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# The opportunities and challenges of the halal food industry in Indonesia: some notes from Quranic and economic perspectives

## *[Peluang dan cabaran industri makanan halal di Indonesia: beberapa catatan daripada perspektif al-Quran dan ekonomi]*

**Azwar[1*], Abur Hamdi Usman[2], & Mohd Farid Ravi Abdullah[2]**

[1] Sekolah Tinggi Ilmu Islam dan Bahasa Arab (STIBA) Makassar, Indonesia

[2,] Fakulti Pengajian Peradaban Islam (FPPI), Kolej Universiti Islam Antarabangsa Selangor (KUIS), Malaysia

* Corresponding Author: Azwar, Pusat Penelitian dan Pengabdian Masyarakat (P3M), Sekolah Tinggi Ilmu Islam dan Bahasa Arab (STIBA) Makassar, Indonesia. e-Mail: azwar.iskandar@ gmail.com, Telp.: (+62) 81342670617. ORCID iD: https://orcid.org/0000-0002-7930-4693.

**Keywords:**
Halal; Food; Opportunity; Challenge; SWOT

**ABSTRACT**

With all the potential that Indonesia has, the halal industry should be optimised to build the economy and prosper people's lives. This study aims to look further at the opportunities and challenges of Indonesia's halal food and beverage industry. This study uses a descriptive-qualitative method with a phenomenological approach and SWOT analysis techniques. The results showed that Indonesia has excellent food and beverage industry opportunities. For example, Indonesia has high growth in the number of Muslims. The target market in Indonesia is enormous, public awareness of consuming halal food continues to increase, and technology development is rapid. The existence of e-commerce and media continues to grow. In terms of financing, there are many choices of alternative financing platforms and collaboration opportunities with Islamic banking and financial institutions. However, this opportunity has not been fully utilised. Indonesia still has to face various challenges from various sides, such as limited access to international markets, a lack of research on market movements, and the utilisation of information technology to develop this industry is still low. Meanwhile, the form of policies from the central and regional governments are still not aligned, and the bureaucracy for inter-sectoral cooperation is still relatively. By looking at the results of the positioning analysis through the SWOT technique, it is recommended that the Indonesian halal food industry implement a growth strategy through horizontal integration. In this position, the Indonesian halal food industry has an excellent opportunity to grow by developing the halal food and beverage industry.

***Kata Kunci:***
*Halal; Makanan; Peluang; Cabaran; SWOT*

***ABSTRAK***

*Dengan segala potensi yang ada di Indonesia, industri halal mesti diunggulkan demi membina ekonomi dan memakmurkan kehidupan rakyat. Memandangkan peranan industri halal yang sangat strategik dalam ekonomi, kajian ini bertujuan untuk melihat lebih jauh peluang dan cabaran industri makanan dan minuman halal di Indonesia. Kajian ini menggunakan kaedah deskriptif-kualitatif dengan pendekatan fenomenologi dan teknik analisis SWOT. Hasil kajian menunjukkan bahawa Indonesia mempunyai peluang besar untuk industri makanan dan minuman. Indonesia mempunyai*

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*pertumbuhan jumlah umat Islam yang tinggi sehingga sasaran pasaran di negara ini sangat besar. Begitu juga kesedaran masyarakat untuk mengambil makanan halal, dan kewujudan e-dagang dan media terus berkembang pesat. Dari segi belanjawan, terdapat banyak pilihan platform pembayaran alternatif dan peluang kerjasama dengan perbankan Islam dan institusi kewangan. Namun, peluang ini belum digunakan sepenuhnya. Indonesia masih perlu menghadapi pelbagai cabaran daripada pelbagai pihak, seperti akses kepada pasaran antarabangsa yang masih kecil, kurang kajian terhadap pergerakan pasaran, pemanfaatan teknologi maklumat untuk pembangunan industri ini masih rendah. Sedangkan bentuk dasar dari kerajaan pusat dan wilayah masih tidak sejajar, birokrasi kerjasama antar sektor masih relatif, dan sebagainya. Dengan melihat kepada hasil analisis penentududukan melalui teknik SWOT, disarankan agar industri makanan halal Indonesia melaksanakan strategi pertumbuhan melalui integrasi mendatar. Dalam kedudukan ini, industri makanan halal Indonesia mempunyai peluang besar untuk berkembang dengan membangunkan industri makanan dan minuman halal.*

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## 1. Introduction

Halal is now a standing order and not only gaining serious attention in the local, global and international business market. According to Shariff and Lah (2014), halal is also an emerging frontier in product innovations, manufacturing, supply chain management, and logistics on halal and new areas for research and publications. The halal principles are not only perceived as a religious ritual (Ibrahim & Nordin, 2021). Halal has created a new paradigm concerning global issues such as sustainability, environmental awareness, food safety, and animal welfare, encompassing food processing, transportation, and distribution (Badruldin et al., 2012). According to Omar et al. (2017), every single living creature depends on food to sustain its life, including human beings. It is undoubtedly that food is a very crucial element of social life.

