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FOOD DISTRIBUTION CHANNELS IN MALAYSIA & RECENT DEVELOPMENTS



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EXECUTIVE SUMMARY

The Malaysian food distribution channels can be divided into two main categories, namely traditional and modern food retailers. In recent times, there has been a shift in the growing urban population lifestyles, whereby more and more consumers are moving away from purchasing food products from the traditional retailers – contributing to increasing growth and popularity of modern food retailers in urban areas. Urbanization has not only change the lifestyle but also consumption behavior in Malaysia, as society continues to become more globally connected. This is proven with the increasing trend and demand for foreign food products in the country. This shift further flourishes the food distribution market in Malaysia.

The Malaysian government encourages modernization and the spread of modern food retailers across the country for the better standards. At the same time, they also support and protect small traditional food retailers so that their existence (in rural areas and small towns) would not be adversely impacted by the growing competition. Over the recent years, modern food retailers such as supermarkets and hypermarkets have grown in importance particularly in urban areas; while traditional food retailers such as wet markets and sundry shops are gradually losing their appeal especially among the younger generation, particularly in urban areas.

Today, it can be seen that the demographic and economic changes in Malaysia, have led to many food retailers progressively introducing new concepts and adopting new technology to cater to the needs of the growing urban population. As Malaysians urbanites are increasingly seeking convenience and time-saving options, e-commerce is becoming popular in the food sector. It can be said that the Malaysian food e-commerce market is increasingly becoming more attractive and this offers great opportunity for European companies. As this concept is more mature in Europe than in Malaysia, more can be introduced and implemented in the Malaysian online food distribution market to further enhance consumer experience.

Apart from that, there is also potential for European self-service technology or system to be introduced in the Malaysian food distribution channels, as the new generation is more accustomed to technology and constant changes. Self-service technology is almost non-existent in many supermarkets and hypermarkets in the country, and it is believed to be very valuable to modern food retailers in Malaysia – it can help reduce overcrowding and improve shopping convenience by giving time back to the customers.

As the food distribution market in Malaysia continues to develop, new trends and business innovations have emerged to cater for the more international and industrialized urban population. This not only offers market opportunity for European food retailers, but also provide a platform for them to further build their presence in Malaysia.





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LIST OF ABBREVIATIONS

µg:	Microgram
ASEAN:	Association of South-East Asian Nations
Bhd:	.....	Berhad
BIC:	.....	Business Information Centre
DVS:	.....	Department of Veterinary Services
FAMA:	.....	Federal Agricultural Marketing Authority
g:	.....	Gram
GDP:	.....	Gross Domestic Product
GHP:	.....	Good Hygienic Practices
GMP:	.....	Good Manufacturing Practices
GST:	.....	Goods and Services Tax
HACCP:	.....	Hazard analysis and critical control points
HS Code:	.....	Harmonised System Code
ISO:	.....	International Organization for Standardization
JAIN:	.....	Department of State Religious Affairs
JAKIM:	.....	Department of Islamic Development Malaysia
kcal:	.....	Kilocalorie
kg:	.....	Kilogram
kJ:	.....	Kilojoule
MAIN:	.....	State Religious Council
MAQIS:	.....	Malaysian Quarantine and Inspection Services
MATRADE:	.....	Malaysian External Trade Development Corporation
mg:	.....	Milligram
MITI:	.....	Ministry of International Trade and Industry
NKEAs:	.....	National Key Economic Areas
NRV:	.....	Nutrient Reference Value
OIC:	.....	Organization of Islamic Cooperation
RM:	.....	Ringgit Malaysia
RMCD:	.....	Royal Malaysian Customs Department
Sdn Bhd:	.....	Sendirian Berhad
TQM:	.....	Total Quality Management System
USD:	.....	US Dollar



Malaysia as the
GATEWAY TO ASEAN

01



1. Malaysia as the Gateway to ASEAN

Malaysia is centrally located within the Association of South-East Asian Nations (ASEAN) and consists of two regions separated by the South China Sea. These are Peninsular Malaysia and East Malaysia (consisting of the states of Sabah and Sarawak on the island of Borneo). It has a total land mass of 329,847 square kilometers (127,350 square miles).¹ Malaysia is a federation of 13 states and three federal territories. The capital city is Kuala Lumpur, whereas Putrajaya is the federal administrative center of Malaysia. The official language of Malaysia is Bahasa Malaysia, but English as well as Chinese are also widely spoken.

Figure 1: Map of Malaysia²



As of April 2016, the country recorded a total population of 31,270,000 persons.³ Malaysia is a multi-ethnic, multicultural and multilingual society. Ethnic Malays make up the majority of the population at 57.1%, followed by Chinese at 24.6%, Indian at 7.3% and other local ethnicities at 11%. Hence the country is reflected by a very colorful composition in terms of language, religions and cultural practices. The Malaysian constitution guarantees freedom of religion, although Islam is the largest and official religion. Approximately 61.3% of the population practice Islam, 19.8% Buddhism, 9.2% Christianity, 6.3% Hinduism, and 2.6% practice Confucianism and other traditional religions.⁴

In the 1970's an imbalance of these ethnic groups in terms of share of the national economy was realized, with the minority "ethnic Chinese" holding the clear majority of the business in the country and the "Malays" that time less than 10%. Hence a so called "Bumiputera Policy" was introduced. The objective of this policy is to improve the economic situation of the native Malay (Bumiputera) and allow the Malays to reach a stronger share of the economy. Meanwhile approximately 23% of the economy is held by Malays.⁵

¹ World by Map (n.d.)

² Nationalisme (n.d.)

³ World-o-meters (n.d.)

⁴ Department of Statistics (n.d.)

⁵ Malaysia Human Development Report (n.d.)

Malaysia, a former British colony, gained its independence in 1957. Since Independence, Malaysia has adopted the political system of a parliamentary democracy with a constitutional monarch, whose position is rotated every five years between each of the nine hereditary state rulers.

Malaysia is also a founding member of ASEAN and the Organization of Islamic Cooperation. It is also a member of the Commonwealth of Nations. Further, the country participates in other international organizations such as the United Nations, the Asia-Pacific Economic Cooperation, the Developing 8 Countries, and the Non-Aligned Movement. Previously, the country has chaired ASEAN, the Organization of Islamic Cooperation as well as the Non-Aligned Movement. In 2015, Malaysia led the ASEAN's ten member countries as the Chairman.

1.1. Economical Overview

Malaysia is a dynamic country which is constantly evolving. Being a middle-income country, Malaysia has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy spurred on by high technology, knowledge-based, capital-intensive and by nature export-driven industries. Malaysia's Economic Performance ranked 18th out of 189 economies in 2015.⁶ Strategically located in the heart of South-East Asia, Malaysia offers a cost-competitive location for investors intending to set up offshore operations in order to manufacture advanced technological products for both regional and international markets.

In 2011, the Malaysian Government launched the Economic Transformation Programme which is managed by the Performance Management & Delivery Unit under the patronage of the Prime Minister.⁷

The Economic Transformation Programme identifies National Key Economic Areas (NKEAs) which are drivers of economic activities that have the potential to materially contribute to the growth of Malaysia. Its objective – also known as “Vision 2020” – is to transform Malaysia into a “high income country” by year 2020, and raise per capita income to at least USD 15,000, meeting the World Bank's Threshold for high income nation.⁸

In 2015, the Malaysian economy continued to perform well and the authorities have taken advantage of favorable conditions provided by the growing economy and full employment to implement key fiscal reforms. Growth accelerated as the recovery of exports and continued strong private demand offset mild headwinds from lower public spending. Private investment continued to be fueled by accommodative financial conditions and the catalytic effects of long term public investment programs. Additionally, strong employment and wage growth supported private consumption. The removal of fuel subsidies pushed inflation above its historical average, but without any signs of more generalized inflationary pressures, despite a positive output gap.

⁶ World Bank Database (2015)

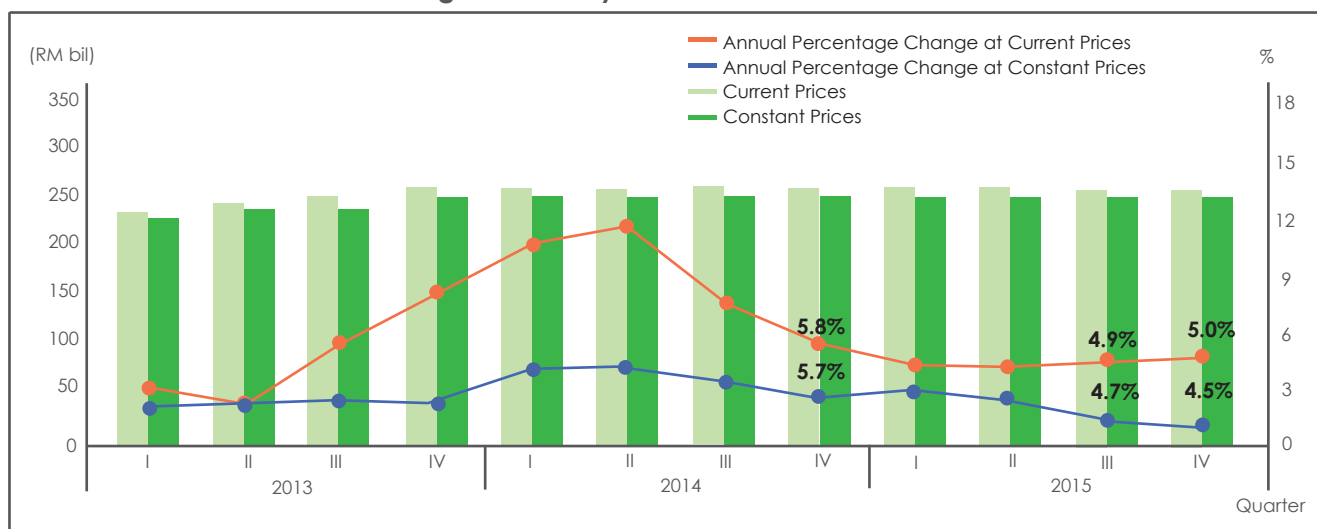
⁷ Economic Transformation Programme (n.d.)

⁸ Sanusi & Ghazali (n.d.)



Deposit growth has slowed to the single digits and domestic liquidity conditions are beginning to tighten. In subsequence to the international oil price decline in 2015, the currency of Malaysia, called Ringgit (RM), depreciated by about 18.6% against the USD.⁹ However, since then the Malaysian Ringgit has shown a very stable path, with a single digit appreciation.

Figure 2: Malaysia's GDP Growth Rate¹⁰



The Malaysian economy expanded by 4.5 percent during the last quarter of 2015 (Q3 2015: 4.7%). Growth was supported by both domestic and export-oriented activities, despite a challenging external environment. On the supply side, all sectors posted positive growth. The services sector remained the key driver of growth, expanding by 5.0 percent in the fourth quarter (Q3 2015: 4.4%) supported mainly by wholesale and retail trade, information and communication as well as business service activities. Malaysia's manufacturing sector increased further to 5.0 percent (Q3 2015: 4.8%). As the key driver in Manufacturing, Electrical, Electronic & Optical products posted a sturdy growth at 10.5 per cent reflecting a higher momentum in consumer electronics and medical equipment products. The construction sector grew 7.4 per cent (Q3 2015: 9.9%). Civil Engineering posted an impressive growth of 20.4 per cent which was mainly geared by oil & gas and transportation related projects.¹¹

Further, the private consumption remained the key driver of growth, expanding by 4.9 per cent (Q3 2015: 4.1%) caused by the better growth in consumption of transportation, food & beverages and communication. The growth of Malaysia's investments is strongly driven by private investment, which increased by 5.0 percent in the last quarter 2015 (Q3 2015: 7.0 %). Meanwhile, investments from the public sector slipped to a marginal growth of 0.4 percent.¹²

⁹ Bank Negara Malaysia (n.d.)

¹⁰ Department of Statistics Malaysia (2016)

¹¹ Department of Statistics Malaysia (2016)

¹² Ibid.

According to the 2015/2016 Economic Report, the national economy is expected to grow 4.0 to 5.0 percent this year, driven by domestic demand. Private sector spending will remain a significant contributor as it is expected to be the main component of domestic demand with an expected growth rate of 6.4 percent in 2016. Moreover, despite the depreciation of the Ringgit, inflation is expected to remain low as a result of the slowing drop in global crude oil prices and the wearing down of the effects of the Goods and Service Tax (GST) implemented in the beginning of 2015.¹³ Other institutions as the World Bank forecast that the country's gross domestic product will even grow by about 5.0 in 2016 and 5.1 percent in 2017. ¹⁴

1.2. EU-Malaysia Trade Relations

In accordance with the Delegation of the EU to Malaysia, cooperation in trade and economic issues have been the driving force for closer ties between the EU and Malaysia. In October 2010, Malaysian Prime Minister Najib Razak and the EU leaders launched two major EU-Malaysia bilateral initiatives, namely the negotiations for the Free Trade Agreement (FTA) and for the Partnership and Cooperation Agreement (PCA). The two initiatives are respectively aimed at boosting bilateral trade and investment and at creating a new strategic dimension for the EU-Malaysia political dialogue and economic cooperation. The Malaysia-European Union FTA was brought to a halt in 2012. Currently, both Malaysia and European Union have considered restarting the negotiation to conclude the agreement.

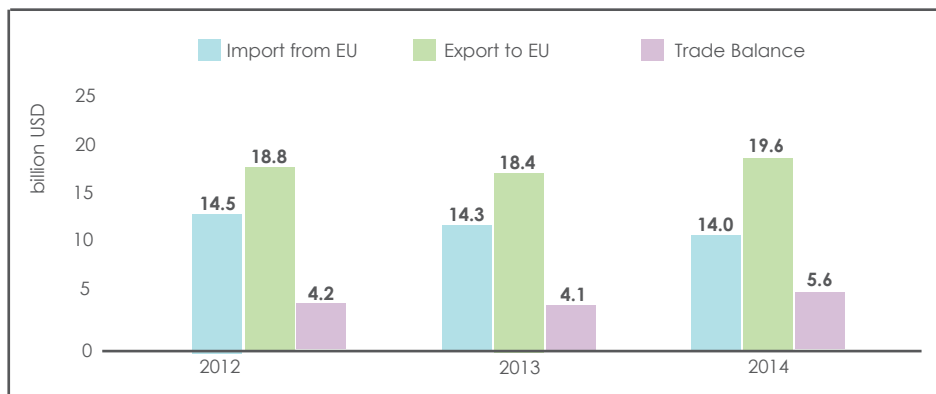
The EU is Malaysia's third largest trading partner and accounts for about 10% of Malaysia's total external trade, both in terms of import and export destination and a very important source of Foreign Direct Investment into Malaysia.¹⁵ In contrast, the country is the EU's third largest trading partner in ASEAN after Singapore and Vietnam and the 22nd largest trading partner of the EU worldwide.

As the ASEAN countries continue on the path of regional integration, the strategic position of Malaysia is becoming increasingly more attractive for trading partners such as the EU. This is also confirmed by the Ease of Doing Business Report 2016 of the IMF, in which Malaysia is identified as the 18th best country among 189 countries worldwide. Within the Asia Pacific Region, Malaysia even is the 4th, directly following high developed countries like Singapore, Hong Kong, and Taiwan.

