

Halaal Cosmetics Fact Sheet

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Introduction:

This paper attempts to provide research on the global Halaal cosmetic sector, why it has become an important sub sector in the overall Halaal sector. To investigate the potential for development within South Africa, to understand the markets and products that are in demand. Is this a sector that KZN can attract FDI into KZN for exports?

Global Halal Cosmetics Sector

The global halal cosmetics market reached a value of US\$ 66 Billion in 2018. Halal cosmetics are manufactured by using ingredients, which are permissible according to the Islamic Sharia law. These products are free from any parts or materials derived from a human body. Other than this, such cosmetic products do not contain ingredients obtained from animals, which are prohibited by Islamic law or from the ones slaughtered in a non-halal way. These products are also free from genetically modified organisms (GMO) as they are considered unclean. Each of these products must be certified by manufacturers to guarantee that it does not contain any components which are not in compliance with Islamic law. According to IMARC Group, the market value is expected to reach US\$ 94 Billion by 2024, exhibiting a CAGR of 6% during 2019-2024.

The medical, pharmaceuticals, cosmetics and personal care market is seen as a rapidly growing market in the Halaal space. The growth of this category, spurred by newly created Halal standards and accreditation facilities, has led some countries, such as Malaysia, to provide support to companies that manufacture medicines, pharmaceutical and cosmetics products.



Figure 1: Present and Projected Market Size: Halal Cosmetics

Removing Islamic finance and banking from the mix, the global Halal market is valued at about US\$2.3 trillion and is one of the fastest-growing global consumer markets of present day. The worldwide Halal food market

alone is worth an estimated US\$650 billion or more and is close to 17 percent of the global food industry – presenting a major global opportunity. The largest opportunity within the Halal market is undoubtedly food, which is also where the greatest challenge lies. Indeed, the term Halal has become synonymous, in some Muslim minority countries, with food and is almost universally associated with the ritual slaughter (or Zabiah) of animals. This has narrowed the discourse around Halal, limiting the focus of many organisations and contributing to misunderstandings and reputational issues.

Some research has argued that the global halal cosmetic market is worth an estimated US\$13billion and is growing at a compound annual rate of about 12 percent. Luxury markets, such as the Middle East, Singapore and some European markets, are also seeing a surge in interest in Halal cosmetics. A number of cosmetics

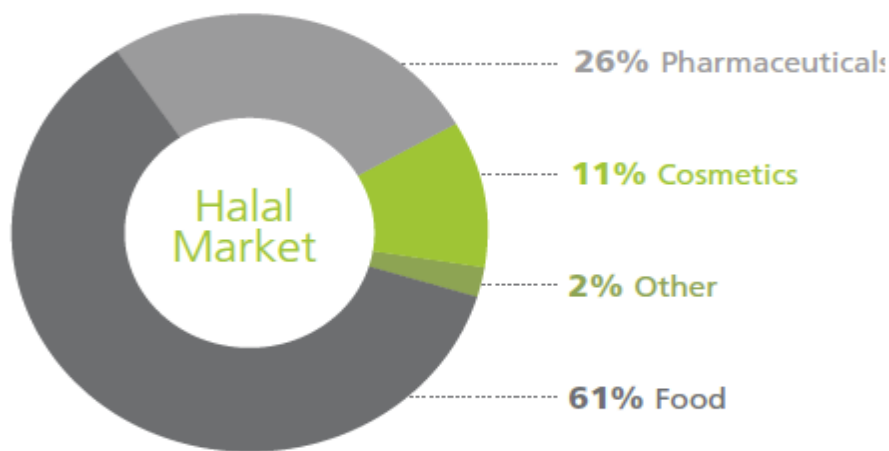


Figure 2: The Cosmetics portion of the Halal Market

companies are beginning to develop this market by releasing Halal-certified product lines that contain no animal ingredients and are not tested on animals. In fact, the market potential of these products extends beyond Muslims to vegetarians and vegans and those concerned with animal welfare. In some markets, 60 percent of Halal cosmetics brand users are non-Muslims who see Halal brands as either ethically sound or organically pure.

The figure 3 below provides a view into the potential value of certain sectors of the economy or clusters. What emerges clearly is that the value of the halal economy is steadily increasing, and the cosmetics cluster holds top value in relation to expected market value. The Halal pharmaceutical industry is estimated by some analysts to be worth as much as US\$500 billion. As with the food industry, pharmaceuticals present enormous challenges to the Muslim community. This is partly because the Islamic laws that govern medicines are different and more complex than those for food.

