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STRATEGY FOR DEVELOPING THE HALAL COSMETIC INDUSTRY IN INDONESIA TO IMPROVE COMPETITIVENESS IN THE GLOBAL MARKET

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Abstract :

The halal cosmetics industry has experienced significant growth along with the increasing awareness and demand of Muslim consumers for sharia-compliant products. The development of the halal cosmetics industry in Indonesia faces unique challenges and opportunities. This study examines strategies that can be implemented to optimize the development of this industry. Some of the main strategies analyzed include improving product quality and innovation, halal certification, effective marketing, adequate infrastructure and collaboration with various stakeholders. The results of the study show that by implementing these strategies, the halal cosmetics industry in Indonesia can increase its competitiveness in the global market and meet the growing needs of Muslim consumers. This study is a descriptive qualitative study that aims to provide a detailed description of the development of the halal cosmetics industry in Indonesia, identify existing challenges and opportunities, and formulate effective strategies to advance this sector to the international level. By implementing these strategies, the Indonesian halal cosmetics industry can increase its competitiveness in the global market and meet the growing needs of Muslim consumers..

Keywords : *Halal Cosmetic Industry, Global Competitiveness, Muslim Consumer Awareness, Development Strategy*

INTRODUCTION

The cosmetics industry is a dynamic and growing sector worldwide. The demand for beauty products continues to increase along with changes in halal lifestyles. (Nisponi & Hidayati, 2021) To remain competitive and relevant in the global market, cosmetic companies need to adopt innovative development concepts and strategies.

Indonesia has a great opportunity to advance the halal industry. As a country with the largest Muslim population in the world, reaching 237.53 million people or 86.9% of the total population of 273.32 million people, Indonesia has a significant level of consumption in the halal sector. Supported by strong legal regulations, the establishment of the National Committee for

Sharia Economics and Finance (KNEKS), synergy between stakeholders, and the existence of the Halal Product Guarantee Agency (BPJPH), Indonesia has various other potentials that support the development of a halal industry that is able to compete in the global arena. (Maulana & Zulfahmi, 2022). Research results show that the halal industry sector makes a significant contribution to the growth of the Islamic economy in Indonesia, with an estimated increase of four percent from 2023 to 2024. (Aida, et al, 2024)

According to research conducted by Risa Qoni'ah, 2022. Indonesia has not been able to fully utilize the enormous potential of its halal industry because it faces several challenges. First, the development of halal products has not been a top priority, considering that the focus is still on exporting mining and plantation commodities. Second, Indonesia faces competition from non-Muslim countries that have succeeded in developing their halal industries, such as Brazil, Thailand, and the People's Republic of China. Third, many MSMEs in Indonesia still do not understand the importance of halal certification, so their products are less competitive in the global market.

Based on the results of the SWOT analysis, the halal MSME development strategy includes increasing funding, accelerating halal certification, improving the quality of human resources, utilizing modern and appropriate technology, product innovation and diversification, digital transformation, and collaboration with related industries and institutions. In addition, strengthening branding through technology and information media is also an important part of the strategy. (Hariani, D., & Sutrisno, S, 2023)

The results of the study show that the intention of the Banten community to buy halal products is relatively high. Empirically, Banten Province has a majority Muslim population, which is 94.81% of the total population of 12,251,985 people. This condition reflects a strong public awareness in protecting themselves from consuming food, medicines, and cosmetics that contain non-halal elements. (Mursidah, I., & Fartini, A, 2023).

Based on the research data, it can be concluded that Indonesia, as a country that develops the halal industry that includes halal food, beverages, halal tourism, Muslim fashion, pharmaceuticals, and halal cosmetics, has great potential in developing these sectors. However, the challenges currently faced require in-depth study. It is important to ensure that efforts to develop the halal industry, especially in the cosmetics sector, are more focused and coordinated. In addition, competitive strategies are needed so that Indonesia is able to compete in the global market, including in non-Muslim countries. The active role of the government through institutions such as BPJPH and LPH is very important to support MSMEs in obtaining halal certification, so that the products produced are truly guaranteed to be halal and have competitiveness in the international market. In-depth study is needed to identify challenges and formulate effective strategic steps in developing the halal industry in Indonesia.

This study aims to analyze how the concept and strategy of developing the halal cosmetics industry in the Global Market, identify existing challenges

and opportunities, and formulate effective strategies to advance this sector to the international level.

By achieving these objectives, the research is expected to provide comprehensive guidance for the development of the halal cosmetics industry in Indonesia and provide practical recommendations to strengthen Indonesia's position as a major player in the global halal cosmetics market.