13 Malaysia Kini (2015)
14 World Bank (2015)
15 MATRADE (n.d.)



Figure 3: Trade in Goods Malaysia - EU¹⁶



1.3. Economical Key Facts: EU-ASEAN

The EU and ASEAN enjoy a strong trade relationship. ASEAN as a whole represents the EU's third largest trading partner outside Europe with more than EUR 245 billion of trade in goods and services in 2013. The EU is ASEAN's second largest trading partner worldwide.¹⁷

The EU remains the biggest investor in ASEAN. It is the largest provider of Foreign Direct Investment (FDI) to ASEAN, accounting for 22% of total FDI inflow.¹⁸ The EU's main exports to ASEAN are chemical products and machinery and transport equipment. The main imports from ASEAN to the EU are machinery and transport equipment, agricultural products as well as textiles and clothing. The largest part of EU FDI stock in ASEAN is concentrated in Singapore, Malaysia, Thailand, Indonesia and the Philippines.

¹⁶ European Commission Directorate-General for Trade (n.d.)

¹⁷ EU-ASEAN Relations - EUMCCI (n.d.)

¹⁸ Ibid.



GENERAL INTRODUCTION

02



2. General Introduction

The aim of this market report is to provide European small- and medium-sized enterprises an overview and information of the Malaysian food distribution market and its current development. To give a better understanding of the market circumstances in Malaysia, the focus is on various topics such as E-Commerce, Halal Logistics as well as different food distribution channels within Malaysia. Moreover latest trends, consumer habits and consumer expectations have been highlighted to illustrate future opportunities and challenges for European SME's. The information in this study was gathered from secondary research as well as primary research such as interviews with different industry players and associations as well as on-site research and information gathering from exhibitions and conferences.

2.1. The Malaysia Plan

According to the "Codex General Standard for Food Additives" (GSFA) which was published by the World Health Organization (WHO) and the Food and Agriculture Organization of the United Nations (FAO), food products can be categorized into 16 different categories, including meat products, beverages, cereals or fats and oils. These main food categories can be further divided into 266 categories in total. However, to simplify and make it more transparent, the food categories in this report will be summarized into six different categories¹⁹:

1. Fruits & Vegetables

- Including domestic products such as mangoes, bananas, and tomatoes as well as imported products such as plums, blueberries
- Concerning vegetables, such as turnip, cabbage, carrot, potato and garlic where China is the main supplier²⁰
- Fruits like fresh strawberries, raspberries, blueberries and cranberries are niche markets and are especially imported from the United States²¹

2. Dairy Products

- Due to the tropical climate and the rising demand for dairy products during recent years, Malaysia is not self-sufficient in terms of milk and dairy products; hence more than 90 percent of the products are imported from other countries, such as New Zealand, Australia and the United States, as well as from European countries.²²
- Consequently, the prices for dairy products in Malaysia are higher compared to Europe.

¹⁹ Food and Agriculture Organization of the United Nations (2016)

²⁰ USDA Foreign Agricultural Service (2016)

²¹ Ibid.

²² Ibid.

3. Fish & Meat

- In terms of seafood and fish, Malaysia is self-sufficient and not dependent on imports
- Malaysia is self-sufficient in their poultry supply; however, as a result of the high demand of the local processing industry missing amounts are imported from other countries such as China, whereas red meat is especially imported from India²³

4. Cereal & Grain Products

- Malaysia is not self-sufficient for maize and wheat and therefore imports maize and wheat
- The rice production should be improved and increased to meet the needs of the population and reduce dependence from imports
- Cereal grains are mainly imported from Australia

5. Confectionery & Snacks

- Generally confectionery and snacks, including products such as gum, sugar confectionery, chocolate confectionery and biscuits, are gaining greater popularity in Malaysia
- This product group is dominated by international brands

6. Other Products

- Other products to be mentioned are for example eggs, for which Malaysia is self-sufficient

²³ USDA Foreign Agricultural Service (2016)



**FOOD DISTRIBUTION
CHANNELS IN MALAYSIA**

03

3. Food Distribution Channels in Malaysia

According to the GDP per capita from 2014, Malaysians are the third richest consumers among the ten major ASEAN markets, after Singaporeans and Bruneians.²⁴ Malaysians are in favor of products with a high quality as well as there is an increasing trend towards the consumption of Western food. However, Malaysians are generally more price sensitive. As European products are usually pricier than Asian products, it is advisable for importers and foreign companies to target middle- to high-income Malaysians, tourists from nearby Singapore and other countries, as well as expatriates.²⁵

Recent studies have also shown that there is currently a general global as well as Asia-wide trend that consumers tend to be more health-conscious as they value the food quality, ingredients and food safety. They prefer to cook healthier food with fresher ingredients on their own at home instead of eating frequently outside.²⁶ Therefore, retail stores focusing on healthy and organic food enjoy an increasing popularity amongst consumers. Moreover, the overall lifestyle gets busier due to an increasing hectic pace and stress due to work. Furthermore, Malaysia belongs to one of the most urbanized countries in Southeast Asia with a rate of urban population growth of 4.0 percent a year, which also leads to a change in the food distribution landscape.²⁷ Thus, due to all these factors, retail channels have changed and developed over the past years to adapt to the needs of the changing society and economy.

This study provides an overview of the different food distribution channels in Malaysia; from traditional to modern. As it will be elaborated in this study, households are generally classified in either one-person households, or multi-persons households where at least two people live in together and make common provision for food along with other living essentials.²⁸

Moreover, in this study, grocery retail stores will be divided into “Traditional Grocery Retailers” and “Modern Grocery Retailers”. Convenience Stores, supermarkets, hypermarkets and premium stores are categorized as modern grocery retailers, whereas wet markets and sundries shops are categorized as traditional grocery retailers.

²⁴ Ministry of International Trade & Industry (n.d.)
²⁵ Market Analysis Report. Agriculture and Agri-Food Canada (2012)
²⁶ Nielsen (2015)
²⁷ World Bank (2015)
²⁸ United Nations Statistics Division (2014)



3.1. Sundry Shops

Small independent convenience stores, otherwise known colloquially as sundry shops are spread across the country. These stores are mostly small family-owned businesses and sell a heterogeneous range of products. These mainly open-fronted stores usually offer local products and only a few amounts of popular imported products. Sundry shops offer groceries and other products in limited numbers. They remain popular among the population, especially in rural areas; while in larger cities, it can be observed that the number of sundry shops declines as a result of the emergence of modern grocery retailers.

Customers

For many products, customers prefer to go to hypermarkets and wet markets than going to supermarkets and sundry shops, as a study about the retail selection decisions in Malaysia indicated. The study also showed that the preferred grocery items bought in sundry shops are especially dairy products, rice, bread and beverages.²⁹ As different sundry shops provide a different range of products, various target groups are addressed, depending on which items are sold by the shop. Above all, sundry shops are a popular contact point for customers, for whom convenience plays an important role. The majority of customers are from the neighborhood living near the sundry shop such as housewives, who prefer daily purchasing of grocery products. They visit the shops more times a week and buy products in small quantities. In addition, sundry shops are very popular among older customers as well as local households. For many Malaysians, the personal relationship to the owner or the cashier plays an important role, too. While there is a change in urban areas, such that customers prefer to go to larger modern grocery retailers, sundry shops are still popular in more rural areas and smaller towns.

Products

Sundry shops do not offer as much varied products compared to other retailers, such as hypermarkets; and most of the things are only available in small amounts. Nevertheless, besides food and beverages, daily items such as toiletries and stationeries are also available. In particular, majority of the products sold in sundry shops are local, traditional and Asian products; whereas there are only a handful of branded or western-made products. Most sundry shops cater to a particular target group. Therefore, there exist stores, where for example primarily Halal products, Chinese products or Indian products are provided to meet the need of the customers. As sundry shops only offer limited product assortment they are not able to reach the diversity and variety of items of the hypermarkets. In order to remain competitive in the grocery retail market, some sundry shops increased their offered product assortment to address different target groups. Despite the growing competition with modern grocery retailers, sundry shops can often keep up with hypermarkets as they supply especially traditional products, which are not offered by the modern retailers such as fresh grocery products (i.e.: fish, vegetables and fruits).

²⁹ Che Wel C., Hussin S. & Omar, N. (n.d.)

Price & Payment

Sundry shops mainly sell their items in small quantities; therefore they do not have the edge to compete with the larger super- and hypermarkets, in term of prices. In consequence, items at sundry shops are priced at a comparatively high range. Nevertheless, items which are popular among local households and which are not offered at modern markets, such as traditional products, are priced at a very competitive level. This in turn, provides a competitive advantage for sundry shops over other grocery retailers.

Food & Safety

Two main influencing factors for the customers' choice in retail decisions are product quality and clean environment, which may not be as pronounced in sundry shops compared to hypermarkets. Due to these factors, sundry shops cannot compete with hypermarkets, which in turn, present a threat for sundry shops. Nevertheless, in today's progressively competing environment, there has been an increasing number of sundry shops adopting an improved quality and safety standards – to cater to the needs of convenience, as well as safety of customers.

Structure & Location

In Malaysia, sundry shops are widespread throughout the whole country. Sundry shops can be found in nearly every housing estate, villages as well as cities. Typically, sundry shops are non-air-conditioned stores and most of the time very small. Further characteristics are the small and narrow alleys as well as the shelves which are not as organized as shelves in hypermarkets. There is no one dominant establishment in this sector, as sundry shops are usually sole proprietorship owned by families or owned by individuals with generally only about one to four workers per shop.

In recent times due to the emerging popularity of hypermarkets, sundry shops have been gradually declining in number. Many of the shops closed down permanently and the number of registered stores reduced by more than a half. According to the President of the Federation of Sundry Goods Merchants Association, Mr. Lean Hing Chuan, the membership of small stores has declined from 50,000 to 20,000 within five years, as a result of increasing competition by the 24/7 convenience store chains (i.e.: 7-eleven) as well as foreign megastores.³⁰

Furthermore, many sundry shops especially in big cities try to improve their appearance, as they need to stay competitive to the large hypermarkets, which offer a wider range of products with a lower price. Consequently, sundry shops have seen moderate improvement in terms of customer service and facilities, such as a better structure, cleaner environment and further improvements like more parking lots and other services. At the same time, they also retain their friendly atmosphere.



Strategies & Summary

It occurs that, as a result of rising urbanization and modernization many families and the population in general move to more urban areas and market centers; this in turn affects the fluctuation of customers at many sundry shops. Nevertheless, sundry shops may still benefit from the opening of hypermarkets nearby. Consequently, the infrastructure is improved to provide better access to the hypermarkets, which also leads to better accessibility and convenience. Furthermore, sundry shops offer complementary products to modern retailers, allowing them to co-exist with more modern stores.

With the establishment of the Small Retailer Transformation Programme (TUKAR), launched in 2011 by the government, small retailers are protected and their existence would not be adversely impacted by the growing competition.³¹ This program aims to modernize sundry shops to increase their competitiveness towards other grocery retailers. Furthermore, with the help of the program the service capabilities should be improved and an efficient supply chain as well as the sale of quality products should be established. In addition, to protect these small stores, the government prohibited new foreign hypermarkets in towns with less than 250,000 inhabitants.³² Due to this regulation, sundry shops are especially spread in more rural areas than in urban areas, where they have to compete against the larger more modern stores.

To sum it up, sundry shops still play an important role in Malaysia especially in residential, rural areas and small towns. They offer a limited range of products which are mainly local products. The customers of sundry shops are usually those who prefer to shop in small amounts. As sundry shops can be found in every neighborhood they are within a walking distance for most residents. It is more convenient for customers to go to sundry shops to purchase small amounts of items. Also, the customer base is usually very loyal towards the shops.

3.2. Wet Markets

A wet market is an open air market where fresh produce, including vegetables, fruit, poultry, fish and even livestock are sold. The floors are regularly hosed down with water, hence the term 'wet market.' The markets are normally divided into a "wet" section and a "dry" section. In the "wet" section, fresh products such as meat, fish, seafood and live animals are sold; whereas, stalls in the "dry" section sells dried goods such as spices, herbs, rice, dried seafood, fruits and vegetables.³³ These wet markets tend to open early in the morning and close around noon. The cooler weather around the opening hours ensures freshness of products and avoids spoilage. As the weather in Malaysia is hot, paired with a high degree of humidity, food products, especially those which are sold in the open, have to be kept fresh to avoid perishing. To keep the products fresh, market workers use ice and fresh water, which leads to wet floors and tables.

³¹ Economic Transformation Programme (2011)

³² Ibid.

³³ National Heritage Board (2013)

The sellers can be either the farmer himself, or wholesalers of different kinds of food products. A further type of sellers are the independent intermediaries such as family owned stalls, specializing on certain food products like local vegetables or spices.

Wet markets also serve as the microcosm of Malaysia's multi-cultural society. Wet markets are important social spaces where residents of diverse backgrounds can meet and interact while purchasing cheap and fresh produce as well as household groceries. More specifically, wet markets provide a setting where personal relationships and lasting friendships are forged, not just between residents and stall holders, but also among the residents in the neighbourhoods. It brings residents of different social and cultural backgrounds together and initiate community bonding in a residential area.

Customers

Wet markets can be seen as a tradition and a part of the local culture among the Malaysian population. Wet markets are generally visited by consumers from all walks of life. There are wet markets, which only offer Halal products, where Muslim population prefer to shop. At other wet markets non-Halal products are made available too, to cater to the non-Muslim population. In general, the majority of wet market customers are usually older people. Nevertheless, there is also a small amount of younger people or even a few tourists and expats which do their daily purchases there. For tourist, wet markets are part of their experience while visiting Malaysia.

Products

A wide range of food products are available at wet markets. Many vendors sell a large variety of fruits and vegetables; local as well as imported. Moreover, a variety of fresh meat, seafood and spices can be found at the market, too. The vast range of products at wet markets are further shown in the choices of non-mainstream foods such as frogs and exotic seafood, which are considered delicacies in Malaysia. Due to the fact, that there are many vendors, even in a specific product segment, goods such as apples for example are available in various tastes, shapes and colors.

As an indicator for freshness, fish and seafood as well as chicken is in most cases still alive and slaughtered if needed directly at the market upon request. At some wet markets pork is available too, as non-Muslim customers also go there to purchase their groceries. However, pork is usually handled and sold in a separate area of the market.

Price & Payment

The prices of goods sold at wet markets tend to fluctuate due to variations in demand and supply. When supply is affected due to droughts or monsoon rains, prices are similarly affected. In addition, there are also seasonal price variations especially during the festive periods. Due to the relatively short daytime operating hours of most wet markets (usually between early morning till noon), prices of fresh produce can also see variations within the course of a day. By late morning or mid-day, some stall holders will reduce prices so as to cut their losses and maximize sales before they close for the day.



The markets offer personalized services because many stall holders are familiar with the preferences of their regular customers. In fact, some stall holders may give a better deal to their regular customers by rounding down the total price or adding in free goods such as an extra bunch of vegetables. Until today, transactions mostly based on verbal agreements and bargaining is still widely practiced. All transactions are in cash and once a price has been stated and accepted between the stall holder and the customer, goods and money will exchange hands without the issuance of a receipt. In some cases, restaurant owners also prefer to buy their products from wholesalers at the wet markets - not only because they are cheaper, but they do not have to pay immediately.

Food & Safety

Street-level wet markets are in general not as well-maintained as the ones housed in structured buildings. Even then, modern wet markets still lack proper sanitation and safety standards. In most cases, there are little to no supervision or regulation on health and safety standards for wet markets in Malaysia. There has also been increasing risk of foodborne diseases in wet markets due to their insanitary conditions. Other causal factors of foodborne diseases include unhygienic utilities for processing and storage of food products, a lack of vendor access to clean water and heated sanitization stations, and improper disposal of animal fluids including blood and fecal matter.

