development of this great region.
1) Can you describe a brief profile of your company?
At Ethica Institute of Islamic Finance we believe that many of the world’s problems could be solved by providing alternatives to interest-based banking. Ethica is the world’s first dedicated Islamic finance portal offering training videos, certification, career counseling, recruiting assistance, live webinars, and the world’s largest library of scholar-approved answers available online.

Winner of “Best Islamic Finance Qualification” at the Global Islamic Finance Awards, Ethica is trusted by more professionals for Islamic finance certification. Training and certifying professionals in over 100 financial institutions in 56 countries, Ethica’s four-month Certified Islamic Finance Executive™ (CIFE™) is a globally recognized certificate accredited by scholars to fully comply with AAOIFI, the world’s leading Islamic finance standard. Ethica’s award-winning CIFE™ is delivered 100% online or live at the bank. The Dubai-based institute is now supported by Licensed Ethica Resellers in several countries.

2) How are your services catering to the unique needs of the Muslim audiences?

Ethica Institute of Islamic Finance focuses on two areas: training and certification, and advisory services. In training and certification, we help Muslims and those interested in Islamic finance learn the core topics, namely Musharakah, Mudarabah, Murabaha, Ijarah, Salam, Istimina, Sukuk, Takaful, Liquidity Management, and Risk Management. In advisory services Ethica conducts Shariah reviews for individuals and institutions to determine whether a particular transaction or product is Shariah compliant. We also offer several free services, including an Islamic finance Q&A service, free ebooks and sample contracts, and a free introductory course on Islamic finance.
3) What are some of the challenges you are facing in this space?
Alhamdullilah, we have not encountered any major challenges. I suppose the greatest challenge to evangelizing any idea is to first get people to think differently from the existing paradigm, in our case getting people to imagine a world free of interest. The present global financial crisis helps us do that.

4) What are future opportunities you see in this space?
We believe that the industry urgently needs to 1) comprehensively train the many people now entering Islamic finance in AAOIFI standards, the de facto standard in over 90% of the world’s jurisdictions; 2) create Shariah-based solutions for a broader set of clients, including the poor, not just Shariah-compliant solutions for institutions and the wealthy; and 3) address the very real problem of social and environmental degradation at the hands of fractional debt reserve banking. Crash courses are not enough. What is needed is ongoing, standards-based training for everyone — from single individuals to entire banks, anytime, anywhere.

The greatest opportunities we see in this space are for other small companies to fill the many niche areas in Islamic finance that remain underserved: research, news, microfinance, SME finance, and so on.
1) Can you describe a brief profile of your Company?

Shekra Crowdfunding, a Cairo based LLC, is an initiative which has been successfully launched in 2013 aiming to fill the funding gap that SMEs are facing (too big for Microfinance and too small for VCs). With Crowdfunding in its core, Shekra combines the advantages of conventional crowdfunding, MENA cross-border entrepreneurship development and investment, civil society engagement, angel investing, venture capitalism, as well as, mentorship provisions.

Currently we pivot our services in Egypt, with the goal to extend and support OIC startups out of the UAE in 2014. Our current startups are all from Egypt whereas investors are from Egypt and the GCC. Shekra is founded and managed by a young multidisciplinary and experienced team in startups, technology, education, fund management, international organizations and legal expertise.

2) How are the services catering to the unique needs of the Muslim audiences?

Shekra has successfully funded three companies: Minbetna (an online and mobile retail store which builds on the traffic problem in Cairo), Optimizer (an online financial application focusing on retail investors and small asset managers and brokers in developing countries), and Nofoos (a platform tackling the problem faced in the Arab region regarding the barriers to go to a psychiatrist due to social and cultural resistance).

Even though we do not brand ourselves to be an Islamic finance solution we focus on providing a Shariah-compliant, ethical as well as social responsible entrepreneurial financing vehicle to tackle the needs of different population segments. For Muslims specifically, Shekra plays a major role since it is Shariah-compliant and is based on a profit and loss sharing principle, which is not widely available in the financial markets specifically for SMEs. Thus, entrepreneurs in OIC countries are able to raise capital from a wide spectrum of small investors who were not able to invest in this exciting asset class before due to their limited capital.
3) What are some of the challenges you are facing in this space?

The main challenges are from a regulatory perspective. Since investment-based crowdfunding cannot be done in public, Shekra operates as a closed network of investors which grows recommendation based rather than having a wide spectrum of an open crowd. With the goal to drive regulation in MENA through success stories, we as a team consider this a long-term initiative and therefore focus to attract a wider spectrum of investors and entrepreneurs through aligning the interests of investors, entrepreneurs and Shekra. That is why we are compensated mainly through in-kind equity rather than upfront commissions to increase the confidence in this new asset class and focus on appropriate selection of startups.

Another main challenge is training of startups in MENA before being crowdfunded to ensure they have the talent to manage their venture successfully. To do that we are currently partnering with regional and global institutions to provide localized and efficient entrepreneurial capacity building.

4) What are future opportunities you see in this space?

The entrepreneurial ecosystem in OIC is still lagging behind the Western world and thus this is still a greenfield with space for incubators, accelerators, venture capital funds and many others to increase the outreach and quality of “Entrepreneurs Made in OIC” capable to compete on a global scale.
1) Can you describe a brief profile of your Company?
AlHuda Center of Islamic Banking and Islamic Economics (CIBE) came into existence in 2005 and is a recognized name in Islamic banking and finance market for trainings, research and advisory services. We have the privilege of being a pioneer Advisory, Training & Education Institute with cutting-edge delivery platforms that include campus programs, distance learning programs, consumer awareness programs, products development, trainings, workshops and conferences.

2) How are your services catering to the unique micro-finance needs of the Muslim audiences?
As we developed our Islamic Finance services, we found that there was a tremendous need for Islamic microfinance to support economic growth and poverty alleviation. We have committed to serve the Islamic microfinance space through specialized and focused advisory and training services.

To further strengthening Islamic microfinance, AlHuda CIBE established an international division named Centre of Excellence in Islamic Microfinance (CEIMF). The objective is to support transforming conventional microfinance institutions into Islamic microfinance institution or to establish new Islamic Microfinance Institutes. The CEIMF is now offering its services in Azerbaijan, Yemen, Afghanistan, Pakistan, Mauritius, Indonesia, Kazakhstan and other countries.

3) What are some of the challenges you are facing in this space?
At a macro level, present facts and figures show that half of world’s poverty lies in Muslim countries. Many of the impoverished Muslim communities are also non-banked. The major reason being an avoidance of interest-based Microfinance. So in order to bring Muslims into financial inclusion, an Islamic microfinance system has to be
developed. So while the sector is growing, its reach is far from serving the need.

Operationally, Islamic microfinance has to evaluate efficient branchless banking, product innovation and promote financial literacy. There is also immense need of research in Islamic microfinance industry so that new Islamic microfinance products can be introduced. Currently only murabaha products are prominent in Islamic microfinance with an estimated 80% share of the total Islamic microfinance market.

4) What are the future opportunities you see in this space?
Currently more than 300 Islamic Microfinance institutions are offering their services to 1.6 million clients in almost 32 countries. The potential and role of Islamic microfinance has now been realized by various global development entities like USAID, IDB, ADB, IFAD, UNDP, World Bank and IFC. They are taking note of Islamic microfinance and developing initiatives and giving support to its development. This will support quick advancement of Islamic microfinance. Last decade we saw Islamic banking, Sukuk, Takaful and Islamic funds grow quickly. Meanwhile, in the next few years Islamic microfinance will progress faster than other Islamic financial products.

For us, the popularity of Islamic microfinance is also evident from the fact that many international universities have requested AlHuda CEIMF to assist them in incorporating Islamic microfinance as a subject in their business and finance syllabi.

One other area of opportunity is in evaluating the application of Indonesia's Baittul Maal wa Tamwil (BMT) microfinance system. It maybe one of the best systems to eliminate poverty and will boost-up Islamic microfinance industry worldwide. The Islamic financial industry of Indonesia, which already has a number of Islamic banks, takaful institutions, and Islamic finance companies, also has more than 5,500 BMTs, making it the benchmark in Islamic microfinance around the world.
MUSLIM CLOTHING/FASHION MARKET
Islam-inspired modest clothing is taking off from Indonesia to the United States. In 2013 faith and fashion have combined to showcase Muslim modest clothing creativity through fashion shows taking place in Indonesia, Malaysia, Dubai, Turkey, US, UK, Germany, and even Russia. It’s a growing trend reflecting the young Muslim demographics desire to keep their faith in a modern, presentable and creative ways. While many national dresses or cultural fashion driven companies dominate the clothing market for Muslims, a special segment of ‘Islamic’ or ‘modest’ clothing companies are emerging globally with a wider Muslim market-wide appeal. Turkey-based Armine, Jordan based Shukr, and UAE based Rabia Z are all emerging brands in the Muslim clothing/fashion market. The market itself is significant. Muslims globally are estimated to have spent a total of $224 billion on ‘clothing & footwear’ in 2012, representing 10.6% of global expenditure.

There is a wide diversity in interpretation and adoption of ‘modesty’ among Muslims across the world. However, a convergence of fashion styles, especially for Muslim women, is developing globally. Various SMEs in the space offer a ready group of entrepreneurs. Islamic capital or financing opportunity exists that can extend these startups as branded global concepts of modest fashion. However, challenges exist with limited Islamic financing options for startups to scale efficiently.
$224 BILLION
ON CLOTHING & FOOTWEAR IN 2012
(10.6% OF GLOBAL EXPENDITURE)

 EXPECTED TO REACH
$322 BILLION
IN 2018
(11.5% OF GLOBAL EXPENDITURE)
* Covers clothing & footwear spending

SPECIALITY MUSLIM CLOTHING BRANDS

SHUKR ISLAMIC CLOTHING
RABIA Z
ARMINE
BALQEEES
ISLAMICDESIGNHOUSE.COM
JUNAID JAMSHED
TEKBIR

MUSLIMS GLOBALLY SPENT $224 BILLION ON CLOTHING & FOOTWEAR IN 2012

EXPECTED TO REACH $322 BILLION IN 2018

VALUE CHAIN

SUPPLIERS

TECHNOLOGY/ DESIGN

VALUE-ADDED MANUFACTURING

CHANNELS

CUSTOMERS

LOGISTICS

TRANSPORTATION/FREIGHT

ECO-SYSTEM

R & D, MARKETING, TECHNOLOGY, FINANCIAL SERVICES, REGULATION, TRAINING

RAW MATERIALS: ANIMAL

TEXTILE

MAN-MADE

FARmed

MACHINERY/ SPECIALIZED EQUIPMENT

APPAREL & ACCESSORIES

FOOTWEAR

HEADGEAR & PARTS THEREOF

DESIGNERS

WHOLESALErs OR AGENTS

RETAILERS

ONLINE

CUSTOMERS

UNITED STATES

GLOBAL MUSLIM MARKET

CHINA JAPAN RUSSIA GERMANY

QATAR 59%
GLOBAL CLOTHING TRADE VALUE OF OIC COUNTRIES
*Only for value-added clothing manufacturing sectors

OIC EXPORTS = $59 BILLION
9.5% OF GLOBAL CLOTHING EXPORTS

TOP EXPORTING OIC COUNTRIES
BANGLADESH & TURKEY

OIC IMPORTS = $24 BILLION
3.2% OF GLOBAL IMPORTS

TOP IMPORTING REGION
GULF COOPERATION COUNCIL (GCC)

GLOBAL MUSLIM MARKET BENCHMARKED AGAINST TOP CLOTHING MARKETS (US BILLION)

GLOBAL MUSLIM MARKET
UNITED STATES
CHINA
JAPAN
RUSSIA
GERMANY

$494
$224
$221
$111
$106
$101

TOP PROJECTED GROWTH WITHIN OIC COUNTRIES (2012-18)

1. INDONESIA 72%
2. IRAQ 61%
3. QATAR 59%
4. EGYPT 58%
5. IRAN 57%

MUSLIMS GLOBALLY SPENT 224 BILLION ON CLOTHING & FOOTWEAR IN 2012 (10.6% OF GLOBAL EXPENDITURE)
EXPECTED TO REACH 322 BILLION IN 2018 (11.5% OF GLOBAL EXPENDITURE)

* Covers clothing & footwear spending

MUSLIM CLOTHING/FASHION MARKET
LOGISTICS
TRANSPORTATION/FREIGHT
ECO-SYSTEM
R & D, MARKETING, TECHNOLOGY, FINANCIAL SERVICES, REGULATION, TRAINING

UNITED STATES
GLOBAL MUSLIM MARKET
CHINA JAPAN RUSSIA GERMANY

$494
$224 $221
$111 $106 $101

SUPPLIERS
RAW MATERIALS:
ANIMAL
APPAREL & ACCESSORIES
WHOLESALERS OR AGENTS
RETAILERS
CUSTOMERS
ONLINE
FOOTWEAR
HEADGEAR & PARTS
THEREOF
MACHINERY/SPECIALIZED EQUIPMENT
DESIGNERS
FARMED MADE
TEXTILE
TECHNOLOGY/DESIGN
VALUE-ADDED MANUFACTURING CHANNELS CUSTOMERS
**TOP MUSLIM CLOTHING CONSUMPTION MARKETS**
US BILLION, 2012

1. TURKEY $24.9
2. IRAN $20.5
3. INDONESIA $16.8
4. EGYPT $16.2
5. SAUDI ARABIA $15.3

**TOP EXPORT COUNTRIES GLOBALLY**
US BILLION, 2012

1. CHINA $148.3
2. BANGLADESH $22.19
3. HONG KONG $21.28
4. ITALY $20.33
5. GERMANY $18.47

Source: State of the Global Islamic Economy Report 2013; Expenditure data baselined from 2005 International Comparison Program + 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)
TOP OIC IMPORT COUNTRIES
US BILLION, 2012

1. UAE $7.18
2. SAUDI ARABIA $2.99
3. TURKEY $2.34
4. KYRGYZSTAN $1.68
5. IRAQ $0.72

Source: State of the Global Islamic Economy Report 2013; Expenditure data baselined from 2005 International Comparison Program + 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)
VALUES & ADOPTION SPECTRUM

- Muslim clothing/fashion is driven by underlying Islamic mandate to preserve modesty, as laid forth in the Quran and the Sunna (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.” Al-Quran 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.” Al-Quran 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!” Al-Quran 7:26

- 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. Below is a general illustration of some Islamic fashion customer ‘personas’ (these are illustrative and not meant to be exhaustive). [Fig.4.1]

MARKET SIZE & PROFILE — A $224 BILLION MARKET (10.6% 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 spending on ‘clothing & footwear’ to be US$ 2.1 trillion in 2012 and expected to reach US$2.9 trillion by 2018.
Muslim populations extending from the far West to the far East, are estimated to have spent a total of $224 billion on ‘clothing & footwear’ in 2012. This expenditure represents 10.6% of global expenditure. Muslim clothing and footwear expenditure is expected to reach $322 billion by 2018 (11.15% of global expenditure).

Collectively this clothing consumer market is only second after the largest market in the world — the United States ($494 billion in spending, 2012.) [Fig.4.2]

Top countries with Muslim consumers clothing consumption (based on 2012 data) are Turkey ($25 billion), Iran ($21 billion), Indonesia ($17 billion), Egypt ($16 billion), Saudi Arabia ($15 billion) and Pakistan ($14 billion).

Significant size of Muslim clothing market also exists in countries where Muslims are minorities. Muslims in Western Europe (Germany, France, UK) plus North America (US, Canada) collectively spent an estimated $21 billion on clothing and footwear in 2012. This would make the Western Muslim clothing market second only after Turkey. [Fig.4.3]
Muslims in Western Europe (Germany, France, UK) plus North America (US, Canada) collectively spent an estimated $21 billion on clothing and footwear in 2012. This would make the Western Muslim clothing market second only after Turkey.

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 (Organization of Islamic Cooperation) had an overall trade surplus in this sector with $59 billion in exports in 2012 and $24 billion in imports.94

- Within the OIC, Bangladesh ($22 billion,) Turkey ($14 billion,) Indonesia ($7.18 billion,) Morocco ($3.9 billion,) and Pakistan ($3.7 billion) were the top exporting countries, while the GCC countries had the largest imports ($11 billion) led by UAE with estimated $7.18 billion in clothing imports in 2012. [Fig.4.4, 4.5, 4.6]
The key segments of the global clothing industry value chain that are structurally impacted by ‘modest clothing’ needs are: Clothing manufacturers (specifically on women wear), distribution channels (i.e. retailers including those online), and designers. From the wider industry support eco-system, marketing, media and financial services are also impacted as presented below. [Fig.4.7, 4.8]

SELECT KEY PLAYERS:

Clothing companies and brands are quite fragmented globally. In most OIC countries, local clothing companies that are local culture-driven (national dresses) dominate the market. Today no Muslim market clothing brand is global and there is not even one that has a broad Muslim market global reach. There is only one clothing retailer from OIC countries in the top Global 250 retailers list (Landmark Group — UAE $4.58 billion retail revenue)95.

Western fashion brands do have presence in many Muslim markets. From among the top clothing retailers in the world (The TJX Companies/USA, Inditex, Spain, H&M/ Sweden, The Gap Inc/USA, Limited Brands/USA), many have strong presence in many Muslim markets as their clothing such as jeans, shirts, suits, skirts, dresses have a global acceptance.

While many national dresses or cultural fashion-driven companies dominate the Muslim clothing market, a special segment of ‘Islamic,’ or ‘modest’ clothing companies are emerging globally. Some of the more established producers and labels understandably come from Muslim-majority countries with a tradition of veiling up among the women, such as Turkey-based silk scarf manufacturer Tekbı̈r96.

However, new labels from other countries — especially those targeting the younger generation of Muslim women — are quickly gaining tractions in their local markets and beyond. Shukr Islamic Clothing has been a pioneer in Islamic clothing catering to the Western Muslim audience but is now quickly gaining global prominence. Indonesia, Malaysia, UK and Dubai seem to be on a relatively good footing to be the trendsetting centres of the Muslim fashion world given the numbers of emerging young designers in these nations compared to others. The designs of Indonesia’s Dian Pelangi, UAE’s Rabia Z. and UK’s Maysaa for example, are not only well-accepted in their respective homelands but have also set the trends in other countries across the world.

Some of the select ‘niche’ modest/Islamic clothing companies are as follows:

Shukr (Jordan) [Also See Interview]
Since 2001, Shukr has been serving the Muslim consumers, especially those in the West, through its selection of modest fashion. 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. The HQ is based in Amman, Jordan and 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.
### FIG. 4.7

<table>
<thead>
<tr>
<th>CLOTHING INDUSTRY SEGMENT</th>
<th>MODEST CLOTHING IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designers</td>
<td>Developing unique ‘modest’ clothing designs for Muslim consumers</td>
</tr>
<tr>
<td>Clothing manufacturers</td>
<td>Manufacturing ‘modest’ clothing</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Developing shelf space or distinct retail brands for ‘modest’ clothing</td>
</tr>
<tr>
<td>Financial services</td>
<td>Supporting Sharia compliant financing for Muslim clothing businesses/startups</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing campaigns that consider unique Muslim values</td>
</tr>
<tr>
<td>Media/Events</td>
<td>Media and events catering to ‘Modest’ clothing</td>
</tr>
</tbody>
</table>

### FIG. 4.8 CLOTHING/FASHION INDUSTRY — VALUE CHAIN

**SUPPLIERS**
- RAW MATERIALS:
  - Animal:
    - Raw hides and skins
    - Articles of leather, animal gut
    - Furskins and artificial fur
  - Farmed:
    - Wool, animal hair/yarn
    - Silk
    - Cotton
    - Vegetable textile fibers, paper yarn
  - Man Made:
    - Manmade filaments
    - Manmade staple fibers

**TECHNOLOGY/DESIGN**
- Textile:
  - Wadding, yarns, twine, etc.
  - Special woven fabric, lace, etc.
  - Coated or laminated textile fabric
  - Knitted or crocheted fabric

**VALUE-ADDED MANUFACTURING**
- Apparel & Accessories:
  - Men/Women overcoats, capes, etc.
  - Men’s suits, jackets, trousers
  - Women’s suits, dresses, skirt etc
  - Men’s shirts
  - Women’s blouses & shirts
  - Men’s underpants, pajamas, etc.
  - Babies’ garments & accessories
  - T-shirts, singlets & other vests
  - Jerseys, pullovers, cardigans, etc.
  - Track suits, ski suits & swimwear
  - Panty hose, tights, stockings, etc.
  - Brasieres, girdles, corsets, braces
  - Handkerchiefs
  - Shawls, scarves, mufflers, mantillas, etc.
  - Ties, bow ties & cravats
  - Gloves, mittens & mitts
  - Clothing accessories

**CHANNELS**
- Wholesalers or Agents
- Retailers
- Online
- Customers
  - Men, Women, Youth, Parents

**LOGISTICS**
- TRANSPORTATION/FREIGHT

**ECO-SYSTEM**
- R & D, MARKETING, TECHNOLOGY, FINANCIAL SERVICES, REGULATION, TRAINING

Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC)
Rabia Z (UAE)
The Rabia Z brand is sold in 45 countries, from the UK, GCC to Australia and Southeast Asia.

It was started and is owned by designer Rabia Zagarpur. The Rabia Z brand has been showcased on many catwalks around the world. Rabia hopes to expand the distribution of Rabia Z to 80 countries in the near future.

Tekbir (Turkey)
Tekbir is a leading manufacturer of fashion scarves since 1982. It is the fashion brand of one of the most famous designers in Turkey, Mustafa Karaduman. Based in Turkey, it has distribution centers in Europe and Africa (Egypt) as well.

Balqees (UAE)
Balqees is a high-end abaya brand from Dubai. It is famous for its diamond-studded abaya collections. Its current distribution covers Middle East, South Asia and South East Asia.

Armine (Turkey)
Based in Istanbul, Armine aims to be the “Armani” for Muslim women through its complete offering of high-end head scarves and Muslim apparels. Armine apparel and accessories are sold in 1,400 stores, including in the U.S., the Netherlands, Britain and the Middle East.

