



STATE OF THE GLOBAL ISLAMIC ECONOMY REPORT 2016/17

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Executive Summary

The Islamic Economy continues to evolve, driven by young Muslims asserting their values, and requiring companies to provide products and services that meet their faith-based needs. Indeed, the statistics speak for themselves, with the Islamic Economy estimated to be worth \$1.9 trillion in 2015. **The State of the Global Islamic Economy Report 2016/17** brings you the latest developments and trends from this economy whilst also highlighting specific opportunities for you to engage with this sector.

We have listened to the industry and millennial consumers for the first time in this report series and sentiment on the Islamic Economy is overwhelmingly positive. In a first for this Report, 172 industry participants were surveyed on their sector's performance. Businesses confirm that the aggregate Islamic Economy is a high-growth segment, with 69 percent considering sector performance to be good or excellent for them, and 86 percent of respondents either optimistic or very optimistic about future prospects (indicating future intent to continue to invest in this space.)

Separately, another first for this report series has been millennial consumer sentiment about the Islamic Economy using social media data analysis. From 425k interactions analyzed, 76 percent of sentiments were positive.

This report estimates global Muslim spend across sectors at over \$1.9 trillion in 2015, while the Islamic Finance sector has around \$2 trillion in assets. Food and beverage tops Muslim spend by category, at \$1.17 trillion in 2015, followed by clothing and apparel at \$243 billion, media and recreation at \$189 billion, travel at \$151 billion, and spending on pharmaceuticals and cosmetics at \$133 billion. Another first in this report, we have estimated the revenues from Halal Certified Food and Beverage products to be \$415 billion;

revenues from Modest Fashion clothing purchased by Muslim women to be \$44 billion and revenues derived from Muslim Friendly Tourism services to be \$24 billion, in 2015.

Each and every sector has evolved substantially, evidenced by new products, new players, and the maturing of existing players.

Halal Food, the largest Islamic Economy pillar by revenue has shown clear signs of maturity with increased private equity investments in the sector, including \$30 million invested in UK's Janan Meat, and Malaysia's Dagang Halal undertaking an IPO on the London Stock Exchange. Upgrades in regulations are also occurring, with the introduction of accreditation to oversee certifiers set to reduce complexity and encourage more players to enter the Halal Food industry. However, the sector remains fragmented, and the lack of standardized regulations has inhibited mainstream multinational food and beverage companies from entering the Halal Food industry. Real opportunities exist for multinationals and private equity firms to acquire existing Halal Food companies and create leading global brands, with Muslim spend on food and beverage expected to reach \$1.9 trillion by 2021.

The **Islamic Finance** sector has shown robust growth and increasing sophistication. This has



Dubai skyline.

been coupled by the emergence of crowdfunding platforms, such as Human Crescent and a greater push towards social impact investing with the launch in Dubai of the Mohammed bin Rashid Global Center for Endowment Consultancy (MBRGCEC). While the sector has been held back by a lack of awareness of Islamic Finance product offerings, there is considerable opportunity in particular in the Awqaf and Crowdfunding sectors, with the sector expected to reach \$3.5 trillion by 2021.

Halal Travel continues to broaden its reach with tremendous growth in Halal beach resorts, the launch of several dedicated airlines and the launch of the Muslim answer to Airbnb, Bookhalalhomes, and TripAdvisor, Tripfez. While Halal Travel is a niche sector building momentum, the sector is expected to undergo rapid growth, with Muslim spend on outbound travel expected to reach \$243 billion by 2021.

Modest Fashion is gaining mainstream interest with several retailers and brands such as Dolce & Gabbana, Uniqlo and Burberry entering the industry and several notable investments driving the sector forward, including Qatar's Mayhoola investment fund buying French luxury label Balmain and crowdfunding being used to develop a climate-adapting hijab. As the sector gains traction, spend on clothing and apparel from Muslims is projected to reach \$368 billion by 2021.

The **Halal Pharmaceuticals and Cosmetics** sector continues to expand as awareness about ingredients rises fostering new product developments, such as permeable nail polish, the development of Halal vaccines and new ranges of nutraceuticals. With increasing certification activity in the sector, and as more mainstream players provide Halal products, Muslim spend on pharmaceuticals and cosmetics products is expected to reach \$213 billion by 2021 in aggregate.

Halal Media and Recreation is driving a positive reinforcement of Muslims, be it in publishing, new magazines or new offerings such as Muslim Kids TV and notable technological innovations such as Quran Academy. As new genres are addressed, Muslim spend is expected to reach \$262 billion by 2021.

However, there are substantial opportunities in adjacent sectors including Healthcare and Education, estimated at \$436 billion and \$402 billion in 2015 respectively, to address the needs of Muslims with tailored offerings, with convergence opportunities in particular in Islamic Economy education and medical tourism. For current and prospective Halal industry players, government agencies, and investment firms, the time is ripe to participate in the Islamic Economy across all key pillars, and to generate substantial returns.

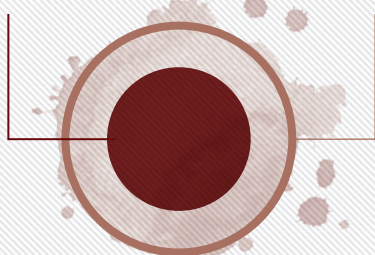
GLOBAL ISLAMIC ECONOMY

ISLAMIC ECONOMY OVERALL SIZE

2015 2021

\$1.9 Tn **\$3 Tn**

Food & Lifestyle Sector Expenditure **Projected Market Size (8% CAGR Growth)**



ISLAMIC FINANCE ASSETS MARKET SIZE

2015 2021

\$2 Tn **\$3.5 Tn**

Total Islamic Finance Assets **Projected Market Size (9.5% CAGR Growth)**



TOP 10 Global Islamic Economy Indicator Score

- | | |
|-----------------------|---------------------|
| 1 MALAYSIA | 6 Pakistan |
| 2 UAE | 7 Kuwait |
| 3 Bahrain | 8 Qatar |
| 4 Saudi Arabia | 9 Jordan |
| 5 Oman | 10 Indonesia |

Millennial Engagement¹



452,600

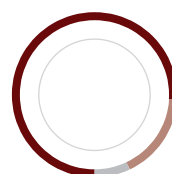
Facebook interactions ≈

Top countries millennials engaged with Islamic Economy topics:

| | |
|-----------|--------------|
| Indonesia | 126k |
| Malaysia | 84.7k |
| Pakistan | 55.9k |

Most active Islamic Economy sectors for millennials

| | |
|------------------|-------------|
| Islamic finance | 157k |
| Modest fashion | 101k |
| Media/recreation | 99k |



Islamic economy sentiment:

76% Positive
17% Negative
7% Neutral

Industry Insights²

172 Industry executives surveyed across all Islamic Economy sectors



Performance:

69%

consider sector performance to be "good" or "excellent"

Halal Food respondents most optimistic – **80%** saying performance "good" or "excellent"; **37.5%** rating their sector as "excellent"

Optimism:

86%

either "optimistic" or "very optimistic" about future prospects, with 42% "very optimistic"

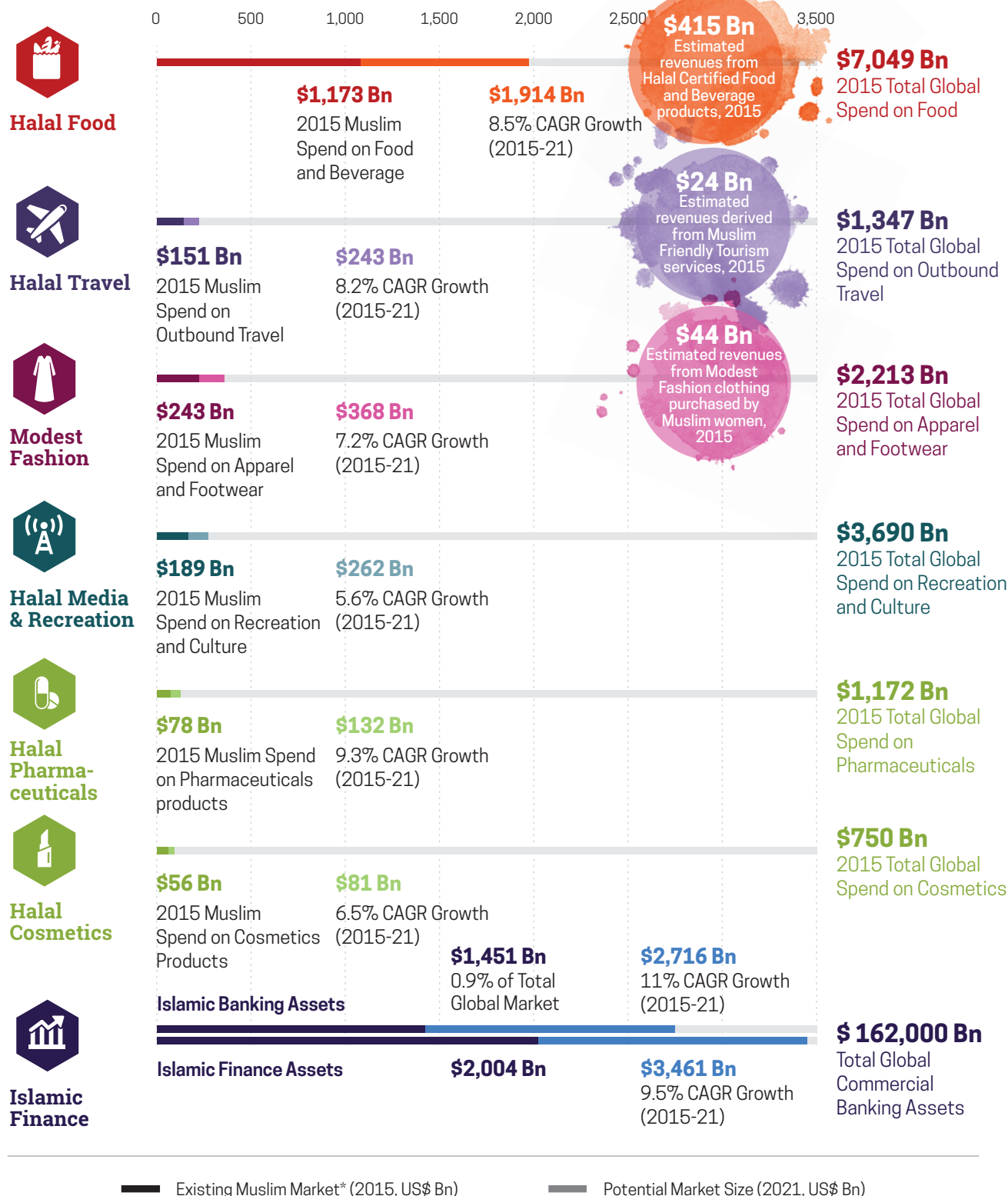
Financing:

49%

using Shariah financing either fully or most of the time

59%

need financing for either working capital trade finance or long-term expansion



Islamic Finance current estimates are based on Thomson Reuters 2015 data. The GIE Indicator model can be found at: <http://www.zawya.com/GIE/>. All other estimates by DinarStandard are as follows: **Muslim spend** projections are determined by regressing historical annual growth of the relevant industry metrics on GDP growth for each country. The regression determined a line of best fit that, using IMF 2015 GDP forecasts, projected industry growth. DinarStandard Muslim market estimates and analysis were overlaid on projections. **Actuals estimates** were determined primarily by: Interviewing certification bodies and reviewing trade map data (Halal Food); Reviewing national clothing market estimates and Pew Forum estimates (Modest Fashion) and leveraging travel survey results on close to 1,000 respondents undertaken by COMCEC on travel (Muslim Friendly Travel).

¹ Millennials (aged 18-34) Islamic economy related world-wide Facebook interactions tracked during a 3-week time period (July 27-Aug 17, 2016).

² Industry survey undertaken based on 172 respondents across sectors and primarily senior-level individuals.



Cityscape view of Petronas Twin Tower at KLCC City Center.
IKMAL PHOTOGRAPHY / SHUTTERSTOCK.COM

The Global Islamic Economy Indicator (GIEI)

The purpose of the Global Islamic Economy Indicator (GIEI) is to show the current health and development of the Islamic Economy ecosystem (Halal Food, Islamic Finance, Halal Travel, Modest Fashion, Halal Media and Recreation, and Halal Pharmaceuticals and Cosmetics). The indicator does not focus on the overall size and growth trajectory of a country across the Islamic Economy sectors; instead it evaluates them on relative strengths of the ecosystem they have to support the development of the Islamic Economy.

The GIEI is a composite weighted index comprised of six sector level indicators across 73 core countries. The ranking is weighted towards Islamic Finance and Halal Food given that their economic impact is comparatively larger than other sectors.

Malaysia, UAE and Bahrain continue their dominance

As with previous years, Malaysia, the United Arab Emirates and Bahrain continue to lead the index, mainly due to their strong performances in the Islamic Finance and Halal Food indexes.

METHODOLOGY SUMMARY

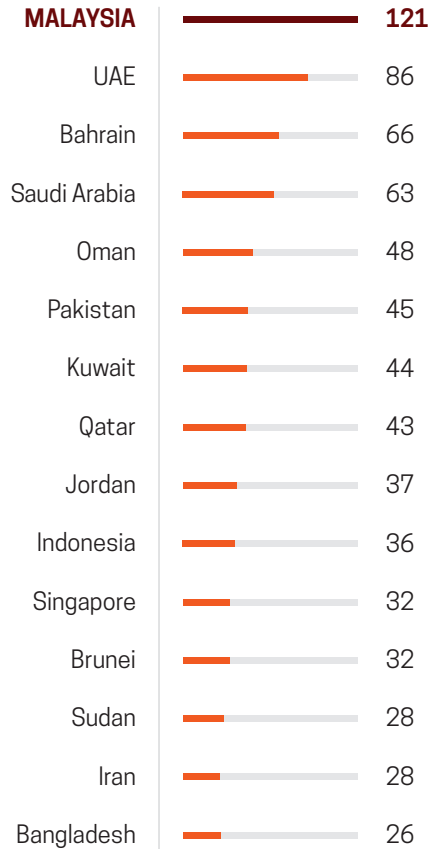
Following are key methodology highlights. The full methodology is presented in the Appendix.

- A total of 73 countries were evaluated which included 57 OIC and 16 non-OIC countries.
- To evaluate the health of the GIE ecosystem per country, each sector was evaluated based on the following key metric categories, which were equally weighted: 1) supply/demand drivers relative to country size, 2) governance, 3) awareness, and 4) social considerations. (The governance criteria did not apply to Fashion and Halal Media and Recreation sectors.) A total of 49 metrics were utilized.
- The aggregate indicator and overall rank is weighted to each sector's proportional economic size (Islamic Finance and Halal Food are weighted heavily in the ranking given their relative sizes: 46 percent and 35 percent respectively).

Below are the top 15 countries in the GIE indicator overall as well as for individual Islamic Economy sectors.



TOP 15 COUNTRIES GIE Indicator Score



TOP 10 Halal Food

- 1 UAE**
- 2 Australia
- 3 Pakistan
- 4 Brazil
- 5 Malaysia
- 6 Oman
- 7 Somalia
- 8 Saudi Arabia
- 9 Bahrain
- 10 Qatar



TOP 10 Islamic Finance

- 1 MALAYSIA**
- 2 UAE
- 3 Bahrain
- 4 Saudi Arabia
- 5 Oman
- 6 Kuwait
- 7 Pakistan
- 8 Qatar
- 9 Indonesia
- 10 Jordan



TOP 10 Halal Travel

- 1 UAE**
- 2 Malaysia
- 3 Turkey
- 4 Singapore
- 5 Jordan
- 6 Maldives
- 7 Iran
- 8 Lebanon
- 9 Oman
- 10 Saudi Arabia



TOP 10 Modest Fashion

- 1 UAE**
- 2 Turkey
- 3 China
- 4 India
- 5 Italy
- 6 Sri Lanka
- 7 Bahrain
- 8 France
- 9 Singapore
- 10 Togo



TOP 10 Halal Media and Recreation

- 1 UAE**
- 2 Singapore
- 3 Bahrain
- 4 Lebanon
- 5 United Kingdom
- 6 Qatar
- 7 France
- 8 Germany
- 9 Kuwait
- 10 Australia



TOP 10 Halal Pharmaceuticals and Cosmetics

- 1 UAE**
- 2 Malaysia
- 3 Singapore
- 4 Egypt
- 5 Pakistan
- 6 Jordan
- 7 Saudi Arabia
- 8 Indonesia
- 9 Oman
- 10 Brunei

| Top 15 Countries | GIE Indicator Score | Islamic Finance | Halal Food | Halal Travel | Modest Fashion | Halal Media and Recreation | Halal Pharmaceuticals & Cosmetics |
|----------------------|---------------------|-----------------|------------|--------------|----------------|----------------------------|-----------------------------------|
| Malaysia | 121 | 189 | 55 | 70 | 25 | 38 | 61 |
| United Arab Emirates | 86 | 92 | 75 | 81 | 67 | 137 | 78 |
| Bahrain | 66 | 90 | 45 | 30 | 26 | 58 | 36 |
| Saudi Arabia | 63 | 83 | 50 | 35 | 17 | 33 | 48 |
| Oman | 48 | 51 | 54 | 36 | 16 | 40 | 40 |
| Pakistan | 45 | 47 | 56 | 11 | 19 | 8 | 52 |
| Kuwait | 44 | 51 | 43 | 29 | 13 | 45 | 29 |
| Qatar | 43 | 47 | 45 | 35 | 15 | 46 | 32 |
| Jordan | 37 | 35 | 45 | 39 | 19 | 31 | 49 |
| Indonesia | 36 | 38 | 40 | 35 | 21 | 9 | 41 |
| Singapore | 32 | 22 | 39 | 44 | 26 | 75 | 56 |
| Brunei | 32 | 27 | 45 | 22 | 12 | 30 | 39 |
| Sudan | 28 | 30 | 33 | 23 | 5 | 17 | 23 |
| Iran | 28 | 30 | 29 | 36 | 10 | 20 | 27 |
| Bangladesh | 26 | 31 | 26 | 10 | 25 | 3 | 25 |

Malaysia

Malaysia once again leads the GIE indicator, 35 points ahead the UAE, showing the extent to which its ecosystem is developed, relative to other countries. Its position is mainly due to its strong performance in the Islamic Finance indicator, which is because of its large asset base, advanced governance, and by far the highest awareness scores. Although its ranking this year has regressed slightly in the Halal Food indicator to fifth place, it still ranks second in both the Halal Travel and Halal Pharmaceuticals and Cosmetics indicators, reflecting a strong tourism sector and advanced certification of Halal products.