Wet markets that cater to middle- to higher-income groups are in general more spacious and cleaner. They usually have well-maintained sidewalks as well as rooftops that cover the whole area, which especially helps in the case of heavy rain as well as sunny or hazy days. On the other hand, wet markets that cater to the lower income group are rather grimy and run down. The sidewalks are narrow and are often covered with disposals. They also lack protection from extreme weather conditions.

Structure & Location

Wet markets are still a primary channel for fresh product distribution in Malaysia. Often located out in the open, wet markets target mainly lower- to middle-income groups. Traditionally, markets consist of open-space areas with tables and tents. Nowadays, some wet markets are housed in full structure buildings, although there are still a number of street-level wet markets throughout Malaysia. Nevertheless, there has been an increasing shift towards modernized wet markets with improved standards, which are housed indoors in covered buildings with larger sales areas.

In terms of locations, many areas or buildings where wet markets are located, are primarily owned by the government. This is beneficial for the sellers, as the amount they have to pay for the location as well as the rent is very low. Moreover, they do not have to pay any taxes on their revenue to the government. However, the fact that the properties are government-owned might also be a threat. This is because some of the wet markets are located in very lucrative areas with high land and property prices. Therefore, there is always a risk that the government either relocate the wet market to another location or in the worst case shut down the whole market completely.



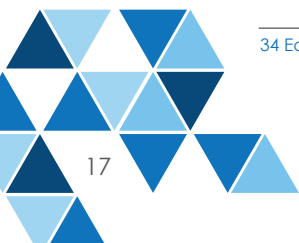
Strategies & Summary

Most stalls at wet markets are operated as a family business and many of the elderly stall holders may have to shut down their stalls in the near future. Even though the monthly rent for the stalls and government taxes are very low (or even non-existent), the turnover rate of the stalls is very high. This is because the younger generation, who tend to be better educated, is not very interested to continue this family business. There are two main reasons for this. Firstly, the workload at a wet market can be very time-consuming and physically demanding, and therefore is less attractive to the younger generation. Secondly, many younger generation tend to migrate to urban townships as well as abroad, to pursue employment (moving away from the family business tradition).

Furthermore, it can be observed that there is an overall lack of health and safety standards at wet markets. Moreover, prices at wet markets are subject to strong price fluctuations as the availability and harvest yield depend on the weather conditions. Even though wet markets are still a quite popular way to buy groceries among Malaysians, they are expected to gradually lose market share to groceries- and convenient stores within the next years. There are manifold reasons for this trend: supermarkets and hypermarkets are more attractive, in particular for the younger generation but also for working professionals who find it more convenient to do their daily grocery shopping in the evenings after work.

To improve the environment of wet markets and also to support them, the Pasar Komuniti initiative was launched. Under the Federal Agriculture Marketing Authority (FAMA) various markets should be placed together under one roof. With this initiative, the hygienic conditions of the markets should be improved through different improvements such as better drainages and frequently cleaning. Generally, the location and environment of the markets would be modernized and upgraded in order to reach more customers.³⁴

³⁴ Economic Transformation Programme (2014)





Modern Grocery Retailers

Convenience stores, supermarkets, hypermarkets and premium stores belong to the group of modern grocery retailers. These stores offer a wide variety of food and non-food products. Most of these modern grocery retailers are located in huge shopping complexes. However, a small number of supermarkets, premium stores, and hypermarkets are stand-alone buildings with dedicated parking areas. Moreover, convenience stores are mostly located in densely populated areas where shops can attract a high number of customers. The normal daily opening hours for the majority of retailers are from 10.00hrs to 22.00hrs from Monday to Thursday and Sunday, with retailers allowed operating from 10.00hrs to 24.00hrs on Friday and Saturday. Only retailers in Kedah, Kelantan and Terengganu have standard operating hours from 10.00hrs to 22.00hrs on Sunday to Wednesday and Saturday; and 10.00hrs to 24.00hrs on Thursday and Friday (these two days are considered as the weekend in these states). Meanwhile, special retail opening hours are granted on public holidays. There are no restrictions imposed on the number of opening days per year for retailers in Malaysia. Almost all retail outlets are open on Sundays, due to the large crowds, as it is a non-working day.³⁵

3.3. Convenience Stores

A convenience store can be generally defined as a small retail business shop that provides a variety of everyday items such as snack foods, groceries and drinks; as well as toiletries, tobacco and magazines. These stores are located mostly within reach of consumers. Convenience stores such as 7-Eleven, KK Mart, 99 Speedmart are often open 24-hours a day. The major convenience store is 7-Eleven with approximately 1,600 outlets across Malaysia.

The convenience retail format is also building out among the petrol station chains – there are now more than 3,000 petrol station convenience stores operated by petroleum companies such as Petronas, Shell, Petron, Caltex and BHPetrol. These air-conditioned convenience stores carry a smaller range of popular confectionery products compared to those offered by supermarkets and hypermarkets.³⁶

Customers

Consumers that tend to purchase food products at convenience stores belong to different customers segments. Generally, it can be said that the average customer of convenience stores is convenience-seeking. Due to the high density of convenience stores in rural but especially in urban areas, consumers have an easy access to stores, without the necessity of taking the public transport nor private vehicles to get to the store nearest to them. This is an interesting aspect, particularly because customers are able to do impulse purchases (for products which they suddenly feel the need to buy).

Products

As convenience stores have a considerably small sales area, they carry fewer products on the shelves and fewer variety compared to supermarkets and hypermarkets. However, owed to the small sales area, convenience stores offer more essential products and have a tighter product range in comparison to supermarkets and hypermarkets. The key products at convenience stores include tobacco, media, ready-to-eat and fresh food, packaged beverage, services, and personal/essential items.³⁷ Fresh fruits and vegetables as well as freshly prepared meat and seafood are usually not offered; however, some convenience stores may offer packed and also frozen meat and vegetables in their product range. In addition, some convenience stores offer oven-cooked food (such as curry puffs and spring rolls) and self-service area to prepare instant meals (i.e.: instant noodles, soups, coffee).

Price & Payment

Payment can be made in cash and via debit- or credit card. Moreover, in selected stores it is also possible to pay with separate prepaid cards such as the "Touch 'n Go"-Card which can also be used to pay at other facilities such as petrol- and train stations, as well as restaurants. Those prepaid cards can also be recharged for further usage at selected stores. The overall price level at convenience stores is slightly higher compared to other food distribution channels such as super- or hypermarkets; however some selected products such as snacks or drinks may be priced at a lower level in convenience stores, whereas fresh products such as milk are usually more expensive.

Food & Safety

Most convenience stores are modernly-equipped. The sales area is equipped with air-conditioning system to protect the products from intense heat, and on the other hand, to guarantee a convenient shopping experience for the customers. Meanwhile, perishable foods and drinks are kept in the fridge to guarantee their freshness.

Structure & Location

Convenience stores in Malaysia can be found in urban areas with a high population density as well as in suburban areas with a low population density. As the population density in major cities in most cases is considerably high, the concentration of convenience stores in these areas is likewise very high. Unlike supermarkets, most convenience stores are not located in shopping malls, but rather at busy streets with a large number of pedestrians. As most of the petrol stations are located at major roads and highways, the concentration of convenience stores along the roads is considerably high.

However, some convenience stores are also located inside larger or more popular shopping malls. The sales area in a convenience store is narrow and small. Even though the space is limited, it is used effectively. Freezers for frozen products, refrigerators for dairy products and drinks, as well as shelf rows for other food products such as snacks and confectionary, are placed within the store. As some stores such as 7-Eleven offer ready-to-eat food, there are also microwaves, small ovens and water boilers placed near the checkout counters. Some convenience stores such as 7-Eleven are open 24-hours a day. Customers can therefore enjoy the possibility to buy their products whenever they like.



Strategies & Summary

Convenience stores are densely concentrated across the country, especially in major cities. The product range is smaller and goods' prices are slightly more expensive than other retailers. Convenience stores do not offer such a wide product assortment as supermarkets or hypermarkets. Also, fresh produce such as vegetables, fresh meat and fruits are uncommon at convenience stores. However, these stores do carry imported drinks and food products such as juices and confectionery products, albeit in small variety.

An advantage of convenience stores is the long opening hours, as most of these stores are open 24-hours a day. They are also especially popular for impulse purchases due to their long opening hours.

Recently, there has been new investment coming from Japan in the convenience store market, namely the Family Mart. It was further reported that Family Mart will expand their business presence throughout the country.

3.4. Supermarkets

A supermarket is a self-service store offering a wide variety of food and household merchandise, organized into departments. Supermarkets are larger in size and have a wider selection than a traditional grocery store; however, it is smaller in terms of size and product range compared to a hypermarket or superstore. The sales area of supermarkets is defined to be between 300-2,500 square meters.³⁸

Customers

Supermarkets are popular across different customer segments. There is no specific age group for supermarkets – young consumers who live in single-households as well as extended families tend to buy their groceries at supermarkets. The peak time when most customers do their purchases is during the week after work (usually starting around late afternoon), and on weekends.

In January 2011, the Ministry of Domestic Trade, Cooperative and Consumerism launched the 'No Plastic bag Campaign Day' which is currently placed on Saturdays. The objective of this campaign was to reduce the exorbitant consumption of plastic bags and help to reduce environmental pollution due to the high amount of plastic waste. According to this campaign, customers have to pay MYR 0.20 per plastic bag. Thus, many customers choose to do their groceries shopping at supermarkets on any other days instead of Saturdays as they want to avoid paying for plastic bags.³⁹

³⁸ PWC (2015)
³⁹ Research Gate (2013)



Products

Supermarkets offer generally a wide range of products. They can be either fresh food as well as packed and frozen food. The fruits and vegetables are displayed on shelves in the fresh produce area, which is usually situated near the entrance of the supermarket. Some products such as carrots or bananas are supplied from domestic producers, whereas other products such as plums or blueberries are imported from other countries. Most of the fruits and vegetables have to be weighed and priced from a responsible shop assistant before paying at the cashiers; however there are also pre-packed and pre-priced products available. In certain supermarkets, fresh produce which is close to the best-before-date are also offered at a discounted rate to the customer.

It is also possible to buy meat and poultry either at the fresh meat counters, customized in the specific weight and size, or as ready-processed and -packed meat in the refrigerated section of the supermarket. There are also supermarkets which offer non-halal meat such as pork. The pork meat is mostly placed in a separate designated 'non-halal' area within the supermarket. Apart from meat, supermarkets also sell a wide range of fresh fish and seafood such as lobsters, shrimps, crabs and clams. Meanwhile, there is a wide range of dairy products available such as chilled milk, butter, yoghurt and also different kinds of cheese. These products are partially from domestic suppliers as well as imported from foreign countries.

Moreover, there is a large range of cereal and grain products such as rice, bread, oatmeal and breakfast cereals. Rice and breads are mostly from domestic suppliers or other suppliers in Asia, whereas the majority of breakfast cereals, oatmeal and muesli bars are imported from overseas. As there is increasing awareness in healthy food, rising amounts of healthy and gluten-free cereal products, especially in terms of breakfast cereals, can be seen on the shelves. Other food products such as canned food, spices, different kinds of spreads as well as confectionary and salty snacks are also offered. Many products are imported from other countries, for instance, from European countries, as well as Australia, the US, Korea and Japan. However, special spices and products such as canned fish are supplied by domestic producers.

Furthermore, as Malaysia has a huge diversity in terms of cultural backgrounds, there are numerous festivities that are celebrated nationwide over the year, including Chinese New Year, Deepavali, Hari Raya as well as Christmas. During these festivities, supermarkets offer an assorted selection of festivities-related products such as confectionary and other food products.



Prices & Payment

The price level in supermarkets differs among the specific markets and product groups. However, the overall prices in supermarkets are comparatively low. Supermarkets usually purchase their products in larger quantities from the suppliers, giving them an economy of scale effect. They can therefore offer their products at lower prices. Most supermarkets also offer weekly price discounts. The respective products are normally discounted for a specific time frame until they offer new discounted products. These discounted products are usually displayed at the front side of the shelves to quickly attract the customer's attention. Meanwhile, the payments in supermarkets are done via credit- and debit card as well as in cash.

Food & Safety

Most supermarkets have wide hallways and are air-conditioned. This provides a pleasant shopping experience for the customers. On the other side, the temperature secures the quality of their food products. A special cooling area (with refrigerators and freezers), for fresh products such as meat, dairy and frozen products is also available. Whereas, other products are organized on the shelves, and the aisles are labelled by the type of products (i.e: spices, cereal, and canned food, etc.).

Structure & Location

Supermarkets are mainly situated in high-density areas. Stand-alone supermarkets with parking-lots are very rare as majority of the supermarkets are located in shopping malls and complexes. Customers usually prefer that supermarkets are located in shopping malls as it is more convenient for them, in terms of car park. Besides grocery shopping, they can also spend time on different leisure activities such as going to the cinemas, shopping for clothes and other consumer goods, as well as grabbing a meal at the restaurants. Many supermarkets also have restaurants as well as bakeries near the check-out counters to fulfill the customers' overall shopping experience.

Strategies & Summary

Supermarkets offer different kinds of food products from fresh produce, packed and frozen food, household appliances, to toiletries. The outer appearance of supermarkets is usually very clean and tidy. In terms of location, it can be observed that most of supermarkets are located inside huge shopping complexes.

As products' prices in supermarkets are usually slightly cheaper than other retailers, they target the lower- to middle income class. Moreover, supermarkets are frequently visited on weekdays after regular office hours and on weekend, especially on Sundays.

Subsequently, the level of convenience provided by most supermarkets, has given rise to its popularity among the Malaysian urban population. It is further expected that supermarkets will continue to record a much higher growth during the next years.

3.5. Hypermarkets

According to the “Wholesale and Retail Handbook” from the ‘Economic Transformation Programme’ in Malaysia, hypermarkets can be defined as self-service distribution stores with a sales floor area of at least 5,000 square meters or more, whereas a superstore is 3,000 to 5,000 square meters in size.⁴⁰ However, in this report superstore is defined as a part of hypermarkets.

Table 1: Amount of Hypermarket Stores in Malaysia⁴¹

Market	Hypermarket		Superstore	
	Active	Not Active	Active	Not Active
Aeon BIG	24	2	4	0
Giant	50	1	31	7
Tesco	46	3	5	4
Total Amount	120	6	40	11
Total Amount	126		51	

Tesco from the UK and Aeon Big from Japan are two main foreign-owned hypermarkets which operate in Malaysia. The following further provide an overview of some of the most popular hypermarkets in Malaysia⁴²:

1. Aeon BIG

- Took over Carrefour Malaysia in 2012
- Operates Jusco stores nationally, which is the largest high-end department store chain with supermarkets, targeting middle to high income customers
- AEON Big is AEON's hypermarket chain
- Carries mainly locally sourced products, but is increasing the proportion of imported products (mainly from Japan)
- 26 Hypermarkets and 4 Superstores in Malaysia

2. Giant

- Home grown trusted brand
- Offers best value for money products on the shelves, targeting middle income customers
- Carries economy brand under its private label for a wide range of products
- Many products are obtained and developed locally
- 51 Hypermarkets and 38 Superstores in Malaysia

⁴⁰ Ministry of Domestic Trade, Co-operatives and Consumerism

⁴¹ Economic Transformation Programme (2014)

⁴² Euromonitor International (2016)



3. Tesco

- Operates Tesco and Tesco Extra stores in major cities, targeting the mass market
- Carries economy brand under its private label for a wide range of products
- Carries mainly locally sourced products, but is increasing the proportion of imported products (mainly from the UK)
- Offering home-delivery service within urban areas
- 49 Hypermarkets and 9 Superstores in Malaysia

Customers

As the products sold in hypermarkets are available in larger quantities and wider varieties, majority of the customers come from multi-person households such as families. Nevertheless, hypermarkets are popular among almost every customer segment, regardless of their social status, income level and even ethnic background as they offer a wide spectrum of products, which is not only limited to food products, but also other non-food products such as toiletries and household appliances.

