



Strategies for Developing the Halal Industry to Enhance the Competitiveness of Local Products

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Abstract: The strategic development of the halal industry is key to strengthening the national economic structure. Enhancing the competitiveness of local products through halal standardization is expected to protect consumers while opening up broader access to export markets. Indonesia, as the country with the world's largest Muslim population numbering over 230 million is strategically positioned to become a leader in the global halal industry. However, reality shows a gap between potential and actual achievements. This paper is based on a literature review using a descriptive analysis model. From the results of the discussion, it can be concluded that local products as goods produced domestically often utilize local resources and have cultural or geographical ties to the communities from which they originate. Local products, particularly those produced by Micro, Small, and Medium Enterprises (UMKM), form the backbone of the national economy and demonstrate high resilience in the face of economic fluctuations. In the context of the halal industry, strategy is crucial because we are not just talking about business, but also about trust and quality standards. As the industry evolves, local products often struggle to compete due to perceptions of low quality. Halal certification fundamentally changes this perception

Keywords: strategies, halal industry, local products

Absktrak: Pengembangan strategis industri halal merupakan kunci untuk memperkuat struktur ekonomi nasional. Meningkatkan daya saing produk lokal melalui standarisasi halal diharapkan dapat melindungi konsumen sekaligus membuka akses yang lebih luas ke pasar ekspor. Indonesia, sebagai negara dengan populasi Muslim terbesar di dunia – yang berjumlah lebih dari 230 juta jiwa memiliki posisi strategis untuk menjadi pemimpin dalam industri halal global. Namun, kenyataan menunjukkan adanya kesenjangan antara potensi dan prestasi aktual. Makalah ini didasarkan pada tinjauan pustaka dengan menggunakan model analisis deskriptif. Dari hasil pembahasan, dapat disimpulkan bahwa produk sebagai barang yang diproduksi secara domestik seringkali memanfaatkan sumber daya lokal dan memiliki ikatan budaya atau geografis dengan komunitas asal produk tersebut. Produk lokal, terutama yang diproduksi oleh Usaha Mikro, Kecil, dan Menengah (UMKM), menjadi tulang punggung perekonomian nasional dan menunjukkan ketahanan yang tinggi dalam menghadapi fluktuasi ekonomi. Dalam konteks industri halal, strategi sangat penting karena kita tidak hanya berbicara tentang bisnis, tetapi juga tentang kepercayaan dan standar kualitas. Seiring perkembangan industri, produk lokal seringkali kesulitan bersaing karena persepsi kualitas yang rendah. Sertifikasi halal secara mendasar mengubah persepsi ini

Kata kunci: strategis, industry halal, produk lokal

INTRODUCTION

Indonesia, as the country with the world's largest Muslim population numbering over 230 million is strategically positioned to become a leader in the global halal industry. However, the reality reveals a gap between its potential and actual achievements. Some fundamental issues hindering the competitiveness of Indonesia's halal industry include: regulatory fragmentation across ministries and agencies, limited halal certification capacity that has not yet been able to reach all business actors especially UMKM a lack of integration in the halal supply chain, and a shortage of innovation and standardization aligned with global market demands (Bappenas, 2019).

Amid the tide of globalization and free-market competition, the halal industry has transformed from a mere religious requirement for Muslims into a global lifestyle trend (the halal lifestyle) with significant economic value. This phenomenon is not limited to countries with Muslim-majority populations but has also spread to secular nations that view the halal market's potential as a new engine of economic growth. Indonesia, as the country with the world's largest Muslim population, holds a strategic position yet faces significant challenges in becoming a global hub for halal production rather than merely serving as a target market for imported products.

Economic globalization has transformed the global trade landscape, where halal certification is no longer merely a means of fulfilling religious obligations for Muslims, but has become a global symbol of product quality, safety, and hygiene (Thayyib). The projected continued growth of the global Muslim population is the primary driver of demand for halal products across various sectors, ranging from food to lifestyle (Hidayat & Siradj, 2015). This phenomenon positions the halal industry as one of the new pillars of the global creative economy, possessing high competitive value.

However, this significant potential has not yet been fully realized. Indonesian local products still face various challenges in enhancing their competitiveness, both in the domestic and international markets. The main issues often revolve around the low level of understanding among UMKM actors regarding the urgency of halal certification, inconsistent quality standards, and a halal supply chain that is not yet well-integrated from upstream to downstream. Without a comprehensive development strategy, local products will continue to be eroded by foreign halal products that are better equipped in terms of technology and marketing management.

Through Law No. 33 of 2014 on Halal Product Assurance, the government has sought to strengthen this ecosystem. However, implementation on the

ground requires synergy between regulations, sharia financing support, and technological innovation to ensure that the halal label is not merely a matter of administrative compliance, but rather an indicator of quality and competitiveness capable of penetrating global markets. Therefore, research on strategies for developing the halal industry is crucial for mapping out tactical steps to strengthen the position of local products amid increasingly fierce competition.