United Arab Emirates (UAE)

The United Arab Emirates (UAE) maintains second place in the GIEI rankings, also showing second place in the Islamic Finance indicator and taking the first spot in all other indicators (Halal Food, Modest Fashion, Halal Travel, Halal Media and Recreation and Pharmaceuticals/cosmetics.) Indeed, relative to its size the UAE has established a very healthy ecosystem for Islamic Economy companies. The strong Government-led Islamic Economy development initiatives has given the UAE a strong platform for the development of all Islamic Economy sectors.

Bahrain

Bahrain maintains third place in the GIE rankings. Although it was overtaken by the UAE in the Islamic Finance rankings, it has improved and made its way into the top ten in the Halal Food rankings, claiming 9th place. In Modest Fashion it is ranked 7th, while also climbing in the Halal Media and Recreation rankings from 7th to 4th place, suggesting a growing interest in the Islamic Economy sectors.

GCC

All GCC economies as a whole have maintained their position in the top ten, illustrating their continued strong performance as Islamic Economy hubs, and driven mainly by their strong performance in the Islamic Finance and Halal Food indicators. This is particularly promising for the region given the drop in oil and gas prices.

Pakistan

Pakistan is a large OIC economy with robust food, finance, clothing, pharmaceuticals and media sectors that continued to show strong performance in the related Islamic/Halal economy sectors as the 6th ranked most developed ecosystem for Islamic Economy development. Even though it has dropped one spot in the ranking there is strong momentum of increased awareness around the Halal economy.

Jordan and Indonesia

Jordan and Indonesia occupy 9th and 10th places, respectively. This is due to relatively strong performance in most indicators, with Jordan especially benefitting from a relatively strong tourism sector despite political uncertainty in some surrounding states, and Indonesia from an improvement in the Halal Travel indicator, where it improved three places place by virtue of a strong government drive to promote Indonesia as a Halal Travel destination.

Brunei

Brunei made it to the top 15 list for the first time moving up five spots replacing Egypt. It had a big jump in the Halal Travel ranking (10 spots) and strong performance in Halal Food ecosystem development. Its Halal certification led Halal food product lines have made strong entrance in the UK market and Brunei Halal is getting due recognition as a result. Brunei also continues to benefit from being in the vicinity of Indonesia and Malaysia, two of the largest Halal sensitive Muslim travel markets.

Global Islamic Economy Drivers

Overview

The inaugural *State of the Global Islamic Economy Report in 2013*, presented a set of eight global and Islamic Economy market trends that were collectively driving growth across the Islamic Economy pillars.

Based on the combined assessment of the Report authoring team of Thomson Reuters/ DinarStandard, in 2016 the major growth drivers of the Islamic Economy mostly remain the same with only the nature of some of them having evolved. There are four major global market drivers and four major Islamic market-based drivers that continue to shape the growth of the identified Islamic Economy sectors. Specific growth challenges are addressed in the respective sector sections. Nevertheless, these eight major macro-drivers continue to drive Islamic Economy growth.

Four key Islamic market-based growth drivers

1. LARGE, YOUNG AND FAST-GROWING GLOBAL MUSLIM DEMOGRAPHIC:

- One of the strongest drivers for the continued growth of the Islamic Economy sectors is the fast growing, young, and large Muslim population worldwide. The global Muslim population is expected to rise from 1.7 billion in 2014 to 2.2 billion by 2030 (26.4 percent), according to Pew Research Center's Forum on Religion & Public Life.¹
- The Pew study also projects the Muslim population globally to grow at about twice the rate of the non-Muslim population over the next two decades — with an average annual growth rate of 1.5 percent for Muslims, compared with 0.7 percent for non-Muslims. By 2030, 29 percent of the global young population (15-29) is projected to be Muslim. Despite the significant economic challenges (job creation, training, social services. etc.) this demographic trend presents its economies, it also reflects the significant proportion of a young consumer market and an entrepreneurship engine.

2. LARGE AND FAST GROWING GLOBAL ISLAMIC ECONOMIES:

- The 57 mostly Muslim-majority member countries of the OIC had a GDP (PPP based) in 2015 of \$17 trillion which represented 15 percent of the total global GDP (PPP based) of \$113 trillion in 2015.
- Even in a climate of slow global economic growth, these economies are growing at a faster rate than the global economy. Based on the latest IMF growth projections (April 2016), the average projected growth of the OIC markets between 2015-21 is expected to be 4.19 percent compared to the rest of the world's GDP growth, averaging 3.6 percent during that same period, with 21 of the OIC countries projected to have a higher growth rate than IMF's "emerging market and developing economies."

¹ Derived from 2010 baseline and 1.5 percent growth estimated by "The Future of the Global Muslim Population report", Pew Research Forum, January 2011.

- However, a notable development is that the fastest growth OIC economies are demographic rich industrial OIC economies such as Indonesia, Bangladesh, Pakistan, Uganda, Malaysia, rather than oil-dependent countries

OIC growth economies

| Avg. % GDP Growth (2015-2021) | |
|--|-------|
| Mozambique | 11.57 |
| Côte d'Ivoire | 7.70 |
| Senegal | 6.87 |
| Bangladesh | 6.73 |
| Djibouti | 6.57 |
| Niger | 6.17 |
| Uzbekistan | 6.07 |
| Uganda | 5.81 |
| Burkina Faso | 5.53 |
| Libya | 5.53 |
| Turkmenistan | 5.50 |
| Indonesia | 5.47 |
| Benin | 5.34 |
| Togo | 5.33 |
| Brunei Darussalam | 5.31 |
| Guinea-Bissau | 4.94 |
| Mali | 4.94 |
| Pakistan | 4.94 |
| Cameroon | 4.90 |
| Guinea | 4.90 |
| Malaysia | 4.84 |
| BENCHMARKS | |
| Emerging market and developing economies | 4.67 |
| Global Average | 3.6 |
| OIC overall | 4.19 |

Source: IMF Outlook, April 2016

3. ISLAMIC ETHOS/VALUES INCREASINGLY DRIVING LIFESTYLE AND BUSINESS PRACTICES:

- Islam as a 'way of life' for many Muslims continues to guide all aspects of their lives, including their consumption behavior. Indeed, the practice and adherence to Islam varies greatly among Muslims based on their age group, geographic region/country, cultural influences and other factors.
- Nevertheless, the number of Muslims identifying and adhering to Islam is quite high. According to a 2015 Pew Global Attitudes survey of select 42 countries, 83 percent of respondents from Islamic countries considered "religion as very important in their lives." Comparatively, only 21.5 percent from European countries said the same while the percentage was higher at 53 percent in the U.S.
- In an earlier comprehensive study from 2012 by the Pew Forum found that 87 percent of Muslims globally considered religion 'very important' and 93 percent fast in the month of Ramadan. Comparatively in Europe, less than 30 percent people surveyed rated religion as 'very important' while only 56 percent of those surveyed in the U.S. rate religion as 'very important' in their lives.
- Anecdotally, we see a growing prominence in the media of Muslim women wearing hijab as Olympic athletes and professionals are asserting their rights through Modest Fashion clothing. All the startup growth stories in this report are another reflection of this continued trend. Many of these values do have a universal appeal, and thus many products and services do not have to be exclusively positioned for Muslims.

4. OIC ECONOMIES GROWING ISLAMIC/HALAL MARKET DEVELOPMENT FOCUS:

- As the Islamic Finance sector matures across most OIC member countries, many OIC governments have launched initiatives that expand into other Halal market sectors. While the earlier driver of the Islamic Development Bank led effort to increase intra-OIC trade (modest growth of 15.5 percent in 2005 to 19.8 percent in 2015) and contribute to the Halal/Islamic sector development, it is the recent focus on the various sectors of the Halal/Islamic Economy that is now a major driver.
- Many OIC countries are now recognizing the significance of this opportunity for their economic development covering food, travel/tourism, clothing, media, recreation and other sectors. As a result, a major boost is being seen in support of Islamic Economy companies in the form of regulatory initiatives, economic incentives, and marketing programs. Below are select recent initiatives by OIC member countries in developing Halal market economies:
 - The Standing Committee for Economic & Commercial Co-operation of the OIC (COMCEC), has now commissioned three studies in the past year on the development of the 'Halal Travel' market to support member countries in developing this space
 - The new government of Indonesia has made Islamic Finance, Halal Food, and Halal Travel markets a strategic focus area for its growth and development
 - Saudi Arabia's Vision 2030 and the National Transformation Program 2020 has made Islamic heritage and Hajj/Umrah based travel as major area of focus
 - The Emirate of Dubai's Islamic Economy initiative, being led by the Dubai Islamic Economy Development Center (DIEDC), has put a new life into the growth of the global Halal/Islamic Economy. (This report is part of a whole ecosystem of Islamic Economy initiatives across the different entities in Dubai being supported by DIEDC.)
 - The Emirate of Abu Dhabi has also invested in the development of the Halal Travel market by initiating an annual global Halal Travel industry event and travel marketing programs
 - Malaysia continues its focus on investment in growing its pioneering role in Islamic Finance and Halal sectors development through major conferences, Halal hub initiatives and incubation of startups
 - Turkey has been supporting the development of its Halal Food sector growth by strengthening its Halal certification processes among other initiatives
 - The Standards and Metrology Institute for the Islamic Countries (SMIIC), an OIC initiated body, has developed Halal sector standards for food and other sectors that many member countries are either adopting or will be leveraging