Islamic Design House (UK)
With “Faith, Fun and Fashion” as its tagline, Islamic Design House is one of the pioneering enterprises in the western hemisphere that are in the business of creating alternatives for Muslim apparels. It has distribution in UK, USA, Canada, Egypt, UAE and Jordan.

Hijup (Indonesia)
Hijup is an Islamic fashion e-commerce service established in 2011. It serves as an online mall offering a wide range of products from Indonesian Islamic fashion designers. It currently has 85 designers that have joined as tenants. The company has served 40,000 customers thus far. Although Indonesia is the core market, 30% of their traffic is international — especially from Malaysia, UAE, Morocco, Singapore, Egypt, and France.

Recent Industry Activities & Trends:

- **Swimwear options increasing**: Paris-based modest swimwear Madamme BK has found a good market both in Europe as well as in the United States for its products. Madamme BK’s designer Vanessa Lourenço expressed her surprise upon the discovery, “A few years ago when I started making modest swimwear, my first collection was almost all in black colour, because I thought that was the taste of Muslim women. To my surprise, 99% of Muslim women and Muslim men who bought for their wives wanted colourful outfits.”

- **Fashion bloggers gaining prominence**: Muslim fashion is being facilitated by hijab fashion bloggers and vloggers such as Hana Tajima, Dina Toki-O, Amenakin, YazTheSpaz and Mariam Sobh of Hijabtrendz who show Muslim women how they can lead their modern lives without compromising the religious requirement of dressing modestly. Interestingly, many of these bloggers and vloggers come from Muslim-minority countries, especially the US and the UK.

- **Modest fashion hits the runway**: In Indonesia, home to the world’s largest Muslim population, a slew of Muslim fashion events have been held by both the government and the private sector to promote the country’s modest wear designers. These events include the annual Jakarta Islamic Fashion Week and the Indonesia Islamic Fashion Fair, which are held in the capital city of Jakarta. By 2020, Indonesia wants to be a global Muslim fashion hub to be reckoned with. Neighboring country Malaysia has created its very own modest fashion event as well, the Islamic Fashion Festival, which has toured major cities around the world such as Paris, Istanbul and London in the past few years. The promising potential of the fashion industry has also been taken seriously by the government of Dubai, which has set out to develop a state-of-the-art design district. The project is planned to be completed in 2020.

- **Digital media is facilitating entrepreneurship**: Internet platforms such as blogs, vlogs and social media sites have been instrumental in growing and shaping the landscape of the Muslim fashion industry in many other ways. They extend the geographic reach of a retail shop such as Artizara or Shukr to sell across beyond their national borders. Additionally, they have spurred the formation of clusters of hijab fashion aficionados who exchange conversations, interact and share ideas on a global scale. This cross-pollination of ideas further feeds the growth of the industry as new ideas turn into more design variety and new business opportunities. In Malaysia, for example, the growth of the local Muslim fashion industry has inspired the creation of an online platform hub — sheikhahub.com, especially created to facilitate the activities of Muslim fashion entrepreneurs. Meanwhile, model agencies that provide covered models have also begun to sprout.
KEY CHALLENGES & OPPORTUNITIES

**CHALLENGES**

- **Scale and efficiency:** One of the major challenges for niche clothing producers is achieving scale and efficiency to have competitively-priced products and to have sustainability for their business. Larger companies need to consider investing in these niche brands and support scale and efficiency improvements. This is where investment and financing opportunities also become a major challenge.

- **Financing:** Many Muslim fashion startups are suffering to scale given limited Sharia-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' clothing based on Islamic principles. While various interpretation of 'modesty' exist across the Muslim world, certain practices are seen to contradict the spirit of modest clothing. This can affect credibility of this sector much as Islamic finance has had to address.

“...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.” — Anas Sillwood

**OPPORTUNITIES**

- **Islamic finance & Halal fashion SME’s:** A large sizeable market with thousands of small retailers/ producers but without any sizeable companies should spell opportunity for Islamic finance institutions. With a focus on SME development and financing, this sector should be an important one to consider given its fragmented but large volume activity.

- **Developing branded global concepts with Halal integrity:** With a $200+ billion consumer market, it is surprising that no focused 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 already have the infrastructure to engage this market segment in a much focused way.

- **Western Muslim fashion market:** Muslims in Western Europe (Germany, France, UK) plus North America (US, Canada) collectively spent an estimated $21 billion on clothing and footwear in 2012. This is a large segment in itself with relative homogenous clothing patterns. While brands exist and certain Western retailers are also looking at this segment, there still remains a big opportunity.

- **Centers of excellence:** Opportunity exists for establishing centers of excellence to further develop this sector. Especially given no standardization requirements, such a center can also facilitate best practices in ensuring integrity of 'modest' fashion.

- **Consumer media platforms:** Given the growing interest in Islamic fashion, tremendous opportunity exists in engaging this global audience with modest fashion media solutions. Various magazines have launched (e.g. Ala in Turkey, Aquila Style from Singapore); solutions could still be developed and expanded to gain global reach and in multiple languages.
1) Can you describe a brief profile of your company?
Launched in the year 2001, SHUKR is a partnership between Anas Sillwood and Jaafer Malik. Both partners have managerial roles in the day-to-day running of the company. SHUKR has a number of legal entities. It has registered companies in the USA, UK and Jordan. The HQ is based in Amman, Jordan. Production facilities are located in Jordan and Syria. It has its own distribution centre in Jordan and works with 3rd-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.

2) How are you serving the Muslim consumer needs? How have you been able to address cultural preferences in fashion?
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 focusing on traditional abayas, jilbabs, shalwar kameezes 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.

Shortly after launching in Western markets, SHUKR also found a popular response to its products in traditional Muslim countries as well. SHUKR also found that its clothing range was appreciated by members of other faith communities. Many Christian and Jewish women and men regularly buy SHUKR’s modest fashion styles. To this day, over 10 years later, SHUKR is the only comprehensive Islamic clothing company that produces both women’s and men’s clothing lines and for all seasons — Spring/Summer, Autumn/Winter, Ramadan/Eid.

3) What are some of the challenges you are facing in this space?
There are two types of challenges. One type is a religious challenge and another a business challenge.

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. Whilst theoretically a Muslim can buy almost any item of clothing to wear in the privacy of his or her own home, SHUKR aims to design and produce clothing that Muslims can...
wear outdoors. On the one hand this outdoor clothing should be modest (fulfilling the well-known Islamic standards that clothing should cover the awra in a loose and opaque manner) but then on the other it should also be aesthetically pleasing to customers.

Regarding the looseness of our clothes, we have gone through various stages of interpretation of what is within the boundaries of ‘modesty’, relying upon feedback from customers, religious scholars, and our own sense of God-consciousness. Of course, Muslims are not a homogenous bunch of people, and there will be various interpretations of what is modest and immodest, but we hope to have taken a position which is both religiously sound and accommodating to the majority of Muslims.

As for presentation of the products, it is well-known that the contemporary clothing industry uses sexuality as its main marketing tool, and this is something we try to avoid at SHUKR. Rather than choosing beautiful models to grab customer attention, we only show the model from the chin down in our photos. In fact, this isn’t necessarily a bad commercial move, because it ensures that customers remain focused on the clothing itself, rather than being distracted by the model.

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 produce at high quality and at a competitive price.

4) What are your concerns about the direction of the Industry?
Our concerns are that Islamic clothing companies and designers are falling prey to the temptations of designing and presenting clothing that is not really Islamic at all. On the surface the clothing tries to be Islamic by covering the entire body, but other aspects of the Islamic dress code are ignored, like the need for the clothing to be loose. Sadly, it is very common to see full length jilbabs which are very tight at the chest, or loose tops paired with tight skin leggings, or flowy dresses which are drawn in tightly at the waist, or other tops and dresses with very tight sleeves. At SHUKR we believe that the Islamic fashion industry needs to take responsibility for serving the Ummah by producing clothing that genuinely meets Shariah standards for dress, rather than misleading people with a superficial Islamic veneer.

Similarly, we are concerned about the standards of presentation and marketing of Islamic fashion. Islamic fashion companies and designers should avoid copying the mainstream fashion technique of using sexuality and ostentation to market their designs. Again, designers and companies in the Islamic clothing industry need to take responsibility for giving a good example to Muslim consumers rather than exploiting — whether consciously or not — human nature in order to promote their products.

Changing the current direction of the industry requires education about the beautiful standards of Islamic modesty that Muslim societies used to follow in the past and genuine creativity in finding Islamic solutions to designing and marketing contemporary Islamic fashion in the modern world.

5) What are future opportunities you see in this space?
The Islamic fashion industry has been growing at a very rapid pace. When SHUKR first started over 10 years ago there were hardly any competitors in North America and Europe. Now there are maybe hundreds. A similar development has taken place in Muslim countries with official promotion of the industry in countries like Indonesia and the UAE. However, Islamic fashion has not yet fully gone mainstream as a recognized industry, even in Muslim countries. 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.
TRAVEL SECTOR

Following the growing prominence of Halal food and Islamic finance, the global travel industry is slowly realizing the opportunity in addressing large and growing Muslim consumers unique travel related needs. Worldwide global brands such as Ritz-Carlton, destinations such as Queensland, Australia, and top international airlines such as Thai and others are already starting to address this opportunity by catering to the Muslim consumers faith based travel lifestyle needs.

In Muslim-majority countries, specialized hotels are offering complete non-alcoholic environment, accessible prayer facilities, beach resorts with sections for covered women, as well as heritage-based tourism packages. All of this for a Muslim tourism market this Report estimates to be $137 billion in 2012 (excluding Hajj and Ummrah) representing a significant 12.5 % of global expenditure. The gap in servicing Muslim tourism-related unique faith-based needs as a competitive advantage is still significant, spelling big opportunities. Opportunities in creating branded hotel concepts based on halal integrity, or tapping into the growing high-income GCC customers as well as growing middle income Southeast Asia middle tourists are abound. However hurdles exist relating to positioning the offerings in an inclusive way so non-Muslim customers are also engaged, developing a respected and known rating or classification structure, training staff on this new segment, as well as limited financing options for Sharia-conscious customers.
**VALUE CHAIN**

**SUPPLIERS**
- Food & Beverage/Catering
- Transport Infrastructure/Equipment
- Lodging Infrastructure/Equipment
- Attraction Infrastructure/Equipment

**SERVICE PROVIDERS**
- Transport
- Lodging
- Destination

**CHANNELS**
- Travel Agencies
- Tour Operators
- Travel Websites
- Websites

**CUSTOMERS**
- Tourists

**LOGISTICS**
- Transportation/Freight

**ECO-SYSTEM**
- Marketing, Technology, Financial Services, Regulation, Training

---

**SELECT KEY PLAYERS**

**Airlines**
- Thai Airways
- Singapore Airlines
- American Airlines
- Emirates
- Turkish Airlines

**Destinations**
- Munich
- Queensland
- Singapore
- London
- Malaysia
- Turkey
- Dubai/UAE

**HOTELS/RESORTS**
- Marriott International
- Fairmont
- Al Jawhara Hotel
- The Porto Marina
- De Palma Hotels

**SPECIALTY MUSLIM TOURISM COMPANIES**
- Crescentrating
- Halaltrip.com
- Halalbooking.com
- Irhal.com

---

**Muslims Globally Spent $137 Billion on Tourism in 2012 (12.5% of Global Expenditure)**

**Expected to Reach $181 Billion in 2018 (12.5% of Global Expenditure)**

*Excluding Hajj/Ummrah

**4 of the World’s Top 5 Fastest Growing Destinations (US Billion, 2012)**
- Dubai, Kuala Lumpur & Jakarta
- Istanbul, Airports are in OIC Countries:
  - 4 of the World’s Top 5 Fastest Growing

**Markets (US Billion, 2012)**
- Top Tourism Source
- Benchmarked against Global Muslim Market
- Spending from Each Region
  - Asia: 14.7%
  - Central Europe: 10.3%
  - South America: 10.3%
  - GCC MENA: 31%
  - SE Asia East: 12%
  - Europe Western: 11%
  - North America: 2%
  - Other: 1%

**GCC Travel Focus**
- Germany
- China
- United Kingdom
- France

**The World (Ending May 2013)**
- Fastest Growing Airports in the World (Other)
  - Dubai: 25%
  - Istanbul: 20.2%
  - Kuala Lumpur: 14.7%
  - Jakarta: 10.3%
  - Inccheon: 10.3%

---

**Market Share**
- United States
  - 31%
- GCC MENA
  - 31%
- Southeast Asia East
  - 12%
- Europe Western
  - 11%
- North America
  - 2%
- Other
  - 1%
Globally spent $137 billion in 2012 (12.5% of global expenditure) expected to reach $181 billion in 2018 (12.5% of global expenditure).

- **MENA (GCC)**: 31% of global Muslim population, but 31% of Muslim travel expenditure.
- **MENA (OTHER)**: 25%
- **CENTRAL ASIA**: 6%
- **SUB-SAHARAN AFRICA**: 5%
- **EASTERN EUROPE**: 4%
- **SOUTH ASIA**: 3%
- **NORTH AMERICA**: 2%
- **OTHER**: 1%

**Global Muslim Market Benchmarked Against Top Tourism Source Markets (US Billion, 2012):**

- **United States**: $137
- **Germany**: $122
- **China**: $95
- **United Kingdom**: $89
- **France**: $65
- **其余**: $52

**Fastest Growing Airports in the World (Ending May 2013):**

1. **Istanbul** (Turkey): 20.2%
2. **Dubai** (United Arab Emirates): 14.7%
3. **Kuala Lumpur** (Malaysia): 10.3%
4. **Incheon** (South Korea): 10.3%
5. **Jakarta** (Indonesia): 10.3%

**GCC Travel Focus:**
- 3% of global Muslim population but 31% of Muslim travel expenditure.

TOP MUSLIM TOURISM EXPENDITURE SOURCE COUNTRIES
US BILLION, 2012

1. IRAN $18.2
2. SAUDI ARABIA $17.1
3. UAE $10.1
4. KUWAIT $7.4
5. INDONESIA $7.2

TOP OIC DESTINATIONS
MILLIONS OF TOURISTS, 2013

1. TURKEY 35.6
2. MALAYSIA 25
3. SAUDI ARABIA 13.6
4. EGYPT 11.1
5. MOROCCO 9.4

Source: State of the Global Islamic Economy Report 2013; Expenditure data Baselined from 2011 UNWTO data + DinarStandard Analysis; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; Airport data from Airports Council International; OIC = Organization of Islamic Cooperation (57 member countries)
TOP GLOBAL DESTINATIONS (NOT JUST MUSLIMS)
MILLIONS OF TOURISTS, 2013

1. FRANCE  83
2. USA 67
3. CHINA 58
4. SPAIN 58
5. ITALY 46

Source: State of the Global Islamic Economy Report 2013; Expenditure data Baselined from 2011 UNWTO data + DinarStandard Analysis; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; Airport data from Airports Council International; OIC = Organization of Islamic Cooperation (57 member countries)
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.’” Al-Quran 29:320

“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.” Al-Quran 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.” Al-Quran 2:168

There is a wide diversity in awareness and adoption of various Islamic practices by Muslim travelers. Below is a general illustration of some Islamic tourism ‘personas.’ (these are illustrative and not meant to be exhaustive) [Fig.5.1]
MARKET SIZE & PROFILE — 137 BILLION MARKET (12.5% OF GLOBAL EXPENDITURE):

- This Report estimates global Muslim spending on tourism (outbound) to be $137 billion in 2012 (excluding Hajj and Umrah). Total global spending during the same period is estimated to be $1,095 billion in 2012 making the Muslim tourism market to be 12.5% of global expenditure.

- Muslim tourism expenditure is expected to grow to $181 billion market by 2018.

- Comparatively, the collective global Muslim tourism market is larger than the largest tourist source country of United States — whose outbound tourists spend $122 billion in 2012 followed by Germany at $94.7 billion, China at $89 billion and UK at $64.9 billion. [Fig.5.2]

- Regionally, GCC country-based tourists (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE) are the largest in terms of expenditure, representing 31% of the total Muslim travel expenditure. This is a significant concentration given the GCC population is approximately 3% of the global Muslim population. The other top regions are MENA (except for GCC) with a 25% share, East Asia with 12% share and then Western Europe with 11%. It maybe a surprise to note the significant size of the Western Europe-based Muslim travel expenditure, which was $14.7 billion. [Fig.5.3]

- Top source countries of Muslim tourists based on 2012 expenditure were: Iran ($18.2 billion), Saudi Arabia ($17.1 billion), United Arab Emirates ($10.1 billion), Kuwait ($7.4 billion), Indonesia ($7.2 billion, Russia ($4.1 billion), Germany ($3.5 billion) and France ($2.5 billion) are the three largest Muslim travel source markets from countries where Muslims are a minority. [Fig.5.4]
4 of the World’s top 5 fastest growing airports this past year have been from Muslim majority countries — Istanbul, Dubai, Kuala Lumpur & Jakarta.

For tourists globally (not just Muslims), Europe is the most popular destination region in terms of number of arrivals based on 2012 data. France tops the list with 83 million tourist arrivals, followed by USA (67 million), China (58 million) and Spain (58 million). Turkey was ranked 6th globally and Malaysia 10th. [Fig.5.5, 5.6]

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).[107]

One of the strongest indicators of Muslim markets themselves as the fastest growing global tourist destinations is the latest data on the fastest growing airports in the world. Four of the worlds’ top five fastest growing airports this past year have been from Muslim majority countries — Istanbul, Dubai, Kuala Lumpur & Jakarta. [Fig.5.7]
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. [Fig.5.8, 5.9]

FIG.5.8

<table>
<thead>
<tr>
<th>TRAVEL SEGMENT</th>
<th>TRAVEL IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Suppliers</td>
<td>Use of halal raw supplies</td>
</tr>
<tr>
<td>Airlines</td>
<td>Muslim meals, prayer space, audio, Ramadan Services</td>
</tr>
<tr>
<td>Hotels</td>
<td>Halal food, prayer direction, gender-based swimming pool</td>
</tr>
<tr>
<td>Destinations</td>
<td>Local halal food options, family friendly attractions, gender specific options</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing campaigns that consider unique Muslim values</td>
</tr>
<tr>
<td>Compliance, Training</td>
<td>Ensuring compliance and enforcement of various relevant sharia laws</td>
</tr>
</tbody>
</table>

FIG.5.9 TRAVEL INDUSTRY — VALUE CHAIN

Source: DinarStandard Industry value chain
Key players targeting Muslim tourists, whether they are airports, hotels/resorts, destinations or travel agents, focus primarily on providing halal food and prayer facilities, which are core Muslim needs. Japan’s Kansai International Airport has recently certified one of its noodle restaurants as halal. Bangkokes Suvarnabhumi Airport provides prayer rooms, ablution facilities and conducts Jumu’ah prayers. In terms of hotels and resorts, in addition to halal food, many OIC-based resorts provide gender-segregated swimming pools as well as an alcohol-free, family-oriented environment.

Several non-Muslim majority destinations are keen to tap into the lucrative Muslim travel market and are taking big measures to accommodate them. Gold Coast Australia’s mayor wants more prayer rooms in shopping centers, extended trading hours and more halal restaurants; Taiwan has built gender-segregated ‘halal’ spas; and New Zealand has produced a halal culinary guide to its South Island. There are travel agencies in both OIC and non-OIC countries that are specialized in halal travel.

**Airlines/Airports**

LSG Sky Chefs -Brahim’s Sdn Bhd — Malaysia, a 70% owned subsidiary of Brahim Holding Bhd — a global halal food catering company with a 30% stake owned by Malaysia Airlines — certifies in-flight kitchen facilities. They also plan to provide technical support to foreign in-flight caterers in China and the Middle East to certify their in-flight kitchens halal.

Japan’s Kansai International Airport has recently certified one of its noodle restaurants as “halal” in an attempt to attract Muslim tourists. They are also considering including prayer rooms. “We are planning to become Japan’s first Muslim-friendly airport,” says the general manager of the Kansai International Airport operator.

Emirates Airline/Dubai Airport: Emirates Airline received the “World’s Best Airline” award from Skytrax at the 2013 World Airline Awards. It has announced plans to increase its fleet of 200 aircraft by 25 percent over four years. In terms of Muslim friendliness, all meals on Emirates flights are halal.

As highlighted earlier, the hub airport for Emirates Airline, Dubai International Airport, is the second fastest growing airport in the world as well as one of the top largest airports in the world. Separate prayer rooms are available with built-in wudu facilities, and Friday Jumu’ah prayers are conducted in the airport.

Istanbul Airport/Turkish Airlines: Turkish Airlines is growing rapidly in a bid to become a transport hub serving Europe, Africa, the Middle East and Asia, and its location certainly helps. In terms of halal food, the airline states on its website that all meals served on their flights are in accord with Islamic religious beliefs.

As highlighted earlier, the hub airport for Turkish Airlines, Istanbul International Airport is the world’s fastest growing airport. Basic Muslim requirements are accommodated at the airport as halal food and prayer rooms are available.

Bangkok’s Suvarnabhumi Airport was ranked by Crescentrating in 2013 as the most Muslim-friendly airport in a non-Muslim country. The airport has Muslim prayer rooms with proper ablution facilities and conducts Jumu’ah prayers. It also offers halal dining options.

**Hotels/Resorts**

Star Cruise, a Malaysian cruise operator refurbished one of its cruise ships to house a halal restaurant, hoping to attract more Muslim tourists from Malaysia, Indonesia and the Middle East. The restaurant is halal-certified by JAKIM, Malaysia’s official halal certification body.

Sultan Beach Hotel in Turkey offers conservative holidays and is attracting Turkey’s increasingly affluent pious Muslim population. It offers a separate pool for women, prayer facilities and a ban on alcohol.