Growth in the halal cosmetics market is mirrored by a growth in consumer knowledge about the ingredients used and product awareness, fuelled by social networks. The global halal cosmetic industry is estimated at USD13 billion with an annual growth rate of 12%. At present the halal cosmetic market constitutes 11% of the total global halal economy. The emerging halal cosmetic and personal care market is seen by analysts as next in line for growth after the lucrative halal food sector. The main driver for this huge demand in halal cosmetics and beauty products stems from the demographic of young, religiously conscious, and dynamic professional Muslim population. In the scope of halal cosmetics, the concept covers critical aspects of production such as halal ingredients and usage of permissible substances which must be manufactured, stored, packaged and

Clusters	Potential Value for the Halal Market (USD) (Based on 5% of Global Halal Trade)
Cosmetic / Personal Care	177 Billion
Agriculture	41.5 Billion
Pharmaceutical	30.3 Billion
Islamic Finance	25.0 Billion
Logistic	0.17 Billion
Travel Industry	0.13 Billion
Total Value for Halal New Growth Clusters	274.1 Billion

Figure 3: Halal Clusters and their Potential Value

delivered in conformity with Shari requirements. Interestingly, halal cosmetics has also gained momentum amongst modern consumers who are eco-ethical conscious and are willing to pay a premium for organic, natural and earthy cosmetics products to suit their modern lifestyle.

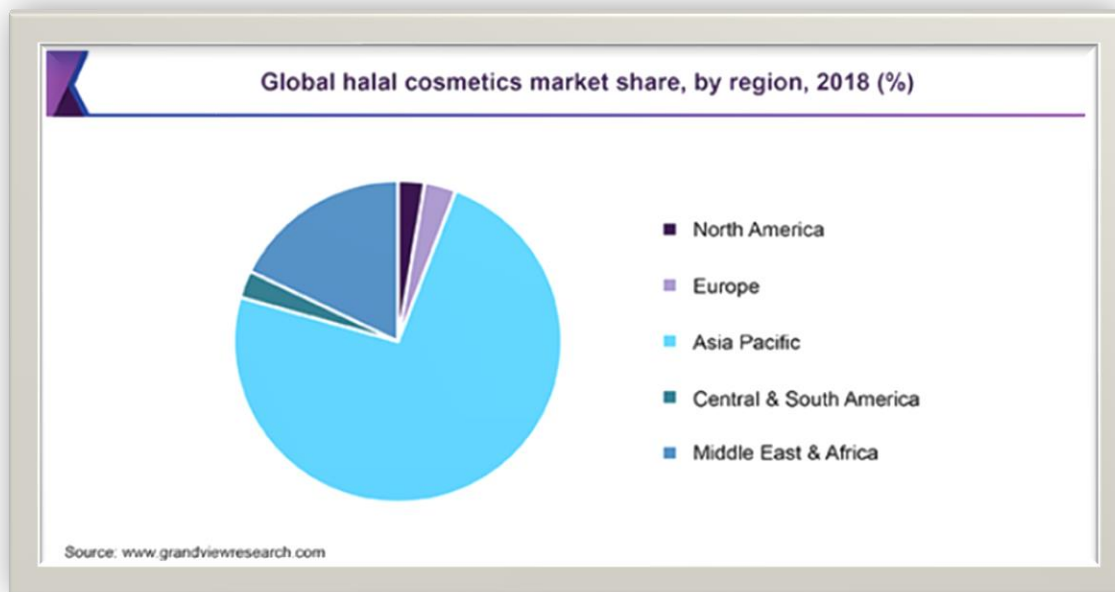


Figure 4: Global Halal Cosmetic Market Segments

In another report, according to the Happi.com website (Halal Cosmetics Sales To Top \$54 Billion, 2019) the global halal cosmetics market will top \$54 billion by 2022, citing a Halal Cosmetic Market report, published by Allied Market Research, which expects the category to enjoy a CAGR of 15.2% during the forecast period.