Global market-based growth drivers

5. PARTICIPATION OF GLOBAL MULTINATIONALS:

- Top global brands from food, finance, fashion, travel, pharmaceuticals and cosmetic sectors continue to not only engage in the Halal/Islamic Economy space but are helping innovate products and services given their global R&D and marketing capabilities. Major global food suppliers such as BRF from Brazil to top global food processor Nestle, to top retailers Carrefour, Walmart, and Whole Foods have all significantly engaged in the Halal Food market. Mastercard has launched a Halal benefits program for its Shariah-compliant card holders in Southeast Asia. In travel many major hotel operators (IHG Group, Marriot, Fairmont) among others are ensuring they create experiences that fit some of the unique requirements of Muslim leisure travelers. Their engagement continues to drive global credibility and boost Islamic Economy sectors.

6. DEVELOPED ECONOMIES SEEKING GROWTH MARKETS

- The OIC countries are projected to be growing at a faster rate than the rest of the world. The IMF projects advanced economies to see a low 1.9 percent average GDP growth 2015-21. All major economies seek growth market opportunities. The significant and fast growing Islamic Economy sectors provide a strong opportunity for growth. Government initiatives in Spain for example have been facilitating travel and tourism promotion to the Muslim travel market in addition to preparing its food sector for Halal market growth. In addition, developed economies are some of the key source markets for Halal products (U.S., France, Brazil, and Australia are major Halal meat exporters to OIC member countries).

7. GROWING SIGNIFICANCE OF ETHICAL BUSINESSES IN FOOD, FINANCE, FAIR-TRADE, EDUCATION AND ENVIRONMENT:

- Global sentiment around healthy/organic food, ethical finance, humane treatment of animals, fair-trade, eco-tourism, and other socially-conscious businesses continues to grow. The global organic food market is estimated at \$72 billion in 2014,²

and grew at 11.5 percent from the previous year. Ethical finance, which covers many areas of socially responsible investment, ethical funds, microfinance, social crowdfunding, and social entrepreneurship, is a multi-trillion dollars fast growing space. In the U.S., the Socially Responsible Investment space had a total of \$6.57 trillion in assets in 2014 which increased 76 percent from \$3.74 trillion identified in 2012.³ These trends are only expected to further grow as millennials worldwide are seeking purpose filled careers, lifestyles, and experiences.

- These socially conscious business trends are starting to find Islamic Economy sectors a natural fit given their underlying socially responsible motives. As profiled in this Report, many Halal Food, Islamic Finance and other Islamic Economy products are positioning and benefiting from the global conscious consumerism trends.

8. TECHNOLOGY AND CONNECTEDNESS:

- Communication and transactional technologies of mobile internet, broadband, secure ecommerce, digital media, augmented reality experiences, communication and marketing tools continue to democratize economic development and entrepreneurship worldwide. Islamic Economy start-up entrepreneurs are benefiting tremendously from the continuous technology developments which has given a big boost to further develop the globally-distributed and fragmented market for Halal Food, Modest Fashion, Islamic Finance and related lifestyle services. Indeed, Muslim consumers are a big part of this digital revolution. The cellular subscription base of Muslims globally is 1.3 billion, which is 21 percent of the global figure with countries like Saudi Arabia and Indonesia representing among the largest numbers of social media users globally.

3 "Global Sustainable Investment Review Report 2014", Global Sustainable Investment Alliance, February 2015.

2 "Growth continues: Global organic market at 72 billion US Dollars with 43 million hectares of organic agricultural land worldwide", FiBL Excellence for Sustainability, February 2015.

Millennial Consumer Insights – Social Data Analysis Interactions

Introduction

MILLENNIALS?

‘Millennials’ are shaping the future and nature of business services world-wide. Defined as those born between 1980 and 2000,⁴ the millennials represent a powerful economic demographic. There are currently 2 billion millennials in the world, with 86 percent living in emerging markets, and they will form 50 percent of the entire workforce in 2020. They are generally divided into two sub-groups—18-24-year-old and 25-to 34-year old. Raised in a post-world war/ cold-war era driven by fast communication technology developments, millennials do have many characteristics in common. In particular, they are more technologically oriented than previous generations, are more brand loyal, and generally expect instant access to information among other attributes.

MILLENNIALS CRITICAL RELEVANCE TO THE ISLAMIC ECONOMY

Millennials role in the development of Islamic Economy is critical given the young global demographic of Muslims. Muslims are the youngest (median age of 23 years old in 2010) of all major religious groups world-wide, seven years younger than the median age of non-Muslims⁵. By 2030, 29 percent of the global young population (15-29) is projected to be Muslim. Besides distinct millennial characteristics, Muslim millennials are also forging their own identity, with terms such as ‘Mipsterz (Muslim hipsters)⁶’, ‘GUMmies’ (Global Urban Muslim consumers)⁷ defining the young trend setting Muslims, confident of their Muslim identities and asserting their needs in travel, food, education, fashion, and increasingly demanding the attention of mainstream players.⁸

So how are these millennials viewing Islamic Economy sectors? What is their behavior and perception of Halal Food, Halal Travel, Modest Fashion, Islamic financing etc.? Do male and female interact with these sectors distinctly? What are the most used terminology and discussion topics? In this SGIE 2016 Report, we are introducing a new feature on millennial behavior with the Islamic Economy sectors. Reflecting the digitally savvy nature of this audience, we have conducted a social media listening research exercise to data mine millennials interactions on Islamic Economy sectors worldwide.

4 “PwC’s NextGen: A global generational study: Evolving talent strategy to match the new workforce reality”, PwC, 2013.

5 “Muslims and Islam: Key Findings in the U.S. and around the World.” Pew Research Center, 22 July 2016.

6 “Mipsterz: a space for Muslim hipsters”, CNN, June 2015.

7 “The Next 1.7 Billion Consumers; Selling To The Muslim world”, Forbes, April 2015.

8 “H&M’s latest look: Hijab-wearing Muslim model stirs debate”, CNN, 2015.

Social media listening – mining millennials Islamic Economy interactions

APPROACH & METHODOLOGY

To gather millennials social media based insights on the Islamic Economy, data from the most popular social media platform, Facebook, was utilized. All 'posts' and 'comments' related to Islamic Economy sectors were tracked during a 3-week time period (July 27-Aug 17, 2016). **A total of 452,600 interactions were captured for this social media analysis.** The interactions were spread across six distinct sector dashboards. The posts were from users in the 18-35 yrs. millennial age group. Specific keywords and hashtags were used to identify Islamic Economy related interactions.

The reason for just focusing on Facebook posts, was 1) Facebook (FB) dominates the social media landscape. FB had 1.59 billion active users worldwide (Jan 2016).⁹ Meanwhile Twitter has 320 million and Instagram 400 million active users. 2) For data analysis, Facebook data is the only major social platform whose data could be reliably segmented by age groups, which was necessary for this analysis.

Nuvi (nuvi.com), a social media data aggregation platform, was used to collect Facebook data for the purpose of our

⁹ <http://newsroom.fb.com/company-info/>, accessed on 15 July 2016.

analysis. The coverage was global including all languages, although keywords and hashtags were in English so other language interactions were captured only if the English hashtag or keyword were mentioned. Another limitation on the sentiment analysis was that other language interactions, even when captured, could not be used for automatic sentiments analysis.

AGGREGATE ISLAMIC ECONOMY MILLENNIAL INSIGHTS

Geography & Sector interactions: In aggregate, the **top countries where millennials were engaged with Islamic Economy sector topics are Indonesia (126k interactions), Malaysia (84.7k interactions), Pakistan (55.9k interactions) and USA (14.6k interactions.)** Southeast Asian countries Indonesia and Malaysia together represent 47 percent of the interactions captured.