The issue of halal food and beverage products is permanently attached to Muslim consumers. For Muslim consumers, the halal status of food and beverages does not only mean that they are allowed to be consumed, but also healthy and sound so that they are suitable for consumption. Halal products have gone through a halal certification process marked by the inclusion of a halal symbol or logo on the packaging. The halal logo indicates that the product has met the requirements set by Islamic law. Meanwhile, for non-Muslim consumers, the halal logo represents a symbol of cleanliness, quality, purity, and safety (Ambali & Bakar, 2013).

Halal issues in the industry, including the food and beverage industry, have become a universal phenomenon that various nations appreciate today (Nooh et al., 2022). Several conditions expand the opportunity for the halal food industry to become a significant market force today and in the future. Elasrag (2016) argues that the substantial increase in the Muslim population and Muslim purchasing power brings many opportunities to the end of the global halal industry. Data from the Global Islamic Economy Report 2020/2021 states that Muslim food and beverage spending is in the global halal sector increased by 3.1% in 2019 to $1.17 trillion from $1.13 trillion in 2018, with Indonesia, Bangladesh, and Egypt ranked as the top three countries by spend, retaining their positions from last year.

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The increasing awareness among Muslims to only consume halal food and the trend of consuming halal food products by non-Muslim consumers for ethical and safety reasons also support this opportunity. Tremendous opportunities for the halal market have been taken by several countries, both Muslim and non-Muslim. Muslim countries compete with each other to become halal hubs. For example, Malaysia, Indonesia, and Pakistan aspire to become halal hubs and are working aggressively to become key players in producing halal food (Mohamad & Backhouse, 2014). Meanwhile, Turkey has promoted itself as a halal gateway to Europe and has its halal standards and certifications (Bappenas, 2018).

The Indonesian food industry has increased with various products, as is Indonesia's rich cultural diversity with multiple types of processed foods and flavours. Agricultural products are suppliers on the upstream side of the halal food value chain in the halal food value chain. This is the primary key to processing food into finished products ready for consumption. Over the last five years, the agriculture, forestry, and fishery sectors contributed 13.63 percent to the Gross Domestic Product (GDP) (Bappenas, 2018). Therefore, the development of the agricultural industry through funding support and productivity improvement programs is capital for the expansion of the halal food industry.

In addition, the national food and beverage industry is also increasingly competitive due to its increasing number. It includes large-scale companies and small and medium-sized industries that have reached the district level. In addition, the growing number of halal-certified products is one of the positive points for the development of the food and beverage industry. By having a halal certificate, a product will have many competitive advantages and a guarantee that a particular product has been thoroughly investigated and declared compliant with Islamic law. Hughes and Malik (2017) consider halal certification the key to enabling the successful development of a global halal industry. A competitive advantage is obtained by companies with halal certification, especially if they want to penetrate the Muslim community in many countries.


**Figure 1:** State of The Global Islamic Report (2020/2021)
Source: Dinar Standard (2020)

As a country with the largest Muslim population globally, Indonesia certainly has great potential to become a giant halal food industry in the world. Unfortunately, the possibility of the halal industry has not been fully exploited. Data shows the low output of the halal industry in Indonesia. Based on the assessments listed in the State of The Global Islamic Report (2020/2021), Indonesia only ranks 4th in the Top 15 Global Islamic Economy Indicator categories. Meanwhile, when viewed from various halal industrial sectors, Indonesia is ranked 6th in the Top 10 Islamic Finance, 6th in the Top 10 Muslim-Friendly Travel, and 3rd in the Top 10 Modest Fashion. Meanwhile, for the Halal Food, Media and Recreation, and Pharma and Cosmetics sectors, Indonesia is ranked 4th, 5$^{th}$, and 6$^{th}$, respectively. Of course, this is an irony and saddening. Many Muslim populations have not been able to make Indonesia a supplier country for halal commodities in the world. This can be seen in Indonesia's inability to rank in the top two of the Top 10 in all sectors of the halal industry. If we look at it, there is a massive gap between the potential and the reality of the halal industry in the field. This inequality makes Indonesia struggle as a consumer of the world halal industry market.

With all the potential that Indonesia has, the halal industry should be optimised to build the economy and prosper people's lives, given the very strategic role of the halal industry in the economy.

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The question that arises to be answered is the halal food industry's opportunities, challenges, and strategies in Indonesia? Therefore, this research was conducted to look further into the opportunities and challenges of Indonesia's halal food and beverage industry and the strategic options for developing the sector in the future. Through this research, the author hopes to contribute to the portrait of the halal industry in Indonesia, which has opportunities to be developed and challenges that must be faced.