Although Malaysian consumers are becoming more particular on the quality and freshness of products; in general the consumers still tend to be price-sensitive. Thus, customers value the competitive pricing that hypermarkets are able to offer.

Products

Hypermarkets sell a very wide range of primary consumer goods, consisting of a mix of food and non-food products. These products are mostly sold in larger quantities as bulk packaging as well as in other forms of packaging. They offer reasonably priced local as well as imported products. Most of the imported products come from the neighboring or other Asian countries. There is also, a number of country-specific products such as spices, sauces and canned food from different European and Asian countries such as USA, Japan, Korea or India. Moreover, some hypermarkets such as Tesco offers so-called "White-Label-Products" with their own brand.

In terms of fresh produce, hypermarkets offer different types of fruits and vegetables, mostly coming from Malaysia itself. Meat and poultry can be either found already packed and processed in the cooling area of the hypermarket, or also freshly prepared and packed by staff at fresh meat counters within the market. The fresh produce is supplied from local producers as well as from other countries such as Thailand, Australia or China. Domestic dairy products as well as imported dairy products such as cheese and yoghurt are also available, which are mostly sold in larger quantities and packaging sizes.

As in most modern distribution channels, hypermarkets too try to attract more health conscious customers by offering healthy products such as breakfast cereals with less sugar or with gluten-free ingredients. This trend is not only apparent in cereal and grain products, but also across other food product segments.

Prices & Payment

As hypermarkets offer mostly products in larger quantities, the actual unit price is mostly cheaper compared to prices on wet markets, supermarkets or also premium stores. To retain current and acquire new customers, hypermarkets mainly attract consumers with their weekly offers on discounted products. This is especially very effective for the price-conscious consumers among the Malaysian population. These special discounted products are mostly placed at the front side of the shelves or also within the hallway to quickly attract the customer's attention. To accelerate the payment process, some hypermarket chains such as AEON-Big have quick checkout counters for customers with less than ten products. Whereas, payment at the cashier can usually be made by credit- and debit card as well as in cash.

Food & Safety

To prevent fresh produce, such as meat, poultry, dairy as well as frozen products from perishing and spoiling, hypermarkets have large cooling areas with refrigerators and freezers. Furthermore the whole markets are equipped with air-conditioning system to provide a convenient shopping-experience for the customers and additionally ensure the freshness of the groceries such as vegetables and fruits. Products are also neatly organized and labelled on shelves. Meanwhile, non-Halal products such as alcohol and pork are also available at a dedicated area in a hypermarket.

Structure & Location

The shelves, cooling areas, and even the aisles in hypermarkets are generally larger, in terms of length as well as width. There are also large baskets full of items placed in the hallway – where discounted goods are displayed. For customers' shopping convenience, trolleys and shopping baskets are placed at the entrance.

On top of that, there is a general regulation whereby, hypermarkets are not allowed to operate within a 3.5-kilometre radius of a residential area or town center. Moreover, hypermarkets are not allowed to be constructed in locations that have less than 250,000 residents, and it is allowed to have only one (1) hypermarket for every 250,000 residents. Furthermore, there have to be at least 50 parking lots per 1,000 square meters business floor.⁴³ Therefore, hypermarkets are usually stand-alone buildings with parking lot.

⁴³ Malaysian Investment Development Authority (2015)



Strategies & Summary

Hypermarkets offer a wide assortment of domestic and imported food products in various packaging sizes. This provides an advantage for the customers, especially for those from multiple-person-households such as families – as they are able to purchase items in larger quantities.

Many hypermarket chains also offer loyalty cards to enhance their relationship with the customers. With the loyalty card, customers receive reward points for every Ringgit they spent at the hypermarket. Some hypermarkets even allow their customers to convert the rewards points into cash vouchers or cash rebates for future purchases. Aside from the loyalty card, some hypermarkets also give stamps and stickers to the customers for certain purchase values – in which customers can then exchange for household products, or purchase some items at lower prices.

3.6. Premium Stores

Premium stores or premium are usually spread out across urban areas, especially in more affluent neighborhoods where the customers can afford their higher prices. Some well-known premium stores in Malaysia include “Ben’s Independent Grocer” and “Jasons Food Hall”, which are both strategically located in upper-class areas within Kuala Lumpur. These stores are offer a wide and selected range of mostly imported products.

Customers

Premium stores' customers mainly come from middle- and high income segments. The reason being, the products are usually priced higher than at a regular local hypermarket. This is mostly due to a large portion of their products are imported from foreign countries. Furthermore, premium stores are located mostly in affluent neighborhoods, attracting mostly customers that can afford and do not mind to pay for the quality and imported goods. Premium stores are also very popular among western expatriates as they offer a great variety of popular western products that may not be easily available in regular super- or hypermarkets in Malaysia.

Products

The amount, quality and diversity of the available food products at premium stores clearly differ to those at common Malaysian super- and hypermarkets. Premium food stores offer a wide range of high-end and gourmet food products which are in a large part imported from western countries such as the United States or Europe. There is also a wide range of fresh produce such as fruits and vegetables imported from neighboring and other Asian countries. These products are sometimes organized by their country of origin on the shelves. This makes it easier for customers to find the right and suitable products of their needs.



Each food category has various products catering to different customer segments. For instance, in terms of cereal products; gluten-free, unsweetened ingredients as well as sustainable and biological packaging are offered to customers. This is in accordance to current consumer behaviors as well as new lifestyle trend where more and more people are leaning towards living an environment-friendly and healthy lifestyle. Besides that, premium stores also offer seasonal and cultural specific products. For instance, chocolate, sweets and other popular food products for Easter and Christmas celebrations; as well as specially-prepared food products for Chinese New Year, Hari Raya and Deepavali festivals.

Prices & Payment

Products in premium stores are priced at a high range. There are two main reasons for this: firstly, the range of food products mainly consists of imported goods and these products are already in their country of origin rather expensive. In addition, transport and tariff costs for importing the goods into Malaysia are added on top of the initial prices. Secondly, premium stores target higher income-group of customers such as expatriates, tourists or affluent Malaysians. The prices are therefore kept at a high-price segment. Depending on the products, prices can be up to 40 percent higher than the similar product's price in a conventional supermarket. Nevertheless, the quality of the food products are in general better. In addition, payments in premium stores can be done via credit- and debit card as well as in cash.

Food & Safety

The sales area of a premium store is in general very spacious. Different products are placed on long shelf rows with all prices visibly marked. At the area where meat is sold is usually not only divided between Halal and non-Halal meat, but also separated by sections according to the type of meat such as poultry, beef or pork. Each section offer a large variety of the specific meat, either freshly prepared in the desired quantity or readily packed and processed. Also, like most indoor food retailers, premium stores make use of refrigerators and freezers to keep the perishable food items while ensuring the right temperature for each food product - preventing it from losing its quality and freshness.

Structure & Location

Premium retailers are primarily located in areas with a high concentration of high-income consumers. In Kuala Lumpur, areas such as Ampang, KLCC, Bangsar and Damansara have seen increasing white-collar and expat population, and are considered wealthy neighborhoods. Known as the city's trendiest neighborhoods, these areas are home to many premium food retailers supplying imported foods that cater to the growing expat population. These premium stores are also well-liked among foreign tourists and affluent consumers from other areas.



Premium stores may either be housed in a small shopping mall or as a stand-alone building with an enclosed parking lot. This ensures comfort and convenience to the customers as they are able to park their vehicles at the dedicated parking areas. Some of these premium stores also have their own premium bakeries, cafes and restaurants. These gastronomic establishments are typically owned by the premium retailers as they try to ensure an all-round and pleasant shopping-experience for the customer.

Strategy & Summary

To sum up, premium stores provide a vast selection of premium products. The majority of products are imported from overseas countries, only a few products are also supplied by domestic producers, such as fresh produce. They tend to emphasize on their premium status and quality, hence their products are usually priced at higher level. Premium stores target the middle- to high-income classes and are therefore, located in wealthy neighborhoods.

With the urban population being exposed to more international culture, premium stores are gradually gaining popularity among Malaysian consumers. This is because the selection of products they offer are imported from many countries and are not easily available at the supermarket nor hypermarket in Malaysia.

3.7. Online Distribution

Online grocery shopping is very popular particularly in Asia. Approximately one-third of Asian consumers use online ordering and delivery services. In general, Asia-Pacific consistently exceeds the global average for adoption of different options for retailing any kind of goods. There are a few factors why online grocery shopping is so prevalent and still growing in Asia and especially in Malaysia. A continued growth in the adoption of mobile devices and broadband coverage, especially in the developing regions of Asia, has also helped to increase the online grocery sales.⁴⁴ Moreover, according to the publication about urbanization in Asia from the World Bank Group, there is a clear trend that especially people in Malaysia move from rural to urban areas, which leads to a higher population density.⁴⁵ Therefore, the home delivery model for grocery shopping is economically future-oriented.

The general growth of e-commerce and online retailing sales has been driven also by the ripening process of digital versed people, the consumers that grew up with new digital technology. These consumers are more enthusiastic, motivated and familiar with technology, so they are more likely to use online grocery shopping or online shopping. Furthermore, a booming ownership and usage of mobile devices has created huge opportunities in terms of e-commerce.

⁴⁴ Nielsen (2015)
⁴⁵ World Bank (2015)



According to statistics from the Malaysian Communications and Multimedia Commission, the penetration of broadband access was 91.7 per 100 inhabitants. In general, there has been rapid growth during the past years as an increased number of people now have access to broadband. The growing spread of access to broadband affects especially the younger generation. As the majority of internet users belong to the younger generation, in particular to the age group of 20-24 years old. But also the number of internet users of 30 years old and above increases slightly. Another number which has grown is the one of consumers who purchase goods by using a Smartphone. From 2012 to 2014, this number increased by 20 percent.⁴⁵

Table 2: Broadband Penetration in Malaysia⁴⁶

Year	Quarter	Broadband Penetration	
		Per 100 inhabitants	Per 100 households
2014	4	68.3	70.2
2015	1	77.6	70.4
	2	91.7	72.2

Subsequently, Internet retailing witnessed a strong current value sales growth during the past few years. In Malaysia, it gradually gains popularity among young consumers, mainly because of the convenience it offers. The possibility and ability for the customers to purchase their products from online retailers around the clock and anywhere without any borders is appealing to the customers. Furthermore, Malaysian consumers are in general, interested in using internet retailing to make price comparisons among different suppliers.

Today, more and more food retailers introduce e-commerce services that make it even easier for consumers with a tight time schedule to get the groceries they need. Consumers have the option to use the “click and collect” services in which they order their groceries online for pickup at a store or other locations. However, even if different retailers introduce e-commerce services, the overall amount of companies offering these online services is still limited to a small few market players in the country. In Malaysia, online grocery shopping providers are a few supermarkets which offer online ordering and door-to-door delivery as well as independent service companies that are basically a middle-man between the grocery store and the end customer.

In Malaysia, it can be said that the food e-commerce services are not intended for the mass; however it is catered towards people in the middle to higher income range as they are able to afford the slightly higher prices compared to conventional in-store shopping. Most consumers on online food retailers belong to the group of multi-person households especially the so called “Millennials”, aging between 21 and 34. They typically just have started working and set up a new household together with their partner or family. Due to a more busy and hectic lifestyle, long working hours and therefore lack of time, grocery shopping can be a hassle. Furthermore, ‘Generation Z’ which is between the age of 15 and 20, will soon graduate from college and start working. Both groups and generations will affect the economy and change the market behavior for decades to come. Thus, it is crucial for food retailers and manufacturers to understand these consumers and their habits.⁴⁷

⁴⁵ E-Commerce Milo (2016)

⁴⁶ Malaysia Communications and Multimedia Commission (2015)

⁴⁷ Nielsen (2015)



Online Hypermarket

When it comes to hypermarket offering online shopping and door-to-door delivery, Tesco is one of the pioneers in Malaysia. They have set up an online platform selling their product range including groceries, to allow for greater market penetration and provide convenience to its customers. With this online platform, customers may place their orders online and pick up the items at the nearest selected locations, or get the items delivered right at their doorsteps. Tesco Online in Malaysia, however limited its delivery service area to urban cities such as Kuala Lumpur, Penang and Johor Bahru. Moreover, while online purchases can be paid via credit- or debit card, payment via cash is not acceptable. On top of that, a certain amount of service or delivery charge is added to the purchase value.

While the concept of online hypermarket gradually gains ground in Malaysia, its rate of penetration is still relatively low. Despite facing a slow growth, online hypermarket has great potential to be further explored and capitalized as urbanization rate continues to rise throughout the country.

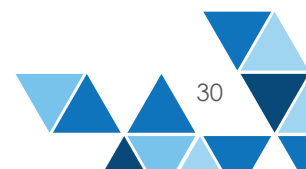
Online Grocery Delivery Service

An upcoming trend in food distribution channels in Malaysia is the online grocery delivery service, which allow the customers to shop from more than one supermarkets or specialty stores at the same time via one webpage, on their mobile or desktop. The whole idea behind this concept is to have a professionally-trained personal shopper to take care of all your grocery needs.

One example of this in Malaysia is Happy Fresh, which offers a wide selection of grocery stores to shop from on its webpage. Some of Happy Fresh's partner stores in Malaysia include Tesco, Jason's Food Hall and Village Grocer, among others. Via this platform, customers may choose to purchase groceries from any of the partner stores online, and get the items picked and purchased by Happy Fresh's personal shoppers (Happy Fresh plays a middleman between customers and different stores). The customers' purchases will then be delivered personally to their doorsteps or at any selected locations and time.

Unlike the online hypermarket concept, most online delivery service providers allow payment to be made via debit or credit card, as well as via cash-on-delivery. A small delivery fee may also be charged on top of the purchase value.

This example of Happy Fresh business model is unique because it does not rely on investing and managing inventory, warehouse or fulfilment of the goods. Instead, it relies on the already existing stores which in turn, allows it to have access to a large selection of products. Despite being a relatively new concept in the market, this retail-friendly approach is expected to rapidly grow in Malaysia. If both retail stores as well as online service providers work close together; synergies can be created which would be beneficial for both sides.



3.8. Others

Specialty stores

Specialty stores usually focus on specific types of products. For instance, there are fruit and vegetables, confectionary or also bakery specialty stores which are mostly located in shopping malls, with a close proximity to big supermarket chains. These specialty stores often carry a wide variety of the specific type of products compared to supermarkets or even hypermarkets. Specialty stores attract customers that are looking for a specific product which they might not find in other food retail outlets. Although specialty stores tend to price most of their products at the same level as that of supermarkets and hypermarkets, there are also items that are priced relatively higher – this is true, in the case of special-made or custom-made products.

Newspaper Shops

Newspapers shops can be found in malls and selected public transport stations. These small shops offer a tight variety of food products and drinks as well as newspapers, tobacco and mobile prepaid reload. Newspaper shops mostly supply items such as confectionery and snacks but also packed foods such as sandwiches and other bakery products. These stores are somehow comparable to convenience stores; even though the product range is smaller and the prices are higher. The shops focus on customers who look for convenient on-the-go for selected food and other items.



**REGULATIONS &
LEGAL ENVIRONMENTS**

04

4. Regulations & Legal Environment

This chapter outlines the general regulations and legal environment of the food sector.