It is also insightful to see the sector topics that were prominent in these top markets. **54 percent of Indonesia millennial interactions related to the Modest Fashion sector. In Malaysia, 71 percent of millennial interactions were related to the Islamic Finance sector. In Pakistan, 87 percent of millennial interactions were Halal Media and Recreation sector related and in U.S., 46 percent of millennial interactions were Halal Food sector related.**

Volume of millennial interactions recorded by country & sector

| | Islamic Finance | Halal Food | Modest Fashion | Halal Travel | Halal Media and Recreation | Halal Pharmaceuticals and Cosmetics | Total |
|--------------|-----------------|------------|----------------|--------------|----------------------------|-------------------------------------|---------|
| Indonesia | 37,500 | 4,200 | 68,500 | 4,600 | 4,200 | 7,800 | 126,800 |
| Malaysia | 60,600 | 7,400 | 5,300 | 1,900 | 1,400 | 8,100 | 84,700 |
| Pakistan | 4,000 | 1,200 | 1,500 | 500 | 48,500 | 200 | 55,900 |
| USA | 2,500 | 6,800 | 1,100 | 1,500 | 2,200 | 500 | 14,600 |
| Philippines | 400 | 7,700 | 1,200 | 100 | 200 | 4,300 | 13,900 |
| India | 1,800 | 2,500 | 500 | 300 | 5,200 | - | 10,300 |
| Saudi Arabia | 900 | 600 | 900 | 100 | 5,300 | - | 7,800 |
| UK | 600 | 2,700 | 400 | 300 | 1,000 | 100 | 5,100 |
| Turkey | - | - | - | - | 4,900 | - | 4,900 |
| UAE | 300 | 300 | 200 | - | 3,000 | - | 3,800 |



A halal label is on display at a restaurant in Kuala Lumpur, Malaysia. REUTERS/BAZUKI MUHAMMAD

Overall, the most active Islamic Economy sectors where Millennials interacted **were Islamic Finance (157k interactions), Modest Fashion (101k interactions), Halal Media and Recreation related (99k interactions)**. Halal Food (54k interactions) and Halal Travel (15k) surprisingly were lower relative to the other sector interactions.

Gender profile: Men (205k interactions) and women millennials (206k) were equally engaged on social media interactions. This is a big indication of the equally strong voice of the millennial Muslim women. It is insightful to also see that across the sectors, **Millennial women were most engaged in Modest Fashion (65k) and Islamic Finance (61k) sector topics. Millennial men were most engaged with Islamic Finance (83k) and Halal Media and Recreation (66k) sectors.**

Sentiment analysis: Analysis of all the millennial interactions captured for this analysis has been analyzed for their general sentiment. Based on an algorithm that factors in the conversational tone and words used in the interactions, a 'positive', 'negative' and 'neutral' sentiment score is given to interactions (English language ones only.) From all the interactions that were able to be analyzed for sentiment across all sectors, **an overwhelming 76 percent of millennial interactions were with positive sentiment, 17 percent were negative, and 7 percent were neutral.**

In terms of variations within sectors, 'Halal Travel' had the highest negative sentiment interactions although still at a low 25 percent followed by Islamic Finance with 23 percent. Halal Pharmaceuticals and Cosmetics, Modest Fashion, and Halal Media and Recreation had the most positive sentiment interactions. The specific sector sections go into the topics and themes of discussions.

Top keyword & hashtags: From across all the interactions captured across sectors, the most common terms and hashtags were: #Halal, #Projekstg (a part-time work initiative in Malaysia), Muslim, Hijab, #Halalfood, #Bilal (a new upcoming movie), Food, and Zakat.

Men/Women millennial interactions with Islamic Economy sectors

| Sector | Male | Female |
|-------------------------------|--------------------|--------------------|
| Islamic Finance | 41% | 30% |
| Halal Food | 10% | 12% |
| Halal Travel | 3% | 3% |
| Modest Fashion | 12% | 32% |
| Halal Media and Recreation | 32% | 14% |
| Pharmaceuticals and Cosmetics | 2% | 10% |
| Total/ Percentage | 204.8K/100% | 206.5K/100% |

Sentiment across sectors & in total

| Sector | Positive | Neutral | Negative |
|-------------------------------|-------------------|------------------|-------------------|
| Islamic Finance | 26% | 18% | 37% |
| Halal Food | 28% | 45% | 33% |
| Halal Travel | 4% | 5% | 7% |
| Modest Fashion | 8% | 7% | 6% |
| Halal Media and Recreation | 23% | 20% | 15% |
| Pharmaceuticals and Cosmetics | 10% | 5% | 3% |
| Total/ Percentage | 48.3K/100% | 4.4K/100% | 10.6K/100% |

Aggregate of all sectors keywords and hashtags

| Keywords & Hashtags | |
|-----------------------------|------|
| Halal | 5.1K |
| #Halal | 2.2K |
| #Projekstg | 2K |
| Muslim | 1.9K |
| (Hijab) حجاب | 1.7K |
| #halalfood | 1.4K |
| Food | 1.2K |
| #Bilal | 1.2K |
| #elitkingdom | 1.2K |
| Zakat | 900 |
| #Takaful | 800 |
| #Iqra | 800 |
| Islamic banking and finance | 700 |

Industry Insights – Islamic Economy Leaders Survey

Summary

➤ **A strong Islamic Economy industry leaders survey conducted:**

A global survey was undertaken across each core pillar of the Islamic Economy to measure current business sentiment. 172 responses were received across core geographies and sectors, with Malaysia, the UK, the U.S. and the UAE accounting for just under 50 percent of total responses. Halal Food and Islamic Finance were strongly represented in the survey, at close to 60 percent of responses. Over 50 percent of respondents had annual revenues of less than US\$5 million, but there was a robust representation of larger companies, with 22 percent of respondents having revenues exceeding \$100 million. 41 percent of respondents were either owner, president or CEO of the companies they represented.

➤ **Industry leaders Islamic Economy outlook is strong:**

Businesses confirm that the aggregate Islamic Economy is a high-growth segment, with 69 percent considering sector performance to be good or excellent, and 86 percent of respondents either optimistic or very optimistic about future prospects.

➤ **Halal Food leads not only by size, but by performance:**

With 80 percent of respondents rating performance as at least good, and with 87 percent at least optimistic about the future, businesses confirm the tremendous and leading growth potential of Halal Food.

➤ **The time is ripe to enhance Shariah finance product offerings for smaller businesses:**

With only 49 percent of respondents using Shariah financing most of the time, and with close to 60 percent of businesses needing long-term expansion, working capital or trade finance, there are substantial opportunities to introduce new, cost-effective products across high-growth sectors

➤ **Healthy eating and ingredients are top Halal Food growth opportunities.**

However,

the sector continues to be held back by lack of standardization.

➤ **Infrastructure sukuk and SME financing represent strong frontiers of growth for Islamic Finance.**

However, lack of public awareness and monetary policy regulations are restricting growth.

Key findings across all sectors

1. **THE MAJORITY OF ISLAMIC ECONOMY BUSINESSES SURVEYED FEEL THAT THEIR SECTORS HAVE SHOWN STEADY OR TREMENDOUS GROWTH:**

➤ **Strong performance to date:**

69 percent of respondents assessed the performance of their respective Islamic Economy Pillars as either good or excellent, with 19 percent rating their respective sector performance as excellent.¹⁰

➤ **Halal Food leading the pack:**

Halal Food represented the strongest sector in terms of optimism, with 80 percent of respondents assessing performance as good or excellent, with a staggering 37.5 percent rating their sector as “excellent”.

2. **AN EVEN BIGGER MAJORITY OF RESPONDENTS ARE OPTIMISTIC ABOUT THE FUTURE OF THEIR RESPECTIVE PILLARS**

➤ **Strong cause for optimism:**

86 percent of respondents were either optimistic about the further growth potential of their respective pillars, with 42 percent very optimistic

➤ **Halal Food once again leads the pack:**

Halal Food outperformed other sectors in terms of optimism, with 88 percent of respondents at least optimistic about their sector, with 55 percent very optimistic.

¹⁰ Good means respondents have seen steady benefit from their businesses’ Halal proposition, while Excellent means respondents have experienced tremendous growth in their Halal propositions. Similarly optimistic was interpreted as good future potential for Halal propositions, while Very optimistic was interpreted as very strong future potential.

3. HOWEVER, LACK OF SHARIAH-COMPLIANT FINANCE REMAINS A KEY CHALLENGE, WITH THE LIMITED USE OF ISLAMIC FINANCING AND WITH BUSINESSES FACING HIGH COST AND RED TAPE WHEN TRYING TO RAISE FINANCING

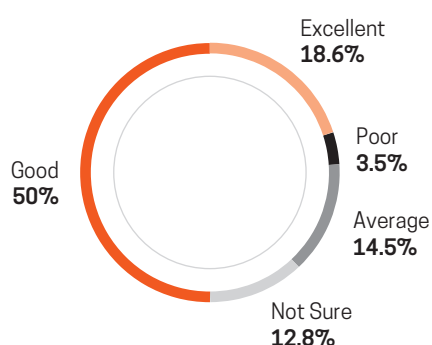
✎ **Mixed use of financing:** 49 percent of respondents confirmed they either fully use Shariah financing or most of the time, while 32 percent respondents noted only using conventional financing

✎ **Core needs for financing:** The top two needs for financing included working capital financing, identified by 22 percent of respondents, followed by trade finance, identified by 19 percent of respondents, and long-term expansion finance, identified by 17 percent of respondents

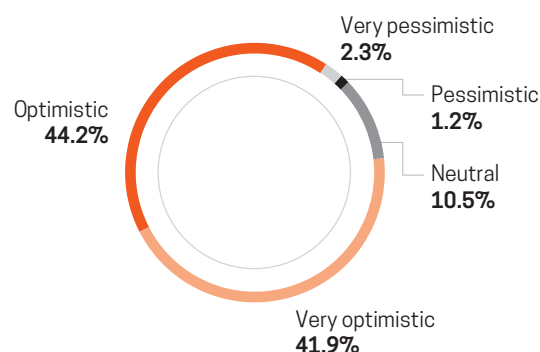
✎ **Main constraints:** High cost, long loan processing times, and cumbersome documentation requirements were the top three challenges noted with raising financing, together accounting for 46 percent of responses.