This study is a qualitative descriptive study with a phenomenological approach. This research is library research that uses secondary data obtained through scientific articles and other relevant documents. The data obtained is then analysed by producing descriptive explanations in words, pictures, and symbols associated with the object of this research (Creswell & Creswell, 2017). Data analysis in this study was carried out in three stages: data reduction, data categorisation, and data verification. Data reduction in this study was carried out by selecting all data through cutting and simplifying existing data according to the research topic. Furthermore, the data that has been reduced is categorised according to the research topic. The last stage is data verification to conclude the researcher's interpretation of the data. Verification is done using the triangulation technique, namely comparing one data source with another (Djamba, 2002).

This study also uses a SWOT Analysis Technique approach to strengthen and deepen the discussion. SWOT analysis is a way to systematically identify various factors to formulate a strategy. This analysis is based on the logic of maximising strengths and opportunities but simultaneously minimising weaknesses and threats (Rangkuti, 1998). SWOT analysis helps organisations face evolving challenges to maintain stability and increase productivity (Osita et al., 2014). Using SWOT analysis, it is possible to compare external factors in the form of opportunities and threats with internal factors in the form of strengths and weaknesses that result in strategic choices. SWOT analysis is a powerful instrument in conducting strategic analysis; its efficacy lies in the ability of organisational strategy makers to maximise the role of strength factors and take advantage of opportunities to act as a tool to minimise weaknesses simultaneously and reduce the impact of threats that arise and must be faced (Rangkuti, 1998). The SWOT analysis results are in the form of several alternative options that can be taken, as shown in the following Graphic 1.

| | HIGH (3-4) | MEDIUM (2-3) | LOW (1-2) |
|---|---|---|---|
| HIGH (3-4) | I Growth: Concentration through Vertical Integration | II Growth: Concentration through Horizontal Integration | III Retrenchment: Turn-round Strategy |
| MEDIUM (2-3) | IV Stability | V Growth: Concentration through Horizontal Integration or Stability Profit Strategy | VI Retrenchment: Divestment Strategy |
| LOW (1-2) | VII Growth Concentric Diversification | VIII Growth: Conglomerate Diversification | IX Liquidation |

**Graphic 1:** SWOT Analysis Position Quadrant

The remainder of the paper is set out as follows. The following section provides an overview of the halal concept in al-Quran and hadith. Section 3 summarises the existing development of the halal food industry in Indonesia. Section 4 sets out the findings of the opportunities, challenges, and industry strategy. Section 5 contains the conclusion and recommendation.

## 2. Halal Concept

Halal food and drink are an obligation that a Muslim must fulfil. The call to eat halal food and drink for believers is contained in Surah al-Baqarah [2] verse 172:

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ كُلُواْ مِن طَيِّبَٰتِ مَا رَزَقۡنَٰكُمۡ وَٱشۡكُرُواْ لِلَّهِ إِن كُنتُمۡ إِيَّاهُ تَعۡبُدُونَ ١٧٢

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Meaning:

*"O ye who believe! Eat of the good things wherewith We have provided you, and render thanks to Allah if it is (indeed) He whom ye worship."*

The "Good things" in verse have a root in the term halal. Thus, halal encompasses cleanliness and hygiene in food preparation because cleanliness is part of religion whereby Allah sanctions only hygienic, safe, and halal food or products for consumption. This is highlighted in another verse in Surah al-Baqarah [2], verse 173:

إِنَّمَا حَرَّمَ عَلَيۡكُمُ ٱلۡمَيۡتَةَ وَٱلدَّمَ وَلَحۡمَ ٱلۡخِنزِيرِ وَمَآ أُهِلَّ بِهِۦ لِغَيۡرِ ٱللَّهِۖ فَمَنِ ٱضۡطُرَّ غَيۡرَ بَاغٖ وَلَا عَادٖ فَلَآ إِثۡمَ عَلَيۡهِۚ إِنَّ ٱللَّهَ غَفُورٞ رَّحِيمٌ ١٧٣

Meaning:

*"He has only forbidden you what dies of itself (carrion) and blood and swine's flesh, which is slaughtered as a sacrifice for others than Allah. But if one is forced by necessity without wilful disobedience nor transgressing due limits, then there is no sin on them. Truly, Allah is Oft-Forgiving, Most Merciful."*

We have been informed about the kind of foods Muslims should and should not consume in this verse. The reasons for prohibitions are even substantiated with clarifications through Quranic exegeses. For example, the reasons for forbidding carrion and dead animals for human consumption are health implications whereby the decaying process leads to the formation of chemicals harmful to the human body. Blood drained from an animal contains dangerous bacteria and toxins harmful to human metabolism and development. In other words, Muslims' food culture is enclosed to the concept of halal (lawful) and haram (unlawful). Islam emphasises Muslims consuming the halal and *ṭayyib* (good and pure) and avoiding the haram and *khabīth* (bad, impure, and harmful) (Omar, Karim & Jamaludin, 2017). Some of these exact reasons are even highlighted in the Quranic verse, i.e. Surah al-Nahl [16] verse 66:

وَإِنَّ لَكُمۡ فِي ٱلۡأَنۡعَٰمِ لَعِبۡرَةٗۖ نُّسۡقِيكُم مِّمَّا فِي بُطُونِهِۦ مِنۢ بَيۡنِ فَرۡثٖ وَدَمٖ لَّبَنًا خَالِصٗا سَآئِغٗا لِّلشَّٰرِبِينَ ٦٦

Meaning:

*"And most surely there is a lesson for you in the animals. We make you drink what is in their bellies, from between the dung (digested food) and the blood, pure milk that goes easily through the throat for the drinkers."*

Islam only allows excellent and healthy food for Muslims to consume. Likewise, milk is a complete food rich in protein, calcium, and vitamins A and B. This natural and provisional advantage can only be derived from lawful animals when they are alive. Various sayings of Prophet Muhammad (PBUH) equally address the concept of halal relating to all forms of food, products, and drinks for human consumption regardless of race, colour, or nationality. One of the Prophetic traditions even explains the perfect way of slaughtering animals to make it lawful or halal for eating. It was narrated by 'Abāya ibn Rifā'ah ibn Rāfi' ibn Khadīj from his grandfather that the Prophet (PBUH) said,

...مَا أَنْهَرَ الدَّمَ وَذُكِرَ اسْمُ اللَّهِ عَلَيْهِ فَكُلُوهُ لَيْسَ السِّنَّ وَالظُّفُرَ وَسَأُحَدِّثُكُمْ عَنْ ذَلِكَ أَمَّا السِّنُّ فَعَظْمٌ وَأَمَّا الظُّفُرُ فَمُدَى الْحَبَشَةِ

[al-Bukhārī, *Kitāb al-Shirkah, Bāb Qismah al-Ghanam*, hadith number 2356]

Meaning:

*"... Use whatever causes blood to flow, and eat the animals if the name of Allah has been mentioned before slaughtering them. Do not slaughter with teeth or claws, and I will tell you why: Teeth are bones, and claws are the knives of the Abyssinians."*

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This ḥadith shows that fulfilling halal requirements in the rules and process of slaughtering animals is fundamental in food processing about its lawfulness for Muslim consumption. Other hadith also address unlawful or non-halal food or products for human consumption. For example, it was narrated by Abū Ṡa'laba that,

أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ نَهَى عَنْ أَكْلِ كُلِّ ذِي نَابٍ مِنْ السِّبَاعِ

[al-Bukhārī, *Kitāb al-Dhabā'ih wa al-ṣayd, Bāb Akl kul dhī nāb min al-sibā'*, hadith number 5210]

Meaning:

*"Allah's Messenger forbade eating the meat of beasts having fangs."*

It can be understood from another ḥadith that while there are varieties of food, drinks, and products that are permitted to be consumed and used, there are also a lot of drinks and foods that are not allowed for human consumption, such as alcohol and pork.

## 3. Halal Food Industry Development in Indonesia

Citing data published by the Ministry of Finance at the end of 2019, the Islamic economy contributed US$ 3.8 billion to Indonesia's Gross Domestic Product (GDP) per year. Not only that, but the Islamic economy is also able to attract US$ 1 billion in foreign direct investment and open up 127,000 new jobs. Islamic economics is certainly not limited to the Islamic finance industry, such as banks, capital markets, and the Islamic non-bank financial industry, but also includes the real sector or the field of goods production. The government has also established the Halal Product Guarantee Agency (BPJPH). The presence of this institution aims to accommodate the potential of the domestic halal product market, which is relatively large, in line with the strengthening of the religious tendencies of the Indonesian population.

The potential for sharia economic development is mainly supported by the awareness of the Indonesian Muslim community toward the consumption of halal goods and services. The 2018 Halal Economy and Strategy Roadmap states that Indonesia's total consumption of halal goods and services in 2017 was around US$ 218.8 billion. This number is estimated to continue to grow by an average of 5.3 percent and reach US$ 330.5 billion in 2025. In terms of exports, the halal industry has the opportunity to add value to Indonesia's exports. The export value that can be generated from the halal industry ranges from USD 5.1 billion to USD 11 billion annually. In 2018, the halal sector generated USD 7.6 billion. Indonesia has a 3.8% global halal export opportunity for halal products. This figure can be increased again by increasing the quality of exported halal products. In addition, competitive pricing is considered necessary so that Indonesian halal products can compete with products from other countries. If halal products from Indonesia can compete in the world market, Indonesia can become the centre of the world's halal industry.