Al Jawhara Group of Hotels and Apartments in UAE have hotels that are alcohol free, have a separate swimming pool for women as well as a separate gym. Their female staffs are required to wear the hijab. They have wakeup calls for Fajr prayers and provide a printed prayer schedule as well as indicate qibla direction in the rooms. Their television channels are family friendly, with no adult channels.

PT. Sofyan Hotels Tbk in Indonesia manages hotels in compliance with Sharia and halal Halal requirements since 1994. At present, PT Sofyan Hotels Tbk. have 15 hotels projects in its portfolio throughout Indonesia; i.e. total of 9 hotels are already in operation consisting of 6 self-owned and managed hotels and 3 consulted hotels. 6 more hotels are in development stages.

**Destinations**

Tourism New Zealand partnered with Christchurch International Airport to produce a halal culinary guide to New Zealand’s South Island, to further enhance its appeal to Muslim tourists. New Zealand seeks to increase the number of Muslim visitors, especially those from Indonesia and Malaysia — two of their key growth markets. The travel guide provides general tourism information, together with a list of halal-classified restaurants and cafes, from halal-certified to those offering vegetarian dishes or vegan cuisine. Tourism New Zealand also holds workshops on Halal Tourism to provide businesses with information and advice on how to meet the needs and expectations of that market.
Thailand Tourism Authority — The Thai government is taking active steps to appeal to Muslim tourists. The Thai tourism authority produced a commercial entitled “Muslim Friendly Thailand”, advertising Muslim couples, children and whole families enjoying travel attractions. In a bid to attract Muslim tourists, Thailand has opened a series of gender-segregated “halal” spas. The Thai resort city of Pattaya has opened Islamic prayer rooms in nearly all of its top shopping centers114.

Crescentrating (Singapore-based) rates hotels and resorts, as well as airports in terms of their halal-friendliness. The online travel portal provides travel guides and reviews on destinations as well as travel services. It lists hotels/ resorts, halal restaurants, and mosques by destination. Crescentrating also provides annual halal friendly travel rankings which rates destinations in terms of their halal friendliness. The company has recently launched an in-flight prayer time calculator app that in addition to enabling users to calculate prayer times, will identify prayer direction along their flight route. The company also provides advisory services and training for businesses in the travel industry targeting Muslim travelers115.

TRAVEL AGENTS

Shouq Travel is a new Cairo based travel operator that organizes Sharia-compliant vacations for their clients. Their clients stay at hotels that do not offer alcohol or pork, and provide women with private swimming pools. Female travelers are required to wear modest clothes and may only be accompanied by a first-degree relative. The travel operator, a first of its kind in Egypt, organizes trips across Egypt as well as Hajj tours in Saudi Arabia that included cultural and religious seminars116.

Crescent Tours is a London-based travel agent that books clients into hotels in Turkey that have separate swimming pools for men and women, no alcohol policies and halal restaurants as well as rents out private holiday villas with high walls117.

Luxury Travel, based in Vietnam, is a luxury halal tour and holiday operator focusing on Muslim tourists from Brunei, Malaysia, Singapore, Indonesia, India, Turkey, the North Africa and the Middle East. They put together special tours for Muslim travelers that include dining at Halal restaurants, identified mosque locations and trained their staff to better serve Muslim travelers118.

Non-OIC based destinations are offering halal food as a way to attract Muslim tourists and compete with neighboring locations. Hotels in OIC based countries are providing an alcohol free family-friendly environment while some Turkish based hotels and resorts provide gender-segregated swimming pools. Travel agents are offering halal travel packages, both heritage-themed as well as beach holidays.

GLOBAL TRENDS

- Global competition is forcing airlines, hotels and destinations to provide customized services to lure travelers. They are taking advantage of the rapid advance in technology and the widespread use of smartphones and tablets among consumers to enhance visitors’ experience. A new concierge application for hotels connects guests’ smartphones with hotels’ front desks; hotels are using tablets to provide guests with information and services; airlines are seeking to meet customers’ increasing demand for in-flight Wi-Fi services; airports are utilizing technology to reduce long lines and make the airport experience more pleasant; India is providing information on its destinations to tourists via QR codes.

- Airlines are introducing more fees in exchange for services valued by travelers, such as extra legroom, early boarding, and access to quiet lounges. While some, as in the case of Norwegian Air Shuttle, are seeking to drastically reduce the cost of long haul flights.

- Travel agencies, struggling to compete with online travel giants are focusing on branding and providing add-on services as their unique differentiation. Hotels are being innovative in the way they provide meals: a New York City hotel partnered with a grocery delivery service to provide guests on extended stays with fresh fruits and vegetables and other essentials119, while Hilton Worldwide is rolling out a more environmentally friendly and casual way of delivering room service orders by putting the food in paper bags rather than using traditional trays.

- In terms of destinations of the future, Africa is expected to take Asia Pacific's place in the spotlight as the destination of choice for tourists.

REGULATION/CERTIFICATION/GENERAL TOURISM TRENDS

- UAE: Dubai aims to join the playing field of halal certifications, with a bid to certify Halal travel among other sectors. Dubai is close to finalizing regulations to certify halal products, including food, travel, clothes, cosmetics, pharmaceuticals, media, and art120.

- UK: Law enforcement is cracking down on Hajj fraud in the West. In the UK a “Hajj Fraud Awareness Campaign” was launched in collaboration between the Council of British Hajjis and the City of London police. Fraud cases were expected to be at least 1000. The campaign raises...
awareness on how to avoid becoming a victim of fraud and encouraging victims to immediately report the case to the police\textsuperscript{121}.

**Airlines**

- **Australia**: More international airlines are trying to cater to Muslim travelers in terms Halal food. Australian airline Qantas Airways has removed food items containing pork and alcohol from its in-flight menu on routes that transit through Dubai. This move followed the launch of a major global alliance between Qantas and Dubai-based Emirates Airline, based on which Qantas switched its hub for European flights from Singapore to Dubai\textsuperscript{122}.

- **Singapore**: Singapore-based Crescentrating, an online halal travel portal, launched a mobile application for its inflight prayer times calculator. The Apple iOS application enables users to calculate prayer times as well as prayer direction along their flight path on Apple iOS devices, and they will soon launch an Android version. Users enter their flight details in advance, then access the prayer times and prayer direction in offline mode while in air\textsuperscript{123}.

- **India**: Airline caterers in several non-Muslim majority countries are realizing the importance of being halal-certified. Two major airline caterers in India: TajSATS and SkyGourmet recently got certified halal by Halal India. The caterers were already providing halal food and were abiding with stringent processes for food safety and quality, but were required by the airlines they cater for to raise their standards and obtain accreditation\textsuperscript{124}.

**Destinations**

- **South Africa**: South Africa held the first Halal Tourism Conference, which was organized by the Durban Chamber of Commerce & Industry, in partnership with Durban Tourism. The Conference aimed at informing local businesses of the impact of Halal Tourism on the economy and highlighting ways in which the city of Durban needs to prepare to make their destination attractive to the Muslim market\textsuperscript{125}.

- **China**: Destinations are increasingly offering halal food to attract Muslim travelers. Hong Kong Disneyland introduced halal food to attract Muslims, especially with the looming competition from a rival Disneyland scheduled to open in Shanghai in 2015. Before the halal switch in March of 2012, Muslims had to place their orders before they arrived in the park, causing a lot of inconvenience\textsuperscript{126}.

**Travel Agencies**

- **Saudi Arabia**: There is rapid growth within Saudi Arabia’s hospitality sector, which is providing a huge opportunity for the hotel supply industry. The positive upturn in the Kingdom's hospitality sector due to the increase in religious and domestic travel and the demand for high quality services, modern interiors and electronics by savvy travelers is leading major hotels in Jeddah, Makkah and Madinah to undergo expansion and renovation projects. Hotels are spending heavily on renovation and refurbishment as they seek to compete with new hotels and upgrades to existing ones\textsuperscript{131}.

**Travel Sector**

- **UAE**: More hotels in Dubai are becoming alcohol-free in a bid to tap into the growing, and often lucrative, Islamic market. Widely known for its liberal western lifestyle, more hotels in Dubai are realizing that by becoming alcohol-free they will appeal to tourists coming from wealthy oil states such as from Saudi Arabia, Kuwait and Qatar looking for halal hotels\textsuperscript{128}.

- **Turkey**: Some tourism experts believe that Turkish “halal” hotels, with gender-segregated swimming pools and an alcohol-free environment are drawing Turkish tourists, rather than Arabs who are already coming from conservative countries and are looking for something different\textsuperscript{129}.

- **Malaysia**: The Malaysian Islamic Development Department (Jakim), which is the official halal certifying body in Malaysia, announced a 39% increase in applications for halal certificates for hotels and food premises so far in 2013\textsuperscript{130}.

**Hospitality**

- **MENA**: The hospitality sector in the MENA region is enhancing its IT infrastructure to meet the digital demands of guests. Hotels and others in the tourism sector are updating their IT infrastructure to integrate their services with guests’ mobile devices, which enables these properties to deliver TV and video-on-demand on hand held devices as well as videoconferencing, and interactive features including room management and AV control systems\textsuperscript{127}.

- **UAE**: More hotels in Dubai are becoming alcohol-free in a bid to tap into the growing, and often lucrative, Islamic market. Widely known for its liberal western lifestyle, more hotels in Dubai are realizing that by becoming alcohol-free they will appeal to tourists coming from wealthy oil states such as from Saudi Arabia, Kuwait and Qatar looking for halal hotels\textsuperscript{128}.

- **Turkey**: Some tourism experts believe that Turkish “halal” hotels, with gender-segregated swimming pools and an alcohol-free environment are drawing Turkish tourists, rather than Arabs who are already coming from conservative countries and are looking for something different\textsuperscript{129}.

- **Malaysia**: The Malaysian Islamic Development Department (Jakim), which is the official halal certifying body in Malaysia, announced a 39% increase in applications for halal certificates for hotels and food premises so far in 2013\textsuperscript{130}.

**Travel Agencies**

- **More Travel Agencies are specializing in catering to Muslim tourists. Examples from non-OIC countries are UK-based Islamic Travels which offers both heritage themed as well as beach holidays; Crescent Tours, which are also based in the UK, also offers halal leisure holidays and Islamic Heritage tours ; Dar El Salam in the US which offers hajj and umrah packages as well as heritage tour packages to Turkey, Spain and Morocco; and Luxury Travel which is a Vietnam based luxury halal tour operator. As for OIC-based Travel Agents, Shouq Travel in Egypt organizes Sharia compliant vacations for their clients, and Geo Tourism which is based in Turkey offers Islamic heritage packages.**
KEY CHALLENGES & OPPORTUNITIES

CHALLENGES

- **Positioning:** Some businesses choose to label themselves as 100% Sharia-compliant, such as De Palma Hotel in Malaysia, which describes its services as Sharia-compliant on the homepage of its website. Other businesses try to position themselves as Muslim-friendly, such as Al Jawhara Group of Hotels and Apartments. Meanwhile, global players such as Ritz Carlton and others will offer targeted amenities and services to Muslims (e.g., prayer rugs, halal food options) as part of their multi-cultural customer engagement. The challenge of alienating a wider customer base is a concern for all even if they are focused on the niche segment only. According to an industry best practices study, two ways this can be addressed for hotels/resorts in non-Muslim majority markets is to highlight unique Muslim customer offerings based on trigger-based ‘Muslim Customer Service kits,’ and/or through personalized marketing.

- **Classification & Rating:** Since travel does not have core religious injunctions compared to Islamic finance and halal food sectors, there aren’t clear-cut standards in terms of what identifies a travel business as halal. While a hotel’s kitchen for example can be certified as halal, there is no official body that certifies hotels as halal or Muslim-friendly. There are some attempts at standardization by private entities. Crescentrating, a Singapore based company, has pioneered halal friendly travel by rating hotels/resorts against a five-level Crescentrating Standard.

- **Training:** As hotels, resorts, airlines, and destinations increasingly address the unique needs of the growing number of Muslim travelers, a challenge in training of management and staff on Muslim customer needs and halal services is arising. This includes not only customer service staff but also those in operations and product development.

- **Financing:** Many niche players addressing the large Muslim market segment are struggling with financing due to which is affecting their ability to scale. In many cases, these entrepreneurs are seeking Sharia-compliant financing as well and find limited options. As this Report shows, a large number of hotel properties in Egypt, Malaysia, Turkey, UAE, and elsewhere are successfully doing business with a focus on the Muslim market. Perhaps, with growing success stories, investors will give attention to this niche segment specially given the potential size of this market.
**OPPORTUNITIES**

- **Islamic finance/investments**: As many Islamic-values themed Hotels & Resorts emerge in UAE, Turkey, Egypt, Malaysia and elsewhere, tremendous opportunity exists to finance and or invest in such projects especially given the synergistic Islamic finance industry.

- **Developing branded global Halal integrity based hotel concepts**: Given the significant size of the Muslim market as well as a wider global sub-segment that would value family-oriented atmosphere or other such shared values-based amenities, opportunity exists to develop regional and global branded hotel concepts around Islamic-values based hospitality. Dubai based Jumeirah Group is already a major international luxury hotels & resorts company. The next big hospitality segment maybe to develop global hospitality lifestyle brands that are inspired by Islamic values.

- **Growing affluence**: Despite the fact that the GCC represents only 3% of the Global Muslim population, they represent a whopping 31% of the total tourism spend. No wonder, countries like Australia and New Zealand are courting Arab Muslims from the GCC. Gold Coast Australia hosts Muslims at a Ramadan lounge that offers halal dishes and is manned by Arabic speaking staff – free of charge. At the same time, a growing middle-class of Muslims in Southeast Asia is also a major opportunity. Japan is certifying more restaurants Halal. After witnessing a 70% increase in visitors from Indonesia from 2011 to 2012 as well as an increase in Malaysian travelers, Japan has published a guidebook on Muslim-friendly restaurants, mosques and attractions in the country.  

- **Halal food as a major focus in non-Muslim majority markets**: In a recent Industry Survey of Muslim travelers globally, 67% highlighted “halal food” as the top consideration ‘important to them’ when traveling for leisure. This was followed by ‘Overall Price’ 53%, ‘Muslim-friendly experience’ 49%, ‘Relaxation’ 46%, and ‘Hotel/Resort Experience’ 37% among 10 options given. For hotels/resorts, destinations, and airlines, especially in non-Muslim majority markets, ‘halal food’ options remain to be the top most opportunity area to cater to Muslim travelers globally.

- **Technology/new media**: The mainstream travel industry is harnessing technology to better serve their guests and gain competitive advantage. A mainstream app connects guests’ smartphones with hotels’ front desks so they can request services without having to call the front desk. Muslim-friendly hotels can similarly use Smartphone apps connected to the hotel concierge to provide information on halal restaurants, prayer rooms as well as address other Muslim needs. Crescentrating, a halal travel portal, has created an in-flight prayer-time calculator app for Muslim travelers.

- **Themed travel & cultural experiences in Muslim countries**: Many of the Muslim majority countries have various Islamic heritage sites that can be leveraged and packaged and presented in a fresh way to engage and attract the Muslim travel market. A large number of Muslims, especially from the West, are already engaged in such themed travel. A variety of such tourist packages are emerging from Turkey, Egypt, and Jordan. Saudi Arabia, Uzbekistan, India, Russia, and Spain are other such destinations. In general, travelers are seeking a more authentic experience within the destinations they visit and businesses in Muslim majority countries can take advantage of that by infusing some of the country’s conservative traditions in terms of modest dress codes and absence of alcohol in the name of both an authentic experience as well as to be more Muslim friendly. In terms of Muslim travel packages, one example of providing an authentic local experience is CrescentTours; as part of their package, Muslim tourists get to spend some time with a local family and enjoy an authentic experience in the country they’re visiting.
1) Please describe a brief profile of your company?
Marriott International, Inc. (NASDAQ: MAR) is a leading lodging company based in Bethesda, Maryland, USA, with more than 3,800 properties in 72 countries and territories and reported revenues of nearly $12 billion in fiscal year 2012. The company operates and franchises hotels and licenses vacation ownership resorts under 18 brands, including Marriott Hotels, The Ritz-Carlton, JW Marriott, Bulgari, EDITION, Renaissance, Gaylord Hotels, Autograph Collection, AC Hotels by Marriott, Courtyard, Fairfield Inn & Suites, SpringHill Suites, Residence Inn, TownePlace Suites, Marriott Executive Apartments, Marriott Vacation Club, Grand Residences by Marriott and The Ritz-Carlton Destination Club.

2) How are the services catering to the unique needs of Muslim audiences?
Marriott International offers Muslim-friendly services at many of its brands. The effort is part of Marriott’s broader strategy targeting next generation travelers in the U.S., who are more diverse and mobile, including members of the African American, Hispanic and lesbian, gay, bisexual and transgender communities.

The Ritz-Carlton, Dallas boasts Arabic-language TV stations and newspapers on an in-room iPad, Quran and prayer carpets, Middle Eastern culinary favorites and other such features, while the Ritz-Carlton, Washington D.C. and Ritz-Carlton, Georgetown, offer these amenities, plus halal food, special menus and bidets. In addition to these items, The Ritz-Carlton, New York, Battery Park also has an Arabic speaking Front Office Manager and restaurant staff. Not only are we recognizing the needs domestically, but internationally as well as seen in our JW Bangkok hotel and Ritz-Carlton Montreal.

Other Marriott brands are seeing a growth in Muslim
travelers and are reaching out to us for guidance and understanding of the culture. It is great to see so much enthusiasm coming from our hotels as they genuinely want to be more culturally competent and impress the Muslim guest.

3) What are some of the challenges you are facing in this space? (e.g.: in regards to growth, perception, management, revenue generation, talent management etc.)

We are looking forward to helping our teams be authentic in taking care of the Muslim guest. Our teams are ready to learn and want to learn. We appreciate their interest and as vice president of Multicultural Markets and Alliances, it is my department’s job to provide all the resources for them to be successful. As a leader in the hospitality industry, we want all of our guests to feel welcomed and ensure a wonderful guest experience while staying at any of our hotels worldwide.

4) What are future opportunities you see in this space?

We hope to provide more assistance to our hotels to help them become culturally competent and recognize the differences in cultures yet appreciate the similarities. Perhaps working with vendors who provide Halal Foods will make it easier for our hotels to accommodate a Muslim traveller’s diet. As our world is becoming smaller and international travellers are increasing, the industry must be cognizant of the differences in cultures. Providing information to all associates on cultural diversity is just the first step.

Marriott values cultural holidays and provides fact sheets to help educate their associates. In July, our Multicultural Smarts newsletter featured the Ramadan holiday and highlighted what our hotels could do to enhance the Muslim traveller’s experience during this very holy holiday. Suggestions included extending restaurant hours, setting up Arabic coffee stations, serving good quality dates, having prayer mats available upon request, and placing a Qiblah directional arrow in the guest room.
1) Please describe a brief profile of your company?

Crescent Tours offers Holidays with an Islamic ethos. Through our website HalalBooking.com we offer 5 categories of travel experiences: Sun & Beach Resorts, City Hotels & Tours, Heritage Discovery Tours, Health & Thermal Resorts, and Luxury Private Villas. 60-70% of our customers are currently from Western Europe, but other regions such as Turkey, GCC and Russia have been increasing quickly since 2012.

Crescent Tours markets over 50 properties in 4 countries as of end of 2013 and it will increase to 100 in 10+ countries in 2014. Currently we have Turkey, UAE, Bosnia and Malta. In 2014 we are launching Tunisia, Oman, Qatar, Malaysia, Morocco, Italy, and possibly Egypt. As of 2013, Crescent Tours had a customer base of 50,000 families from 50-60 countries globally.

2) How are the services you offer successfully catering to the unique needs of Muslim customers?

Muslims like to goto sandy beach holidays. However many either abstain from travelling or accept non-halal holidays, sacrificing their beliefs and/or enjoyment due to simple problems of having no halal food to more specific problems such as no women-friendly swimming pools or beaches. Crescent Tours popularised the idea of beach holidays among Muslims and offered a choice.

Beach Resort is the most sophisticated holiday product we offer, and it is also the most value-adding product to Muslim holiday makers. Our beach resorts do not serve alcohol and have dedicated swimming pools, beach areas, leisure and spa facilities for women and families, evening entertainment is Muslim family-friendly and certainly all food is halal.
3) What are some of the challenges you are facing in this space?
The first challenge had been in convincing the hoteliers in Turkey to “internationalize” their service offering. Eventually Crescent Tours managed to convince the resorts as it started bringing large volumes of international customers to them, which increased occupancy levels to 100%. The number of halal beach resorts in Turkey’s Mediterranean coast increased from less than 10 five years ago to 50 resorts now, and more major resorts are coming on stream in 2014-15. We have also worked with other countries like the UAE, Oman, Qatar, Egypt, Tunisia, Bosnia, Malaysia, Maldives, etc — to open them up to opportunities offered by development of halal beach holiday sector.

Second challenge had been to do targeted marketing to reach our niche customer base. From outside it looked simple — to market to Muslims. But Muslims are all very different. For example, some Muslims would jump into an idea of having a holiday in halal way, but some cannot even imagine a holiday being “halal”. Some read Muslim-focused magazines, some only general news and business magazines. Some are strict Muslims, some are less strict. Some are more interested in swimming pools and spa, some on entertainment and active sports, and some prefer nature tourism or heritage tours. It has been both “science and art” in devising various online and offline marketing techniques and a lot of “try and error” type of campaigns to find what works in most cost-effective way. Needless to say, marketing activities differed significantly from one market to another.