The halal industry has evolved from simply meeting religious requirements for Muslim communities into an internationally recognized global quality standard. The halal lifestyle trend, which spans the food, cosmetics, pharmaceutical, and tourism sectors, has created a highly promising new niche market in the global economy. Indonesia, as the country with the world's largest Muslim population, possesses massive consumer potential as well as significant opportunities to become a leading producer in the global halal supply chain.

The strategic development of the halal industry is key to strengthening the national economic structure. Enhancing the competitiveness of local products through halal standardization is expected to protect consumers while opening up broader access to export markets, particularly to member countries of the Organization of Islamic Cooperation (OIC). Synergy between government regulations, technological support, and easy access to certification serves as the cornerstone for creating an inclusive and competitive halal ecosystem.

The competitiveness of local products can be enhanced by accelerating halal certification in conjunction with technological innovation and efficient supply chain management. The Indonesian government, through the Halal Product Guarantee Law, has sought to strengthen this ecosystem; however, the synergy between regulations and the readiness of business actors still requires special attention (Nurrakhmah et al., 2022). It is hoped that a focus on developing the halal industry will add value to local products so that they not only excel domestically but are also able to competitively penetrate international markets.

Therefore, an in-depth study is needed on strategies for developing the halal industry that focus not only on labeling but also on improving product quality, packaging innovation, and production efficiency, so that local products can compete on equal footing with global products in the free market.

METHODS

The method used in this study is a literature review (library research) with a descriptive model. A literature review can be defined as a series of activities related to the collection of literature data, reading and note-taking, and the processing of research materials. Based on the above, data collection in this

research was conducted by reviewing and/or exploring several journals, books, and documents, as well as other data and information sources deemed relevant to the research or study.

RESULTS AND DISCUSSION

Research Result

In the digital age, the development of the halal industry is undergoing a paradigm shift from mere administrative compliance to the use of advanced technology to ensure transparency and efficiency. Digitalization is key to ensuring that local products not only thrive in the domestic market but are also competitive on the global stage.

Strategies for developing the halal industry in today's digital age must be based on speed, transparency, and innovation. Digitalization is not just about selling products online, but about building a digital ecosystem that ensures quality from start to finish. With technology, the term "halal" is no longer merely a religious label, but a universally recognized standard of global excellence.

A strategy is not merely a plan on paper, but a compass that determines whether a local product can survive or sink in the face of global competition. In the context of the halal industry, strategy is crucial because we are not just talking about business, but also about trust and quality standards. Without a clear strategy, producers often get stuck merely on the formalities of halal labeling. Building a competitive advantage is also a strategy that producers can adopt. In the global market, a halal label alone is not enough. Products from non-Muslim countries (such as Thailand or Brazil) are also very aggressive in pursuing halal certification.

In addition, responding to changes in consumer behavior can also be an effective strategy. Modern consumers, especially millennials and Gen Z, are highly critical of what they consume. A communication strategy can help brands explain that halal is part of a healthy, clean, and sustainable lifestyle.

Strategy is the bridge that connects vast market potential with the realization of profits. Without a strategy, the development of halal products will remain nothing more than a sporadic effort that can easily be overwhelmed by major global players. In the market, local products often struggle to compete due to perceptions of low quality. Halal certification fundamentally changes this perception. Despite their great potential, local products often face significant obstacles when competing against global or imported products. Understanding the reasons behind this phenomenon is crucial for developing improvement strategies. Local products are often burdened by a "stigma" of low quality

compared to foreign products. Some weaknesses associated with the stigma of local products include:

1. Lack of Trust
Consumers tend to associate global brands with prestige and more proven quality standards.
2. Unattractive Packaging
Many local products (especially those from UMKM) have good product quality, but are packaged in a way that is unattractive or not user-friendly, causing them to lose out at first glance on store shelves.
3. Tendency to Imitate
Many local producers merely follow existing trends rather than setting them. Without in-depth research, local products struggle to offer unique value that foreign competitors lack.
4. Limited Marketing Budget
Global products have advertising budgets in the millions of dollars to shape public opinion, while local products often rely solely on word-of-mouth marketing or social media
5. Certification
Many local products still lack full certification (SNI, BPOM, or Halal), which is actually an absolute requirement for entering modern markets or for export

This is where the halal industry strategy comes in as a solution. By implementing strict halal standards, local products are actually undergoing a comprehensive quality improvement (hygiene, safety, and legality). The halal industry development strategy enhances the competitiveness of local products through the Double Protection mechanism protection of consumers' spiritual values (halal) and protection of product functional standards (quality/thayyib). The combination of these two elements creates a unique competitive edge that enables local products to compete with global brands in the era of free markets.

Discussion

Etymologically, the term "halal" derives from the Arabic root halla-yahillu-hallan, which means to free, release, or permit (Enang Hidayat, 2015). In the context of Islamic economics, halal products are goods or services permitted for consumption or use because they meet sharia criteria, both in terms of their substance (li-dzatihi) and the manner of their acquisition (li-ghairihi) (Muhammad Syakir Sula, 2004).