## 4. Opportunities, Challenges, and Strategy of Industry

In developing the potential of the halal food industry in Indonesia, apart from having various opportunities, of course, there are also challenges. From the external side, the challenge faced by Indonesia is the number of competing countries (Fathoni, 2020). The competing countries include Malaysia, Brunei Darussalam, Turkey, Pakistan, Qatar, United Arab Emirates, etc. There are competing countries included in non-Muslim countries, including Australia, Thailand, Singapore, the United Kingdom, Italy, etc. To not be left behind, Indonesia must be able to make good use of its potential. Otherwise, Indonesia will only become a consumer in this large and promising market.

**Table 1:** Indonesian Halal Food Industry Opportunities and Challenges

| Aspect | Opportunities | Challenges |
|---|---|---|
| Demand and market | 1. Growth in the number of Muslims in Indonesia and the world;<br>2. The target market in Indonesia is very large, with the middle class growing by 7-8% per year so that purchasing power also increases; | 1. Multinational products that have started working in the halal food and beverage sector;<br>2. Access to international markets is still small;<br>3. Lack of research on market |

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| | | |
|---|---|---|
| | 3. Increasing public awareness of consuming halal food. | movements, segmentation, and market tastes. |
| Technology and information | 1. Rapid technological developments;<br>2. The development of e-commerce and media. | The utilisation of information technology is still low. |
| Regulation | Government support for the halal food and beverage industry through Law Number 33 of 2014. | The policies of the central and local governments are still not aligned. |
| Cooperation with other sectors | 1. Opportunities for co-branding with the halal tourism sector;<br>2. Co-marketing opportunities with the media and recreation sector. | 1. Symmetric information between sectors;<br>2. Bureaucracy of inter-sectoral cooperation is still relatively complex. |
| Financing | 1. More and more alternative financing platforms;<br>2. Collaboration opportunities with Islamic banking and financial institutions;<br>3. More and more financing schemes, such as KUR, LPEI, Venture, and others. | 1. Financial institutions do not understand the ins and outs of the creative industry;<br>2. Financial institutions still need tangible guarantees, such as diplomas, certificates, and especially business plans, most of which business actors have not been able to fulfil. |
| Research & Development | Opportunities for research collaboration with food research bodies, universities, and companies. | 1. Lack of research on testing halal food ingredients;<br>2. Limited availability of halal food and beverage industry databases. |

### *4.1. Opportunities for the Halal Food Industry*

To meet people's needs for *ḥalālan ṭayyiban* food, various countries have implemented halal standards to meet people's needs. In Southeast Asia, countries that have implemented halal standardisation besides Indonesia are Thailand and Malaysia. The Thai government, through the Thai Agricultural Standard (TAS) 8400-2007, has set halal standards for agricultural products. The Malaysian government did the same thing through MS1500:2009-Halal Food. These standards have met the requirements applied by the international standards agency, the International Standardization Organization (ISO). Responding to the trend of standardisation of halal products, the Indonesian government has issued Law Number 33/2014 concerning Guaranteed Halal Products.

Government regulations related to product standards, especially halal food in Indonesia, are not new. Indonesia already has a halal certification guide issued by the Indonesian Ulema Council, namely the Requirements of Halal Certification HAS 23000 (Policies, Procedures, and Criteria). In addition, various government legal products have regulated multiple elements to ensure the halal value chain of agricultural production. Indonesia has the potential as the largest market share for halal food consumption and is the largest halal food producer with the wealth of natural resources. Based on Table 1 above, Indonesia has excellent opportunities for the food and beverage industry, both in terms of demand and market, technology and information, regulation, cooperation with other sectors, financing, and research & development. In terms of market and technology direction, Indonesia has high growth in the number of Muslims, so Indonesia's target market is huge, public awareness of consuming halal food continues to increase, technology development is rapid, and the existence of e-commerce and media continues to proliferate. In terms of financing, there are many choices of alternative financing platforms, collaboration opportunities with Islamic banking and financial institutions, and the availability of financing schemes, such as KUR, LPEI, Venture, and others.

### *4.2. Challenges of the Halal Food Industry*

However, those opportunities above have not been fully utilised. Indonesia is still a market destination for halal products from abroad. The development of the Indonesian halal industry is considered stagnant. This is because business actors in Indonesia have not considered the halal industry a significant and important business opportunity. In addition, Indonesia still has to face various challenges from various sides. From the demand and market side, Indonesia faces challenges in many multinational products that are also starting to work in the halal food and beverage sector. Access to international markets is still small, and there is a lack of research on market movements and market segmentation and tastes. In terms of technology, the utilisation of information technology for the development of this industry is still low. Meanwhile, in terms of policies, bureaucracy, and financial institutions, Indonesia faces challenges in the form of policies from the central and regional

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Bandar Seri Putra, 43600, Bangi, Selangor (Darul Ehsan) Malaysia.
Tel: +603-8911 7167. Fax: +603-8925 4402
Email: alirsyad@kuis.edu.my
Web: http://al-irsyad.kuis.edu.my/
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governments that are still not aligned, bureaucratic cooperation between sectors is still relatively complex, and financial institutions do not understand the ins and outs of creative industries, and others (See Table 1).