4) What are future opportunities you see in this space?
Opportunities are very significant in this area, especially in the area of Beach Resorts. Hoteliers should stop focusing just on simple matters such as halal food in a hotel. They should design the whole resorts which provide end-to-end leisure holiday experience to Muslim families. Halal food is an important matter, but it is easy to do for any hotel really. So you cannot distinguish your brand just by halal food. These popular beach resorts in Turkey, such as Bera, Adenya, Angel’s Peninsula, are not well known brands in global mainstream tourist market, but they are very well known in loyal Muslim holiday makers market, and thanks to Crescent Tours are known well in this niche market globally and not just Turkey. Destinations such as GCC, North Africa and Malaysia have great potential in this area. Crescent Tours, having the largest insight into this niche market, can help with both with the initial design of such projects and later with marketing their resorts to its global customer base.
1) Please describe a brief profile of your company?
Al Jawhara Group of Hotels and Apartments managed by Lootah Hotel Management was established in 1979 by Dubai’s influential businessman and visionary Hajj Saeed Bin Ahmed Al Lootah, S.S Lootah Group’s Chairman. It is the first Family Hotel’s group focused on providing a unique Family oriented Islamic Hospitality Concept and following international standards of quality and service guaranteeing maximum satisfaction of guests.

Currently Al Jawhara Group of Hotels and Apartments is running three subsidiaries in UAE: 4-star Al Jawhara Gardens Hotel, Al Jawhara Hotel Apartments and 2-star Al Jawhara Metro Hotel. In 2013 Lootah Hotel Management started operating its first hotel outside of the UAE, Al Jawhara Grand Hotel in Manama, Bahrain. All Jawhara hotels are complying to the Sharia principle by implementing all parameters designed for health, safety, atmosphere and benefits of all mankind regardless of race, faith and culture. Currently there are 260 employees working in Jawhara Group of Hotels. Hotel occupancy has increased to an average of 88% in 2012 growing from 81% in 2011.

2) How are the services catering to the unique needs of the Muslim audiences?
We do not market our hotel as halal, as we are not just catering to Muslims. Instead we market it as family-oriented. We do inform our non-Muslim guests through travel agencies and online websites that we have certain restrictions so they’re not disappointed once they arrive (e.g. there is no bar, guests can’t bring their own alcohol, no co-habiting). We are not 100% sharia compliant, but implementing moderate Islamic principles.

It is very vital to understand the definition of halal prior to proceeding to the concept of halal-friendly hotels. As per
Islam, halal refers to that which God has made lawful. The parameters have been designed for health, safety, atmosphere and the benefits on economics of all mankind, regardless of race, faith or culture. People irrespective of any religion, race, and section will not prefer anything that is harmful in aspects of above mentioned related parameters.

Our country mix statistics shows that we have 74% business generating from non-Muslim countries. Also out of all the guest appreciations received, 70% were about the concept and they complimented Jawhara as “real Islamic Hospitality” and preferred to visit us.

For Muslims we offer the following Muslim-friendly features: No alcohol, even guests can’t bring their own alcohol (the condition is mentioned in their contract) — if they bring it they have to leave it with the security; separate swimming pool for ladies; separate steam and sauna, separate gym with swimming pool (for the common pool, we have separate sauna & steam); pool can be rented after the closing time to one family with female life guard; our female staffs are required to wear an abaya (long Muslim dress) and hijab, even if they are non-Muslims; for restaurants, we have partitions for families who want to have a female server for women who wear niqab; wake up calls for fajr prayers; printed prayer time; qibla direction; selected TV channels — no MTV, no adult channels; no music in the hotel, only live soundtracks of birds, water, with piano.

3) What are some of the challenges you are facing in this space?
First, investors are not keen in investing in this space. They are comparing with regular hotels whose main income is from alcohol, so this type of hotel is not financially appealing for them. Muslim-friendly hotels can make up for that though by renting their ballrooms for Muslim weddings and also modifying the design of the hotel so it could incorporate more rooms. Second, when the hotel first opened, staff training was a challenge as we had to train non muslim staff on the core values of Islam. We were basically educating them in halal hospitality. It was very important to communicate our concepts well to them as they are the ones communicating it to our guests. Third, it's a challenge to successfully promote your product in a way that can be accepted by both Muslim and non-Muslims. Finally, sometimes there's a confusion in terms of what to expect from Halal hotels. I came up with my own classification for hotels. For example, a Full Moon designation means that a hotel follows mandatory requirements. A Halal Friendly Hotel on the other hand can be a mainstream hotel that offers some services that cater to Muslims. For example, they put aside certain rooms that no not include a mini bar. Also, they can designate a section of the restaurant to be alcohol free.

4) What are future opportunities you see in this space?
Key opportunities are: 1) demand is more than supply; 2) you will create new suppliers for laundry, amenities, shampoo (no alcohol-based ingredients), Islamic insurance, Islamic banks, food; 3) You will get a new type of hospitality employee (most families reject their girls working in non-Muslim hotel. You will create equal opportunity in this space).
1) Can you describe a brief profile of your company?
Caprice Gold Group [CGG] is based in Istanbul, and has been in the Tourism industry since early 1995 when it started its first luxury 5-stars hotel which is known today as Caprice Thermal Palace in Didim, Turkey. The Founder and Chairman of CGG is Mr. M. Fadil Akgunduz.

In early 1990s, Mr. Fadil and his family and mother went for a holiday in search for a hotel that would provide services in accordance with Islamic principles. They were disappointed and he had to cancel the holiday. This bad experience gave him the determination to develop tourism industry which is in accordance with Islamic principles. He began with buying a 491 rooms casino resort hotel at Didim in 1995, which was in the midst of bankruptcy. This casino hotel was transformed to fully Islamic compliant resort hotel in 1996, and was brought back to profitability under its new name. Today the Hotel has 728 rooms, with facilities and services strictly in accordance with Islamic Principles. The finances for buying this hotel were self-generated without utilizing ‘riba.’

The response from Muslims was unexpectedly very encouraging. In the past 5 years the average occupancy rate of the hotel has been consistently at 85% annually. In December 6, 2012, at the 1st International Islamic Tourism Standard Conference, Caprice Thermal Palace received a prestigious award of Islamic Quality Standard [IQS], IQS- 5 Crescent Standard, from Universal Crescent Standard Center, Malaysia.

With these success and experiences, CGG is embarking in building the 2nd hotel in Istanbul, the biggest hotel in Europe with 1,300 rooms. The hotel is known as Caprice Gold Palace Istanbul, and it is now 87% completed and estimated to be in operation in late 2014 or early 2015. This hotel, which cost about US$ 320 million [excluding land cost] to construct, strictly works in accordance with Islamic principles from its financial source, design, facilities and services.

2) How are the services catering to the unique needs of Muslim audiences?
At our facilities all food is halal. No alcohol is served or allowed into the premises of the hotel. The once a casino hall in the middle of the hotel
building, has been transformed into a mosque with full time Imam and Assistant Imam to lead daily prayers and Friday prayer. Other facilities include especially separate beach for swimming, swimming pool and spa exclusively for women.

We believe if we want to be successful in providing services to Muslim customers, we need to put Maqsid Al Shariah as our Management Strategy. The Maqsid Al Shariah or Ultimate Objectives of Shariah include the 5 important elements namely [1] Protection of Religion, [2] Protection of Life, [3] Protection of Offspring, [4] Protection of Intellect, and [5] Protection of Wealth. We work or manage the company with the objectives of achieving these 5 elements

3) What are some of the challenges you are facing in this space?
In Turkey the most challenging situation that we are facing is language barrier, because only a handful of people can speak foreign languages, especially English and Arabic. We are facing problems of training our staff at various levels to converse in English. We are more worried about our new Caprice Gold Istanbul Palace which needs about 2000 staff who can converse in English when it begins operational in year 2015.

Another challenging issue is the negative perception by the westerners about Islam and Muslim. Everything about Islam or Muslim is considered to be bad. To overcome this issue, firstly we are creating our brand of Caprice Gold as a brand reflecting a ‘leading world class global company’ which ‘provides excellent benefits to mankind’ as clearly spelt out in our Group vision and mission. The services and facilities we provide are of world class standard and acceptable globally. The services that we provide are not for Muslims alone but for all of mankind across all religious beliefs.

4) What are future opportunities you see in this space?
Based on our observation and experience, the demand for hotel rooms in Turkey which are Islamic-friendly is estimated to be about 200% for the next few years. For these reasons, we are planning to build more similar Hotels in the next few years, which include Caprice Gold Bodrum which will be consisting of 18 luxury palaces or villas (2016), Caprice Gold Siat — a 2000 rooms hotel and 2500 residences apartment [2018], Caprice Gold Trabzon — a 1700 rooms hotel [2017], and Caprice Gold Anatolia — a 4000 rooms hotel [2018]. The plan for Caprice Gold Bodrum has been submitted to the municipal for approval and the land areas had been cleared for construction.

Islamic Tourism is not limited to hotel accommodation only but also other areas such transportation and Restaurant. The Group is planning to build 1000 fleet of Sea-Taxis to expand its exciting 17 fleet of boats. A prototype boat has been completed and it is now put on trial for its effectiveness and efficiency. Further we are planning to expand our inter-city bus services for our hotel guests. We are also studying to buy an airline too.
MUSLIM MEDIA & RECREATION MARKET
Values-based needs of Muslim consumers are also extending to media and recreation services. Maher Zain, for example, is a rising global Islamic media star. His song, “InshaAllah” alone had 32+ million views on YouTube and has record and promotional deals. His high quality music videos cover values-based topics such as his love for his mother, his wife, struggles of humanity, faith in God that sometimes cover multiple languages catering to major population of the Muslim audiences, from Turkey to Indonesia. The 99 is a comic book series with the first group of superheroes born of an Islamic archetype with a high quality animation series airing in over 70 countries, again with characters representing Muslims and non-Muslim from across the world. Thousands of digital mobile apps now provide unique Islamic content and applications including children learning and fun games with Islamic values and/or religious learnings infused. While media & recreation sector has many diverse segments, this growing trend highlights a sizeable market with tremendous opportunities.

Muslim consumers globally spent $151 billion on recreation and cultural services in 2012 which is 4.6% of global expenditure. Early successes point to a vast potential market for values-based media and recreation services that will have universal appeal as well. Many investment opportunities exist. Key challenges however remain including shortage of venture financing, availability of quality talent, and limiting public perception of ‘religious media.’.
SPECIALTY MUSLIM MARKET MEDIA COMPANIES

ONLINE INFORMATION/APPs
- AQUILA STYLE SINGAPORE
- ILLUME USA
- PRODUCTIVE MUSLIM ONLINE/GLOBAL
- ZABIHAH.COM ONLINE/GLOBAL
- AL-KANZ FRANCE

MUSIC/ NASHEED
- AWAKENING RECORDS
- MAHER ZAIN
- SAMI YUSUF
- NATIVE DEEN
- RAihan

PRINT (NEWS, MAGAZINE, BOOKS)
- ALA TURKEY
- HORIZON USA
- MUALLIM INDIA

TV & RADIO
- "OMAR" RAMADAN SERIES MBC
- ISLAMCHANNEL UK
- THE 99 KUWAIT

VALUE CHAIN

SUPPLIERS
- TALENT
- FILM & MUSIC INFRASTRUCTURE/EQUIPMENT
- TOYS/GAMES MATERIAL PROVIDERS
- TV & RADIO INFRASTRUCTURE/EQUIPMENT

SERVICE PROVIDERS
- ONLINE/APP PRODUCTION
- PRINT PRODUCTION
- MUSIC PRODUCTION
- FILM PRODUCTION
- TOYS/GAMES PRODUCTION
- TV & RADIO PRODUCTION

CHANNELS
- DISTRIBUTORS
- ONLINE/APP
- SATELLITE/CABLE BROADCASTERS
- MOBILE CELLULAR
- PRINT

LOGISTICS
- TRANSPORTATION

ECO-SYSTEM
- MARKETING, TECHNOLOGY, FINANCIAL SERVICES,
- REGULATION, LEGAL, TRAINING

GLOBAL MUSLIM MARKET BENCHMARKED AGAINST TOP RECREATION CONSUMER MARKETS (US BILLION)

MUSLIMS SPENT $151 BILLION ON RECREATIONAL & CULTURAL SERVICES IN 2012 (4.6% OF GLOBAL EXPENDITURE)

EXPECTED TO REACH $205 BILLION IN 2018 (4.8% OF GLOBAL EXPENDITURE)
Muslims globally spent $1 billion on recreational & cultural services in 2012 (4.6% of global expenditure).

Expected to reach $205 billion in 2018 (4.8% of global expenditure).

Global Muslim market benchmarked against top recreation consumer markets (US billion):

- **United States**: $1017
- **Japan**: $308
- **United Kingdom**: $198
- **Germany**: $195
- **France**: $168
- **OIC Muslim Market**: $151

OIC exports = $4.9 billion (2.6% of global exports)

OIC imports = $11 billion (5.5% of global imports)

Muslim mobile cellular subscribers: $1.3 billion (21% of global subscribers)

Muslim broadband subscribers: $42 million (7% of global subscribers)

**Distributors**
- Satellite/Cable Broadcasters
- Film & Music Infrastructures/Equipment
- Toys/Games Material Providers

**Service Providers**
- Channel
- Online/App
- Production

**Customers**
- TV & Radio
- Retail
- Theater

**Value Chain**
- Marketing, technology, financial services, logistics, transportation/freight, regulation, legal, training

**Ecosysytem**
- Media & recreation trade value of OIC countries
- Online/APP
- Online/Global
- Al-Kanz France
- ProductiveMuslim
- ILMUE
- Aquila Style Singapore
- Illume USA
- ZabihaH.com Online/Global
- Al-Kanz
- Animation/Infrastructures/Freight
- Transportation/Freight
- Marketing, technology, financial services, distribution, legal, training

**Suppliers**
- Talent
- Consumer
- Service Provider Channels

**Suppliers**
- Suppliers
- Service providers
- Channels

**OIC exports**
- $4.9 billion
- 2.6% of global exports

**OIC imports**
- $11 billion
- 5.5% of global imports

**OIC exports**
- $4.9 billion
- 2.6% of global exports

**OIC imports**
- $11 billion
- 5.5% of global imports

**Global Muslim market**
- Benchmarking
- Against top recreation consumer markets
TOP MUSLIM EXPENDITURE COUNTRIES
US BILLION, 2012

1. IRAN  $11.8
2. TURKEY  $10.2
3. USA  $10.2
4. FRANCE  $9.0
5. SAUDI ARABIA  $8.4

TOP MUSLIM BROADBAND INTERNET SUBSCRIBERS
THOUSANDS, 2012

1. TURKEY  7,748
2. IRAN  3,067
3. RUSSIA  2,417
4. INDONESIA  2,386
5. CHINA  2,283

Source:
State of the Global Islamic Economy Report 2013; Expenditure data Baselined from 2005 International Comparison Program + National Statistics Agencies + DinarStandard Analysis; Trade data from UN Comtrade; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; OIC = Organization of Islamic Cooperation (57 member countries)
TOP MUSLIM MOBILE CELLULAR SUBSCRIBERS
THOUSANDS, 2012

1. INDONESIA  225,571
2. PAKISTAN     115,826
3. EGYPT       91,668
4. INDIA       88,201
5. BANGLADESH  87,851

Source: State of the Global Islamic Economy Report 2013; Expenditure data Baseline from 2005 International Comparison Program + National Statistics Agencies + DinarStandard Analysis; Trade data from UN Comtrade; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; OIC = Organization of Islamic Cooperation (57 member countries)
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 behavior with others. As such Muslims try to fulfill 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 behavior are as follows:

“But they who believe and do righteous deeds — those are the companions of Paradise; they will abide therein eternally.” Al-Quran 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 traveler, those who ask [for help], and for freeing slaves; [and who] establishes prayer and gives zakah; [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.” Al-Quran 2:177

“And spend in the way of Allah and do not throw [yourselves] with your [own] hands into destruction [by refraining]. And do good; indeed, Allah loves the doers of good.” Al-Quran 2:195

There is a wide diversity in awareness and adoption of various Islamic values influenced Media & Recreation practices by Muslims globally. Below is a general illustration of some Muslim media & recreation customer ‘personas.’ (these are illustrative and not meant to be exhaustive) [Fig.6.1]
This Report estimates Muslim populations globally to have spent a total of $151 billion on ‘recreation & culture’ in 2012. This represents 4.6% of global expenditure. This expenditure is expected to reach $205 billion by 2018 (4.8% of global expenditure). Global spending on ‘recreation & culture’ was expected to be US$ 3.3 trillion in 2012 and expected to reach US$4.25 trillion by 2018. While this does not represent actual ‘Islamic’ themed media segment size, it does represent the potential opportunity universe of the core Muslim consumers.

Collectively, the Muslim recreation and culture consumer market is the seventh largest in the world compared to countries globally; with United States consumers spending the most ($1,017 billion, 2012). Japan, UK, Germany, France, and China are the next largest markets.

Top countries with Muslim consumers’ recreation consumption (based on 2012 data) are Iran ($12 billion), Turkey ($10.2 billion), United States ($10.2 billion), France ($9 billion), and Saudi Arabia ($8.4 billion.)

As evident from the top markets, significant size of Muslim recreation market exists in countries where Muslims are minorities. Muslims in US and Canada collectively spent an estimated $13 billion on recreation and culture in 2012. [Fig.6.3]

**FIG.6.1 SHADES OF AWARENESS & ADOPTION — MUSLIM MEDIA & RECREATION CUSTOMER PERSONAS**

1. Watches and reads some international and mostly local cultural media (movies, TV, news)
   - Active in social media & listens to all types of music (international and local)

2. Watches and reads international, local cultural media — avoids lewd content
   - Active in social media & listens to all types of music — avoids lewd content

3. Watches mostly Islamic media. Likes travel, sports and eating out, friends and family form major part of recreation
   - Avoids social media, doesn’t listen to music but follows non-music religious songs

**FIG.6.2 MUSLIM MARKET BENCHMARKED AGAINST TOP RECREATION CONSUMER MARKETS GLOBALLY (US BILLION)**

- United States: $1,017
- Japan: $308
- United Kingdom: $198
- Germany: $195
- France: $168
- Global Muslim Market: $151

**FIG.6.3 TOP MUSLIM RECREATION* CONSUMPTION MARKETS**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>US BILL, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>$11.83</td>
</tr>
<tr>
<td>Turkey</td>
<td>$10.19</td>
</tr>
<tr>
<td>United States</td>
<td>$10.17</td>
</tr>
<tr>
<td>France</td>
<td>$9.05</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$8.37</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>$8.27</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$8.13</td>
</tr>
<tr>
<td>Germany</td>
<td>$8.00</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$7.65</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>$5.31</td>
</tr>
<tr>
<td>Pakistan</td>
<td>$5.16</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>$4.79</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$3.27</td>
</tr>
<tr>
<td>Canada</td>
<td>$3.01</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>$2.98</td>
</tr>
</tbody>
</table>

*Recreation & Culture as per World Bank ICP definition
FAST GROWING MOBILE AND BROADBAND

- Mobile and broadband are re-defining the traditional media and recreation space. World-wide Muslim consumers are one of the fastest growing digital media markets.

- Muslim fixed broadband internet subscribers grew by 95% between 2008 and 2012, compared to 54% globally, driven by a high proportion of a young population and growing economies. The estimated number of fixed internet broadband Muslim consumers are 42 million subscribers in 2012 (6.7% of the 626 million estimated global subscriber base.)

- Muslim mobile cellular subscribers grew by 72% between 2008 and 2012, compared to 57% globally. The estimated number of mobile cellular Muslim consumers are 1,335 million subscribers in 2012 (21% of the 6,286 million estimated global subscriber base.) [Fig.6.4, 6.5]

- The global media & recreation industry trade trend offers a good indicator of the supply and demand profile of Muslim media & recreation services. The 57 mostly-Muslim majority countries that form the OIC (Organization of Islamic Cooperation) are net importers of ‘media & recreation’ services $4.9 billion in exports in 2012 (2.7% of global exports) and $11 billion in imports (5.5% of global imports). [Fig.6.6]

---

**FIG.6.4 TOP MUSLIM BROADBAND INTERNET SUBSCRIBER COUNTRIES (2012)**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>SUBSCRIBERS (THOUSANDS), 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>7,748</td>
</tr>
<tr>
<td>Iran</td>
<td>3,067</td>
</tr>
<tr>
<td>Russia</td>
<td>2,417</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2,386</td>
</tr>
<tr>
<td>China</td>
<td>2,283</td>
</tr>
<tr>
<td>Egypt</td>
<td>2,166</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1,909</td>
</tr>
<tr>
<td>United States</td>
<td>1,505</td>
</tr>
<tr>
<td>India</td>
<td>1,459</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1,314</td>
</tr>
<tr>
<td>France</td>
<td>1,294</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1,279</td>
</tr>
<tr>
<td>Germany</td>
<td>1,144</td>
</tr>
<tr>
<td>Algeria</td>
<td>1,091</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>898</td>
</tr>
</tbody>
</table>

**FIG.6.5 TOP MUSLIM MOBILE CELLULAR SUBSCRIBER COUNTRIES (2012)**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>SUBSCRIBERS (THOUSANDS), 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>225,571</td>
</tr>
<tr>
<td>Pakistan</td>
<td>115,826</td>
</tr>
<tr>
<td>Egypt</td>
<td>91,668</td>
</tr>
<tr>
<td>India</td>
<td>88,201</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>87,851</td>
</tr>
<tr>
<td>Turkey</td>
<td>66,733</td>
</tr>
<tr>
<td>Iran</td>
<td>57,983</td>
</tr>
<tr>
<td>Nigeria</td>
<td>54,021</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>51,475</td>
</tr>
<tr>
<td>Morocco</td>
<td>38,977</td>
</tr>
<tr>
<td>Algeria</td>
<td>37,014</td>
</tr>
<tr>
<td>Russia</td>
<td>30,641</td>
</tr>
<tr>
<td>Iraq</td>
<td>26,462</td>
</tr>
<tr>
<td>Malaysia</td>
<td>22,067</td>
</tr>
<tr>
<td>Sudan</td>
<td>19,748</td>
</tr>
</tbody>
</table>

**FIG.6.6 MEDIA & RECREATION TRADE VALUE OF OIC MEMBER COUNTRIES (US BILLION, 2012 EST.)**

GLOBAL EXPORTS $182

OIC EXPORTS $4.9 (2.7%)

OIC IMPORTS $11 (5.5%)

GLOBAL IMPORT $201
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 theater) and talents. From the wider industry support ecosystem, marketing and financial services are also impacted as presented below. [Fig.6.7, 6.8]

**FIG.6.7**

<table>
<thead>
<tr>
<th>INDUSTRY SEGMENT</th>
<th>‘MUSLIM’ RECREATION IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent</td>
<td>Talents catering to unique Islamic values and traditions</td>
</tr>
<tr>
<td>Service providers</td>
<td>Media and recreation services addressing unique Islamic values and traditions (apps, print/digital media, music, film, special events, toys/games, TV and radio)</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Unique distribution brands or concepts engaging the Muslim recreation audiences (online/apps, mobile cellular, print, TV/radio, retail, events/theater)</td>
</tr>
<tr>
<td>Financial services</td>
<td>Supporting Sharia compliant financing for Muslim recreation &amp; media businesses/startups</td>
</tr>
<tr>
<td>Training</td>
<td>Developing industry talent and best practices on Islamic values driven media and recreation</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing campaigns that consider unique Muslim values</td>
</tr>
</tbody>
</table>

**FIG.6.8** ISLAMIC VALUES DRIVEN MEDIA & RECREATION — INDUSTRY VALUE CHAIN IMPACT

Source: DinarStandard Industry value chain
SELECT KEY PLAYERS:

- **National & International media:** As highlighted earlier, the ‘media and recreation’ category is quite broad with many segments covering print/broadcast media, music, films, toys/games, events and more. Many local media players form the largest players. Example of key regional/national broadcast media players are: Astro Malaysia, Rotana (Pan Arab), MBC (Pan-Arab), Dogan Media Group (Turkey), Geo TV Network (Pakistan), MNC International (Indonesia.)