RESEARCH METHOD

This study is a descriptive qualitative study that aims to provide a detailed description of the development of the halal cosmetic industry in Indonesia, identify existing challenges and opportunities, and formulate effective strategies to advance this sector to the international level. To achieve these objectives, this study uses a normative theological and phenomenological approach. The normative theological approach is used to analyze the development of the halal cosmetic industry based on Islamic principles and doctrines that regulate halal products. Meanwhile, the phenomenological approach is used to understand various aspects of human behavior related to the use and preference for halal cosmetic products.

Data collection was conducted using secondary data obtained from books, journals, articles, reports, and other scientific sources relevant to the research topic. These data sources were selected to gain a comprehensive understanding of the halal cosmetics industry in Indonesia and the challenges and opportunities it faces.

Data processing is carried out through three stages, namely data reduction, data presentation, and data verification. The data reduction stage involves the process of sorting and simplifying data that is relevant to the focus of the study. Furthermore, the reduced data is presented in the form of a descriptive narrative that provides a clear picture of the phenomenon being studied. The last stage is data verification, where the data that has been presented is verified to ensure its accuracy and consistency before conclusions are drawn.

With this research method, it is expected that the research can provide a significant contribution in understanding and developing the halal cosmetics industry in Indonesia, as well as providing practical recommendations to strengthen Indonesia's position as a major player in the global halal cosmetics market.

FINDINGS AND DISCUSSION

Halal Cosmetics Concept

Cosmetics are beauty products used to beautify the face. Halal refers to everything that is permissible in Islam. Halal cosmetics are cosmetic products that have obtained halal certification from LPPOM MUI, with ingredients that are guaranteed to be halal. In halal and toyyibah cosmetics, ingredients must comply with halal and safe principles. For example, mercury, although not najis, is not considered toyyibah because it can damage the skin. (Safitri et al.,

2020)

Public awareness of halal labels and product quality has a significant impact on purchasing decisions, especially in the cosmetics industry sector where the majority of consumers are women. (Anggadwita et al., 2020) The halal industry refers to the production process that meets the halal criteria and is permissible for consumption by Muslims according to Sharia. Halal does not only cover consumption, but also the entire production and service process in the supply chain. The halal industry covers all operational aspects, including packaging, marketing, manufacturing, logistics, distribution, maintenance, slaughtering, and various other activities from upstream to downstream. International trade is a buying and selling activity between countries on a global scale based on a commercial agreement mutually agreed upon by the parties involved. (Ibrahim & Fauziah, 2023)

The halal industry in Indonesia is currently experiencing rapid and widespread development, covering various sectors other than food and beverages, including cosmetics. The main driver of demand for halal beauty products is the young, religious and dynamic Muslim population. In the halal cosmetics industry, important elements in production such as halal raw materials, the use of permitted substances, and the production process including storage, packaging, and shipping must comply with sharia provisions. Manufacturers must ensure the halalness of the ingredients used in their products. Consumer awareness of the importance of halal certification is also an important factor because it is related to health, safety, and compliance. Wardah, as a major player in the halal cosmetics industry in Indonesia, has succeeded in competing at the national and global levels. Wardah continues to expand by producing products that can meet the needs of a modern lifestyle, both for Muslim and non-Muslim consumers. (Maulana & Zulfahmi, 2022)

Indonesian halal products that have been exported to various countries include foods such as sauces, pasta, processed fish, coffee, and other processed foods; cosmetics such as shampoo, hair and skin care products, powder, and deodorant; and medicines containing vitamin A and antibiotics. Export destination countries for food and cosmetic products include Malaysia, Saudi Arabia, and the United Arab Emirates, while medicines are widely exported to Nigeria, Malaysia, and Saudi Arabia. (Qoniah, 2022)

Many of the ingredients that are critical to halal food and beverage products are still not produced domestically. As a result, Indonesia still imports the majority of these ingredients from abroad. Some examples of these ingredients include gelatin, coloring, flavor enhancers, seasonings , oleoresins , enzymes, and others. Gelatin is an important raw material used in almost all halal products in Indonesia. Therefore, domestic gelatin production needs to be developed immediately. Currently, almost all of Indonesia's gelatin needs are still imported from China. Gelatin is generally produced from animal bones and skin, and around 70% of gelatin on the market comes from non-halal ingredients, such as pork skin, meat, and bones.