As the legal for halal products in Indonesia, Law no. 33 of 2014 regarding the guarantee of halal products has not significantly influenced the growth and acceleration of the halal industry. The difference in standardisation and certification of halal products in each country is an obstacle for the Indonesian halal food industry to penetrate the international market. Then the development of the halal industry is still constrained by the limited supply of raw materials that meet halal criteria.

### *4.3. Strategy of the Halal Food Industry*

To develop a strategy for developing the halal food and beverage industry, Indonesia's current condition and position must be mapped using a SWOT analysis. The mapping of strengths, weaknesses, opportunities and challenges based on the value chain of the halal food and beverage industry is summarised in Tables 2 and 3 below.

**Table 2:** Identification of Internal Factors of the Indonesian Halal Food Industry

| | **Internal** | |
|---|---|---|
| **Dimensions** | **Strengths** | **Weaknesses** |
| Raw Material | 1. diversity of resources (raw materials);<br>2. Innovation in raw material technology is being developed;<br>3. Have the capacity to meet the demand for halal food (locally and globally). | 1. Lack of value-added commodities, competitiveness in meeting export markets and import substitution;<br>2. Import food commodities that can be produced domestically (rice, salt, and meat);<br>3. Lack of technology utilisation in the raw material industry;<br>4. Education, research, and development (R&D) of halal agriculture is still limited;<br>5. Long distribution chain. |
| Human Resources | 1. the country with the most significant number of Muslims with 207.18 million inhabitants (BPS, 2010);<br>2. Increasing awareness of the potential of the halal industry, including the agricultural sector as an engine of development;<br>3. Involvement of the younger generation and startups in the halal industry;<br>4. More and more study programs related to food technology. | 1. Lack of research so that human resource competencies are not yet adequate;<br>2. Lack of understanding (Gap Skill) of the halal Value Chain in the halal food production system;<br>3. Awareness of the Indonesian Muslim community on the urgency of halal agricultural products is still low. |
| Industry | 1. the primary industry in the processing industry group;<br>2. Have a significant income distribution to GDP;<br>3. Have national standards in every production activity. | 1. Lack of knowledge about the opportunities and needs of the halal market, especially the MSME sector;<br>2. The low level of halal product certification;<br>3. Lack of processing efficiency and product quality assurance. |
| Distribution, Commercialization, and Promotion | The food and beverage business are the mainstay of SMEs throughout the country. | Lack of promotion of the image of domestically produced goods. |

**Table 3**: Identification of External Factors of the Indonesian Halal Food Industry

| | **External** | |
|---|---|---|
| Dimension | **Opportunities** | **Threats** |
| Raw Material | 1. Natural resources that can be developed;<br>2. Modernization of agricultural management as the introduction of modern technology | 1. Maintaining the halal value chain in the food distribution chain;<br>2. Dependence on imported raw materials can cause turmoil in production. |
| Human Resources | 1. the projected growth of the halal food industry in Indonesia is high;<br>2. Increasing awareness of the potential of the halal industry, including the agricultural sector as an engine of development; | 1. The time gap between responding to the challenges of the halal market and the speed of development of global halal market trends;<br>2. The number of halal auditors is still limited;<br>3. There is no particular study program or subject |

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| | | |
|---|---|---|
| | 3. The growth of the global Muslim population;<br>4. The rise of halal lifestyle campaigns in the community. | regarding halal food and beverage standards. |
| Industry | 1. Growth in the market share of domestic and export halal food;<br>2. Government support to develop the halal food industry;<br>3. Growth in the value of consumption of halal food globally;<br>4. The development of technology that supports the halal industry, such as e-commerce and fintech. | 1. Production costs in other countries are cheaper so that Indonesia cannot compete;<br>2. Tight competition among halal food producers such as Malaysia, Thailand, and Australia;<br>3. Halal Assurance System (HAS) supervision standards are unavailable. |
| Distribution, Commercialization, and Promotion | 1. Distribution channels in the domestic market are more numerous and varied;<br>2. Use of e-commerce and social media as tools for promotion and shopping in a straightforward way;<br>3. Sectoral and regional development to increase the comparative and competitive advantage of the halal food industry. | 1. Passive promotion of other countries' products;<br>2. Marketplace of products from other countries. |

From the results of the identification of internal and external factors in the environmental analysis of the Indonesian Halal Food Industry, both in terms of strengths, weaknesses, opportunities, and challenges, the weighting and rating of these strategic (internal and external) factors are carried out to obtain positioning, and strategic choices can be taken.