The concept of halal cannot be separated from the aspect of thayyib. A thayyib product is one that is of good quality, pure, safe for health, and nutritious

(Yusuf Qardhawi, 2007). The integration of these two concepts creates a comprehensive quality standard that ensures both physical safety and spiritual peace of mind for consumers.

Theoretically, the halal label is viewed as a credence attribute—that is, a product quality that cannot be directly detected by consumers even after they have consumed it. [8] Therefore, halal certification and logos serve as communication tools or signals (signaling theory) to reduce information asymmetry between producers and consumers, thereby building trust and loyalty toward local products (Nur Asnawi and Fanani, 2017).

In Indonesia, halal products have evolved from a moral obligation into a legal mandate. Under Law No. 33 of 2014 on Halal Product Assurance, a product refers to goods and/or services related to food, beverages, medicines, cosmetics, chemical products, biological products, genetically modified products, as well as consumer goods that are used, employed, or utilized by the public (Law No. 33 of 2014 on Halal Product Assurance). This theory explains that the state exists to provide legal certainty for consumers and producers. Government Regulation No. 39 of 2021 also regulates the administration of the Halal Product Assurance sector, including the stages of halal certification requirements for various types of products.

To ensure a product's halal status, this theory emphasizes that halal standards must be maintained at every stage of distribution. Upstream-Downstream Integration means that halal status is not determined solely by the final product, but begins with the procurement of raw materials, continues through the production process, packaging, and transportation, and extends until the product reaches the consumer. Halal Critical Points: This theory identifies stages in production that are susceptible to cross-contamination with non-halal ingredients. Control at these critical points is what determines the competitive quality of local products.

Local products goods produced domestically often utilize local resources and have cultural or geographical ties to the communities where they originate. Local products, particularly those produced by Micro, Small, and Medium Enterprises (UMKM), form the backbone of the national economy and demonstrate high resilience in the face of economic fluctuations.

Competition in the global market puts local products in a vulnerable position due to several critical factors:

a. Information Asymmetry and Brand Image

Local products often face the country-of-origin effect, in which consumers perceive the quality of local products to be lower than that of global

(imported) products (Michael J. Etzel, Bruce J. Walker, and William J. Stanton, 2011)

b. Cost Efficiency and Economies of Scale

Many local producers have not yet been able to achieve economies of scale, so production costs per unit remain high compared to multinational companies that use automation technology (N. Gregory Mankiw, 2014).

d. Standardization and Legal Compliance

Administrative challenges, such as compliance with SNI standards, BPOM regulations, and halal certification, remain barriers for local businesses seeking to penetrate modern markets and export (Agus Irawan Saputra, 2019).

Despite facing significant challenges, shifts in consumer behavior are opening up new opportunities for local products. By leveraging e-commerce platforms and social media, local producers can bypass lengthy distribution chains, enabling them to reach consumers directly at a lower marketing cost.

In the context of local products in Indonesia, integration with the halal industry presents a strategic opportunity. Halal certification is not only viewed as fulfilling religious requirements but also as a tool to enhance product quality and safety standards (total quality management). This provides an additional competitive edge for local products to compete in a global market that is increasingly focused on ethical consumption and product hygiene (Muhammad Syakir Sula, 2004).

Local product improvement is a systematic effort to enhance the physical and non-physical attributes of a product so that it meets the expectations of an ever-evolving market (Fandy Tjiptono, 2015). Theoretically, this improvement encompasses quality enhancement, feature enhancement, and style improvement (Philip Kotler and Kevin Lane Keller, 2016). This step is crucial for local manufacturers to avoid the saturation phase in the product life cycle.

Improving the competitiveness of local products depends heavily on the implementation of Total Quality Management. In this approach, quality is not solely the responsibility of the production department, but rather the result of an organization-wide process focused on customer satisfaction. Quality improvements in local products often involve process standardization, the use of better raw materials, and strict control over product defect rates (the zero-defect concept).

In today's era of global competition, product improvement is inseparable from innovation. Product innovation results from the development of new products or significant improvements to existing ones, with the aim of providing

added value to consumers. Local manufacturers need to adopt new technologies to improve production efficiency and ensure that their products meet the same quality standards as those from abroad.

CONCLUSION

The strategic development of the halal industry is key to strengthening the national economic structure. Enhancing the competitiveness of local products through halal standardization is expected to protect consumers while opening up broader access to export markets, particularly to member countries of the Organization of Islamic Cooperation (OIC). Synergy between government regulations, technological support, and easy access to certification serves as the primary foundation for creating an inclusive and competitive halal ecosystem. The competitiveness of local products can be enhanced through the acceleration of halal certification combined with technological innovation and efficient supply chain management. The Indonesian government has enacted the Halal Product Guarantee Law. Historically, local products have often lost out in competition due to perceptions of low quality. Halal certification fundamentally changes this perception. Despite their great potential, local products frequently face significant barriers when competing against global or imported products.

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