Gelatin is not only used in food products, but also in cosmetics,

chemicals, drug capsules, pharmaceutical products, and so on. This condition makes gelatin production a key point in strengthening the national halal industry. If Indonesia is able to produce gelatin on a large scale through industrialization, then this country can guarantee the halalness of products that use gelatin as a raw material. Thus, food, beverage, cosmetic, and drug products circulating in Indonesia will be easier to monitor and guarantee their halalness. (Haryono, 2023)

Halal Certification

Halal certification is an important element that influences and contributes to consumer purchasing decisions. The halal industry is an integral part of the Islamic economy. (Asri & Ilyas, 2022) Some MSMEs are still not aware of the importance of halal certification, even though this certification can increase the selling value and competitiveness of their products in the global market. KADIN noted that one of the challenges in developing halal products in the international market is the lack of understanding of MSMEs about the potential of halal products and the importance of halal certification for business growth. Halal certification has been recognized globally as a standard that ensures the halal guarantee of products. In addition, some people are less aware of the concept of halal, which affects the development of the halal industry. The Minister of Trade also revealed that 90% of food and products in Indonesia are already halal, but many do not have halal certificates or have not taken care of them. Therefore, the process of managing halal certification needs to be simplified so that more business actors take care of it. (Qoniah, 2022)

In 2024, PPIH will provide halal certification facilities for 1,250 small industries, including submission of halal certificates and training for halal supervisors. This training is expected to create halal human resources who will ensure the implementation of the Halal Product Assurance System (SJPH) in these companies. Industrial companies are expected to not only focus on obtaining halal certificates, but also implement the SJPH process sustainably after receiving the certificate. Efforts to accelerate halal certification for industrial products are carried out through collaboration between the central and regional governments. Data collection and verification of small industries that have potential and are ready to apply for halal certificates are carried out through the saliha.kemenperin.go.id site. The Ministry of Industry also collaborates with the Halal Inspection Institution (LPH) in its environment. Currently, the Ministry of Industry has 17 LPHs spread across various regions of Indonesia with a total of 100 certified halal auditors. (Natsir et al., 2022)

The provisions regarding halal product guarantees have been adjusted in the Job Creation Law, which brings a number of important regulatory changes. Determination of the halal status of a product is now carried out by the Indonesian Ulema Council (MUI) through a halal fatwa session. Once determined, the decision is then submitted to the Halal Product Guarantee Organizing Agency (BPJPH) as the basis for issuing a halal certificate.

In addition, the scope of halal inspection institutions (LPH) has been expanded. Now, the establishment of LPH is not only limited to government

institutions, but can also be carried out by Islamic religious institutions with legal status, including private universities under the auspices of Islamic religious institutions or foundations with legal status. In an effort to support micro and small business actors (MSEs), the government has stipulated that the halal certification process for MSEs is free of charge. In fact, the statement of halal products from MSEs is sufficient based on the declaration of the business actor itself, as long as it is in accordance with the halal standards set by BPJPH.

The government also provides space for Islamic religious institutions with legal status or Islamic foundations to participate in preparing halal auditors, to ensure the implementation of product halal inspections professionally and with integrity. Furthermore, the process of issuing halal certificates has now experienced significant acceleration. If previously this process required a minimum of 97 days, now a maximum issuance time limit has been set at 21 days, which shows an effort to increase efficiency in public services related to halal product assurance. (Haryono, 2023)

Strategy to Increase Halal Product Exports

With the increasing Muslim population in the world, the demand for halal products continues to grow. Some strategies that can be done to increase exports of Indonesian halal products include:

a. Increasing the Competitiveness of Halal Products

The implementation of halal certification has great potential to increase the competitiveness of halal products. The National Committee for Islamic Finance is promoting a national strategy to increase awareness of halal products among the wider community, both as consumers and food and beverage producers. This is expected to increase attention to halal certification. In addition to having an impact on increasing Indonesian exports, the implementation of halal certification can also meet the needs of the global Muslim community. Therefore, government support is highly expected to increase exports of Indonesian halal products by providing literacy about halal certification to Micro, Small and Medium Enterprises (MSMEs). In addition, the government can provide assistance and mentoring to MSMEs to improve product quality, design, and packaging of halal products so that the products produced are more attractive to the market. (Qoniah, 2022)

b. Product Quality Improvement and Innovation

To improve the quality of halal products and encourage innovation to meet global demand, it is important to provide training and certification to human resources to improve competence in the halal sector. In addition, research-based product development needs to be encouraged to produce new innovations that meet high quality, safety, and sustainability standards in halal products. (Aida et al., 2024)

c. Maximizing Global Access to the Halal Cosmetic Products Market

The global market potential of the halal industry is predicted to continue to grow. According to the World Islamic Economic Situation Report 2020-2021, the total expenditure of Muslims worldwide in 2019

reached around $2.02 trillion, covering various sectors such as food, medicine, cosmetics, fashion, tourism, and others. Projections show that this number is expected to reach $2.3 trillion by 2024. This is not only due to demand from the Muslim community, but also because halal products have become a lifestyle trend that has a significant impact on global trade. (Ibrahim & Fauziah, 2023)

d. Optimizing E-commerce Usage

E-commerce and related activities via the internet have great potential as a driver in improving the domestic economy through the liberalization of domestic services and accelerating integration with global production activities. With e-commerce, domestic trade can be better integrated with global trade. This not only covers aspects of international trade, but also domestic policies related to supervision in the fields of telecommunications, financial services, and shipping and distribution of goods. E-commerce is also a concrete example of trade diplomacy that prioritizes the use of technology in its practice. (Nurgiyanti, 2019)