4.1. Food Act 1983 & Food Regulations 1985

The Food Safety and Quality Division under the Ministry of Health Malaysia has the role to monitor and strengthen activities to protect the public and consumers against health hazards and frauds. Its tasks are to check, address and evaluate food safety and quality issues, and implement and enforce measures to ensure that consumers are protected in the entire supply chain e.g. preparation, processing, packaging, transportation, storage and sale. It also has to ensure that these processes are in compliance with the Food Act 1983, Food Regulations 1985, and Food Hygiene Regulations 2009.

In this study, we shall take a closer look at the following regulations under the Food Regulations 1985, which are significant for food manufacturers exporting to Malaysia:⁴⁸

- Labelling (Part IV)
- Food Additives & Added Nutrients (Part V)
- Packages for Food (Part VI)
- Incidental Constituent (Part VII)

4.2. Labelling

According to the regulation on Labelling, any food contained in a package must bear a label containing all the particulars required under the Food Regulations 1985. The label containing the particulars have to be in the position or manner required by these regulations. One must also note, that if the package bears a label containing anything that is prohibited, the preparation or advertising for sale of this food is not allowed.

4.2.1. Language to be used

In the case of food produced, prepared or packaged in Malaysia, any word, statement, information or direction required by the Regulations on the label of any package of food shall be in Bahasa Malaysia. In case of imported food, required information shall be in Bahasa Malaysia or English, and in either case may include a translation thereof in any other languages.

4.2.2. Particulars in labelling

Every package containing food for sale shall bear on it a label containing the following particulars, namely:

- Appropriate designation of the food or a description of the food containing the common name of its principal ingredients;
- In the case of mixed or blended food, words which indicate that the contents are mixed or blended, and such word shall be conjoined with the appropriate designation of the food, in the following form: "mixed" (here insert the appropriate designation of the food); or "blended" (here insert the appropriate designation of the food);

⁴⁸ Ministry of Health (2015)



Provided that the word "mixed" or "blended" shall not be conjoined with the designation of any mixed or blended food which does not comply with the standard prescribed by these Regulations, e.g.:

- where the food contains beef or pork, or its derivatives, or lard, a statement as to the presence of such beef or pork, or its derivatives, or lard in that food, in the form— "CONTAINS (state whether beef or pork, or its derivatives, or lard, as the case may be)" or in any other words to this effect;
- where the food contains added alcohol, a statement as to the presence of alcohol in that food, in capital bold-faced lettering of a non-serif character not smaller than 6 point, in the form— "CONTAINS ALCOHOL" or in any other words to this effect;
- where the food consists of two or more ingredients, other than water, food additives and added nutrient, the appropriate designation of each of those ingredients in descending order of proportion by weight and, wherever required by these regulations, a declaration of the proportion of such ingredient;
- if the food contains ingredients known to cause hypersensitivity, the ingredients shall be declared on the label; the specific food or ingredients known to cause hypersensitivity are as follows:
 - a) cereal containing gluten including wheat, rye, barley and oat;
 - b) nut and nut product including peanut and soybean;
 - c) fish and fish product;
 - d) milk and milk product (including lactose);
 - e) egg and egg product
- where the food contains edible fat or edible oil or both, a statement as to the presence of such edible fat or edible oil in that food, together with the common name of the animal or vegetable, from which such fat or oil is derived;
- where the food contains food additive, a statement as to the presence of such food additive in that food, in the form— "Contains permitted (*state the type of the relevant food additive*)";
- a statement of the minimum net weight or volume or number of the content of the package;
- in the case of food packed in liquid, a statement of the minimum drained weight of the food;
- in the case of food locally manufactured or packed, the name and business address of the manufacturer or packer, or the owner of the rights of manufacture or packing or the agent of any of them;

- in the case of imported food, the name and business address of manufacture, or the agent of any of them, and the name and business address of the importer in Malaysia and the name of the country of origin of the food;
- such other particulars as are required by these Regulations to be given in the case of any particular food;
- In the case of mixed or blended food where the ingredients of the food, or the food additives added to such food, are derived from an animal, the common name of such animal shall also be stated on the label of that food;
- The origin of food and food ingredients obtained through modern biotechnology shall be stated as follows: "gene derived from (*common name of such animal*)" or "gene derived from (*origin*)"

Food and food ingredients obtained through modern biotechnology shall be labelled as follows:

- in the case that food and food ingredients are composed of or contains genetically modified organisms, the words "genetically modified (*name of the ingredient*)" shall appear on the label;
- in the case of food and food ingredients are produced from, but does not contain genetically modified organisms, the words "produced from genetically modified (*name of the ingredient*)" shall appear on the label;
- in the case of single-ingredient foods, the information shall appear on the principal display panel in close proximity with the name of the food and shall be in not less than 10-point lettering;
- in the case of multi-ingredient foods, the information shall appear in the list of ingredients immediately following the ingredients; and
- the statement "contains genetically modified ingredient" shall be stated on the principal display panel in close proximity with the name of the food and shall be in not less than 10-point lettering

4.2.3. Form and manner of labelling

Particulars that are required by the regulations to appear on the label, shall appear conspicuously and prominently in the label:

- The required lettering for the particulars appear on a label shall be prominent in height, visual emphasis, and position as to be conspicuous by comparison with any other matter appearing on the label. This, however, shall not apply to a trade mark.
- All particulars that are required by these regulations to appear on a label shall be written in no smaller than 10-point lettering, and with equal prominence with any other matter appearing on or attached to the package.
- The statement of ingredients may be written in no smaller than 4 point.



- Every label required by the regulations to be borne on a package shall be legibly and durably marked either on the material of the package or on material firmly or permanently attached to the package.
- A label may be firmly placed inside a package if the package is made of clear transparent material and the food contained in the package is not ready for direct consumption; or in the case of food ready for direct consumption, is completely enclosed in its natural shell or pod or interior wrapper such that it has no direct contact or is not likely to come into contact with the label.
- No label shall appear on the extra wrapper of any food.

4.2.4. Size and colour of letters

Except as otherwise provided in these Regulations and for internationally accepted unit symbols of weights and measures, the lettering of every word or statement required to appear on labels shall be:

- all capital letters; or
- all lower-case letters; or
- lower case letters with an initial capital letter

The height of the lettering shall be uniform in every word or statement that is separately required.

Where words are required to appear on labels in letters of specified size and the package to be labelled is as small as to prevent the use of letters of that size, letters of smaller size may be used if they are of the largest size practicable in the circumstances and are in any event no smaller than 2 point.

The requirement in these Regulations as to the height of letters shall be sufficiently complied with if the letters used are of a greater height than the height prescribed. All lettering shall appear in a colour that contrasts strongly with its background.

4.2.5. Date Marking

"Date Marking", in relation to a package of food, means a date permanently marked or embossed on the package, or in the label on the package, of any food signifying the expiry date or the date of minimum durability of that food.

The expression "expiry date", in relation to a package of food, means the date after which the food, when kept in accordance with any storage conditions set out in the label of such food, may not retain the quality attributes normally expected by a consumer.

The expression "date of minimum durability", in relation to a package of food, means the date until which the food, when kept in accordance with any storage conditions set out in the label of such food, will retain any specific qualities for which tacit or express claim has been made.

Only marking in clear unmistakable date which can be correctly interpreted by the consumer shall constitute date marking. The marking of date in code form for lot identification does not constitute date marking.

The expiry date in respect of any food shall be shown in one of the following forms;

- "EXPIRY DATE or EXP DATE (here insert the date, expressed in day, month and year or in month and year)";
- "USE BY (here insert the date, expressed in day, month and year or in month and year)"; or
- "CONSUME BY or CONS BY (here insert the date, expressed in day, month and year or in month and year)"
- "CONSUME BY or CONS BY (here insert the date, expressed in day, month and year or in month and year)"

The date of minimum durability in respect of any food, shall be shown in the following form: "BEST BEFORE or BEST BEF (here insert the date, expressed in day, month and year or in month and year)";

Provided that where only a month of a particular year is stated, it shall be presumed that the expiry date or date of minimum durability shall be by the end of that month.

Where the validity of the date marking of a food to which this regulation applies is dependent on its storage, the storage direction of that food shall also be required to be borne on its label.

The date marking required shall be in capital bold-faced lettering of a non-serif character not smaller than 6 point.

4.2.6. Statement of strength of ingredient

Where the standards of strength, weight or quantity of any ingredient or component part of any food are mentioned on the label, "%" shall mean % by weight, "parts per million" shall mean parts per million by weight, and "parts per billion" shall mean parts per billion by weight.

4.2.7. Matter forbidden on any label

No descriptive matter appearing on or attached to any package of food shall include any comment on, reference to or explanation of any statement or label required if such comment, reference, or explanation either directly or indirectly contradicts or modifies the statement or the content of that label.

Words to indicate grading, quality or superiority or any other words of similar meaning shall not appear on the label of any package of food unless such description of quality grading conform to those established by the relevant authorities responsible for such grading. Where such words appear on the label it shall be presumed that the food is in compliance with the requirements established by the relevant authorities in respect of that quality grading.



No label which describes any food shall include the word "pure" or any other words of the same significance unless:

- the food is of the strength, purity, or quality prescribed by the Regulations and is free from any other added substance apart from those essential in the processing of such food;
- there is no expressed stipulation in the Regulations prohibiting the inclusion of such word in the label in respect of that food.

No label which describes any food shall include the word "compounded", "medicated", "tonic" or "health" or any other words of the same significance.

Except as otherwise provided in these Regulations, pictorial representation or design may be included in the label for the purpose of illustrating recipes involving the use of the food or suggestions on how to serve the food. The representation or design is immediately preceded or followed or otherwise closely accompanied, in not less than 6-point lettering, with the words "RECIPE" or "SERVING SUGGESTION" or other words of similar meaning.

No label which describes any food shall include the word "nutritious" or any other words of the same significance unless:

- the food contains a range of nutrients including carbohydrate, fat, protein, vitamin and mineral;
- the food contains a substantial amount of energy of more than 40 kcal per 100g or 20 kcal per 100 ml;
- the food contains source of protein not less than 5g per 100g or 2.5g per 100ml;
- the food contains at least four vitamins of an amount that meets the criteria for claim as source and two minerals (excluding sodium) of an amount that meets the criteria for claim as source; and
- the amount of the nutrients mentioned is declared.

No label which describes any food shall include any claim:

- stating that any given food will provide an adequate source of all essential nutrients, except as otherwise permitted in these Regulations;
- implying that consuming a balanced diet or combination of variety of foods cannot supply adequate amounts of all nutrients;
- which cannot be substantiated;
- as to the suitability of a food for use in the prevention, alleviation, treatment or cure of a disease, disorder or particular physiological condition, except as otherwise permitted in these regulations; or
- which could give rise to doubt about the safety of a similar food or arouse or exploit fear in the consumer.

4.2.8. Claims on the label

Claims which highlight the absence or non-addition of a particular substance in or to food may be included in the label provided that the claims are not misleading and the substance:

- is not subject to specific requirements in this regulation;
- is one which consumers would normally expect to find in the food;
- has not been substituted by another substance giving the food equivalent characteristics unless the nature of the substitutions is clearly stated with equal prominence; and
- the presence or addition is permitted in the food

Claims which highlight the absence or non-addition of one or more nutrients in or to food shall be regarded as nutrition claims and Regulation 18B "Nutrition Labeling" shall apply to those claims.

Nutrition claims in this Regulation include the following claims:

- nutrient content claim;
- nutrient comparative claim;
- nutrient function claim; and
- claim for enrichment, fortification or other words of similar meaning

4.2.9. Nutrition labelling

"Nutrition Labelling", in relation to a package of food, means a description intended to inform the customer of the nutrient content of a food.

The following information has to be on the label of the food:

- The amount of energy, expressed in kilocalorie (kcal) or kilojoule (kJ) or both per 100g or 100ml or per package if the package contains only a single portion and per serving as quantified on the label; and
- The amount of protein, available carbohydrate (that is carbohydrate excluding dietary fibre) and fat, expressed in g per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label.

4.2.10. Total Sugars

On the label on a package of ready-to-drink beverage, the amount of total sugars shall be provided in the following form:

<i>Carbohydrate</i>	...	<i>g</i>
<i>Total Sugars</i>	...	<i>g</i>

A reference to "sugars" shall be a reference to all monosaccharides and disaccharides contained in foods either naturally occurring or added.



4.2.11. Fatty Acids

Where a claim is made regarding the amount or type of fatty acids, the amounts of saturated, monounsaturated, polyunsaturated and trans -fatty acid shall be declared in the following form:

<i>Fat</i>	... g
<i>Comprising of</i>	
<i>monounsaturated fatty acid</i>	... g
<i>polyunsaturated fatty acid</i>	... g
<i>saturated fatty acid</i>	... g
<i>trans fatty acid</i>	... g

4.2.12. Energy Amount

The amount of energy to be listed should be calculated by using the following conversion factors:

<i>Carbohydrates</i>	4 kcal/g	(17kJ);
<i>Protein</i>	4 kcal/g	(17kJ);
<i>Fat</i>	9 kcal/g	(37kJ);
<i>Alcohol (Ethanol)</i>	7 kcal/g	(29kJ);
<i>Organic Acid</i>	3 kcal/g	(13kJ);
<i>Dietary Fibre</i>	2 kcal/g	(8.5kJ)

4.2.13. Protein Amount

The amount of protein to be listed shall be calculated using the following formula: Protein = Total Kjeldahl Nitrogen x Conversion factor for specific food.

The conversion factors for specific food shall be as follows:

Foods	Conversion Factor
<i>Milk and milk Products</i>	6.38
<i>Edible fats and Edible Oil</i>	6.38
<i>Margarine, Butter</i>	6.38

Only vitamins and minerals which are listed in the Nutrient Reference Values (NRV) which are present in not less than 5 % of the NRV can be provided on the label of the food.

The numerical information on vitamins and minerals shall be expressed in metric units per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label, or this information may be expressed as a percentage of the NRV per 100g or per 100ml or per package.

Where the numerical information on vitamins and minerals has been expressed as a percentage of NRV, the following NRV shall be used for labeling purposes:

Nutrient Reference Values (NRV)

Vitamin A	(μ g)	800
Vitamin D	(μ g)	5
Vitamin C	(mg)	60
Vitamin E	(mg)	10
Thiamin	(mg)	1.4
Riboflavin	(mg)	1.6
Niacin	(mg)	18
Vitamin B6	(mg)	2
Folic Acid	(μ g)	200
Vitamin B12	(μ g)	1
Calcium	(mg)	800
Magnesium	(mg)	300
Iron	(mg)	14
Zinc	(mg)	15
Iodine	(μ g)	150
Choline	(mg)	550

The amount of cholesterol and sodium shall be expressed in mg per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label. Dietary fibre shall be expressed in g per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label.

Where a food makes a nutrition claim, it is also mandatory to include a nutrition labeling and the amount of any other nutrient for which a nutrition claim is made.