  International media is also a key segment with major global news players such as CNN, BBC and others as key players with Aljazeera as an exception. On entertainment media, Hollywood or even Bollywood have prominence.

- **National religious media:** A variety of national religious media also exist but is usually limited to local language or national reach. Some examples include: 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 covering Quran apps, Islamic TV and Radio, Islamic games, Islam for kids, learning Arabic, tools such as Qibla/direction to Mecca compass, prayer times, azan apps, zakat/obligatory charity calculators, and many more. Some of these apps that are for free show 100,000+ installations.

- Select ‘niche’ Islamic recreation and media companies are as follows:

  **Awakening Records (UK)**
  Awakening is a pioneering Islamic media company with a focus on book publishing, music and concerts. It has signed distribution and licensing deals with major players in the music industry like Sony Music, Warner Music and Universal Music with key distribution deals covering Indonesia, Malaysia and Turkey. Awakening videos on Youtube have generated over 500 million views with Maher Zain being the most viewed artist on Youtube. His song “InshaAllah” alone had 32+ million views.

  **Teshkeel Media Group (Kuwait)**
  The 99 has received a lot of media coverage for being the first the first group of superheroes born of an Islamic archetype. The 99, the group’s superheroes creation, has made its appearance in 70 countries and now has a high-quality animation series in addition to its comic series.

  **Emel (UK)**
  Emel was started in 2003 by Sarah Joseph, a British Muslim convert. It has since become the most widely read British Muslim magazine. It has circulation in 30 countries but is currently on hold as part of an expansion plan.

  **Ala (Turkey)**
  Claiming itself to be Turkey’s “Vogue of the veiled”, Ala has been so successful it had “to increase circulation multiple times” since it was launched in June 2012. Their current magazine circulation is 30,000.

  **Aquila Style (Singapore)**
  Reach: 300,000+ readers worldwide reached through its website and tablet magazine.

  Aquila Style aims to be the leading reference on all things related to cosmopolitan Muslim women.

  **Zabihah.com (USA)**
  Zabihah.com is the most popular Halal food restaurant guide on the internet. The site serves over 10 million unique users per year, and has had 500,000 smart phone app downloads. It is focused on Muslim community in North America but now has a wide global reach with significant penetration in Europe, the UK, Australia, New Zealand and South Africa.

  **QuranTouch App (Dubai)**
  Quran Touch is a new mobile app available on the Apple store. It offers a full Quran and Tajweed app. Since its launch in March 2013, it has recorded 1.5 million downloads and growing by 5000 users per day with largest users coming from the GCC countries.

RECENT INDUSTRY ACTIVITIES & TRENDS:

- Muslim-centric media outlets have been emerging in the last decade after 9/11 partly in response to negative reporting of Islam and Muslims by mainstream news media agencies. Illume (USA) and Emel (UK) are examples of media that provide alternative coverage of Islam and Muslim-related news and lifestyle issues. Singapore-based Aquila Style publishes articles in the same vein, with more focus on women-related issues.

- Women are also the target market for Turkey-based Ala, which in its home country is frequently dubbed as “Vogue of the veiled.” Veiled fashion is the preferred theme in Indonesia as well, where at least three hijab fashion magazines — Laiqa, Hijabella and Scarf — have come out into circulation in 2013 alone. Meanwhile, hailing from India, Muallim is a magazine directed to Muslim families and their religious challenges. Family and religion are also the main themes of UK-based Sisters and US-based Aziza magazines.
Still, there are room for other variants, particularly in the virtually unlimited space of the digital world. Awakening Records is an example of a company that has successfully utilised the World Wide Web with great success. One of the artists that it represents, Maher Zain, as an example, is one of the most viewed Muslim artists on YouTube.

Film-makers in Iran and Qatar are working on bringing the life of Prophet Mohammad (pbuh) to the big screen. Qatar-based Alnoor Holdings has announced that it will produce a series of films about the life of Prophet Mohammad. The expected costs could be up to $1 billion and the movie is being advised by “Lord of the Rings” producer Barrie Osborne and scholar Yusuf al-Qardawi. From Iran, well-known director Majid Majidi is working on a $30 million budget film on the Prophet.

**ART & DESIGN:**

A number of Muslim artists have won applause and awards for their experimental and contemporary designs in the past few years. One of the most outstanding ones is Peter Gould, an Australian award-winning graphic designer whose firm, Creative Cubed has worked with Muslim luminaries such as Yusuf Islam and Shaikh Hamza Yusuf. Gould has now partnered with another Islamic media and design expert, UK based Ruh-Al-Alam of Visual Dhikr to launch Peter & Ruh, a specialist design agency focusing on the Islamic markets.

Gould has also worked with Sakina Design, a home decor and design firm based in New York that has gained extensive media coverage because of its refreshing, modern-tinged Islamic designs.

Hailing from Iran, multi-discipline artist Farhad made record as the first Iranian artist to achieve a price of over US$1 million for one of his artworks. Meanwhile, Tunisian graffiti artist El Seed has created “caligraffiti”, a new art genre that intertwine pop culture and Islamic art.

Based in New York and the Middle East, creative firm Studio Basel has also gained media coverage and thousands of followers for their annual International Ramadan Photography Competition project.

The gulf state of Qatar has made art a special priority in its agenda. This year, the Qatar Museums Authority has facilitated art exhibitions featuring the works of British artist Damien Hirst. Another gulf state with an artistic ambition is Abu Dhabi. The emirate has paid around $1.3 billion to use the Louvre name on its museum for 30 years and to bring the renowned Paris museum’s artworks and expertise into the city during this period.
KEY CHALLENGES & OPPORTUNITIES

**CHALLENGES**

- **Financing:** Many niche Islam inspired media and recreation production companies suffer from the obvious need to finance growth and scale. Many of them are seeking Sharia-compliant small business financing options. Given the large and growing segment as presented in this Report, Islamic financial institutions should give this sector serious consideration.

- **Perception & 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 ‘99’ comic series received in the Unites States over its mainstream distribution there.

- **Professional talent:** One of the challenges this segment faces is the availability of both quality creative talent as well as management talent to lead this industry towards its potential. Professional training institutes have yet to look at this space as an area of possible specialization. In addition, top qualified management do not see this space as a viable sector for professional growth and success.

**OPPORTUNITIES**

- **Developing global branded halal integrity-based media concepts:** With a $151+ billion media & recreation consumer market, there are still barely any focused 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 maybe to develop global media/ recreation brands that are inspired by Islamic values.

- **Financing & Investments:** A sizeable market with thousands of small Islamic-values inspired media companies now exist that are attracting millions of consumers. This should be a draw for any media company or investor. Given many of these entrepreneurs will give Islamic finance a priority over conventional solutions, Islamic finance institutions should evaluate this opportunity.

- **Technology/new media:** The mainstream travel industry is harnessing technology to better serve their guests and gain competitive advantage. A mainstream app connects guests’ smartphones with hotels’ front desks so they can request services without having to call the front desk. Muslim-friendly hotels can similarly use smartphone apps connected to the hotel concierge to provide information on halal restaurants, prayer rooms as well as address other Muslim needs. Crescentrating, a halal travel portal, has created an in-flight prayer-time calculator app for Muslim travelers.

- **Islamic Arts & Media Center of Excellence:** As a large number of creative startups inspired by Islamic values and content emerge, there is an opportunity to establish a Center of Excellence to further develop talent, content and best practices. Such a Center can also facilitate best practices in supporting integrity of ‘modesty’ in media and recreation.

- **Marketing partnerships with other Islamic sectors:** Given media and recreation draw large audiences and in this case Muslim audiences, Muslim 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 US and Canada collectively spent an estimated $13 billion on recreation and culture in 2012. This is a large segment in itself with relative homogenous clothing patterns. While small brands exist, there still remains a big opportunity to scale and develop regional media and recreation offerings.
1) Can you describe a brief profile of your company?
Awakening is a pioneering Islamic media company with a focus on book publishing, music and concerts. We identified a gap in the market which we went on to lead — entertaining music within a faith-driven framework. The result was that within two years of launching an Islamic music label, we produced the world’s first global Islamic music icon — Sami Yusuf (who was dubbed by Time Magazine as ‘Islam’s Biggest Rock Star’). Though a British company, Awakening products are enjoyed by millions across the globe both offline and online.

Awakening has also pioneered Islamic music videos with very high standards and has delivered over 500 concerts across the globe in over 46 countries. We were not only able to meet the challenges of the digital and social media age (where many record labels were forced out of business) but actually mastered the art of digital presence and marketing. As of October 2013, Awakening star artist Maher Zain is the most popular Muslim personality on Facebook with close to 10 million likes. Awakening videos on Youtube have generated over 500 million views with Maher Zain being the most viewed artist on Youtube. The transition of the business model to a digital platform was a key strategy in our success. Today Awakening licenses its music to telecom providers such as Vodafone, Etisalat, Mobinil, Zain and others.

2) What social impact have you had?
Awakening pioneered a new market and essentially adopted a blue ocean strategy. This resulted in global visibility and market penetration leading to significant social impact including job creation in many countries, raising the global artistic standards in the Muslim market and raising awareness on charitable causes. Music and philanthropy were successfully synergised in Awakening’s social engagement strategy. In partnership with leading NGOs and charities worldwide, Awakening has helped raise over $10 million to date. Recently, Awakening is working with UN High Commission for Refugees (UNHCR) to help raise
awareness about the plight of refugees worldwide. Awakening has also used music to break down barriers between people of different nations and countries and build better understanding amongst world communities. This is reflected in the multi-cultural and multi-faith make up of Awakening’s music bands. Songs with a humanitarian message are also produced. All of this has resulted in our customers not being limited to Muslim audiences only but also includes people of other faiths and no faith.

3) What are some of the challenges and opportunities you see in this space?
Awakening was founded by three British Muslims and one American Muslim. It started as a small publishing project in Swansea with very little startup capital and has now grown to be a fully operating business and a household brand across Muslim markets. Our journey was not easy. We had no capital to launch the business and invested our own money (whilst we were students). When launching the first ever professionally produced music video in 2003, we struggled to raise the $60,000 needed. Some of us sold our cars, others borrowed money from their grandparents to make it happen. We started without an office or a warehouse and within two years we sold millions of copies of our products worldwide. As founders, we worked without salaries for 5 years and in 2008 we were successful in attracting investors.

Innovation and penetrating global markets was at the backbone of Awakening’s entrepreneurial journey. We were never afraid to experiment. We produced the world’s first Islamic comedy CD with now renowned American Muslim comedian Azhar Usman at a time when communities were skeptical about comedy. We challenged the cultural and religious reservations on music in conservative Muslim audiences. We commissioned a British photographer to tell the journey of British Muslims and their role in Britain through a photography book, exhibition and documentary entitled the ‘Art of Integration.’ Awakening has also demonstrated that halal economy is also a profitable platform. Multinationals and international brands including Mercedes, LG, Co-Cola, McDonalds, Vodafone, Zain, Toshiba, Honda and others have sponsored Awakening products and events. The motivation behind our work was to inspire through music and media — products which captured the imagination of millions of Muslim consumers for whom faith plays an important role. We aspired to show the world that faith and music can go hand in hand and that we can contribute to creating a vibrant and dynamic Islamic culture relevant for the 21st century. There is no doubt that we have now demonstrated this.
1) Can you describe a brief profile of your company?

Aquila Style is positioned as the authority and a resource of all things Islamic lifestyle, delivering curated content through a modern design and seamless integration of technologies. As a unique Islamic lifestyle resource, it speaks to a largely underserved demographic. When compared against other Islamic titles that focus on the printed medium, Aquila Style has established traffic and revenue pillars around its web-based platforms and anchored to its digital magazine.

With more than 370,000 Facebook fans at the moment, the global appeal of Aquila Style is distinctively obvious. Having started its first foray into Bahasa Indonesia in April 2013, Aquila Style is now planning for further language extensions, namely in French and Arabic.

Since switching from print (2010) to ‘live’ (digital) in April 2012, Aquila Style has secured revenue-share deals with Microsoft via their MSN Malaysia and MSN Indonesia portals, as well as securing E-Commerce partnerships with Zalora and Luxola. More than just a digital publishing firm, the Aquila Media Group has a firm strategy to move from the web and digital realms into rich applications that empower: Halal Food and Halal Travel.

All these are important for the brand to tap into unique and growing traffic propositions in order to move beyond digital publishing and into rich mobile applications to further enhance and empower the Muslim lifestyle demographic.

2) How are you catering to the unique needs of the Muslim audiences?

Aquila Style is for the savvy modern-day Muslim woman who appreciates the best that life can offer — while keeping her heart and soul grounded to the essence of the teachings of Islam and Prophet Muhammad (peace be upon him). The Aquila Style brand represents the savvy, bright, thoughtful, understanding,
curious and faithful, and the caring and unselfish modern, cosmopolitan Muslim woman.

Harnessing the best technological advancements in digital publishing and content syndication, Aquila Style educates, empowers and inspires a demographic that embraces the Islamic lifestyle through every digital facet.

3) What are some of the challenges and opportunities you see in this space?
Though magazines like Ala (Turkey) and emel (UK) similarly target Muslim women, both focus on the printed media, standing without a digital pillar — unlike Aquila Style with both magazine (digital) and dynamic online portal. Aquila Style has first-mover advantage in the Islamic lifestyle digital space, and as the 300+K unique users and 2 million page views from the inception year will testify, the brand is moving at an extremely fast pace without a single dollar spent on advertising.

In terms of opportunities, Aquila Style has as we speak has embarked on a journey into the E-Commerce and Halal Food space.
1) Can you describe a brief profile of your company?

My name is Shahed Amanullah, and I am CEO and founder of Halalfire, which is the parent company of zabihah.com. I am the chief architect and designer of zabihah.com, the primary designer of its mobile app, and the creator of the market analysis division, which provides unique and comprehensive data on halal marketplaces around the world. I started the site because I have a passion for halal food. My intention was to serve the Muslim communities in the West, but zabihah.com ended up being a global enterprise within a few years of starting it in 1998. We currently serve over 10 million unique users per year, and have had 500,000 smart phone app downloads. I'm proud to have been a driver of the halal marketplace in the United States and beyond, and I'm happy that my site is helping to develop an appreciation for what halal products offer to humanity. The bulk of our customers are in North America, but we also have significant penetration in Europe, the UK, Australia and New Zealand, and South Africa. Our fastest-growing marketplaces are in Asia, including Singapore, Hong Kong, Thailand, Malaysia, and Indonesia. The company was founded in Silicon Valley, but is now run out of Washington DC.

2) How are the services catering to the unique needs of the Muslim audiences?

We have designed our websites to appeal to the passion of Muslim consumers. In order to do this, we have to respect the sensibilities of our customer base, the diversity of opinion among Muslims, and provide unique tools that cannot be found on other websites. In addition to being a guide to halal food, we position ourselves as a halal advocacy organization. This means that we work hard to bring halal food to the mainstream.
3) What are some of the challenges and opportunities you see in this space?
Because the halal marketplace is still in its infancy in the West, we have a long way to go before the market is mature. This means that we have to do a lot of education, define the halal marketplace in order to reach the maximum number of customers, and push back against those seeking to demonize the Muslim presence in the West.

As the value proposition of halal food breaks free of the core Muslim audience, we have a significant market opportunity in serving the public at large. This requires us to define the halal brand in such a way so as to benefit customers who are not Muslim. I feel this is easy to do, since many Islamic values are also universal values.
1) Can you describe a brief profile of your company?
Gazelle Media was started in 2007, and is a London based media production company. We have been able to harness key talent from the BBC to help create unique content, including a 36 part web based discussion show, Muslim Cafe.tv and a six part series — The Best Of British Islam as well as a number of radio and web projects commissioned for the BBC, and other mainstream broadcasters, including the development and conception of a high profile Ramadan Season for Channel4 UK.

For the past two years we have undertaken extensive research and development into a new platform, that would allow us to distribute content 'on demand', globally.

2) How are the services catering to the unique needs of the Muslim audiences?
The content we produce uniquely understands the needs of contemporary Muslims, who seek media content that meets the high editorial, and production standards of UK/US television and is able to infuse Muslim values into its narrative. This is not theological in nature but more lifestyle and education orientated. We have also developed an extensive network of similar minded producers across the globe and share ideas and developments with them.

3) What are some of the challenges and opportunities you see in this space?
As a SME in a sector that is primarily IP focused we fail to meet the criteria for investment that Islamic finance (IF) applies. Islamic investment is not focusing downwards towards consumer facing products, or seeks to secure its investment through tangible assets. Mainstream PE/VC while cautious are aware of a new consumer market opening up but lack the values or understanding needed in delivering such projects.

IF investors have been unable to provide seed/angel/ or PE investment/help towards the creative sector — despite the growing demand for Islamic inspired fashion, music, holidays, eating out, and ‘apps’.

4) What are future opportunities you see in this space?
Very big opportunities — The right media service, would be the important glue that could both inform investors and inspire consumers to spend, across many aspects of a global Islamic economy. Leading the demand as consumers is the current and next generation of Muslims aged 16-35, who are experiencing and living in a reality that has no resemblance to the previous generations, they seek a new expression of what it means to be ‘Muslim’.

The media that appeals and will cater for this group needs talent and ideas that has mainstream experience and quality and then an awareness of Islamic values, history, culture and aspiration.