**Table 4:** Analysis of the Strengths and Weaknesses of the Indonesian Halal Food Industry

| No | Strategic Factors | Weight | Rating | Score |
|---|---|---|---|---|
| | Strengths (S) | | | |
| 1 | Diversity of resources (raw materials). | 0,04 | 4 | 0,17 |
| 2 | Innovation in raw material technology is being developed. | 0,04 | 5 | 0,21 |
| 3 | Have the capacity to meet the demand for halal food (locally and globally). | 0,04 | 4 | 0,17 |
| 4 | The country with the most significant number of Muslims with 207.18 million inhabitants. | 0,04 | 4 | 0,17 |
| 5 | Increasing awareness of the potential of the halal industry, including the agricultural sector as an engine of development; | 0,05 | 4 | 0,21 |
| 6 | Involvement of the younger generation and start-ups in the halal industry; | 0,05 | 5 | 0,27 |
| 7 | More and more study programs related to food technology. | 0,04 | 4 | 0,17 |
| 8 | The primary industry in the processing industry group. | 0,04 | 4 | 0,17 |
| 9 | Have a significant income distribution to GDP. | 0,03 | 4 | 0,13 |
| 10 | Have national standards in every production activity. | 0,03 | 4 | 0,13 |
| 11 | The food and beverage business is the mainstay of SMEs throughout the country. | 0,03 | 4 | 0,13 |
| | **Total of Score (S)** | | | **1,93** |
| | **Weaknesses (W)** | | | |
| 1 | Lack of value-added commodities, competition in meeting export markets and import substitution. | 0,04 | 2 | 0,09 |
| 2 | Import of food commodities that can be produced domestically (rice, salt, and meat) | 0,04 | 2 | 0,09 |
| 3 | Lack of technology utilisation in the raw material industry; | 0,04 | 1 | 0,04 |
| 4 | Education, research and development (R&D) of halal agriculture is still limited. | 0,05 | 1 | 0,05 |
| 5 | Long distribution chain. | 0,04 | 2 | 0,09 |
| 6 | Lack of research so that human resource competencies are not yet adequate; | 0,05 | 2 | 0,11 |
| 7 | Lack of understanding (gap skill) of the halal Value Chain in the halal food production system. | 0,04 | 2 | 0,09 |
| 8 | Awareness of the Indonesian Muslim community on the urgency of halal agricultural products is still low. | 0,04 | 2 | 0,09 |
| 9 | Lack of knowledge about the opportunities and needs of the halal market, especially the MSME sector. | 0,05 | 2 | 0,11 |
| 10 | The low level of halal product certification. | 0,04 | 2 | 0,09 |
| 11 | Lack of processing efficiency and product quality assurance. | 0,04 | 2 | 0,09 |
| 12 | Lack of promotion of the image of domestically produced goods. | 0,04 | 2 | 0,09 |
| | **Total of Score (W)** | | | **0,99** |
| | **Total (S+W)** | 1,00 | | **2,91** |

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**Table 5:** Analysis of Opportunities and Threats of the Indonesian Halal Food Industry

| No | Strategic Factors | Weight | Rating | Score |
|---|---|---|---|---|
| | **Opportunities (O)** | | | |
| 1 | Natural resources that can be developed | 0,04 | 4 | 0,17 |
| 2 | Modernisation of agricultural management as the introduction of modern technology. | 0,04 | 4 | 0,17 |
| 3 | The projected growth of the halal food industry in Indonesia is high. | 0,04 | 4 | 0,17 |
| 4 | Increasing awareness of the potential of the halal industry, including the agricultural sector as an engine of development; | 0,04 | 4 | 0,17 |
| 5 | The growth of the global Muslim population; | 0,04 | 4 | 0,17 |
| 6 | The rise of halal lifestyle campaigns in the community. | 0,04 | 4 | 0,17 |
| 7 | Growth in the market share of domestic and export halal food. | 0,04 | 4 | 0,17 |
| 8 | Government support to development of the halal food industry. | 0,05 | 5 | 0,26 |
| 9 | Growth in the value of consumption of halal food globally. | 0,04 | 4 | 0,17 |
| 10 | Technology development supports the halal industry, such as e-commerce and fintech. | 0,05 | 4 | 0,21 |
| 11 | Distribution channels in the domestic market are more numerous and varied; | 0,04 | 4 | 0,17 |
| 12 | Use e-commerce and social media as tools for promotion and shopping straightforwardly. | 0,05 | 4 | 0,21 |
| 13 | Sectoral and regional development to increase the comparative and competitive advantage of the halal food industry. | 0,04 | 4 | 0,17 |
| | **Total of Score (O)** | | | **2,34** |
| | Threats (T) | | | |
| 1 | Maintaining the halal value chain in the food distribution chain. | 0,04 | 1 | 0,04 |
| 2 | Dependence on imported raw materials can cause turmoil in production. | 0,04 | 2 | 0,08 |
| 3 | The time gap between responding to the challenges of the halal market and the speed of development of global halal market trends. | 0,04 | 2 | 0,08 |
| 4 | The number of halal auditors is still limited. | 0,04 | 1 | 0,04 |
| 5 | There is no particular study program or subject regarding halal food and beverage standards. | 0,04 | 1 | 0,04 |
| 6 | Production costs in other countries are cheaper so that Indonesia cannot compete. | 0,05 | 2 | 0,10 |
| 7 | There is a tight competition among halal food producers such as Malaysia, Thailand, and Australia. | 0,04 | 1 | 0,04 |
| 8 | Halal Assurance System (HAS) supervision standards are not yet available. | 0,04 | 1 | 0,04 |
| 9 | Massive promotion of other countries' products. | 0,04 | 2 | 0,08 |
| 10 | The marketplace of products from other countries. | 0,04 | 2 | 0,08 |
| | **Total od Score (T)** | | | **0,65** |
| | **Total (O+T)** | 1,00 | | **2,99** |