4.2.14. Nutrition function claims

"Nutrient function claim" means a nutrition claim that describes the physiological role of the nutrient in the growth, development and normal functions of the body. A nutrient function claim shall not imply or include any statement to the effect that the nutrient would offer a cure or treatment for or protection from a disease. Except as otherwise provided in the Regulations, only the following nutrient function claims or any other words of similar meaning shall be permitted:

- Folic Acid:
 - *Folic acid is essential for growth and division of cells;*
 - *Folate plays a role in the formation of red blood cells;*
 - *Folate helps to maintain the growth and development of the foetus;*



- Sialic acid:
 - *Sialic acid is an important component of the brain tissue;*
- Iron:
 - *Iron is a factor in red blood cell formation;*
 - *Iron is a component of hemoglobin in red blood cell which carries oxygen to all parts of the body;*
- Inulin and oligofructose (fructo-oligosaccharide):
 - *Inulin helps increase intestinal bifidobacteria and helps maintain a good intestinal environment;*
 - *Oligofructose (fructo-oligosaccharide) helps increase intestinal bifidobacteria and helps maintain a good intestinal environment;*
 - *Inulin is bifidogenic;*
 - *Oligofructose (fructo-oligosaccharide) is bifidogenic;*
- Iodine:
 - *Iodine is essential for the formation of thyroid hormone;*
- Calcium:
 - *Calcium aids in the development of strong bones and teeth;*
- Magnesium:
 - *Magnesium promotes calcium absorption and retention;*
- Niacin:
 - *Niacin is needed for the release of energy from proteins, fats and carbohydrates;*
- Protein:
 - *Protein helps build and repair body tissues;*
 - *Protein is essential for growth and development;*
 - *Protein provides amino acids necessary for protein synthesis;*
- Oat soluble fibre (b-glucan):
 - *Oat soluble fibre (b-glucan) helps lower or reduce cholesterol;*
- Plant sterol or plant stanol:
 - *Plant sterol or plant stanol helps lower or reduce cholesterol;*
- Vitamin A:
 - *Vitamin A aids in maintaining the health of the skin and mucous membrane;*
 - *Vitamin A is essential for the functioning of the eye;*

- Vitamin B1/Thiamine:
 - *Vitamin B1/Thiamine is needed for the release of energy from carbohydrate;*
- Vitamin B2/Riboflavin:
 - *Vitamin B2/Riboflavin is needed for release of energy from proteins, fats and carbohydrates;*
- Vitamin B12/ Cyanocobalamin:
 - *Vitamin B12/Cyanocobalamin is needed for red blood cell production;*
- Vitamin C:
 - *Vitamin C enhances absorption of iron from non-meat sources;*
 - *Vitamin C contributes to the absorption of iron from food;*
- Vitamin D:
 - *Vitamin D helps the body utilise calcium and phosphorus;*
 - *Vitamin D is necessary for the absorption and utilization of calcium and phosphorus;*
- Vitamin E:
 - *Vitamin E protects the fat in body tissues from oxidation; and*
- Zinc:
 - *Zinc is essential for growth.*

For the complete list of regulations and their full information, companies are advised to refer to the Food Act 1983 & Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

4.3. Food Additives and Added Nutrient

4.3.1 Food Additives

According to the Regulations, "food additive" means any safe substance that is intentionally introduced into or on a food in small quantities in order to affect the food's keeping quality, texture, consistency, appearance, odour, taste, alkalinity, or acidity, or to serve any other technological function in the manufacture, processing, preparation, treatment, packing, packaging, transport, or storage of the food. Food additive includes any preservative, colouring substance, flavouring substance, flavour enhancer, antioxidant and food conditioner, but does not include added nutrient, incidental constituent or salt. Only food additives permitted by and which comply with the standards prescribed in the Regulations are allowed.



A food additive may be present in any food where:

- the additive is permitted to be in any ingredient used in the manufacture of the food;
- the proportion of the additive in any such ingredient does not exceed the maximum proportion, if any, for that ingredient;
- the total proportion of the additive in the final product does not exceed the maximum proportion, if any, for that product;
- the food into which the additive is carried over does not contain the additive in a greater quantity than would be the case if the food were made under proper technological conditions and in accordance with sound manufacturing practice;
- the additive carried over is present in the food at a level that is significantly less than that normally required for the additive to achieve an efficient technological function in its own right.

A package of food containing food additive imported, manufactured, advertised for sale or sold has to carry a label with the chemical name of the food additive as permitted as well as the type of food additive. In the case of colouring substance or flavouring substance it shall be sufficient to state the common name or the appropriate designation of that food additive in place of the chemical name. A statement giving direction for its use has to be given.

4.3.2. Claims on the label

According to the Food Regulations 1985 "preservative" means any substance that, when added to food, is capable of inhibiting, retarding or arresting the process of decomposition, fermentation, or acidification of such food. However herb, spice, vinegar or wood smoke is not included.

Only preservatives permitted by the Regulations are allowed. For the full list of permitted preservatives and information on their usage, please refer to the Food Regulations 1985 or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

Where sulphite or sulphur dioxide has been added and the amount of sulphite or sulphur dioxide as a permitted preservative is more than 10 mg/kg, the label shall carry the words "contains sulphur dioxide."

4.3.3. Antimicrobial agent

"Antimicrobial agent" means any substance used to preserve food by preventing the growth of microorganisms and subsequent spoilage, including fungi statics, mould and rope inhibitors, or to sterilize polymeric food-contact surfaces. Nisin may be used in the preservation of cheese and canned foods which have been sufficiently heat processed to destroy spores of clostridium botulinum.

Only antimicrobial agents permitted by the Regulations are allowed. For the full list of permitted antimicrobial agents and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

4.3.4. Colouring substance

"Colouring substance" means any substance that, when added to food, is capable of colouring food and includes "colouring preparation". Only colouring substances permitted by the Regulations are allowed.

Colouring preparation means a product prepared by admixing one or more permitted colouring substances with permitted diluents. A diluent means any component of colouring preparation that itself is not a colouring substance and has been mixed therein with the purpose to facilitate the use of the mixture in colouring foods.

Colouring preparation shall contain not less than 4% of permitted colouring substance. Liquid form of colouring preparation may contain benzoic acid as permitted preservative in proportion not exceeding 400 mg/kg and acidity regulators as permitted food conditioner.

Every package containing colouring substance to be used for colouring food has to be labelled:

- in the case of synthetic dye or colouring preparation containing synthetic dye, the colour index number specified in relation to the colouring substance;
- in the case of colouring preparation, the common name, and the total percentage proportion, of the colouring substance present in the preparation.

For the full list of permitted colouring substances, colouring preparations and diluents and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

4.3.5. Flavouring Substance

"Flavouring substance" means any chemically-defined substance with flavouring properties either formed by chemical synthesis or obtained from materials of plant or animal origin.

Permitted flavouring substances may include substances which are listed in at least one of the following publications:

- Generally Recognised As Safe (GRAS) Flavouring Substances published by the Flavour and Extract Manufacturers' Association of the United States (FEMA) contained in the Food Technology, a publication of the Institute of Food Technologists; or
- Flavourings, List of Codex Specifications for Food Additives (CAC/MISC 6).



“Natural flavouring substance” means any flavouring substance obtained by physical processes, e.g. drying, roasting and fermentation, that may result in unavoidable but unintentional changes in the chemical structure of the components of the flavouring, or by enzymatic or microbiological processes from material of plant or animal origin, and is not synthetic flavouring substance or any flavouring substance formed by chemical synthesis.

For the full list of permitted flavouring substances and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

4.3.6. Flavour enhancer

“Flavour enhancer” means any substance that, when added to food, is capable of enhancing or improving the flavour of that food. Only flavor enhancers permitted by the Regulations are allowed.

Where a permitted flavour enhancer has been added to any food, the label on a package containing such food must carry the words “contains (state the chemical name of the flavour enhancer) as permitted flavour enhancer”.

4.3.7. Added Nutrient

“Added nutrient” includes any mineral, vitamin, amino acid, fatty acid, nucleotide or other food components which, when added singly or in combination to food, improves the nutritional value of the food. Every package containing food to which an amino acid, fatty acid, nucleotide or other food components has been added shall be labelled with:

- the name of the amino acid, fatty acid, nucleotide or other food components added to the food; and
- the amount of the added amino acid, fatty acid, nucleotide or other food components that is contained in a specified quantity of the food.

For the full list of permitted added nutrients and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

4.3. Packages for Food

4.3.1. Prohibition of harmful packages

Any package, appliance, container or vessel which is toxic, injurious or tainting to its contents in the course of preparation, packaging, storage, delivery or exposure of food for sale is not allowed.

4.3.2. Use of polyvinyl chloride package containing excess vinyl chloride monomer prohibited

Usage of any rigid or semi-rigid package, appliance, container or vessel made of polyvinyl chloride which contains more than 1 mg/kg of vinyl chloride monomer in the preparation, packaging, storage, delivery or exposure of food for sale is prohibited.

4.3.3. Food packaged in polyvinyl chloride container shall not contain excess vinyl chloride monomer

Import, preparation or sale of any food in any rigid or semi-rigid package, appliance, container or vessel made of polyvinyl chloride is prohibited if the food contains more than 0.05 mg/kg of vinyl chloride monomer.

4.3.4. Use of packages for non-food product prohibited

The usage of any package, appliance, container or vessel in the preparation, packaging, storage, delivery or exposure for sale of food is prohibited, if these have been used or are intended to be used for any non-food product.

4.3.5. Recycling of packages prohibited

The following are prohibited for re-usage in the preparation, packaging, storage, delivery or exposure for sale:

- for any sugar, flour or meal: any sack that has previously been used for any purpose;
- for any edible fat or edible oil: any bottle or metal container, other than silos and tankers for edible fat and edible oil, that has previously been used for any purposes;
- for any food of non-swine origin: any package, appliance; container or vessel that is intended for use or has been used for any product of swine origin;
- for any food: any plastic bottle that has previously been used for any purpose, other than that packaged in an extra wrapper
- for any food: any bottle that has previously been used for alcoholic beverage or shandy, other than alcoholic beverage and shandy,
- for any milk, soft drink, alcoholic beverage or shandy: any glass bottle that has previously been used for another food;
- for any vegetable, fish or fruit: any box or crate that has previously been used for another food;
- for any polished rice: any gunny sack that has previously been used for another food.



4.4.6. Use of damaged package prohibited

The term "damaged" includes chipping or distortion that affect the integrity of the package or container, or the wholesomeness of the product, or perforation, corrosion or leakage, or a combination of these.

The import, preparation or sale of any food in damaged package or container is not allowed.

4.5. Incidental Constituent

In the Food Regulations 1985, "incidental constituent" means any foreign, extraneous, toxic, noxious or harmful substances that is contained or present in or on any food and includes metal contaminant, microorganisms and their toxins, drug residue and pesticide residue, but does not include preservative, colouring substance, flavouring substance, flavour enhancer, antioxidant, food conditioner, non-nutritive sweetening substance or added nutrient or any other substance permitted to be added to food.

It is prohibited to keep, carry, spread or use any toxic, noxious or harmful substance to expose a food intended for sale to the risk of contamination by that substance at any time in the course of the preparation, manufacture, storage, packaging, carriage, delivery, or exposure for sale of the food.

To obtain the full list of the Food Regulations 1985 and their full details, as well as further information related thereto, companies are advised to contact:

Food Safety and Quality Division

Ministry of Health Malaysia
Level 3, Block E7, Parcel E
Federal Government Administrative Centre
62590 Putrajaya, Malaysia
Tel: +603-8883 3558 / **Fax:** +603-8889 3815/3341
Website: <http://fsq.moh.gov.my>



HALAL CERTIFICATION

05



5. Halal Certification

Development and innovations of Halal products are an increasingly popular and significant topic in Asia with a growing Muslim population in this region. More than 60% of the Malaysian population are Muslims. Although a product does not need to be Halal or Halal certified to be imported to or sold in Malaysia, products that are Halal certified are of significance, in terms of reaching out to the entire Malaysian market.

Halal involves the supervision of speech, dress, behavior, conduct, mannerism, and dietary laws. Halal products and services cover many industries, including pharmaceuticals, clothing, cosmetics, financial services, logistics, and food production and consumption. With an estimated value of US\$580 billion, the global Halal food market is one of the rapidly growing industries.⁴⁹

5.1. What is Halal?

Halalan Toyyiban – or Halal – is a combination of Islamic/Shariah law and standard requirements. These requirements are met through the fulfillment of hygienic, sanitation and safety requirements. It also ensures that halal products are of high quality in nutritional value. All these conditions are permissible for Muslim consumption and are acceptable to non-Muslim consumers as well.⁵⁰

5.2. Overview of Halal Products & Services

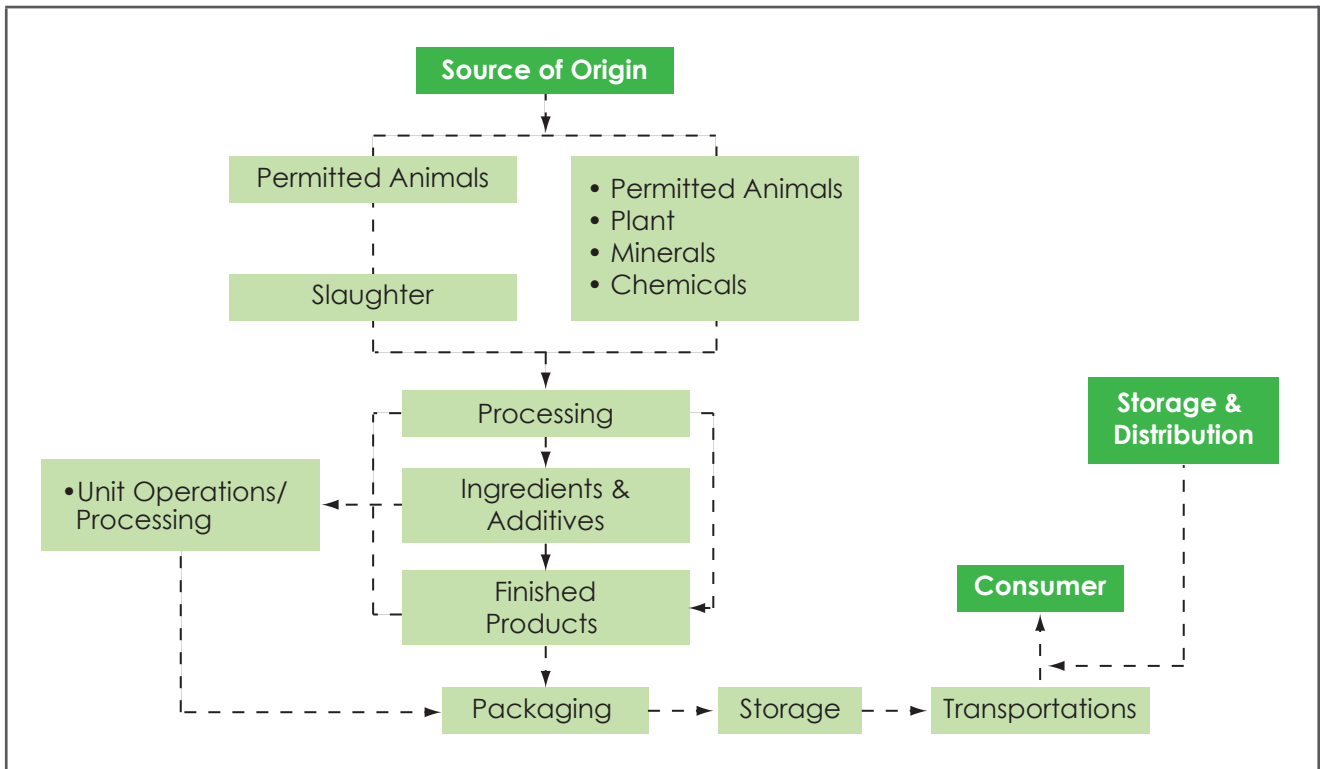
Halal products are products that do not contain any parts or products of animals that are non-Halal to Muslims or products of animals which are not slaughtered according to Shariah law and Fatwa - which means “opinion”. Fatwa carries more weight than just random opinions of any persons. Muslim scholars are expected to give their “fatwa” based on religious evidence, not based on their personal opinions. Therefore, their “fatwa” is sometimes regarded as a religious ruling. The National Fatwa Committee was formed in 1970, under the National Council for the Malaysian Islamic Affairs.