It’s a global market of consumers seeking the same content, and through this content the ability to connect consumers with goods and services that meet their needs, provides an opportunity for a whole new industry to emerge.
HALAL PHARMACEUTICAL MARKET

HALAL COSMETICS MARKET
PHARMACEUTICAL & 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. The potential market is significant as well. Muslim consumers globally spent $70 billion on pharmaceuticals in 2012 which is 6.6% of global expenditure. They also spent an estimated $26 billion on cosmetics in 2012 which is 5.7% of global expenditure. 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.
SELECT KEY PLAYERS

GLOBAL BRANDS
- **PFIZER** USA
- **NOVARTIS AG** SWITZERLAND
- **MERCK & CO. INC.** USA
- **SANOFI** FRANCE
- **GLAXOSMITHKLINE PLC** UK

SPECIALTY HALAL PHARMACEUTICAL COMPANIES
- **NOOR VITAMINS** USA
- **NUTRITION ENHANCEMENT** USA
- **SAFWA HEALTH** MALAYSIA

OIC-BASED TOP PHARMACEUTICAL COMPANIES
- **ECZACIBASI HOLDINGS** TURKEY
- **SELÇUK ECZA DEPOSU** TURKEY
- **KALBE FARMA** INDONESIA
- **HIKMA PHARMACEUTICALS** JORDAN
- **CCM CHEMICALS SDN BHD** MALAYSIA
- **JULPHAR** UAE

SUPPLIERS
- **RAW INPUTS**
- **R&D / LABS**

TECHNOLOGY
- **PHARMACEUTICAL PROCESS / EQUIPMENT / TECHNOLOGY**

PHARMACEUTICAL MANUFACTURING
- **PHARMACEUTICAL PRODUCTS MANUFACTURERS**

CHANNELS
- **PHARMACIES**
- **HOSPITALS / CLINICS**
- **CONSUMERS**
- **ONLINE / DIRECT MAIL**
- **LOGISTICS**
- **TRANSPORTATION / FREIGHT**
- **ECO-SYSTEM**
- **MARKETING, TECHNOLOGY, FINANCIAL SERVICES, LEGAL, REGULATION**
MUSLIMS GLOBALLY SPENT $70 BILLION ON PHARMACEUTICALS IN 2012 (6.6% OF GLOBAL EXPENDITURE)

EXPECTED TO REACH $97 BILLION IN 2018 (7% OF GLOBAL EXPENDITURE)

*Only for pharmaceutical manufacturing sectors

OIC EXPORTS = $3 BILLION
0.6% OF GLOBAL EXPORTS

OIC IMPORTS = $29 BILLION
6% OF GLOBAL IMPORTS

TURKEY IS THE TOP EXPORT & IMPORT MARKET

MENA (NON GCC) IS THE TOP IMPORT REGION LED BY ALGERIA, EGYPT & IRAN

GLOBAL MUSLIM MARKET BENCHMARKED AGAINST TOP PHARMACEUTICAL CONSUMER MARKETS (US BILLION, 2012)
TOP MUSLIM CONSUMER PHARMACEUTICAL EXPENDITURES
US BILLION, 2012

1. TURKEY  $10.4
2. SAUDI ARABIA  $5.2
3. INDONESIA  $5.0
4. IRAN  $3.7
5. USA  $3.6

TOP IMPORTING COUNTRIES WITHIN OIC
US BILLION, 2012

1. TURKEY  $4.00
2. SAUDI ARABIA  $3.62
3. ALGERIA  $2.24
4. UAE  $1.71
5. EGYPT  $1.67

Source: State of the Global Islamic Economy Report 2013; Expenditure data based on various National Statistics Agencies/Pharmaceutical Industry Associations; Trade data from UN Comtrade; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; OIC = Organization of Islamic Cooperation (57 member countries)
TOP EXPORTING COUNTRIES WITHIN OIC
US BILLION, 2012

1. TURKEY $0.66
2. INDONESIA $0.43
3. EGYPT $0.30
4. JORDAN $0.25
5. MALAYSIA $0.20

Source: State of the Global Islamic Economy Report 2013; Expenditure data based on various National Statistics Agencies/Pharmaceutical Industry Associations; Trade data from UN Comtrade; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; OIC = Organization of Islamic Cooperation (57 member countries)
**Global Muslim Market**

- **Value Chain**
  - Suppliers: Odoriferous Mixture as Raw Materials, Natural Ingredients, Preservatives
  - Technology: Personal Care Process Equipment/Technology
  - Manufacturing: Essential Oils, Perfumes, Cosmetics, Toiletries
  - Channels: Wholesalers/Distributors, Retailers, Hospitals/Clinics, Online
  - Customers: Consumers

**SELECT KEY PLAYERS**

- **Global Brands**
  - Colgate-Palmolive
  - Avon
  - BASF
  - Procter & Gamble
  - Unilever
  - L’Oreal

- **OIC-Based Cosmetic Companies**
  - Farmasi Turkey
  - Wardah Indonesia
  - Hayat Kimya Sanayi A S Turkey
  - Evyap Sabun Yag Gliserin Turkey
  - Lam Soon Malaysia
  - Mandom Indonesia

**Specialty HALAL Personal Care/Cosmetic Products/Companies**

- Sunsilk’s Clean & Fresh Shampoo: Designed for Women Who Veil Their Hair
- Inglot Permeable Nail Polish
- Ivy Malaysia
- SAAF Cosmetics UK
- One Pure UAE
- Inika Australia

**Global Muslims Spent**

- $26 Billion on Personal Care/Cosmetics in 2012 (5.7% of Global Expenditure)
- Expected to Reach $39 Billion in 2018 (7% of Global Expenditure)

**OIC Exports**

- $2.7 Billion, 2.6% of Global Exports

**OIC Imports**

- $10.8 Billion, 10.9% of Global Imports

**Select Key Players**

- **Global Brands**
  - Colgate-Palmolive
  - Avon
  - BASF
  - Procter & Gamble
  - Unilever
  - L’Oreal

- **OIC-Based Cosmetic Companies**
  - Farmasi Turkey
  - Wardah Indonesia
  - Hayat Kimya Sanayi A S Turkey
  - Evyap Sabun Yag Gliserin Turkey
  - Lam Soon Malaysia
  - Mandom Indonesia

**Global Muslim Market**
GLOBALLY SPENT
$26 BILLION
ON PERSONAL CARE/COSMETICS IN 2012
(5.7% OF GLOBAL EXPENDITURE)
GLOBALLY SPENT
$78 BILLION
ON PERSONAL CARE/COSMETICS IN 2018
(7% OF GLOBAL EXPENDITURE)

OIC EXPORTS
$2.7 BILLION
2.6% OF GLOBAL EXPORTS

OIC IMPORTS
$10.8 BILLION
10.9% OF GLOBAL IMPORTS

GLOBAL MUSLIM MARKET
BENCHMARKED AGAINST
TOP PERSONAL CARE/
COSMETIC MARKETS
(US BILLION, 2012)

GLOBAL PERSONAL CARE /
COSMETICS SEGMENT BREAKDOWN

SKIN CARE 27%
HAIR CARE 20%
MAKE-UP 20%
FRAGRANCE 10%
OTHER (TOOTHPASTE,
DEODORANTS,
SUNSCREENS, ETC.) 23%

UNITED STATES
UNITED KINGDOM
GERMANY
BRAZIL
FRANCE

GCC $3.9 BILLION
TOP IMPORTING REGION

OIC COUNTRIES $0.9 BILLION
TOP EXPORTING REGION

*$data from 55 countries representing 81% of the global economy by size

PERSONAL CARE/COSMETICS TRADE VALUE OF OIC COUNTRIES
*Essential oils, perfumes, cosmetics, toiletries manufacturing
### Top Muslim Personal Care/Cosmetics Expenditure Countries

US Billion, 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Turkey</td>
<td>$4.4</td>
</tr>
<tr>
<td>2.</td>
<td>UAE</td>
<td>$4.3</td>
</tr>
<tr>
<td>3.</td>
<td>France</td>
<td>$1.7</td>
</tr>
<tr>
<td>4.</td>
<td>Russia</td>
<td>$1.6</td>
</tr>
<tr>
<td>5.</td>
<td>Egypt</td>
<td>$1.6</td>
</tr>
</tbody>
</table>

### Top OIC Importing Countries

US Billion, 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>UAE</td>
<td>$2.02</td>
</tr>
<tr>
<td>2.</td>
<td>Saudi Arabia</td>
<td>$1.29</td>
</tr>
<tr>
<td>3.</td>
<td>Turkey</td>
<td>$1.03</td>
</tr>
<tr>
<td>4.</td>
<td>Indonesia</td>
<td>$0.86</td>
</tr>
<tr>
<td>5.</td>
<td>Malaysia</td>
<td>$0.86</td>
</tr>
</tbody>
</table>

Source: State of the Global Islamic Economy Report 2013; Expenditure data from national industry associations, national statistics agencies, Eurostats and DinarStandard Analysis; Trade data from UN Comtrade; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; OIC = Organization of Islamic Cooperation (57 member countries)
TOP EXPORTING COUNTRIES GLOBALLY
US BILLION, 2012

1. FRANCE $15.78
2. GERMANY $10.55
3. USA $10.41
4. IRELAND $7.95
5. UK $5.54

Source: State of the Global Islamic Economy Report 2013; Expenditure data from national industry associations, national statistics agencies, Eurostats and DinarStandard Analysis; Trade data from UN Comtrade; IMF Outlook 2012 Database for projections; Muslim market estimates and Value chain from DinarStandard; OIC = Organization of Islamic Cooperation (57 member countries)
Because of the obligation on Muslims to consume what is Halal (permissible according to Islamic law), consumption of pharmaceutical and cosmetic products also falls under these injunctions. Therefore pharmaceutical and cosmetic products cannot contain any byproducts of Pork or derivatives. 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. Some Quranic verses and a Hadith (deeds and saying of Prophet Mohammad) that illustrate the guidance 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.' But (even so), if a person is forced by necessity, without wilful disobedience, nor transgressing due limits,— thy Lord is Oft-forgiving, Most Merciful." Al-Quran 6:145

“They ask you about wine and gambling. Say, ‘In them is great sin and [yet, some] benefit for people. But their sin is greater than their benefit.’ And they ask you what they should spend. Say, ‘The excess [beyond needs].’ Thus Allah makes clear to you the verses [of revelation] that you might give thought.” Al-Quran 2:219

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."

There is a wide diversity in awareness and adoption of halal cosmetics & pharmaceuticals within the core Muslim customer base globally. Below is a general illustration of some halal cosmetics & pharmaceuticals customer ‘personas.’ (these are illustrative and not meant to be exhaustive) [Fig.7.1]

*FIG.7.1 SHADES OF AWARENESS & ADOPTION — HALAL COSMETICS & PHARMA CUSTOMER*

**1**
- (In Muslim-majority countries)
- Not aware of or concerned about halal certification of pharmaceuticals or cosmetics. Assumes Government has verified it.
- (In Muslim-minority countries)
- Not aware of Halal certification of pharmaceuticals/ cosmetics.

**2**
- (In Muslim-majority countries)
- Has heard of halal certification need for pharmaceuticals or cosmetics. However, assumes Government has verified it.

**3**
- (In Muslim-majority countries)
- Concious of halal certification need for pharmaceuticals or cosmetics. Conciously seeks it or alternatives.
- However not well-informed on what to look for.

**4**
- (In Muslim-minority countries)
- Conciously seeks it or alternatives.
- Well-informed on what to look for.
This Report estimates global Muslim spending on pharmaceutical to be $70 billion in 2012 which is 6.6% of global expenditure. Total global spending on pharmaceuticals is estimated to be US$ 1.094 billion in 2012. The increase to $97 billion by 2018 and will make up 7% of global expenditure.

Comparatively, the global Muslim pharmaceutical market is the third largest market compared to top countries. Pharmaceutical expenditure in the United States was $360 billion in 2012; Japan followed with $128 billion, followed closely by China at US$ 66 billion. [Fig.7.2]

Top countries with Muslim pharmaceutical consumers are Turkey ($10.4 billion), Saudi Arabia ($5.2 billion), Indonesia ($5 billion), Iran ($3.7 billion), United States ($3.6 billion) and Algeria ($3.1 billion) based on 2012 data.

Muslim Minority countries such as the United States ($3.6 billion) Russia, ($ 2.6 billion) France ($2.5 billion) Germany ($2.1 billion) and the United Kingdom ($1.5 billion) account for a total expenditure of $12.3 billion. The combination of these minorities countries, make them larger than the largest Muslim consumer pharmaceutical consumption market, which is Turkey. [Fig.7.3]

A strong indicator of pharmaceutical volume demand and key markets of demand is its trade flow.

OIC member country pharmaceutical imports were $29 billion (6% of global imports). This reflects a major trade deficit as exports from OIC countries as a whole were only $3 billion (0.6% of global exports). [Fig.7.4, 7.5, 7.6]
This Report estimates global Muslim spending on cosmetics to be $26 billion in 2012 which is 5.76% of global expenditure. The sector includes hair care, skin care, fragrance, makeup and other personal care segments (toothpaste, deodorants, others). Total global spending on cosmetics is estimated to be US$ 461 billion in 2012. The Muslim cosmetics market is expected to increase to $39 billion by 2018 and will make up 7% of global expenditure.

Compared to other countries, the global Muslim cosmetics market is the sixth largest market compared to top countries. Cosmetics expenditure is the highest in the United States ($78 billion), followed by United Kingdom ($40 billion), Germany ($34 billion), Brazil ($32 billion) and France ($32 billion). [Fig.7.7]

Top countries with Muslim cosmetics consumers are Turkey ($4.4 billion), United Arab Emirates ($4.3 billion), France ($1.7 billion), Russia ($1.6 billion) and Egypt ($1.6 billion) based on 2012 estimates.

Muslim minorities countries such as France ($1.7 billion), Russia ($1.6 billion), United Kingdom ($1.5 billion), Germany ($1.4 billion), the United States ($0.8 billion), Italy ($0.7 billion) and Canada ($0.6 billion) account for a total expenditure of $8.3 billion. Collectively, these Western Muslim markets are larger in cosmetics spending than the largest Muslim-majority cosmetics market — Turkey. [Fig.7.8]
HALAL PHARMACEUTICAL INDUSTRY — VALUE CHAIN IMPACT:

- The key segments of the global pharma industry value chain are raw inputs that include bile and other animal glands for pharma preparation. The product then passes through the pharmaceutical product manufacturing stage and reaches pharmacies, hospitals/clinics and online/direct mail distribution channels during the final stage of the value chain. [Fig.7.9, 7.10]

**FIG.7.9**

<table>
<thead>
<tr>
<th>PHARMA SEGMENT</th>
<th>PHARMA IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Suppliers</td>
<td>Use of halal raw supplies</td>
</tr>
<tr>
<td>Product Manufacturing</td>
<td>Ensuring the compliance of Halal rules during manufacturing</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Reaching appropriate markets and supplying demand</td>
</tr>
<tr>
<td>Financial services</td>
<td>Supporting sharia-compliant financing</td>
</tr>
<tr>
<td>Logistics</td>
<td>Transportation and freight</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing campaigns that consider unique Muslim values</td>
</tr>
<tr>
<td>Compliance, Training</td>
<td>Ensuring compliance and enforcement of various relevant sharia laws</td>
</tr>
</tbody>
</table>

**FIG.7.10 HALAL PHARMACEUTICAL INDUSTRY — VALUE CHAIN**

Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC)
HALAL COSMETICS — INDUSTRY VALUE CHAIN IMPACT:

- 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. [Fig.7.11, 7.12]

### FIG.7.11

<table>
<thead>
<tr>
<th>COSMETICS SEGMENT</th>
<th>COSMETICS IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Suppliers</td>
<td>Use of halal raw supplies</td>
</tr>
<tr>
<td>Product Manufacturing</td>
<td>Ensuring the compliance of Halal rules during manufacturing</td>
</tr>
<tr>
<td>Manufacturing of Preservatives</td>
<td>Reaching appropriate markets and supplying demand</td>
</tr>
<tr>
<td>Financial services</td>
<td>Supporting Sharia-compliant financing</td>
</tr>
<tr>
<td>Logistics</td>
<td>Transportation and freight</td>
</tr>
<tr>
<td>Marketing</td>
<td>Marketing campaigns that consider unique Muslim values</td>
</tr>
<tr>
<td>Compliance, Training</td>
<td>Ensuring compliance and enforcement of various relevant sharia laws</td>
</tr>
</tbody>
</table>

### FIG.7.12 HALAL PERSONAL CARE/COSMETICS INDUSTRY — VALUE CHAIN

Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC)
SELECT KEY PLAYERS:

The pharmaceutical industry is a lucrative one with a few global players such as Pfizer, Novartis and GlaxoSmithKline — known also as “The Big Pharma” — dominating the industry. New entrants generally face challenges in reaching or increasing their economies of scale. The nature of the industry also requires players to invest a significant amount of capital in R&D. While the big pharma companies are certifying their products halal for Muslim markets, niche players are also emerging. In addition, select major pharmaceutical companies based in OIC countries are also taking special interest in the halal concept.

CCM Berhad (Malaysia)
CCM is a pioneer in the halal pharmaceuticals sector and the first GMP-Pharmaceutical certified manufacturer to obtain the “Halal Malaysia” certification for its range of health supplements in 1999 under Halal Food Standard. Recently, together with its Over the Counter (OTC) range, they were also certified halal under the Halal Pharmaceuticals Standard. CCM’s products are exported to ASEAN countries and some of MENA and Eastern European countries. Their pharma facilities have been certified a GMP-Pharma facilities by Saudi Arabia’s FDA, Australian TGA, and Malaysia’s NCPB who is a member of the European PIC/SS.

Kalbe Farma (Indonesia)
Kalbe is one of the largest and oldest pharmaceutical companies in Indonesia with over US$ 1 billion in market capitalization. The company’s products range from health drinks to prescription pharmaceuticals. The Company has brands in the prescription pharmaceuticals, OTC pharmaceuticals, energy drink and nutrition products, with a stated packaging and distribution arm that reaches over 1 million outlets.

Noor Vitamins (USA)
Noor Pharma is the first US-based halal pharmaceutical company. The company produces a range of affordable, halal health supplements. Noor Vitamins has worldwide online ordering available through Amazon.com.

Pfizer (USA)
Pfizer, one of the world’s largest pharmaceutical companies, has various products that are Halal certified. Capsugel, a division of Pfizer, produces two-piece empty capsules that are halal-certified by IFANCA. Pfizer produces two types of capsules; one from halal-certified gelatin and the other from vegetable ingredients. These capsules are purchased by companies that make nutritional supplements and vitamins.

Safwa Health (Australia)
Safwa Health range of products are claimed to be one of the few 100% halal health supplements manufactured in Australia, certified halal by the Australian Federation of Islamic Councils (AFIC) and endorsed by Jabatan Kemajuan Islam Malaysia (JAKIM). It offers consumers vitamins, minerals, nutritional supplements and herbal remedies. It follows Good Manufacturing Practices at the point of production by Catalent Australia Pty Ltd and Nutra-Life Health & Fitness (NZ) Ltd, world-class health supplement manufacturers.

Juphar (UAE)
Juphar is a Ras Al Khaimah, UAE based leader in production and distribution of pharmaceutical products. It was established in 1980 and is one of the largest pharmaceutical distributors in the Middle East and North Africa (MENA) region. Their presence expands across five continents, with a particularly strong presence in the Middle East. The Company states having 3,537 registered products across the world.

Select companies addressing the halal cosmetics market are as follows:

Wardah (Indonesia)
Wardah is one of the first halal cosmetics brands in Indonesia. Now, it has become the preferred makeup brand of leading Indonesian television stations. Available in major department stores across Indonesia.

Ivy Beauty Corporation (Malaysia)
Ivy markets cosmetics and skin care products under the brand names Ivy, Leivy, Natifa and Man. Internationally the company’s products have presence in Indonesia, Brunei, Thailand, Vietnam, Cambodia, Mauritius, Madagascar and South Africa, and is currently making inroads into the Middle East and African countries.

Pure Halal Beauty (UK)
PHB provides vegan and halal-certified beauty products consisting of nearly 80 unique cosmetic and skincare items. In addition to its online store, PHB also sells through its physical stores in the UK and Brunei area.

OnePure (UAE)
After her conversion to Islam, makeup artist Layla Mandi created One Pure, a skincare line that “applies Sharia-compliance to its entire value chain”. It positions itself as a luxury halal beauty product specifically formulated for harsh weather climates of the MENA region. OnePure has presence in UAE and North America and also sells online from http://www.ONEPUREHALALBEAUTY.COM

Tanamera Tropical Spa (Malaysia)
Tanamera Tropical Spa is a Malaysian company that specializes in the designing, manufacturing and marketing of Tropical Natural Personal care products. At the moment Tanamera is exported into countries such as Saudi Arabia, Vietnam, Denmark, Russia, Czech Republic, Denmark, Russia, USA, Germany, Belgium and soon Qatar.
RECENT INDUSTRY ACTIVITIES & TRENDS:

PHARMACEUTICALS:

- **Halal vaccine hubs**: Increasing consumer awareness of the halal concept has pushed pharmaceutical companies to pay more careful attention to the halal status of their medicine ingredients. Such concern is even more profound in halal-conscious nations such as Malaysia and Brunei Darussalam. Malaysia has expressed its hope of becoming the world’s hub for halal vaccines, while Brunei plans to finish the development of its first halal-certified pharmaceutical plant by end of this year.150

- **Vaccine controversies**: The issue of vaccines has been a controversial one for many Muslims. For example, while many Muslim scholars have issued edicts that polio vaccine is allowed and even recommended under Islamic jurisprudence151, many Muslims still refuse to vaccinate their children due to various reasons.152 Another example concerns the halal status of meningitis vaccine. The vaccine is required for hajj pilgrims but the halal status of the variants that are available in the market have been contested.153

- **Regulation pushback**: For established companies in the pharmaceutical 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.154

- **Emerging halal-certified companies**: Many firms see the opportunity in the market. CCM and others highlighted earlier are offering halal products. US-based Noor Vitamins155, for example, was created to fill the need of high quality, halal-certified multivitamins. Another US-based company, Nutrition Enhancement is producing halal-certified prenatal multivitamin. Malaysia’s state of Selangor’s subsidiary company, Worldwide Medivet Sdn Bhd, has invested RM80 million to set up halal surgical suture manufacturing.

COSMETICS/PERSONAL CARE:

- **Increasing awareness of the transdermal nature of cosmetics**: An increasing number of Muslim consumers are realising the transdermal nature of cosmetics, and thus are concerned about what ingredients are slowly being absorbed into their body. Driven by this need as well as a rising global demand of organic and healthy products, halal-certified cosmetic brands are emerging in many countries.

- **Organic/Vegan-friendly cosmetics cross-over**: Many halal-certified cosmetics are being started by health-conscious entrepreneurs, either with or without a Muslim background. Australia-based INIKA156, for example, is conceived by CEO Miranda Bond after her health problems led her to find a healthier alternative for her cosmetics. Just like INIKA, many other organic and vegan-friendly cosmetics have also received halal-certification and thus have enlarged their customer base to include the Muslim community.

- **An innovation from Poland**: A cosmetic product taking the world by storm this year is O2M nail polish, which is produced by Poland-based Inglot Cosmetics. O2M uses a new type of polymer that allows moisture and oxygen to permeate the polish, and hence possibly “wudu (ablution)-friendly”. Though there is yet a solid certification for this claim, O2M polishes are already flying off the shelves in the countries where they are marketed.158 The success of O2M hints of the tremendous untapped potential of the halal cosmetics industry. With increased consumer knowledge and preference for halal-based products, large and multinational cosmetics companies will soon no longer be able to ignore this niche.

While there is a sizable potential in the halal pharmaceutical industry, infrastructure and regulatory challenges must be overcome to boost growth.
CHALLENGES

- **Regulations/certifications**: Difference in certification standards and regulations may become one of the main growth challenges for Halal pharmaceuticals sector especially. As has already been seen in Indonesia, making mandatory halal regulations for pharmaceuticals is getting industry pushback.

Also, certification process and standard may differ from country to country and one certification body to another. For example, there are different schools of thoughts about whether the use of alcohol-based products in cosmetics is allowed. Similarly, the cochineal insect, which is used in cosmetics to produce a red dye, is considered haram (unlawful) in Canada but is deemed halal by Majelis Ulama Indonesia (Indonesia’s main halal certification body).

- **Long product development cycles**: Pharmaceutical companies have been challenged to develop halal ingredient substitutes as well as ensure the integrity of the full process due to the time required to develop a new pharma products. This challenge coupled by weak consumer awareness and push has limited many to not invest in a big way. However it is expected that OIC governments will begin being stricter on this.

- **Controversy in vaccines**: Controversy on vaccine usage and its health and halal concerns are common among consumers. This is an area that the industry should address through education, transparency and regulation/compliance.