The market for halal cosmetics is booming in the Middle East and Asia. Across the Middle East, halal cosmetics are registering a 12% annual growth reaching USD12 billion in total value of cosmetic related sales. Markets in Asia, particularly Malaysia and Indonesia as well as Europe, have seen a surge in interest in halal cosmetics. In Malaysia, halal cosmetics contribute 10% – 20% of the local cosmetics market. The fragrance market is expected to register the highest CAGR of 15.8% in the halal cosmetics market, owing to increase in demand for attar sprays among Muslim consumers. Halal colour cosmetic products include a broad array of products such as lipsticks, hair colour, blushes, lip balms, and others. These products are widely used among the young Muslim population who are associated with fashion industry, for instance, airline hostesses and others. Among product categories, fragrance is expected to have the highest CAGR during the forecast period, followed by colour cosmetics. The colour cosmetics segment is expected to reach \$17.9 billion in 2022, for a CAGR of 15.3%. Halal colour cosmetics have widespread adoption among the Muslim women population, especially among young consumers. Increased interest for makeup formulas that adhere to the religious loyalties has fuelled the demand for global colour cosmetic products. The demand for halal colour cosmetics is expected rise due to growing purchasing power and a desire for trendy looks among consumers. Muslim women are more particular about using halal colour cosmetics during Ramadan pertaining to the stringent religious rules.

In 2016 the Muslim market for cosmetics ranked fourth globally, behind the U.S. (\$86 billion), Japan (\$85 billion), and China (\$65 billion). The top ten Muslim markets with cosmetics expenditure included India (\$5.1 billion), Indonesia (\$3.7 billion), Russia (\$3.5 billion), Turkey (\$3.3 billion), Malaysia (\$3 billion), and Bangladesh (\$2.7 billion).

Latin America, Middle East and Africa (LAMEA) is expected to dominate the market due to growing populations in Muslim countries such as Saudi Arabia, UAE, Kuwait, Bahrain and others; rising purchasing power, and growth in demand for personal grooming products that adhere to the Islam virtues. Asia-Pacific is expected to register a significant growth rate owing to increase in Muslim population in nations such as Indonesia, Malaysia, Singapore, and India, thereby resulting in increased halal cosmetics market size during the forecast period.

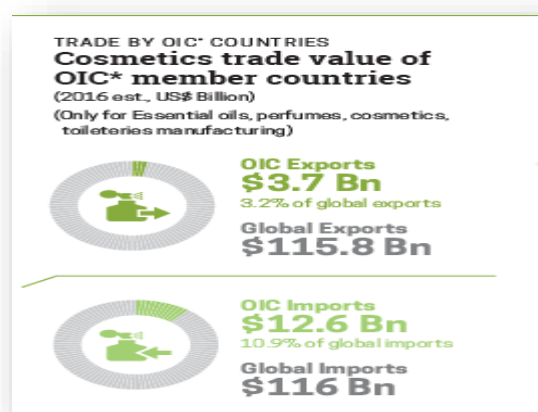


Figure 5: Cosmetics Imports and Exports from OIC Member Countries

The Key findings of the Halal Cosmetics Market report: The hair care segment generated the highest revenue in 2015 and is expected to grow at the CAGR of 14.1% during the forecast period. Personal care segment accounted for the highest revenue in 2015, and is expected to have a notable CAGR of 14.6%. With growth in demand for e-commerce sales, the online distribution sales channel is expected to grow at the fastest rate of 18.2% by 2022.

However, the global cosmetics industry is dominated, and to a certain degree monopolised, by non-Muslims companies. This poses serious challenges to the issue of halal ingredients in cosmetic products manufactured by the companies. These factors also provide lucrative opportunities to the multinational cosmetic companies to enter the halal cosmetics market. Countries such as Saudi Arabia, Iran, UAE, Malaysia and Indonesia offer

potential growth opportunities for halal cosmetics owing to the factors such as increase in young population, high disposable income, and rise in interest in fashion and makeup trends

The rules and regulations pertaining to the authenticity of a halal ingredient vary as per the countries, which is thereby expected to restrict the companies to penetrate in the halal cosmetics market. Cosmetic manufacturers thereby fail to obtain an authentic halal certification in Muslim-dominant countries. Thus, lack of global standardized set of halal-specific guidelines is a major factor that restrains growth of the halal cosmetics market.

Companies in the market are spending high amounts on promotional activities spreading awareness about the benefits of using halal beauty products. There has been a promotion of prestigious cosmetic brands in local magazines in Malaysia. Some of the prominent industry participants are Martha Tilaar Group, Clara International, Wipro Unza, Paragon Technology and Innovation, and Ivy Beauty Corporation Sdn Bhd. The other manufacturers are Saaf Skincare, Prolab Cosmetics, TALENT Cosmetic Co. Ltd and PHB Ethical Beauty.

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