Based on the table of analysis of internal (strengths and weaknesses) and external (opportunities and threats) factors above, the position coordinates of the SWOT Model Quadrant can be made as follows:

| | HIGH (3-4) | MEDIUM (2-3) | LOW (1-2) |
|---|---|---|---|
| HIGH (3-4) | I<br>Growth:<br>Concentration through Vertical Integration | II<br>Growth:<br>Concentration through Horizontal Integration | III<br>Retrenchment:<br>Turn-round Strategy |
| MEDIUM (2-3) | IV<br>Stability | V<br>Growth:<br>Concentration through Horizontal Integration or Stability Profit Strategy | VI<br>Retrenchment:<br>Divestment Strategy |
| LOW (1-2) | VII<br>Growth<br>Concentric Diversification | VIII<br>Growth:<br>Conglomerate Diversification | IX<br>Liquidation |

**Graphic 2:** Coordinate Position of Indonesian Halal Food Industry

The position of the Indonesian Halal Food Industry is at Medium – Medium (2.91: 2.99) coordinates, namely in cell V. With this position, it is recommended that the Indonesian Halal Food Industry implement a growth strategy through horizontal integration. In this position, the Indonesian Halal Food Industry has an

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excellent opportunity to grow by developing the halal food and beverage industry, for example, by standardising halal domestic products, namely by coordinating the implementation of standardisation with relevant stakeholders, formulating an efficient and effective standardisation mechanism with utilising technology, develop policies for standardisation of halal products, disseminate policies and mechanisms for standardisation of halal products, and supervise the implementation of standardisation of halal products. In addition, promotion and literacy of halal products can also be carried out as a Muslim lifestyle, especially by optimising the involvement of the younger generation and start-ups in the halal industry, developing promotion and literacy strategies, and carrying out promotional and literacy collaborations with various media and communities. However, the Indonesian halal food and beverage industry still need to pay attention to industrial stability by suppressing/overcoming threats that may occur, such as the intense competition between halal food producers such as Malaysia, Thailand, and Australia, and the unavailability of a halal assurance system supervision standard (Halal Assurance System/HAS), and demands to maintain the halal value chain in the food distribution chain.

## 5. Conclusion

In developing the potential of the halal industry in Indonesia, apart from having various opportunities, of course, there are also challenges. Indonesia has excellent food and beverage industry opportunities, both in terms of demand and market, technology and information, regulation, cooperation with other sectors, financing, and research & development. In terms of market and technology demand, Indonesia has high growth in the number of Muslims, so Indonesia's target market is huge, public awareness of consuming halal food continues to increase, technology development is rapid, and the existence of e-commerce and media continues to proliferate. In terms of financing, there are many choices of alternative financing platforms, collaboration opportunities with Islamic banking and financial institutions, and the availability of financing schemes, such as KUR, LPEI, Venture, and others. However, this opportunity has not been fully utilised. In addition, Indonesia still has to face various challenges from various sides. From the demand and market side, Indonesia faces challenges in many multinational products that are also starting to work in the halal food and beverage sector. Access to international markets is still small, and there is a lack of research on market movements and market segmentation and tastes. In terms of technology, the utilisation of information technology for the development of this industry is still low. Meanwhile, in terms of policies, bureaucracy, and financial institutions, Indonesia faces challenges in the form of policies from the central and regional governments that are still not aligned, the bureaucracy for inter-sectoral cooperation is still relatively complex, and financial institutions do not understand the ins and outs of the creative industry and others.

By looking at the results of the positioning analysis through the SWOT technique, it is recommended that the Indonesian halal food industry implement a growth strategy through horizontal integration. In this position, the Indonesian halal food industry has an excellent opportunity to grow by developing the halal food and beverage industry, for example, by optimising the involvement of the younger generation and start-ups in the halal industry. Still, it needs to pay attention to industry stability by suppressing/overcoming the threats that arise. This may occur such to the intense competition between halal food producers such as Malaysia, Thailand, and Australia, the unavailability of a halal assurance system (HAS) supervision standard, and the demand to maintain the halal value chain in the food distribution chain.

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