Survey responses to questions on sector sentiment

HOW WOULD YOU RATE THE PERFORMANCE OF YOUR SECTOR?

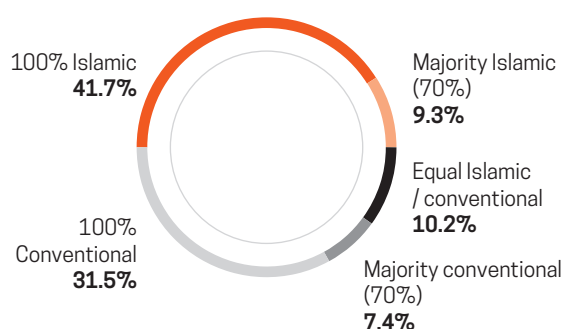


HOW DO YOU FEEL ABOUT THE FUTURE POTENTIAL OF YOUR SECTOR?

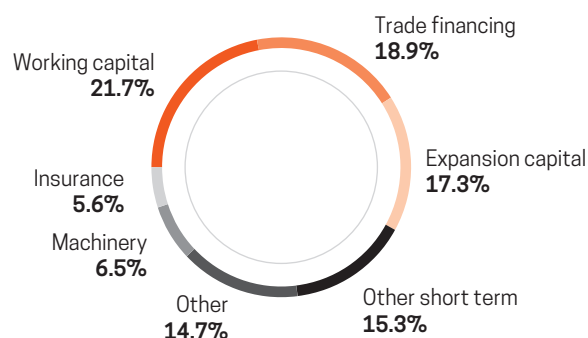


Core survey responses to Islamic Financing questions

HOW MUCH OF YOUR BUSINESS FINANCING IS ADDRESSED BY SHARIAH-COMPLIANT PRODUCTS?



MAIN FINANCING NEEDS



Source: Analysis based on survey responses

Key findings across Halal Food and Islamic Finance

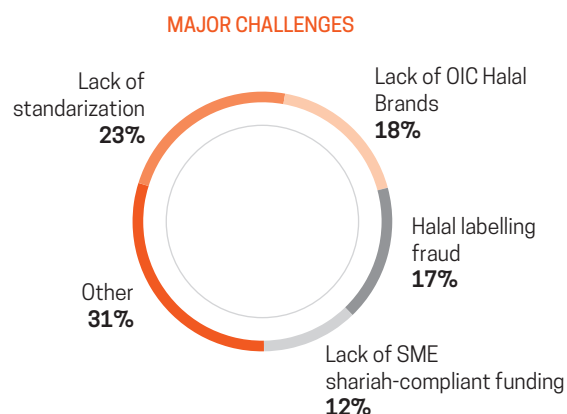
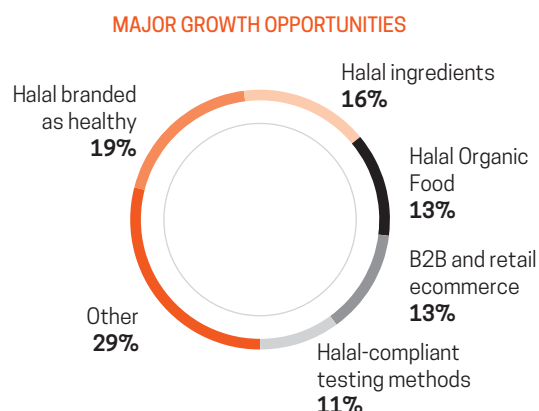
4. HALAL FOOD, THE LARGEST SECTOR BY REVENUE SIZE, FACES THE STRONGEST OPPORTUNITIES IN HEALTHY PRODUCTS AND HALAL INGREDIENTS, WITH SECTOR DEVELOPMENT STILL HELD BACK BY A LACK OF STANDARDIZATION:

- **Key opportunities:** The top opportunities for growth comprise the “healthy” branding of Halal products (19 percent of respondents), capitalizing on the broader shift towards healthy eating, followed by Halal ingredients (16 percent of respondents). Organic and e-commerce also represent strong expansion opportunities
- **Limitations:** However, the lack of standardization across the different Halal markets is seen as a major challenge for over 20 percent of respondents, followed by the lack of global Halal brands.

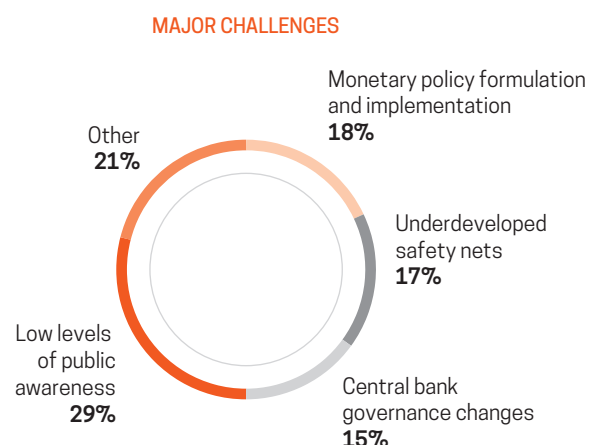
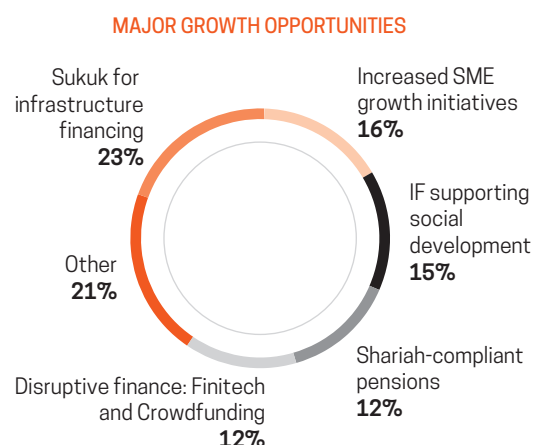
5. ISLAMIC FINANCE RESPONDENTS EXPECT THE STRONG GROWTH OPPORTUNITIES IN INFRASTRUCTURE SUKUK AND SME SUPPORT INITIATIVES, WITH LACK OF PUBLIC AWARENESS THE MAIN LIMITING FACTOR FOR SECTOR GROWTH:

- **Key opportunities:** The top opportunities for growth includes sukuk for infrastructure financing (20 percent of respondents), followed by the convergence opportunity through funding SMEs across the Islamic Economy, accounting for 16 percent of respondents. Other opportunities include social development support and Shariah-compliant pensions
- **Key challenges:** Major limitations include low levels of public awareness and limitations on sector growth imposed by monetary policy formulation, together accounting for almost 50 percent of responses.

Major growth opportunities and challenges in Halal Food



Major growth opportunities and challenges in Islamic Finance





A man arranges strawberries at his roadside stall in an outdoor market in Islamabad, Pakistan. REUTERS/FAISAL MAHMOOD



Halal Food Sector

Within the Islamic tradition, a person's spirituality and the purity of one's soul are very much tied to the food and drink we consume. In an age of increasing commercialization, the food we consume can be devoid of God's presence and the reverence for God's creation that Islam requires. It is this gap that much of the Halal Food sector seeks to fill.

With the Quran not only calling for food to be Halal but also Tayyib, or pure, this has led to segments of the Halal Food sector creating produce of the highest quality, as can be seen in the rise of Halal organic food. Consequently, non-Muslim demand for such quality food is also increasing. This demand has led to this report to estimate spending on food and beverages to be \$1.17 trillion in 2015, with revenues from Halal Certified Food and Beverage products estimated at \$415 billion in 2015.

However established this sector becomes, there seems to always be further room for growth and opportunity. For example, there has recently been a rise in Halal online meal takeout and delivery platforms, particularly in non-OIC countries. The UK-based HalalEat, Halalonclick in Singapore and the Russian HalalEda.me, are just a few examples that also highlight the transnational potential of the Halal Food sector.

Several notable private equity investments have occurred in the past year, signaling increasing investor appetite for Halal Food investments. ESP Capital and Kingsley Capital Partners invested \$30 million in Janan Meat, a leading UK-based Halal lamb and mutton supplier, while Abraaj Capital and Texas Pacific Group invested \$400 million in Saudi Arabia-based fast-food chain Kudu.

Unfortunately, there still remains much misunderstanding around Halal meat within non-Muslim majority societies. Some European countries have even moved to ban Halal and kosher methods of slaughter. Further financing and work is needed in the marketing and sales area in order to create a better understanding of the principles of Halal Food.

Nevertheless, the Halal Food sector's growth shows no sign of slowing down as this report estimates Muslim food and beverage expenditure to grow to \$1.9 trillion by 2021. With creative innovations taking place such as the Ramadan Energy Bar and many opportunities to tap into high potential segments such as Halal baby food, the Halal Food sector proves it will remain a flourishing sector for many years to come.