Halal products also should not contain any ingredients that are Najs according to Shariah law. Examples of najs are liquor and other spirituous drinks, dogs, swine, dead animals that were not ritually slaughtered, blood, excrements, and milk of animals whose meat Muslims are not allowed to consume. Preparation, processing or manufacturing of Halal products should not be done using equipment that is contaminated with things that are najs according to Shariah law and fatwa. Halal products should also be safe for use/consumption and not intoxicating or harmful to health. Even during the preparation, processing, packaging, storage or transportation, the food should be physically separated from any other food that does not meet the Halal requirements.

⁴⁹ Ramli, N. (n.d.)
⁵⁰ Department of Islamic Development Malaysia (n.d.)

5.3. Halal Food Chain

Figure 4: Overview of the Halal Food Chain⁵¹



5.4. How to receive Halal certification

Halal Certification is defined as the examination of product processes in its preparation, slaughtering, cleaning, processing, handling, disinfection, packaging, storage, transportation, distribution, and management practices. It involves the entire system of Halal productions and services.

The Halal Certificate is issued to the industry player upon compliance of standards and requirements. The scope or requirements include⁵²:

- Raw materials and ingredients
- Processing
- Equipment and processing aids
- Hygiene and sanitation
- Workers
- Packaging
- Storage

⁵¹ Halal Hub Division Department of Islamic Development, Malaysia (JAKIM) (n.d.)
⁵² Ibid.



Halalan Toyyiban – or Halal – is a combination of Islamic/Shariah law and standard requirements. These requirements are met through the fulfillment of hygienic, sanitation and safety requirements. It also ensures that halal products are of high quality in nutritional value. All these conditions are permissible for Muslim consumption and are acceptable to non-Muslim consumers as well.

5.4.1. Benefits of A Malaysian Halal Certification

Products or services certified as 'Halal' by Malaysian authorities come with the following benefits:

1. Penetration to the largest market share in the food sector as Malaysia's Halal logo is highly respected and well accepted by other Muslim countries.
2. Malaysia's Halal certification systems give the confidence to your business, customer, suppliers and other stakeholders that one's product is Halal and complies with Syariah laws.
3. The Malaysian Halal Certification Standards (MS 1500:2009) entail specific technical requirements on Halal for products to be Halal Syariah laws compliant.
4. Complying with standards provides companies with the accolades for competitive edge.

The Halal Certification Policy involves policy formation and endorsement through three committees; the Halal Steering Committee, the Halal Advisory Committee and the Halal Certification Panels.

It also involves Shariah & Food Science/Technology experts and officials, Fatwa Committee Representatives, Industry Representatives, and Consumer Associations' Representatives.

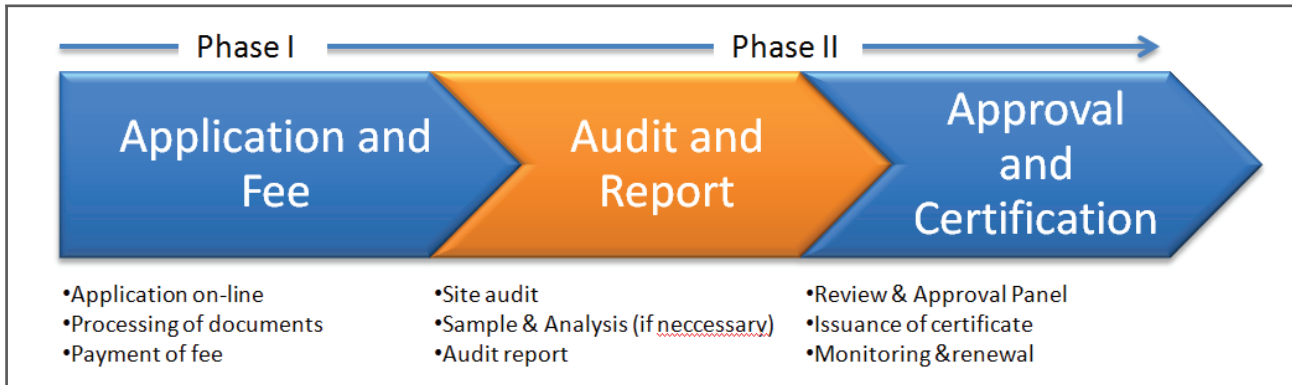
5.4.2. Halal Certification Process Work Flow

To apply for Halal Certification, please go to www.halal.gov.my. The following Certification process applies:

1. Register online - create ID and password.
2. Confirmation of account – within 24 hours/one day.
3. Delivery of support documents necessary within five (5) working days after submitting the online application.
4. After documents are received, application status will reflect "waiting for document's process and completion".
5. Checking process: if supporting documents are complete, application will be processed within 1-5 working days according to the number of products / menus / premises. A letter on service fee to be charged will be issued. If supporting documents are not complete, the status will reflect 'incomplete' and the applicant must submit a correction or provide feedback within five (5) working days.
6. Processing fee must be paid within 14 working days
7. The receipt will be issued one (1) day after payment is received.
8. The application status will reflect 'audit processing'. Audit will be conducted within 30 days after payment is received.

9. Approval process will be subject to meeting dates of Certification Panel Meetings.
10. If approved, the certificate will be issued within five working days. In the case of non-approval, the applicant will be notified via formal mail.

Figure 5: Halal Certification Process Workflow⁵³



Applicants who are eligible to apply for Halal Certification are categorized as follows:

- a) Manufacturer/ producer
- b) Distributor/ trader
- c) Sub-contract manufacturer
- d) Repacking
- e) Food premises
- f) Abattoirs

⁵³ Halal Industry Development Corporation (n.d.)



5.4.3. Halal Certification Checklist

The applicant must complete the application forms by furnishing all the information as required and the following certificates/documents must be enclosed together with the application form.

Table 3: Checklist for Halal Certification Application⁵⁴

No.	Items	Check
1	Company Profile	
2	Company registration	
3	Business/manufacturing license from local council	
4	Name and product description/menu for verification	
5	Type of packaging materials	
6	Design and label of products	
7	Contents of ingredients	
8	Names and addresses of manufacturer/ supplier of the ingredients	
9	Halal status for the ingredients and the Halal certificate or the product specification for critical ingredients (if applicable)	
10	Manufacturing process flow chart and production procedures	
11	Other documents such as HACCP, ISO, GHP, TQM and so forth (if applicable)	
12	Manufacturing license from Cosmetic and drug Control Authority (for health products and cosmetic);	
13	Premise/factory location map	
14	Layout Plan	
15	Copy of Import Permit Issued by the Dept. of Veterinary Services Malaysia for meat/animal-based product.	
16	Copy of annual financial income statement	
17	Copy of valid Halal certificate of ingredients or Copy of product specification	
18	Copies of identity cards and employment letter for two (2) Muslims with Malaysian citizenship at the production area, or chef at the food outlet /premise or checker for the slaughter house;	
19	Slaughtering certificates for the slaughterer (for slaughter house only)	
20	Veterinary Health Certificate from Veterinary Department for slaughter house (for slaughter house only)	
21	Copy of expired Halal certification (for re-application)	



Applications for Halal Certification for national and international markets must be forwarded directly to JAKIM.

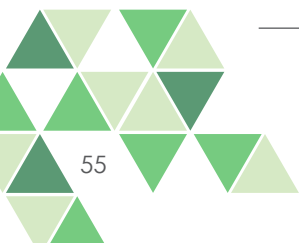
Applications for Halal Certification for the local/domestic market may be forwarded directly to the relevant State Islamic Department/Council.

For detailed information, please visit www.islam.gov.my and www.halal.gov.my. Or contact:

Department of Islamic Development Malaysia (JAKIM)	Halal Hub Division, Department of Islamic Development Malaysia (JAKIM)
Blok D7 & D9, Kompleks D, Pusat Pentadbiran Kerajaan Persekutuan, 62519, Wilayah Persekutuan, MALAYSIA Tel: +603-8886 4000 Fax: +603-8889 2039 Email: webmaster@islam.gov.my	Aras 1 & 3, Menara PJH, No. 2 Jalan Tun Razak, Presint 2, 62100 Putrajaya, MALAYSIA Tel: +603-8892 5000/5001 Fax: +603-8892 5005 Email: ehalal@islam.gov.my

5.4.4. Other Guidelines for Halal Certification

1. Food manufacturer/food premise must only produce/manufacture/sell/distribute halal products only.
2. Applicants must ensure that sources of ingredients are Halal and deal with suppliers which supply Halal materials, or the suppliers are Halal certificate holders.
3. The company must abide to the procedures in all aspects as spelt out in the Malaysian Halal Certification Procedure Manual (for the manual, please contact JAKIM).
4. Those companies which are classified under Multinational and Small and Medium Industry must form an internal Halal Audit Committee and appoint one Islamic Affairs executive (Islamic studies) to handle and ensure the compliance of Halal certification procedures.
5. There must be at least two full time Muslim workers who are also Malaysian citizens being employed in the handling / processing of food.
6. During the preparation, handling, processing, packaging or transporting of the product, the product must be clean and free from any non-Halal ingredient.
7. Apparatus and facilities in the premise must be clean and free from being contaminated by any substance considered as Najis or harmful to health.
8. The transportation is only used for Halal products.
9. The company must ensure that the cleanliness of tools, transportation, production area and surrounding area are in line with Good Manufacturing Practice or GMP.





10. All workers are required to practice the code of ethics and good hygiene practices as follows:
 - a) All workers are to obtain medical injection (TY2)⁵⁵ from any medical center recognized by the Government before being employed.
 - b) All workers are required to practice good health care and personal hygiene, especially those who work as production operators.
 - c) Any worker who is sick or injured and may affect the product quality must not be allowed to work until he/she recovers.
 - d) Workers are not allowed to touch bare-handedly any raw material or semi-finished product.
 - e) Activities which may affect the production quality like smoking, eating, drinking and others must be done in a special area and away from the production area.
 - f) All parties who want to enter the production area must wear special attire for the factory or decent and clean clothing (if without special attire) which follows healthcare procedures and personal healthcare. This is applicable to permanent workers, temporary workers, management staff, visitors and others.
 - f) A worker must always take care of his/her health and wear suitable attire, head and mouth cover, suitable gloves and shoes.
11. A worker must always wash his/her hands with soap as follows;
 - a) Before starting any activity of food handling
 - b) After using the toilet
 - c) After handling raw materials or contaminated substances
12. Workers are not allowed to wear any jewelry or accessories, watch and others in the food processing area which may cause contamination to the food product.
13. Workers must always be working and functioning at the designated place like "check point".
14. Workers must be committed and responsible according to the stipulated Halal policy.
15. Religious worshipping items are strictly forbidden in the premise/ food processing area.

5.4.5. Monitoring and Enforcement

The use of the Halal Logo is monitored and enforced through the Trade Description Act (TDA) 2011. The Trade Descriptions (Definition of Halal) Order 2011 defines Halal and other related expressions to Halal. It also defines an offense for deceiving or misleading consumers pertaining to Halal. Penalties are also defined in the Trade Descriptions Order 2011.

The Trade Descriptions (Certification and Marking of Halal) Order 2011 defines JAKIM, the States Religious Council (Majlis Agama Islam Negara / MAIN) and the Department of State Religious Affairs (Jabatan Agama Islam Negara / JAIN) as the competent authorities for monitoring and enforcement. The order also defines the illegalization of self-declaration. Therefore, all Halal declared products/consumables must have obtained Halal certification. Moreover, imported products bearing the Halal logo must be recognized by Halal certification bodies which are recognized by JAKIM.

⁵⁵ Typhoid Polysaccharide Vaccine

Figure 6: Example of official Halal Logo⁵⁶

5.4.6. European Halal Certification Bodies

Having the imported products certified prior to its importation by one of the Halal bodies that are approved by JAKIM might not only help to avoid uncertainty in handling by the custom service and might increase the speed of custom clearance but also might help to improve the handling during the subsequent steps of the supply chain.

Since Halal food should be stored physically separated from any other food that does not meet the Halal requirements in order to avoid cross-contamination, some warehouses as well as packaging, storage, and transportation services might be limited in giving access to food that has the Halal certification already. As a result, if the confectionery products are approved prior to their importation to Malaysia, European companies may draw on a relatively larger range of potential companies for cooperation in processing and logistic services.

Companies who wish to have their products certified Halal before exporting those to Malaysia may wish to contact one of the Halal Certification Bodies in Europe recognized by the Department of Islamic Development Malaysia (JAKIM).

As of 15 February 2016, JAKIM has recognized a total of 54 foreign certification bodies and 4 authorities from 32 states. The name(s) of the certification bodies shall be marked on the products and goods to be exported.

According to “Pekeliling Pensijilan Halal Malaysia Bil. 3/2012”,

- a) The Halal certificate shall be issued by the Halal certification body which is recognized by JAKIM and from the product's country of origin. If there is no recognized Halal certification body in the manufacturing country, the Halal certificate could be obtained from the nearby countries.
- b) There is exception for EU countries. For these countries, a Halal certificate could be issued by the recognized Halal certification bodies in the manufacturing country or the EU member states.