- **Education and awareness**: It is true that increased consumer knowledge of halal cosmetics ingredients and the global trend of healthy lifestyle are pushing the growth of the halal-certified cosmetics however this is still a very small segment. Majority of the consumers (especially in Muslim majority markets) are ambivalent or unaware of non-allowed ingredients in medicine or cosmetics.

- **Positioning & marketing**: The cosmetics sector especially challenged by how best to position and market its Halal credentials, especially in an industry where the products are associated with glamour and perceived beauty. As is the case with the Muslim fashion industry, the halal cosmetics sector is frequently under criticism for displaying and promoting the physical aspects of a woman. Great sensitivity of different Muslim markets is required by the industry.

OPPORTUNITIES

- **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 pharmaceutical and cosmetics value chain. For example, since 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.

- **Decorative products**: Although personal care products tend to have a steadier growth rate compared to makeup 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.

- **Halal integrity based market expansion**: Given the significant size of the Muslim pharmaceutical cosmetics market, opportunity exists for current players to expend into this segment. Halal ingredient integrity especially crosses over to the organic cosmetics and medicine space as well as presenting product concepts with wider positioning that cater to both Muslim and the global ethical market.

- **OIC exporters/producers**: OIC countries have many major large pharmaceutical companies (eg. Julphar, Eczacıbaşı’s, Hikma, Kalbe Farma and many others). These companies already have the infrastructure and resources to engage this market segment in a much focused way. Halal ingredients focused R&D with patentable products is an opportunity for pharmaceutical industry players from OIC countries.
The Islamic Food and Nutrition Council of America (IFANCA) is a non-profit organization dedicated to promote halal food and the institution of halal. IFANCA is headquartered in Chicago, Illinois, in the USA, and maintains several offices in the USA. It also has representatives in Canada, Europe, China, Malaysia, India, Pakistan, and Singapore. IFANCA certifies halal food products in over 50 countries around the globe and its certified halal products are sold in nearly every major country of the world.

IFANCA certifies halal products in all food and consumable product categories, as well as vaccines and pharmaceuticals. It also certifies halal cosmetics, packaging materials, and sanitation chemicals. Its pharmaceutical clients include Merck, Pfizer and GlaxoSmithKline.

IFANCA has been recognized and endorsed by the following religious and governmental organizations: Malaysian Department of Islamic Development (JAKIM), Central Islamic Committee office of Thailand, Majelis Ulama Indonesia (M.U.I.), Majlis Ugama Islam Singapura (M.U.I.S.), Muslim World League, Saudi Arabia, USDA/FSIS International Programs, United Arab Emirates (GSM).

1) Can you describe a brief profile of IFANCA’s experience with global pharma companies?
Pharma companies have not been proactive when it comes to halal and the time required to develop a new pharma products is long, ten years or so. One needs to begin the product development on a halal basis in order to reasonably develop a halal pharma product. The use of pig enzymes and gelatin is the main problem in the industry. Pharma buyers need to insist on more halal pharma products.
2) How are your products & services catering to the unique needs of pharmaceutical companies with Muslim audiences?
We have helped develop or modify a number of vaccines to make them halal. We also developed a supply chain for halal gelatin that is used to produce nutritional supplements and some drugs.

3) What are some of the challenges and opportunities you see in the halal pharmaceutical sector?
The lack of awareness among Muslim consumers about pharma ingredients and the lack of concern among the industry for producing halal pharma products are the main challenges that need to be addressed to make more halal pharma products available. Other challenges are the availability of halal raw materials and overcoming pharma developer lack of experience working with halal raw materials.

Making halal pharma products may increase pharma sales and market share for those companies producing them and may save some lives. But the main opportunity may be the goodwill gained by the companies producing halal pharma and the governments or organizations supporting them.
1) Can you describe a brief profile of your company?

My name is Faiza Hussain I am a young Muslim entrepreneur who founded H&O Skincare, an ethical skincare range inspired by my travels around North Africa and Asia. Though my faith overall motivated me to start my own skincare range, I view Islam as a way of life. My faith encourages me to be aware of what I drink, eat and what I put in/on to my body.

This highlighted the importance of daily matters such as what was actually in my skincare products, as majority of products were riddled with harsh chemicals, alcohol derivatives and pork fat substances. It motivated me to make an organic skincare range for myself and my family which is entirely free from alcohol, animal and chemical substances. A skincare range I could use with ease knowing all the ingredients are completely natural and without alcohol and animal content.

H&O Skincare is inspired by a vision that is founded on a natural approach with freshly handmade and organic skincare. All chemical, alcohol and animal free ingredients that are sustainable and locally sourced from organically certified independent suppliers. They are mainly British companies that also support fair trade initiatives.

H&O Skincare is an online based business, with a worldwide customer base mostly popular in the UK, Africa, Australia and the Middle East. Our skincare range has been carefully formulated from organic plant oils and plant extracts which are designed to nourish the skin and respect the environment. Our skincare range currently consists of 12 products, cleansing and exfoliating clays, moisturisers, repair serums, eye care and lip care. As a growing business we have had press coverage at the Islamic website Green Prophet. We have exhibited at the Halal Food Festival 2013 and will be exhibiting at Global, Peace and Unity 2013.

We are online-based, we do not have a HQ but we have a kitchen warehouse where myself and my team hand make the skincare products.
2) How are you catering to the unique needs of the Muslim audiences?
All of skincare products are free from alcohol and animal substances; alcohol in skincare products is known to strip away the healthy oils on the surface of the skin and has a notable drying effect. This can cause irritation, especially for those with already delicate, dry or sensitive skin. Alcohol based ingredients within skincare products can also increase the penetration of other ingredients through the skin, transporting them into our bodies.

3) What are some of the challenges you are facing in this space?
The fundamental challenges in setting up H&O Skincare were to begin with making decisions of recycling and reprocessing of items when they reach end of life as all of the products are completely chemical free using natural preservatives to hold the shelf life. We reviewed these challenges from the very beginning, so all of our products are handmade in small batches so they can last longer and to prevent wastage. There is a vast interest from investors, though all products are handmade by a small team here in the UK we aim to work with investors in the near future which also support similar economically ethical and fair trade initiatives.

The challenges would be marketing in the right geographic areas, and what method of advertising would be appropriate. Getting people to trust the brand is also an important factor in any growing business which can be challenged, we overcome these challenges by attending exhibitions and meeting with customers at events and being honest with them.

4) What are future opportunities you see in this space?
The vision for the future is for H&O Skincare to become a household skincare product internationally, encouraging customers to take things back to basics and use only the very best naturally preserved chemical free and organic ingredients that nourishes the skin and respects the environment. As an independent business our aim is to demonstrate the importance of making a living whilst maintaining focus on the effects businesses of any size can have on the environment.

Our vision is for our skincare range to be a household product internationally and available to all Muslims which also find the importance in using chemical, alcohol and animal free skincare products. In 3-5 years we would like to introduce our natural eco ethical products to spas and independent stores which also support economically ethical initiatives.
This Report has established the existence and tremendous potential of the major Islamic economy sectors. As articulated in the definition section, the underlying driver and point of convergence for all these sectors are the common set of potential customers. A Halal food customer is a potential Islamic finance customer and is also a potential halal conscious travel, media and recreation customer. In addition, the same Halal food customer who maybe a business owner is also seeking Islamic business financing and insurance and other services that are Islamic values driven.

Given this reality of a common Islamic economy customer, the big two sectors of Islamic Finance and Halal food have pretty much been developing in isolation so far. Rushdi Siddiqui, an Islamic economy visionary and expert, has famously said, “Islamic finance and the halal food industry are twins separated at birth.”
The numbers in this regard are also clear. In an analysis of private equity, venture capital deals or mergers and acquisition tracked by Zephyr, a global deals data provider, only 17 completed transactions relating to Halal food-related companies are reported with the seven disclosed deal amounts adding to $22 million only. Obviously, very little Halal food transactions are currently underway. However, the broader food and agriculture segment within OIC countries has seen 340 completed transactions (2011-2013) with total disclosed value of transactions at $14.9 billion.

The opportunity however exists for these Islamic economy sectors to connect and leverage the common Islamic values platform to scale, to enhance their reach, and to improve operational efficiency through best-practices sharing. Synergy between Islamic economy sectors can enhance the Islamic economy space as an overall.

This Report identifies five key areas of connectivity for the Islamic economy sectors. The most prominent is access to Islamic capital which all segments of the Islamic economy are seeking. Other areas of connectivity include distribution & marketing, standards/regulation/compliance, education & training services, and legal/other professional services.

**ISLAMIC CAPITAL**

Associating Islamic Banking with Islamic business opportunities intuitively seem to go hand in hand. The excess supply of capital within the Islamic finance sector can easily meet the investment needs of some growing industries such as Halal food, pharmaceutical, travel and others highlighted in this report.

Associating Islamic Banking with Islamic business opportunities intuitively seem to go hand in hand. The excess supply of capital within the Islamic finance sector can easily meet the investment needs of some growing industries such as Halal food, pharmaceutical, travel and others highlighted in this report.

The halal food & lifestyle sectors offer a ready pool of budding entrepreneurs. With a mostly fragmented landscape of companies in the halal food and lifestyle sectors, Islamic finance has an opportunity to lead. It very well maybe that halal food & lifestyle sector entrepreneurs will wither away or struggle without effective Islamic capital deployment. Conversely these sector maybe just the next launching pad for Islamic finances growth.
The halal food sector provides the most viable investment opportunities given the sheer size and momentum around it. However, this does require long-term (5-10 year) investment horizon to build sustainable brands (with 5-15 times returns/25-50% IRR in food industry).

New halal food-dedicated funds are in consideration but have yet to take off. A $500 million dollar equity fund, Azka capital, was launched earlier this year by former Malaysian Prime Minisiter Abdullah Badawi. Such investments will also support halal integrity across the value chain.

In the travel-related sector, hotels & resorts in particular provide tremendous opportunity given the success of mega properties such as Caprice Gold in Turkey and Jawahra Hotel in UAE as well as others in Malaysia and Egypt.

Media and recreation companies can become the strongest connectivity sectors having greatest appeal to the global Muslim population. Muslim 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. The success of Awakening Records is a strong business case for reviewing digital media driven investment opportunities.

For the most part, Halal food and lifestyle sector investment and financing opportunities is a SME/Venture capital financing need. While large sized Sukus have been the focus of the Islamic Finance industry (necessary to build scale and visibility,) Islamic capital has notoriously been risk averse to promising startup ventures. Many entrepreneurs in the Halal food space have been frustrated with limited Islamic capital options for this segment. Saffron Roads (US based premium organic and halal frozen food line) had been successful with western VC firms after little appetite shown from Islamic capital providers. While the aggregate risk of funding smaller enterprises is higher, the individual risk is lower and easier to control. Smaller enterprises require less initial funds and offer a direct channel of communications with their respective lenders. The simplicity of their operations also makes it easier for Islamic banks to monitor and intervene when necessary.

It very well maybe that halal food & lifestyle sector entrepreneurs will wither away or struggle without effective Islamic capital deployment. Conversely these sector maybe just the next launching pad for Islamic finance growth.

STANDARDS/REGULATION/COMPLIANCE

Islamic finance has made major headways in establishing acceptable global standards and regulatory environment. Conversely, the halal food sector is struggling to establish a common set of standards. Much learning can be shared and managed across the sectors to improve the overall confidence in the Islamic economy. In addition the shortage of Sharia scholars versed in Islamic economic concepts as well as modern industries is something that could be better addressed across the sectors.

EDUCATION & TRAINING SERVICES

As of 2012 there are 113 institutions offering degrees in Islamic finance. Few Institutions have started offering Halal food compliance and process management related education. The travel industry has also expressed need to better train staff and management. Given the common underlying principles, an opportunity exists to leverage and scale common baseline education and training services.

LEGAL/OTHER PROFESSIONAL SERVICES

Many global and regional law firms have setup dedicated Islamic finance related practices. Similarly, dedicated accounting and professional services practices are also quite active. Similar to education and training services, given the common customer base, these firms can evaluate opportunities to expand into the related Islamic economy sectors.

DISTRIBUTION & MARKETING

Given that the Islamic economy sectors share the same customer base, they should be able to cooperate closely in cross-marketing, branding and distribution. Islamic media could become the conduit to connect these sectors to the customers. Customer intelligence and insights is another common need that can be shared and leveraged. OgilvyNoor, JWT, Gallup, DinarStandard and others have already produced Muslim consumer insights for marketing, branding and customer development. Deeper sector and regional insights can be developed across sectors.
Innovation, especially technology driven, is disrupting industries and sectors across the world. It is the key enabler for new companies to start small and challenge larger established players and whole industries. The Islamic economy sector is certainly seeing entrepreneurs delivering technology enabled innovations. They are acknowledged earlier in the Report as one of the driving-forces developing the Islamic economy sectors. However, innovative solutions are far and few relative to the potential. An innovative culture and ecosystem needs to be effectively leveraged and supported to realize continued growth and potential of the Islamic economy sectors.

Following are key areas for continued innovation in the Islamic economy sectors.

**DEDICATED MUSLIM MARKET INNOVATIONS:**

Tremendous opportunity exists for entrepreneurs to continue to innovate and develop high quality solutions to cater to faith driven needs of the Muslim consumers. Some excellent examples are as follows:

- **In-flight prayer app:** CrescentRating has launched an iPhone app addressing the challenge of knowing proper prayer timings when in long flights as well as direction. The app alerts Muslims when to pray and in which direction they should face even when they’re 30,000 feet in the air.

- **The “World's first physiological prayer mat”:** TIMEZS™ has taken one of the most common belonging of every Muslim household, a prayer mat, into a next generation wellness product. A former NASA scientist, a team of psychologists and design specialists have developed a prayer mat that helps relieve pain and stiffness, improves posture and boosts energy during prayer.

- **Breathable nail-polish:** A breathable nail polish line by Inglot Cosmetics based in Poland was developed that found a surprising customer base in Muslim women. The nailpolishes may have created a solution to a challenge that Muslim women face in performing ‘wudu’ or obligatory ablution for formal daily prayers.

- **Hajj Locators:** A set of mobile services have been developed to address the growing challenge for locating thousands of pilgrims during pilgrimage as many get lost or get sick.

- **Special Shampoo:** To address the unique hair-care needs of women wearing a the hijab, Sunsilk has positioned a line of shampoos that address this need.
INNOVATE FOR A GLOBAL MARKET:

The next phase of Islamic economy sector evolution is innovating to deliver solutions that cater and appeal to a global audience with common underlying values. The examples are far and in few in this regards, however below are some trail-blazers:

- **Saffron Road**: Saffron Road is a US based company that debuted July 2010 in Whole Foods stores as the world’s first all-natural, Halal-certified, anti-biotic free, and certified humane frozen entree. Today it is a leading example of a Halal certified food product with a wider organic food appeal with successful distribution across the US. In the CEO, Adnan Durrani’s words, “we are building a Halal brand based on ethical consumerism: antibiotic-free, hormone-free, sustainably-farmed, and Certified Humane™”

- **The 99**: Teshkeel Media developed THE 99, the first group of superheroes born of an Islamic archetype as a comic books series, a theme park and a global televised animation that is presently airing in over 70 countries. THE 99 has impacted children in over 70 countries simultaneously airing on television in China, the US, South American, Middle East and parts of Europe.

- **Amana Funds**: Amana Mutual Funds were founded in 1984 in the USA and now represent 2 of the largest Islamic public equity mutual funds in the world.

LEVERAGING DISRUPTIVE TECHNOLOGIES:

Islamic economy sectors will have to be globally competitive in order to realize their potential and satisfy their core customers’ needs in a quality and engaging way. One of the key drivers of competitiveness will be technology driven innovation. Following are top disruptive technologies as highlighted by a recent McKinsey Global Institute Report:

**FIG. 9.1 TOP DISRUPTIVE TECHNOLOGIES WITH LARGEST POTENTIAL ECONOMIC IMPACT BY 2025**

1. Mobile Internet
2. Automation of knowledge work
3. Internet of things
4. Cloud
5. Advanced robotics
6. Autonomous and near-autonomous vehicles
7. Next-generation genomes
8. Energy storage
9. 3-D printing
10. Advanced materials
11. Advanced oil & gas exploration and recovery
12. Renewable energy

Malaysia has been a pioneer in the Islamic finance and halal food space. It has the most mature and diverse Islamic finance ecosystem and has also led the development of the organized global ‘Halal’ food and lifestyle market. At the same time, GCC nations of the United Arab Emirates, Saudi Arabia, Qatar, and Bahrain have driven Islamic capital growth and investments. Given the diverse sectors covered in the Islamic Economy, it is fair to expect multiple centers of Islamic economy, each with a distinct set of competencies.

As presented in this Report, the collective Islamic economy sectors have developed to a point where they are primed for convergence. The convergence between Islamic economy sectors is strongly expected to enhance the Islamic economy space overall given the strong synergy as described earlier. This potential of the Islamic economy synergies gives various countries the opportunity to propel themselves as well as the individual Islamic economy sectors to the next level of evolution.

With Dubai launching, ‘Dubai Capital of Islamic Economy’ strategy and initiatives, and Turkey taking several steps towards enhancing Islamic economy sectors of Islamic finance, halal food and travel, and United Kingdom announcing the first major Sukuk issuance by a non-Muslim majority country, the space is poised for its next phase of evolution. This competition can only be healthy for the development of market efficiency, innovation, and customer options.

In an analysis of countries based on 11 criteria covering multiple Islamic economy sector strengths and reach, the following countries have the strongest potentials to develop further as centers of the Islamic economy. [Fig.10.1]

Malaysia has the strongest potential as the center of a comprehensive Islamic economic sector and is expected to maintain a strong presence in it. However, Malaysia may have reached a point of stagnation with limitation to its reach and impact. UAE (Dubai) is well-placed to take a leadership role in the next evolution of these sectors given its recently announced Capital.
of the Islamic Economy strategy and initiatives. Other major centers of the Islamic economy are Saudi Arabia, Turkey, and Indonesia. [Fig. 10.2]

**MALAYSIA**

Malaysia is currently the top most center of Islamic finance activity with total current Islamic finance assets estimated at $412 billion (based on 2012 estimate covering banking, takaful, Sukuk, funds and other financial institution activity). It also has a mature regulatory environment and a strong ecosystem of research and training. Malaysia is further enhancing its critical role in the international financial market by investing in a Socially Responsible Investment (SRI) Sukuk and Environmental, Social and Governance (ESG) index.

On the halal food and lifestyle front, Malaysia has been a pioneer in highlighting and investing in the potential of a global halal market. It has once again one of the most mature and strongest halal food regulatory and compliance environment and also has a large halal export segment. Malaysia is aiming towards becoming the world’s leading halal hub, as outlined in the Third Industrial Master Plan, 2006-2020, with priority to have supportive infrastructures. The halal companies established operate on a domestic level such as Nestle Malaysia with its seven halal factories, which is also distributing internationally. In addition, Unilever, Ayamas, Brahim’s Holdings Bhd, Charoen Pokphand Malaysia (chicken processing division, part of Charoen Pokphand Thailand) are also some of the key players of Malaysia’s halal industry.

CCM is the largest halal certified pharmaceutical manufacturer with more than 100 Halal certified products including over-the-counter (OTC) products.

Before sharing its halal practices with the rest of world, Malaysia has ensured that its internal framework supports proper halal practices. Recently, there has been enhancement on Malaysian halal certification through the requirement of a Halal Assurance Management System and appointment of an additional 222 officers to support halal enforcement activities.

In the travel space as well Malaysia is both a major global travel destination and ranked as the top destination for Muslim tourists (by number of arrivals).
UNITED ARAB EMIRATES

UAE is currently the 4th largest center of Islamic finance activity with total current Islamic finance assets estimated at $118 billion (based on 2012 estimate covering banking, takaful, sukuk, funds and other financial institution activity).

From the UAE, Dubai has established itself as a major Islamic and global finance center as well as a global tourism, trade and logistics hub. It is also the third most popular travel destination for Muslims globally and is a major food trading center. Companies such as Al Islami Foods are leading the development of the Halal food market regionally. Given its geographic location at the center of the Islamic economies, an open market driven economy, and the launch of its ‘Capital of the Islamic Economy’ strategy and initiatives, Dubai is poised to lead the Islamic economy sectors into its next phase of its evolution.

Dubai’s strategy to be the capital of the Islamic Economy is being targeted to be achieved in three years and is based on seven pillars. These pillars include the establishment of Dubai as an international centre for Islamic finance, Halal industries, family-friendly travel, the Islamic digital economy, the capital of Islamic art and design, a centre for Islamic economy standards and certification, and international centre for Islamic information and education.

The Jeddah-based Islamic Development Bank (IDB) is considering creating an Islamic bond issuance program in Dubai, in what would be a large step toward Dubai’s ambition to become a global center for Islamic business.

Abu Dhabi, the capital of the UAE is also driving a concrete action plan in specific regard to halal meat production. The ultimate aim is to increase internal halal meat production and translate the current basic and hobby-centered opportunity into a more commercial one. A $91.3 investment with Brazilian food producer BRF is being done in hopes of lessening the current food import dependency in the UAE. The local food production facility that BRF will establish by 2014, has the potential to produce 80,000 tons annually and will give an opportunity to BRF to cater to local tastes and preferences.

SAUDI ARABIA

Saudi Arabia is currently the secondlargest center of Islamic finance activity with total current Islamic finance assets estimated at $270 billion (based on 2012 estimate covering banking, takaful, Sukuk, funds and other financial institution activity).

Saudi Arabia is also taking initiatives to improve its halal meat integrity and management processes. It is the largest ‘meat and live animals’ importer within the OIC countries. The Saudi Food and Drug Authority (SFDA) is working on refining halal standards for food, drugs, medical devices etc. The first ever conference on the control halal food, administrated by the Saudi Food and Drug Authority was held in Riyadh in 2012. There was a wide consensus among the delegation to improve diligence on Halal food integrity. This includes paying closer attention to issues ranging from mechanical slaughter methods to what the livestock was fed throughout its lifetime.