HALAL FOOD

MARKET SIZE¹

How much does the global Muslim market spend on food? ≈

2015
\$1,173 Bn
Global Muslim Market
16.6% of Global
Expenditure

**2021
(Potential)**
\$1,914 Bn
18.3% of Global Expenditure

BENCHMARK

How does global Muslim spend compare to total global spend on food and beverage? ≈

\$854 Bn
China

\$771 Bn
United States

\$380 Bn
Japan

\$341 Bn
India

\$316 Bn
Russia

(2015 est., US\$ Bn)

**Estimated
revenues from Halal
Certified Food and
Beverage products**

\$415 Bn
in 2015

THE HALAL FOOD INDICATOR

Which countries have the best developed ecosystem for Halal Food and Beverage? ≈



*CRITERIA (From a total of 73 select countries)

1. Trade OIC Food Trade Relative to its size
2. Governance Regulation/Certification requirements
3. Awareness Media/Events
4. Social Food Price Index

Selected » key players

Meat Suppliers

BRF (Brazil)
Cargill (USA)
Allanasons (India)
American Foods Group (USA)
Maret (Turkey)

Ingredients

Manufacturers
Aromco Ltd. (UK)
Bidara Herba
Niaga (Malaysia)

Distribution Channels

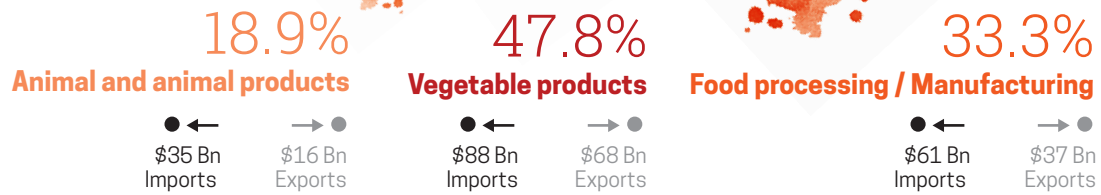
McDonalds (U.S.)
Dagang Halal (Malaysia)
Zilzar (Malaysia)
Halaleat.com (UK)
Halal Dining Club (UK)

Regulatory

Emirates Intl. Accreditation Council
GCC Accreditation Council
Pakistan Ntnl. Accreditation Council
JAKIM (Malaysia)
MUIS (Singapore)

FOOD TRADE BY OIC COUNTRIES²

What do OIC member countries import most? »



TOP MARKETS

Top Muslim consumer food expenditure markets ≡



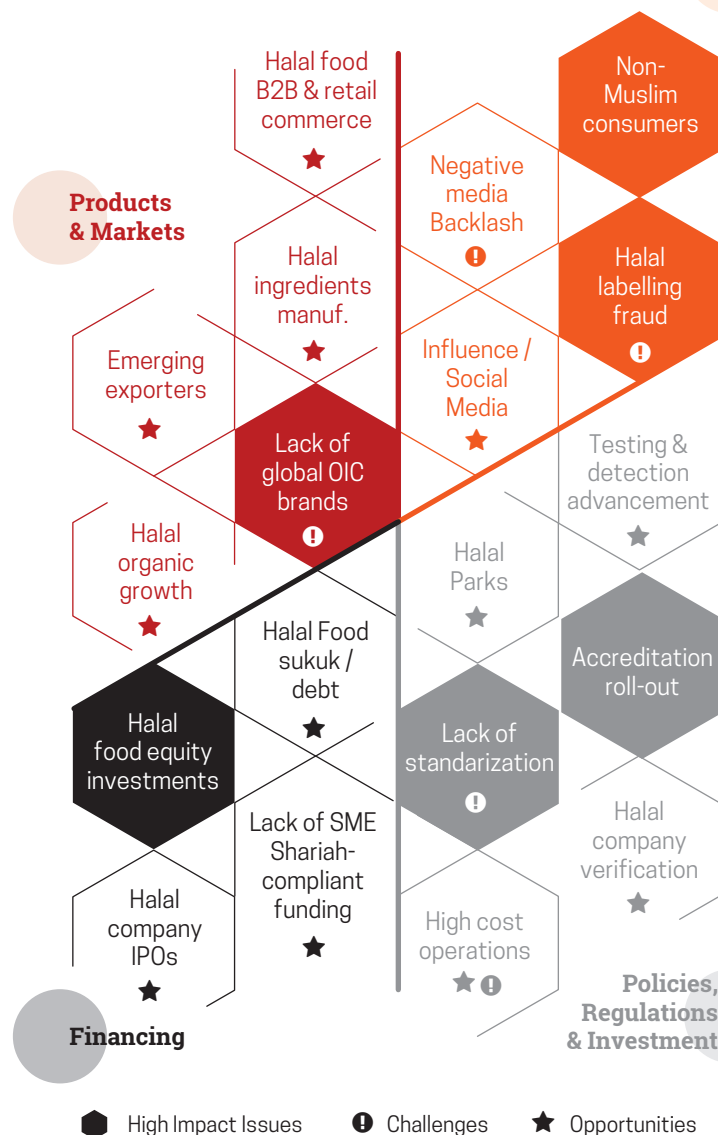
(2015 est., US\$ Bn)

Halal Food markets
'Tayyab' cross-over global opportunity³

Global organic food and beverages market expected to reach **\$105 Bn** in 2015

Issues and opportunities map ≡

Consumer needs ecosystem



¹ Covers food & non-alcoholic beverage expenditure; Expenditure data baselined from 2011 International Comparison Program + National Statistics Agencies. See Report for full methodology. DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections.

² Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC) Covers animal products, vegetable products, and processed food minus swine, spirits, tobacco. Not included: retailers/other distribution channels, machinery, supporting inputs, logistics, support services (eco-system).

³ Source: Global Organic Foods & Beverages Market Analysis By Products, Geography, Regulations, Pricing Trends, & Forecasts (2010 – 2015), MarketsandMarkets.

Halal Food Indicator

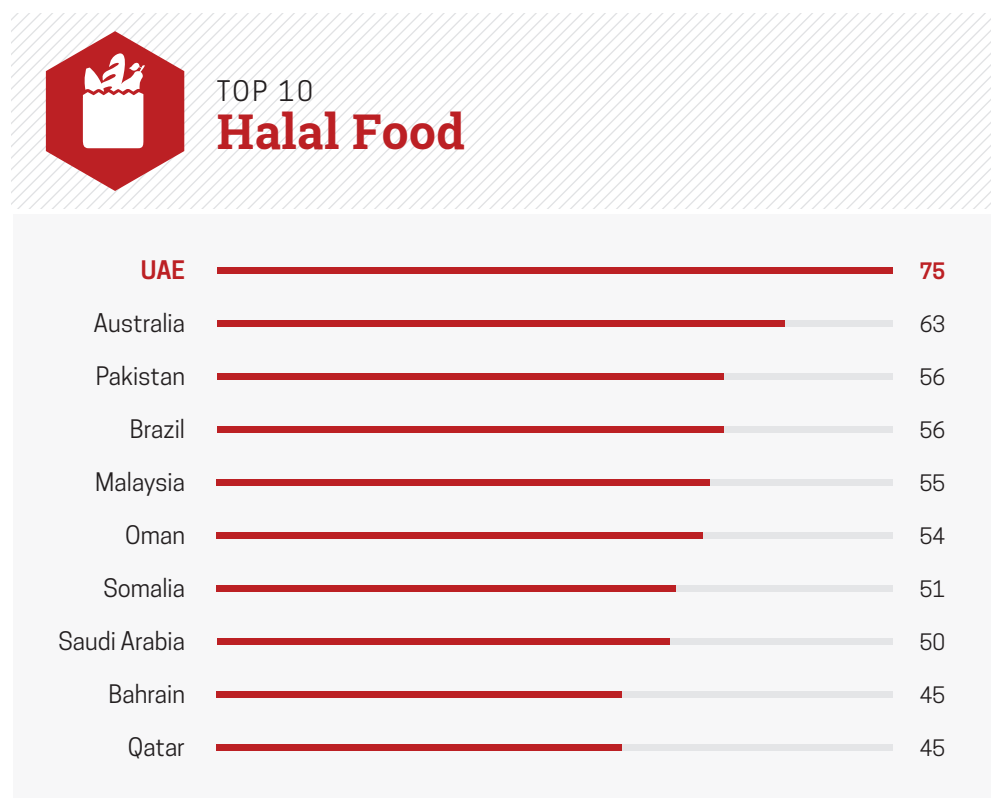
The 2016 State of the Global Islamic Economy Report revisits the Halal Food Indicator (HFI) to evaluate countries' health and development of their Halal Food ecosystem. The indicator does not focus on the overall size and growth trajectory of a country in the Halal Food sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The United Arab Emirates, Australia and Pakistan lead the Halal Food indicator ranking that focuses on the health of the Halal Food ecosystem a country has relative to its size and including its related social considerations.