⁵⁶ Halal Development Corporation (HDC)



Table 4: List of European Halal Certification Bodies

Austria	
Organization/ Address	Contact
Islamic Information and Documentation Center A-4050 Traun, Theodor Körner Str. 10 A A-1010 Vienna 1, Sterngasse 3 Austria	Tel: +43 699 884 658 04 Email: kontakt@iidz.at / office@iidz.at Website: www.halal-iidz.eu / www.iidz.at
Belgium	
Organization/ Address	Contact
Halal Food Council of Europe (HFCE) 4 Rue De la Presse 1000 Brussels Belgium	Tel: +32 2227 1114/ +32 2227 2728 Fax: +32 2218 3141 Email: halal@hfce.eu
France	
Organization/ Address	Contact
Ritual Association of Lyon's Great Mosque (Association Rituelle de la Grande Mosquee de Lyon) 146 bd Pinel 69008 Lyon France	Tel: 04 78 76 00 23 Fax: 04 78 75 77 42 Email: argml@mosquee-lyon.org
Germany	
Organization/ Address	Contact
Halal CONTROL e.K (EU) Prüf- und Zertifizierungsstelle für Halal-Lebensmittel European Inspection- and Certification Body for Halal-Food Kobaltstr 2-4 D-65428 Rüsselsheim Germany	Tel: +49 (0) 6142 301987-0 Fax: +49(0) 6142 301987-29 Email: info@halalcontrol.eu
Italy	
Organization/ Address	Contact
Halal International Authority (HIA) Via Bicetti de Buttinoni N.1 20156 (MI) Milan Italy	Tel: +39 02 3944 9134 Fax: +39 02 3984 4129 Email: info@halalitaly.org / info@halalint.org

Netherlands	
Organization/ Address	Contact
Total Quality Halal Correct Certification PB 179 2300 AD Leiden Netherlands	Tel: +31 71 523 5770 Fax: +31 71 523 5771 Email: info @halalcorrect.com
Belgium	
Organization/ Address	Contact
Halal Food Council of Europe (HFCE) 4 Rue De la Presse 1000 Brussels Belgium	Tel: +32 2227 1114/ +32 2227 2728 Fax: +32 2218 3141 Email: halal@hfce.eu
Control Office of Halal Slaughtering B.V & Halal Quality Control Laan Van Meerdervoort 53D 2517 AE Den Hague Netherlands	Tel: +31 (0) 70 3469 795 Fax: +31 (0) 70 3450 033 Mobile: +31 (0) 61 4959 748 Email: info@halaloffice.com
Halal Feed and Food Inspection Authority (HFFIA) Fijnjekade 225, 2521 DT The Hague Netherlands	Tel: 0031-(0) 70-364 91 91 Fax: 0031-(0) 70-364 54 60 Email: info@halal.nl Website: www.halal.nl
Poland	
Organization/ Address	Contact
The Muslim Religious Union in Poland (MRU) ul. Piastowska 13F 15-207 Bialystok Poland	Tel: 0048 605 61 2137 Fax: 0048 857 32 4023 Email: mZR@mZR.pl / halalpoland@gmail.com Website: www.halalpoland.pl
Switzerland	
Organization/ Address	Contact
Halal Certification Services P.O Box 247 4310 Rheinfelden Switzerland	Tel: +41 61 813 30 64 Fax: +41 61 813 30 65 Email: info@halalcs.org Website: www.halalcs.org



Turkey	
Organization/ Address	Contact
Association For The Inspection And Certification Of Food And Supplies (GIMDES) Teskil Kent B5 Blok No: 76 Esenler - Istanbul Turkey	Tel: +90 212 438 33 18 Fax: +90 212 438 33 19 Email: irtibat@gimdes.org
Kas Uluslararası Sertifikasyon Göz. Tek. Kont. Hizm. Ltd. Şti. (Kascert International) Kazım Dirik Mah. Kurtuluş Cad. No. 27/3 35100 Bornova, İzmir, Turkey	Tel: +90 232 435 61 00 Fax: +90 232 435 61 20 Email: manager@kascert.com
United Kingdom	
Organization/ Address	Contact
Halal Food Authority Finchley House (7th Floor) 707 High Road London N12 0BT United Kingdom	Tel: +44 (0) 20 8563 1994 Fax: +44 (0) 20 8563 1993 Email: info@halalfoodauthority.com
The Muslim Food Board P.O Box 1786 Leicester LE5 5ZE United Kingdom	Mr. Yusuf Aboobakar Fax: +44 116 273 8228 Email: info@tmfb.net / yusuf@tmfb.net

5.4.7. Halal Logistics

Manufacturers who wish to obtain a Halal Certificate will have to comply with the Malaysian Standards MS 1500:2009. Although the Halal Certification covers food production, preparation, handling and storage, for a Muslim consumer, the logistics management of a Halal product is equally important. As companies are interested in a full Halal supply chain Halal logistic generally experiences a rising interest during the past years. The intention of Halal logistic is to guarantee that the products are from production until end consumption handled. Halal certified products may be exposed to certain environment conditions from long supply chain lead times, resulting in cross-contamination.

Several factors can lead to cross-contamination of a Halal product. Exposure to Haram (forbidden) materials may lead to impurity and uncleanness. Poor packaging and management of air flow in containers and warehouses may also result in cross-contamination. Exposure to certain temperatures or moisture levels on the other hand can cause the deterioration of the quality of a product. The points with a high risk of cross-contamination within the supply-chain are mainly the loading processes. Therefore these points should be constantly monitored and controlled in order to prevent the Halal-Products from cross-contamination.

Although Halal logistics have yet to be formalized in Malaysia, there exists a standard for food industry players and logistic companies to comply with: the MS 2400:2010. This standard covers the Management system requirements for transportation of goods and/or cargo chain services (MS 2400-1:2010), for warehousing and related activities (MS 2400-2:2010), and for retailing (MS 2400-3:2010). It serves as a basis for Halal food trade in Malaysia to ensure that those products which are intended to be sold as Halal products are distributed and delivered in accordance with Halal requirements to maintain its Halal integrity throughout the whole supply chain.

According to interviews with different market players, logistic companies are using usually dedicated trucks for their Halal shipments. This means that apart from the vehicle fleet companies are using for commercial transport, trucks are used to transport Halal products solely. This ensures that during the transport process, Halal products cannot be cross-contaminated. Nevertheless, trucks which are used for usual commercial transport can also be used for Halal logistic. However, those trucks have to be cleaned before transporting Halal products again.

As there is a growth of interest in Halal-logistic, the number of companies which are able to provide Halal supply services have risen up to approximately ten in Malaysia and one foreign Asian company.

For detailed information on Malaysian Standards, companies are advised to contact:

Department of Standards Malaysia	SIRIM Berhad (Company No. 367474 – V)
Ministry of Science, Technology and Innovation Level 1 & 2, Block 2300, Century Square Jalan Usahawan 63000 Cyberjaya MALAYSIA	1, Persiaran Dato' Menteri Section 2 40000 Shah Alam Selangor Darul Ehsan MALAYSIA
Tel: +603-8318 0002	Tel: +603-5544 6000
Fax: +603-8319 3131	Fax: +603-5510 8095
Website: www.standardsmalaysia.gov.my	Website: www.sirim.my
Email: central@standardsmalaysia.gov.my	Email: msonline@sirim.my



**OPPORTUNITIES &
CHALLENGES**
IN THE MALAYSIAN FOOD
DISTRIBUTION MARKET

06

6. Opportunities and Challenges in the Malaysian Food Distribution market

Malaysia, a country categorized under upper middle income group, has been one of the most globalized and urbanized developing countries. In view of the increasing population in urban areas (urbanization), Malaysian food distribution market has witnessed positive growth and strong demand over the years. The Malaysian food market is relatively competitive and price sensitive, with supermarkets being the leading food distribution channel in the country.

As the Malaysian urban population shift towards a more international and industrialized culture, their lifestyle too have changed. The higher stress and faster pace environment in urban areas, have led many to increasingly seek convenience in many aspects of life including their grocery shopping. As a consequence, Malaysian food retailers are gradually introducing new concepts and adopting new technology to cater to the needs of the growing urban population. This in turn poses new opportunities and challenges in the food distribution market in the country, which will be further described in this chapter.

6.1. Online Distribution

Urbanization has led to greater Internet penetration across Malaysia, leading to growing demand of e-commerce. It can be further said that the e-commerce market in Malaysia is poised to flourish the coming years with better mobility, improved Internet and enhanced security. It was further reported that there are a total of 252.4 million Internet users around South-East Asia, with Malaysia emerging as the third country that recorded the highest percentage of Internet users at 67 percent after Singapore and Brunei.⁵⁷ This has also influenced the food distribution market in Malaysia, with online food distribution such as online hypermarket and supermarket being introduced to the mass.

Online food distribution in Malaysia is a fairly new concept and is currently growing at a modest pace. Although still at a developing stage, online distribution has enormous potential, due to the increasing Internet penetration as well as tech-savvy consumers particularly among the younger population. With more and more people leading a more hectic and stressful lifestyle, especially in the urban areas, online distribution would provide an easy way of purchasing food products. The traffic condition in most urban cities in Malaysia is also contributing to growing popularity of online distribution as people are seeking convenience and time saving options.

Furthermore, cross-border trading is on the rise in Malaysia, based on the increasing searches for popular international products online. There are also quite a high number of expatriates in Malaysia, especially Western expats, who are potential customers to online retailers. Online distribution provides effortless access not only to their favorite imported brands but also rare products from their home countries.

⁵⁷ The Star Online (2015)



However, with the higher exchange rates and, national as well as international shipping fees today, customers might find it challenging to get their items online. Therefore, price sensitivity among customers in Malaysia may be one of the major challenges for online distribution. Compared to prices of food products in-store, e-commerce is comparatively more expensive. Moreover, most of the existing online food retailers in Malaysia have limited delivery areas. Nevertheless, online food distribution is gradually gaining momentum and is further supported by new emerging trends in the market such as online grocery delivery service.

6.2. Self Checkout Counters

Weekends are when most people would flock to hypermarket or supermarket, leading to overcrowding and long lines at the checkout counters. Providing self-service machines can reduce this line and overcrowding, apart from improving customers' shopping convenience. Giving time back to the customers is a very much needed service that is not yet available in Malaysia. This technology of self-service is a great opportunity that can be further extended into the Malaysian market.

The pervasiveness of technology among the young population in the country would further support the implementation of self-checkout counters in most hypermarkets or supermarkets here. The new generation today have almost never known a world without the Internet or self-service – they are accustomed to technology and constant change. They are also the growing legions of shoppers in all stores.

It can be said that while there is an initial investment in such self-checkout systems, there will be savings in other areas, such as fewer staff required. Apart from that, customer and employee experiences could also be further enhanced.

On the flip side of the coin, the investments required to bring such technology into food distribution channels in Malaysia may be a challenge for many food retailers here. Furthermore, food retailers do not necessarily trust their customers with the self-service checkout. There is also pessimism in the air on the efficacy of such technology as failure may bound to happen – resulting in further interruptions and inconvenience.

6.3. New Upcoming Trends

In urban areas and larger cities in Malaysia a new upcoming trend is rising - service companies were set up, where customers can order their groceries online and get the products delivered to their homes at any given time. This service targets middle to higher income classes as well as expatriates and is therefore more widespread in urban areas. This service allows the customers to shop from more than one supermarkets or specialty stores, and even wet markets, at the same time via one webpage, on their mobile or desktop. The whole idea behind this concept is to have a professionally-trained personal shoppers do the grocery shopping on behalf of their customers and deliver right to their doorsteps.

This service is very convenient for the customers, as they can avoid crowded stores and markets. This also save them the time and hassle of getting stuck in heavy traffic or finding a parking space for their vehicles in crowded areas. This grocery delivery service concept has the competitive advantage because it does not rely on investing and managing inventory, warehouse or fulfilment of the goods. Instead, it relies on the already existing stores which in turn, allows it to have access to a large selection of products. Therefore they can invest their money into other things, for example to improve their performance and appearance. Despite being a relatively new concept in the market, this retail-friendly approach is expected to rapidly grow in Malaysia.

The main challenge faced by such service companies is that they first have to gain the trust of their customers – which can be arduous and time-consuming. Especially when it comes to purchasing fresh produce, most customers prefer to do the purchase themselves, as they can be sure to pick the best product. However, once the trust is well-established, this concept is said to present greater capability for growth in the future.

The background is a solid blue color with a geometric pattern of white lines forming triangles and hexagons. In the top right corner, there is a cluster of overlapping triangles in various shades of blue, including a dark blue triangle.

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07

7.1. Governmental Agencies

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Department of Islamic Development Malaysia (JAKIM) Blok D7 & D9, Kompleks D, Pusat Pentadbiran Kerajaan Persekutuan 62519, Wilayah Persekutuan, Malaysia	Tel: +603-8886 4000 Fax: +603-8889 2039 Website: www.islam.gov.my Email: projakim@islam.gov.my
Department of Standards Malaysia Ministry of Science, Technology and Innovation Level 1 & 2, Block 2300, Century Square, Jalan Usahawan, 63000 Cyberjaya, Selangor, Malaysia	Tel: +603-8318 0002 Fax: +603-8319 3131 Website: www.standardsmalaysia.gov.my Email: central@standardsmalaysia.gov.my
Food Safety and Quality Division Ministry of Health Malaysia Level 3, Block E7, Parcel E Federal Government Administrative Centre 62590 Putrajaya, Malaysia	Tel: +603-8883 3558 Fax: +603-8889 3815/3341 Website: http://fsq.moh.gov.my
Halal Hub Division Department of Islamic Development Malaysia (JAKIM) Aras 1 & 3, Menara PJH No. 2 Jalan Tun Abdul Razak, Presint 2, 62100 Putrajaya, Malaysia	Tel: +603-8892 5000 /5001 Fax: +603-8892 5005 Email: ehalal@islam.gov.my
Malaysian External Trade Development Corporation (MATRADE) Jalan Sultan Haji Ahmad Shah, 50480 Kuala Lumpur, Malaysia	Tel: +603-6207 7077 Fax: +603-6203 7037 Website: www.matrade.gov.my Email: info@matrade.gov.my
Malaysian Investment Development Authority (MIDA) No.5, Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur, Malaysia	Tel: +603-2267 3633 Fax: +603-2274 7970 Website: www.mida.gov.my Email: investmalaysia@mida.gov.my



Organization/ Address	Contact
Ministry of International Trade and Industry (MITI) Block 10, Government Offices Complex, Jalan Tuanku Abdul Halim, 50622 Kuala Lumpur, Malaysia	Tel: +603-8886 4000 Fax: +603-8889 2039 Website: www.islam.gov.my Email: projakim@islam.gov.my
Royal Malaysian Customs Department (RMCD) Kompleks Kementerian Kewangan No 3, Persiaran Perdana, Presint 2, 62596, Putrajaya, Malaysia	Tel: 1300 888 500 Website: www.customs.gov.my/en Email: ccc@customs.gov.my
SIRIM Berhad 1, Persiaran Dato' Menteri, Section 2 40000 Shah Alam, Selangor, Malaysia	Tel: +603-5544 6000 Fax: +603-5510 8095 Website: www.sirim.my Email: msonline@sirim.my

7.2. Major Retailers

Organization/ Address	Contact
Cold Storage (KLCC mall) Concourse Level, A2, Jalan Ampang 50450 Kuala Lumpur, Malaysia	Tel: +603-2166 2370 Fax: +603-2166 2375 Website: www.coldstorage.com.my
ISETAN (KLCC mall) Suria KLCC 50088 Kuala Lumpur, Malaysia	Tel : +603 2382 7777 Fax : +603 2382 6666 Website: www.isetankl.com.my
Presto Supermarkets (CITA mall) LG-01, CITA Mall, Jalan PJU 1a/48, Ara Damansara, Petaling Jaya, Malaysia	Tel: +603-7629 5511 Fax: +603-7629 5510 Website: https://presto.my
AEON BiG (Midvalley mall) AT1 Mid Valley Megamall, Mid Valley City, 58000 Kuala Lumpur, Malaysia	Tel: 1300 80 2366 Website: http://aeonbig.com.my

Organization/ Address	Contact
Giant Hypermarket Shah Alam Stadium, Mezzanine Floor Lot 2, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor, Malaysia	Tel: +603-5544 8888 Fax:+603-5544 8646 Website: www.giant.com.my
Organization/ Address	Contact
Tesco Stores (Malaysia) Sdn Bhd Head Office, Level 3, No.3, Jalan 7A/62A, Bandar Menjalara, 52200 Kuala Lumpur, Malaysia	Tel: +603 6287 6000 Website: www.tesco.com.my
Organization/ Address	Contact
Speed Mart Lot P.T. 33198, Batu 4, Jalan Kapar, Mukim Kapar, 42100 Klang, Selangor, Malaysia	Tel: +603 3291 7699 Fax: 603 3291 7199 Website: www.99speedmart.com.my
Organization/ Address	Contact
7-Eleven Malaysia Level 3A, Podium Block, Plaza Berjaya No. 12, Jalan Imbi, 55100 Kuala Lumpur, Malaysia	Tel: +603-2142 1136 Fax :+603-2142 1139 Website: www.7eleven.com.my
Organization/ Address	Contact
Mydin Mohamed Holdings Berhad Lot 675 & 676 Persiaran Subang Permai USJ 1, 47500 Subang Jaya, Selangor, Malaysia	Tel: +603- 8073 6000 Website: www.mydin.com.my



7.3. Others

Organization/ Address	Contact
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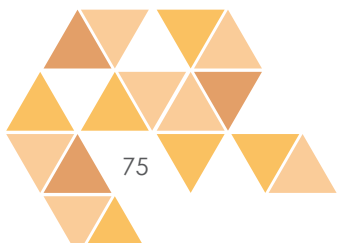
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