The digitalization of sharia business is very important because information technology, computers, and the internet have now become an inseparable part of everyday life. The government also supports it through infrastructure development and the launch of digitalization programs to increase public literacy in digital business. The potential of the digital sharia business market is also very large, as reflected in the number of internet users in Indonesia which has reached 202.6 million people (Kadir, A., & Efendi, A, 2023)

e. Adequate logistics infrastructure

Inadequate logistics infrastructure is also an obstacle in developing a global halal hub. In a study by Ardianto et al. they stated that the lack of efficient and integrated logistics infrastructure affects the availability and distribution of Indonesian halal products in the global market. Good infrastructure is needed to ensure the smooth production, storage, and distribution of halal products. (Istiqlal, 2023)

The halal cosmetic industry in Indonesia shows great potential to grow in both national and international markets. Awareness of the importance of halal certification for MSMEs, government support and role, and innovation in production are key factors that can support the growth of this industry. The support and role of the Indonesian government in providing halal certification services are very important so that MSMEs in the regions and entrepreneurs who have reached the global market can be competitive in marketing their halal products because they have been halal certified. The main challenge is to increase awareness and understanding of business actors about the importance of halal certification and to simplify the process of managing it. With the right strategic steps, the Indonesian halal cosmetic industry can continue to grow and compete in the global market. The world community's awareness of the importance of clean, safe and high-quality halal products has encouraged many people to choose halal cosmetics.

The halal industry includes production activities that comply with Islamic law and are permissible for consumption by Muslims. The concept of halal is not only related to consumption, but also includes the entire production process and services in the supply chain. With the increasing number of Muslims around the world, the demand for halal products is also increasing. Therefore, various steps are needed to increase the export of halal products from Indonesia and maximize its potential.

The development of the halal cosmetics industry in the global market requires a holistic approach, including product innovation, effective marketing, and regulatory compliance. With the right strategy, halal cosmetics have great potential to grow and develop in the global market, answering the needs of consumers who are increasingly aware of the importance of safe, ethical, and religiously compliant products.

The implementation of halal certification is a crucial step in increasing the competitiveness of Indonesian halal products. By having internationally recognized halal certification, Indonesian halal products can be more easily accepted in the global market. The National Committee for Islamic Finance is pushing for a national strategy to increase awareness of halal products, both among consumers and producers. This will not only increase exports, but also meet the needs of the growing global Muslim community.

Research-based product development needs to be encouraged to produce new innovations. Research that focuses on global market needs can produce halal products that are not only safe and high quality, but also sustainable. Increasing global access to halal products is becoming increasingly important as the number of Muslims in the world increases. To meet this need, Indonesia needs to implement various strategies to expand the reach of halal product exports to the international market. E-commerce has great potential in boosting the domestic economy and integration with global production. Through e-commerce platforms, halal product trade can be expanded more effectively and efficiently.

Adequate logistics infrastructure is essential to support the distribution of Indonesian halal products in the global market. Research shows that the lack of efficient and integrated logistics infrastructure is a barrier to developing a global halal hub. Good infrastructure is needed to ensure the smooth production, storage, and distribution of halal products. Government support and cooperation between the public and private sectors are also key to achieving this goal. These strategies, if implemented well, can strengthen the position of Indonesian halal products in the global market.

With the right strategy, adequate support from the government, and continuous innovation, the halal cosmetics industry can continue to grow and become one of the leading sectors in the global economy. The large market potential and the increasingly popular halal lifestyle trend will be the main drivers for the growth of this industry in the future.

CONCLUSION

The halal industry, especially halal cosmetics in Indonesia, has enormous potential in both domestic and international markets. Global public awareness of the importance of safe, clean, and ethical halal products is increasingly driving the growth of this industry. However, a number of challenges still hamper development, such as low awareness of MSMEs regarding halal certification, minimal production of halal raw materials such as gelatin, and inadequate logistics infrastructure.

Halal certification is an important component in ensuring the halalness of products and increasing competitiveness in the global market. The Indonesian government has shown a strong commitment by providing free halal certification facilities for MSEs, accelerating the certification process, and involving various parties in training and supervision of halal products. Export-increasing strategies such as improving product quality and innovation, utilizing e-commerce, and improving logistics infrastructure are important steps to expand the market. The halal cosmetics industry also needs to ensure halalness from upstream to downstream in its entire production chain to meet the needs of consumers who are increasingly aware of Islamic values and ethics.

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