While Saudi Arabia is not a top Muslim tourism destination, it is the center for annual pilgrimage as well as Umrah. With major initiatives to expand pilgrimage capacity, the estimated total Hajj/Umrah expenditure which was $15.6 billion in 2012 is expected to reach $22.5 billion by 2018.

Malaysia is the strongest as the Center of a comprehensive Islamic economic sector and is expected to maintain strong presence in it. However, Malaysia may have reached a point of stagnation with limitation to its reach and impact. Dubai is well placed to take a leadership role in the next evolution of these sectors given its recently announced focus. Other major Centers of the Islamic economy are: Saudi Arabia, Turkey, and Indonesia.

TURKEY

Turkey is currently the the eighthlargest center of Islamic finance activity with total current Islamic finance assets estimated at $38 billion (based on 2012 estimate covering banking, takaful, sukuk, funds and other financial institution activity). However it has the largest universe of potential Islamic banking assets within the OIC markets. Turkey is one of the fastest growing global travel destinations and ranked as the second most popular destination for Muslim tourists (by number of arrivals).

Turkey only started doing halal certification in 2009 and as of now only a small percentage of the potential for the halal market has been realized. The Standards and Metrology Institute for Islamic Countries has been established by the
OIC whose aim is to harmonize standards amongst countries that have signed the SMIIC statute. Turkey is also the second largest food consumption market within the OIC countries highlighting its large potential customer base. It is a major emerging global economy with strong access to European as well as Asian markets.

INDONESIA

Indonesia has the largest Muslim population in the world and has the largest economy by GDP among the OIC member countries. However, it is only the ninth largest center of Islamic finance activity with total current Islamic finance assets estimated at $33 billion (based on 2012 estimate covering banking, takaful, Sukuk, funds and other financial institution activity).

While Islamic finance has been slow in developing, there is an emerging segment of entrepreneurial ventures around halal media, fashion and other creative halal sectors in Indonesia. Indonesia also has the largest mobile cellular subscriber base of Muslims.

It is also the largest food consumption market of Muslims in the world. Nevertheless the halal food industry is not as developed in terms of government and industry infrastructure relative to its neighbor Malaysia. There has also been a lot of attention around the decision of The Indonesian Council of Ulema, also known as MUI, to be the sole governing authority over what is deemed halal within the country. Their certification oversees halal labeling, monitoring, certification and law enforcement.

Indonesia is affiliated with major halal bodies such as the Australian Federation of Islamic Council (AFIC), Central Islamica Brasileira de Alimentos Halal (CIBAL) – Brazil, FIANZ, Halal Control E.K., Halal Feed and Food Inspection Authority, Halal Office Egypt (HIC), Halal Quality Control (HQC) and many others.

NON-MUSLIM MAJORITY MARKETS — US, UK, SINGAPORE:

USA

From among non-OIC countries, US may stand out as a surprise center for Islamic economy sectors. In Islamic finance, it has one of the strongest bases for Islamic funds as well as a strong ecosystem of research and education. While its Halal food regulations are being refined, it does have a developing domestic halal food market with tremendous potential given the US is the largest ‘meat and live animal’ exporter in the world. A vibrant American Muslim population and entrepreneurs are creating global halal food and lifestyle sector institutions such as Saffron Roads, Midamar, Noor Vitamins, and IFANCA.

UNITED KINGDOM

As a major global financial center, UK has been an important part of the developing the Islamic finance market with activity in banking, takaful, funds and most importantly sukuk. The UK Government has recently announced the issuance a 200 million pound sukuk and earning the title of the first non-Islamic country to issue an Islamic sukuk. It also has the most active Islamic finance higher education institutions and a strong domestic halal food and lifestyle market driven by its large Muslim population (est. 2.78 million). London recently also hosted the first ever World Islamic Economic Forum to be held in a non-Muslim country.

SINGAPORE

As a major global financial center, Singapore has also been active in the Islamic finance and other Islamic economy segments. It has the third largest takaful assets in the world and the seventh largest Islamic fund assets as well assed by a strong regulatory environment for Islamic finance. Being close to Indonesia and Malaysia, it also serves as the fourthlargest Muslim travel destination and has a vibrant halal food regulatory and food retail/ market. Its halal certification has wide regional recognition.
For many companies, especially global multinationals, one question in determining a Muslim customer offering and marketing strategy is, “to what extent does a product or the marketing need to be customized?” The ‘Level of Muslim Consumer Customization’ framework is one approach that breaks down customization options to five levels. [Fig.11.1]

**No customization — Level 1** is a “do nothing” strategy in terms of customizing for the Muslim market. Depending on the region and industry the Company is in, there may not be any need. However, for many companies which are regional or global in the Islamic economy sectors of finance, food, tourism, and others, this is no more an option.

**Unique media access — Level 2** focuses on the most basic targeted marketing, targeting Muslim customers in their source market through relevant media channels. This assumes no product customization or even communication customization.

**Unique Communication — Level 3** focuses on engaging the Muslim audience and speaking directly to their values in a genuine way. This level of customization involves reaching the audience through targeted media channels and with custom communications. However, no product customization 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** focuses on product extension strategies incorporating a new product within an existing brand or else adapting an existing mainstream product to addresses unique Muslim requirements.

**Unique Branded Products — Level 5** is the highest level of customization. It requires a whole new product line or business unit to be created to address unique Muslim product needs.

![FIG.11.1 MUSLIM CONSUMER MARKETING/PRODUCT CUSTOMIZATION LEVELS](image-url)
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 Markets relevance to you and to determine the general areas of focus, approach and engagement needed.

### ISLAMIC ECONOMY SECTOR GROWTH STRATEGY CHECK LIST (FOR EXISTING INDUSTRY MARKET PLAYERS)

<table>
<thead>
<tr>
<th>STRATEGY AREAS TO EVALUATE</th>
<th>YOUR NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CROSS-SECTOR SYNERGY</td>
<td>(Evaluate synergistic opportuni-ties across Islamic economy sectors: Islamic capital, marketing/co-branding, talent sourcing)</td>
</tr>
<tr>
<td>MERGERS &amp; ACQUISITION POSSIBILITIES</td>
<td>(Much of the Islamic economy halal food and lifestyle sector companies are small, fragmented entities or few major companies.)</td>
</tr>
<tr>
<td>NEW MARKET EXPANSION CONSIDERATIONS</td>
<td>(E.g Geographically various markets within this space are expanding. Western Muslim market is a major segment highlighted by the Report)</td>
</tr>
<tr>
<td>INNOVATION</td>
<td>(E.g. digital platform, new products, new business models, cross-language engagement)</td>
</tr>
<tr>
<td>BRANDED GLOBAL CONCEPTS</td>
<td>(Brands that have a wider global appeal leveraging underlying Islamic values. E.g. Halal and Organic, ethical finance, family-friendly solutions)</td>
</tr>
</tbody>
</table>
**ISLAMIC ECONOMY SECTOR MARKET-ENTRY STRATEGY CHECK LIST (FOR NEW INDUSTRY MARKET PLAYERS)**

<table>
<thead>
<tr>
<th>STRATEGY AREAS TO EVALUATE</th>
<th>YOUR NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARKET SIZING RELEVANCE</td>
<td>(Baseline Muslim audiences population &amp; expenditure in target markets.)</td>
</tr>
</tbody>
</table>

If through market sizing assessment, it is clear that the company should proceed in engaging this segment, then evaluate subsequent areas:

<table>
<thead>
<tr>
<th>KEY THEMES TO CONSIDER/ PRIORITIZE RELATIVE TO COMPETITIVE MARKETPLACE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Sharia-compliant financing, halal food, halal ingredients, family orientation, modesty orientation, gender consideration, prayer related considerations)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEVELS OF CUSTOMIZATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Levels 1-5)</td>
<td></td>
</tr>
</tbody>
</table>

**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)
<table>
<thead>
<tr>
<th>STRATEGY AREAS TO EVALUATE</th>
<th>YOUR NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>MERGERS &amp; ACQUISITION POSSIBILITIES</td>
<td>(Islamic economy halal food and lifestyle sector companies are small, fragmented entities vs few major companies that present M&amp;A opportunities.)</td>
</tr>
<tr>
<td>PE/VENTURE FINANCING</td>
<td>(Evaluate growing examples of sustaining and growing business in this space. E.g. The 99, Saffron Roads, others)</td>
</tr>
<tr>
<td>SUKUK ISSUANCES</td>
<td>(Key focus on major food companies from the OIC, plus halal food specific value chain players. Recent examples: Almarai, Savola Sukuks)</td>
</tr>
<tr>
<td>CORPORATE/TRADE FINANCING</td>
<td>(Evaluate demand for Sharia-compliant business and trade financing needs within halal food and lifestyle sector.)</td>
</tr>
<tr>
<td>TAKAFUL</td>
<td>(Target this ready market for Takaful solutions)</td>
</tr>
</tbody>
</table>
This work was prepared by Dr. Yasar Jarrar, a Partner at Bain & Company Middle East, where he leads the firm’s Public Sector practice in the Middle East, and Dr. Saeeda Jaffar, a Principal at Bain & Company Middle East, affiliated with the ME Financial Services practice.

The authors would like to acknowledge the contributions of Basma Abdel Motaal and Nikhil Kumar, Associate Consultants at Bain & Company Middle East and John Campbell for his editorial support.
CASE STUDY: MALAYSIA HALAL PARKS

OPPORTUNITY
As Malaysia’s Islamic economy grows, the country has been developing its halal manufacturing infrastructure, with the goal of becoming the global leader in the production and trade of several halal-related sectors. That investment includes the construction of halal parks—clusters of halal manufacturing and service businesses. The parks aim to consolidate the value chain for the businesses they host, providing a way for individual halal companies to collaborate on environmental, economic and social initiatives.

INITIATIVE
Malaysia’s national government established halal parks over the past decade and retains ownership of most of them. The parks strive for HALMAS accreditation, the gold standard of compliance, through tightly controlled halal park regulations. Each park typically focuses on one industry, such as food, pharmaceuticals or biotechnology, and hosts manufacturing and service companies across the value chain. Malaysia has emerged as a leader in the field, with 24 parks to date.

RESULTS
Nine parks alone host more than 5,400 jobs, mostly skilled work. In turn, Malaysia’s manufacturing base has grown considerably over the last few years and is forecast to post even stronger growth by 2020. The country’s Halal Industry Development Corporation expects to attract MYR 1 billion in local and foreign investments for halal parks in 2013, on top of the MYR 4.8 billion in investments it has attracted so far. There are currently more than 140 companies, mostly small and medium enterprises, and 15 multinationals operating in the parks throughout Malaysia.

Apart from their economic benefits, halal parks also offer environmental benefits by introducing pollution-prevention and energy-efficiency initiatives.

Bibliography
CASE STUDY: ISLAMIC SUPERHEROES — THE 99

OPPORTUNITY
Almost a decade ago, Dr. Naif Al-Mutawa surveyed the comic book industry and saw a need for characters that children from China to Chad to Canada could relate to, without the parochial influence of ethnicity, creed or nation. He created THE 99, an exciting animated series aimed at children worldwide. The series plans to feature one superhero for each of 99 countries, offering new Middle Eastern and Islamic role models with values that resonate in any country.

INITIATIVE

THE 99 scored another big break in 2010 when it partnered with DC Comics and its Justice League, including the likes of Batman, Superman and Wonder Woman. More recently, TMG has attracted investors such as Crescent Enterprises, which allowed it to expand into new territories.

RESULTS
THE 99 has steadily broadened its reach and now airs in 70 countries. In 2009, a dedicated theme park called THE 99 Village opened in Kuwait. More villages are planned throughout the GCC. As of December 2012, viewers in the US can watch THE 99 via Netflix’s online streaming, allowing the series to reach more than 25 million subscribers.

Dr. Al-Mutawa was named one of the World Economic Forum’s Young Global Leaders for 2011. He was on The Royal Islamic Strategic Studies Centre’s “World’s Most Influential Muslims” list for four consecutive years, and has been named as one of the 500 Most Powerful Arabs in the World by Arabian Business. And Forbes cited THE 99 as one of the top “20 Trends Sweeping The Globe.”

Bibliography
**CASE STUDY: NESTLÉ’S SUCCESS IN MALAYSIA**

**OPPORTUNITY**

Nestlé's presence in Malaysia dates to 1912, and it opened its first factory in Petaling Jaya in 1962. Separately, the Department of Islamic Development Malaysia (JAKIM) began to promote halal recognition in the country in 1974. It issued halal certification letters for key manufacturers, including Nestlé, to provide early support in defining the halal policy. In 1994, JAKIM introduced a voluntary halal certificate and logo.

**INITIATIVE**

The government's focus on recognizing Halal products encouraged Nestlé to pioneer halal production in Malaysia and other countries. For several decades, the company has invested substantially in halal R&D and new products.

Along the way, JAKIM and Halal Industry Development Corporation worked closely with Nestlé to develop its internal product guidelines. In turn, Nestlé used its extensive experience to provide a private-sector perspective to the government when it was formulating its Halal food standards in 2004.

**RESULTS**

Nestlé has become a preferred brand for Muslim customers, ranking second in the Noor Brand Index — rating the Muslim-friendliness of brands — because of its focus on halal products and its targeted advertising. Malaysia benefited from its association with the multinational’s brand and from hosting Nestlé’s worldwide Halal Center of Excellence.

Today the company employs more than 5,000 people in Malaysia and produces about 300 halal food and beverage products there, which it exports to more than 50 countries worldwide.

---

**BIBLIOGRAPHY**

# Glossary

<table>
<thead>
<tr>
<th>Phonetic Spelling</th>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abaya</td>
<td>Robe type garment worn by Muslim women</td>
<td>A full-length cloak worn by women in Islam.</td>
</tr>
<tr>
<td>Alhamdulillah</td>
<td>Praise to Allah</td>
<td>Is an Arabic phrase meaning &quot;Praise to God&quot; or &quot;All praise belongs to God&quot;.</td>
</tr>
<tr>
<td>Allah</td>
<td>God</td>
<td>An Arabic word for God.</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burqa</td>
<td>Robe type garment worn by Muslim women</td>
<td>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.</td>
</tr>
<tr>
<td><strong>E</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eid</td>
<td>Muslims Holiday</td>
<td>Occurs twice per year.</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fatwa</td>
<td>Edict</td>
<td>Legal opinion on a matter of Islamic law issued by a scholar.</td>
</tr>
<tr>
<td>Friday Jumu'ah prayers</td>
<td>Congregational Friday Prayer</td>
<td>Jumu'ah (also &quot;Friday prayer&quot;) is a congregational prayer that Muslims perform every Friday just after noon which includes a sermon.</td>
</tr>
<tr>
<td><strong>H</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hadith</td>
<td>A report of an utterance, deed, affirmation or characteristic of the Prophet Muhammad (pbuh) and his companions</td>
<td>A report of an utterance, deed, affirmation or characteristic of the Prophet Muhammad (pbuh). The ahadith are the source texts by which teachings are preserved. Plural: ahadith.</td>
</tr>
<tr>
<td>Hajj</td>
<td>Pilgrimage to Mecca in the month of Dhu al-Qadah</td>
<td>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.</td>
</tr>
<tr>
<td>Halal</td>
<td>Lawful</td>
<td>Religiously permissible according to Islamic law.</td>
</tr>
<tr>
<td>HALMAS accreditation</td>
<td>An accreditation given to Halal Park operators</td>
<td>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.</td>
</tr>
<tr>
<td>Haram</td>
<td>Unlawful</td>
<td>Religiously prohibited according to Islamic law.</td>
</tr>
<tr>
<td>Hijab</td>
<td>Head scarf</td>
<td>Blanket term used in the modern age to describe Muslim women's headscarf.</td>
</tr>
<tr>
<td><strong>I</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ijara</td>
<td>Lease, rent or Wage</td>
<td>Ijara 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.</td>
</tr>
<tr>
<td>PHONETIC SPELLING</td>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>-------------------</td>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>I sistna</td>
<td>Manufacturing Contract</td>
<td>I sistna 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. I sistna contracts are used for providing a facility for financing for manufacturing or construction of projects.</td>
</tr>
<tr>
<td>Islam</td>
<td>Submission/Surrender</td>
<td>The religion of the Muslims, a monotheistic faith regarded as revealed through the Prophet Muhammad (pbuh).</td>
</tr>
<tr>
<td>J</td>
<td>Jilbab</td>
<td>Woman's full length garment</td>
</tr>
<tr>
<td>K</td>
<td>Kosher</td>
<td>ritually pure</td>
</tr>
<tr>
<td>M</td>
<td>Makka</td>
<td>A city in Saudia Arabia</td>
</tr>
<tr>
<td>Mudarabah</td>
<td>Investment management partnership</td>
<td>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.</td>
</tr>
<tr>
<td>Murabaha</td>
<td>Full disclosure trust sale also, Markup/Cost plus sale</td>
<td>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.</td>
</tr>
<tr>
<td>Musharakah</td>
<td>Investment Partnership</td>
<td>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 financing of a commercial venture, share profits according to a stipulated ratio and share losses on the basis of equity participation.</td>
</tr>
<tr>
<td>N</td>
<td>Namaz</td>
<td>Muslim Prayer</td>
</tr>
<tr>
<td>Niqab</td>
<td>Face veil</td>
<td>Some sort of veil covering the face used by Muslim women in public places.</td>
</tr>
<tr>
<td>Q</td>
<td>Qibla</td>
<td>Direction of Prayer</td>
</tr>
<tr>
<td>R</td>
<td>Ramadan</td>
<td>Holy month of fasting</td>
</tr>
<tr>
<td>Riba</td>
<td>Interest</td>
<td>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.</td>
</tr>
<tr>
<td>S</td>
<td>Salam</td>
<td>Sale</td>
</tr>
<tr>
<td>PHONETIC SPELLING</td>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>-------------------</td>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>Shalwar kameez</td>
<td>Long shirt and Pants</td>
<td>Long shirt and pants traditionally worn in Subcontinent.</td>
</tr>
<tr>
<td>Shariah</td>
<td>Islamic Law</td>
<td>Islamic law as set forth in the Quran and traditions of the Prophet (pbuh).</td>
</tr>
<tr>
<td>Shariah compliant</td>
<td>In accordance with Islamic Law</td>
<td>An investment fund which meets all of the requirements of Shariah law and the principles articulated for “Islamic finance.”</td>
</tr>
<tr>
<td>Shekra</td>
<td>New Joint Investment concept</td>
<td>Shekra is a new joint investment concept drawn from the Arabic phrase “sherik fekra” in Arabic, which means “share an idea.” The platform was launched in Cairo last November by seven founders who come from backgrounds in technology, aviation, investment and banking, who have pooled their resources to support Egyptian startups.</td>
</tr>
<tr>
<td>Sukuk</td>
<td>Islamic Bond</td>
<td>A term used in contemporary Islamic finance to describe financial certificate equivalents to conventional debt issuances 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.</td>
</tr>
<tr>
<td>Takaful</td>
<td>Islamic Insurance</td>
<td>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.</td>
</tr>
<tr>
<td>Tayyab</td>
<td>Good, pure</td>
<td>Good, pure. Any thing or act that is good.</td>
</tr>
<tr>
<td>Umrah</td>
<td>Pilgrimage to Mecca</td>
<td>Non obligatory pilgrimage to Mecca, Saudi Arabia, performed by Muslims that can be undertaken at any time of the year.</td>
</tr>
<tr>
<td>Wakala</td>
<td>Agency</td>
<td>A standard Islamic practice, often used in financial transactions, wherein one party acts as an agent (wakeel) for another party.</td>
</tr>
<tr>
<td>Waqf</td>
<td>Charitable trust</td>
<td>acts as an agent (wakeel) for another party.</td>
</tr>
<tr>
<td>Wudhu</td>
<td>Ablution</td>
<td>Ritual ablution performed with water before prayers.</td>
</tr>
<tr>
<td>Zabiha</td>
<td>Slaughtered</td>
<td>Used to signify meat that has been slaughtered according to Islamic law.</td>
</tr>
</tbody>
</table>
REFERENCES

1. 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.
2. Thomson Reuters Islamic Finance Development Report 2013
3. According to 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’ and 62% rate religion as ‘very important’ in their lives.
4. DinarStandard research
5. DinarStandard analysis based on data from Zephyr, a global deals data provider.
6. The evaluation was equally weighted between two sets of criterias: 1) Islamic economy strength criterias included Islamic funds ranking, IF research and education strength, IF regulatory strength, Islamic banking activity, Halal food export strength, Muslim travel source market, Muslim travel destination market. 2) Wide geographic reach includedFood Certification and adoption, IF regulation recognition, global multi-national base/access, and global tourism destination.
7. Islamic Development Bank member 56 mostly Muslim majority countries
8. 62% of population is under 30 compared to 51% globally, 40% in North America & 43% in China
9. Studies by OgilvyNooor &JWT
12. Emrmeleddi Ilhanoglu, OIC Secretary General, Hurriyet Daily News, 17 April 2012
14. Food permitted per Islamic dietary guidelines from the Qu’ran. 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.
16. Al Ihsan Company marketing materials
17. Saffron Road Food. 2013. All Natural Specialty Foods | Gourmet World Cuisine | Saffron Road Food. [online] Available at: http://www.saffronroad-food.com
36. Translations from Sahih International, Quran.com
37. Thomson Reuters 2013 Islamic Finance Development Report
38. Trends in Sharia-Compliant Financial Inclusion, CGAP 2013
39. Total Commercial Banking Assets data from Central Banks; International Monetary Fund. IMF Outlook 2012 Database for projections; DinarStandard research
40. Organization of Islamic Cooperation – 57 mostly Muslim majority countries
41. CGAP Islamic Microfinance Note 2008
42. Trends in Sharia-Compliant Financial Inclusion, CGAP 2013
43. MIX Market, 1,400 institutions reporting 2011 results
44. Endowments committed on Muslim religious or charitable purposes and managed by Islamic economic principles
45. Central Wafk Council, India website.
53. Microcapital.org, Jan 7, 2013 “Online microfinance fundraiser wafaa provides interest-free loans to Muslims”