The Indicator equally weights four metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (meat/live animal exports to OIC countries)
- Governance (Halal regulations and certification requirements)
- Awareness (number of related news articles and events)
- Social (food pricing index)

Below are the top 10 countries in the Halal Food Indicator.



| Halal Food | Sector Score | Meat Export to OIC | Governance Score | Awareness Score | Social Score | GIE Ranking |
|----------------------|--------------|--------------------|------------------|-----------------|--------------|-------------|
| United Arab Emirates | 75 | 41 | 100 | 115 | 45 | 2 |
| Australia | 63 | 103 | 67 | 58 | 26 | 19 |
| Pakistan | 56 | 15 | 100 | 37 | 74 | 6 |
| Brazil | 56 | 146 | 33 | 10 | 36 | 23 |
| Malaysia | 55 | 2 | 100 | 61 | 58 | 1 |
| Oman | 54 | 42 | 100 | 19 | 57 | 5 |
| Somalia | 51 | 118 | 33 | NA | NA | 29 |
| Saudi Arabia | 50 | 21 | 100 | 25 | 53 | 4 |
| Bahrain | 45 | 0 | 100 | 28 | 54 | 3 |
| Qatar | 45 | 4 | 100 | 26 | 49 | 8 |

United Arab Emirates (UAE)

The UAE overtakes Malaysia as the leader in the Halal Food indicator, due to a significant strengthening of its regulatory oversight of the Halal Food industry, and a vast improvement in its awareness score, driven by strong publicity.

Pakistan

Although overtaken by Australia, Pakistan nevertheless still occupies a strong position in 3rd place in the rankings. This is due to the country maintaining its scores in all sub-indicators, including maintaining low food prices, relatively strong regulation and a growing certification ecosystem.

Australia and Brazil

Australia improves its strong position, moving from 4th to 2nd position and overtaking Pakistan in the rankings. This is due to it maintaining its high level of exports, while also increasing awareness and publicity of Halal Food. Brazil also improves its ranking, from 6th to 4th. This is almost wholly driven by an increase in meat exports to the OIC, in addition to maintaining its position in other sub-indicators.

Ups and Downs

Azerbaijan and Egypt, were in 8th and 9th place in last year's rankings, but dropped from the top ten and are replaced by Bahrain and Qatar. Both Bahrain and Qatar exhibited strong regulatory and compliance scores, in addition to maintaining relatively low food prices.



Halal Food Market Sizing

Market size and profile — Global Muslim consumer spending on Food and Beverage \$1.17 trillion in 2015 (17 percent of global expenditure), and, representing a first of its kind for this report series, the 2015 Halal Certified Food and Beverage Market has been estimated at \$415 billion.

This Report estimates Muslim populations globally to have spent a total of \$1.17 trillion on food and beverages (F&B) in 2015, representing between 17 percent of the global market spend of \$7 trillion. This is a growth of 3.4 percent from the previous year, and is slightly higher than the global market growth of 3.3 percent. Muslim spending on food and beverage is expected to reach \$1.9 trillion by 2021, a CAGR of 9 percent from 2015.

The Muslim consumer expenditure for food and beverage is ranked first, ahead of China (\$854 billion), the United States (\$770 billion), Japan (\$380 billion), and India (\$341 billion).

Muslim countries with the highest spend on food and beverage in 2015 were Indonesia (\$155 billion), Turkey (\$116 billion), Pakistan (\$106 billion), Egypt (\$78 billion), Bangladesh (\$69 billion), Iran (\$59 billion), and Saudi Arabia (\$48 billion).

The revenues for Halal Certified Food and Beverage products globally have been estimated at \$415 billion in 2015, which represents the total estimated sales of food products across the Food and Beverage value chain. This estimate includes spend by both Muslims and non-Muslims on Halal Food and beverage products. The estimation was based on detailed interviews with a selection of certification bodies as well as a review of independent estimates, with further detail included in the Methodology section towards the end of this report.



Customers shop at a grocery store in Dubai.
REUTERS/JUMANA EL HELOUEH

Social Listening – Consumer Sentiment

Approach

Earlier in the Report, our methodology and aggregated insights from millennials (18-35 age group) using social media listening based research was introduced. Here we present specific insights from millennials social media interactions on Halal Food. A total of 53,600 Halal Food related Facebook ‘posts’ and ‘comments’ from the millennial age group are analyzed here.

Geography interactions

In aggregate, the **top countries where millennials were engaged with Halal Food sector topics were Philippines (7.7k interactions), Malaysia (7.4k interactions), United States (6.8k interactions), and Indonesia (4.2k.)** Millennials from Non-Muslim majority countries of Philippines, USA, UK, India and Australia seemed to be prominently interacting on Halal Food.

Volume of millennial interactions on Halal Food by country

| Country | Number of Interactions | Country | Number of Interactions |
|----------------|------------------------|--------------|------------------------|
| Philippines | 7.7K | Pakistan | 1.2K |
| Malaysia | 7.4K | Saudi Arabia | 600 |
| United States | 6.8K | Canada | 600 |
| Indonesia | 4.2K | Nigeria | 600 |
| United Kingdom | 2.7K | Thailand | 400 |
| India | 2.5K | UAE | 300 |
| Australia | 2.1K | Japan | 300 |
| Singapore | 1.4K | | |

Sentiment analysis

Based on an algorithm that factors in the conversational tone and words used in the interactions, a ‘positive’, ‘negative’ and ‘neutral’ sentiment score is given to interactions (English language ones only.) From the interactions that were able to be analyzed for sentiment across Halal Food interactions, **an overwhelming 71 percent of millennial interactions were with positive sentiment, 18 percent were negative, and 10 percent were neutral.**

The majority positive sentiments by millennials are generally of the type of Halal ‘foodie’ experiences, Halal product announcements, and healthy & Halal announcements. The minority negative sentiment interactions were generally Islamophobic related (mostly from the US, Europe and some from Australia), or non-qualified Halal/fraud related concerns. Select actual interactions are referenced below (these have been made anonymous for privacy purposes.).

HEALTHY & HALAL THEMES

- “ Made in USA, Manufactured by NATURES WAY → USFDA, BFAD, HALAL & KOSHER approved.”
- “ They are finally here! Try it:) We have an exclusive Partnership with the #BarleyQueen herself, Miss Maritoni Fernandez, an actress, business owner and our supplier. All products are Halal, FDA Approved and has CPR. #HealthandWellnessProducts”
- “ Protect your baby from any form of sickness. Make them healthy and happy. Buah Merah Mix is a healthy and refreshing juice drink, enriched with Natural Anti-Oxidant (Beta-Cryptosanthin) that boosts the immune system. 100 percent ORGANIC, NON TOXIC, ALL NATURAL 100 percent HALAL, FDA REGISTERED”

HALAL FOODIES

- “ Would love to see more and more Halal Japanese food available for muslim in Malaysia..”
- “ Eating healthy without compromising on good food!! #homemade #eatinghealthy #portioncontrol #Halal #tryingsomethingnew #beefchowmien”
- “ I just had to share my good news with you all. This coming Saturday at 3pm, I'll be cooking live at the London Halal Food Festival. This is a really big event for me, so please do remember me in your prayers. Let me know if you'll be at the Festival as it would great to meet up ”
- “ Great day at food fest. The intense heat aside we had a great time. Can't wait for next year Inshallah! Thanks to every one who came out and ISB for organizing the best Halal food event on the east coast.”
- “ Finally got the opportunity to visit the mosque in Changwon (South Korea). So,so,so happy! Able to pray tahiyatul masjid an isyak there. The committees also offered dinner of spicy seafood, yum! Also took the opportunity to buy some Halal food to stock up at dorm.”
- “ In the mood for some Halal food”

PRODUCT ANNOUNCEMENT THEMES

- “ Frontrow International Products!!! The Most Trusted and The Most Effective Food Supplements in the Philippines! 100 percent made in U.S.A “ONTARIO CALIFORNIA”; Approved by HALAL (U.A.E)”
- “ Halal Food and Nutrition Council Philippines, Inc. signed a Memorandum of Understanding with Korea Halal Authority Corporation, the objectives of KHAC and HFNCP, INC. are complementary and same as the promotion, recognition and development of Halal trade and industry.”
- “ Now our products are available at SAFANA HALAL MEATS 3rd Parklands Avenue AMANI PLAZA”
- “ Brazilian Beef Export! Product Halal and non Halal! Meats of the highest quality and certified by the most demanding agencies Health Surveillance! Just send us a Letter of Intent to Purchase (LOI) or ICPO banked and updated that agilizaremos a quote and subsequent Trading closing quickly and safely.”

ISLAMOPHOBIC THEMES

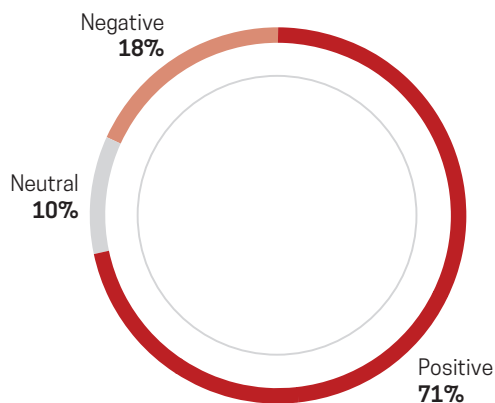
- “ This is not the first public school in America that has become 'sharia-compliant' by removing pork products from its food service, in order to accommodate Muslim supremacist religious demands.”
- “ Stop Halal and Kosher slaughter in the UK” – Jetzt unterschreiben!..”
- “ Australia produces enough food to feed 80 million people.. and it only has 24 million population. Halal certification will only open for new market and wider acceptance to your closest neighbour.. which part scared you about meeting the requirement?”

FRAUD THEMES

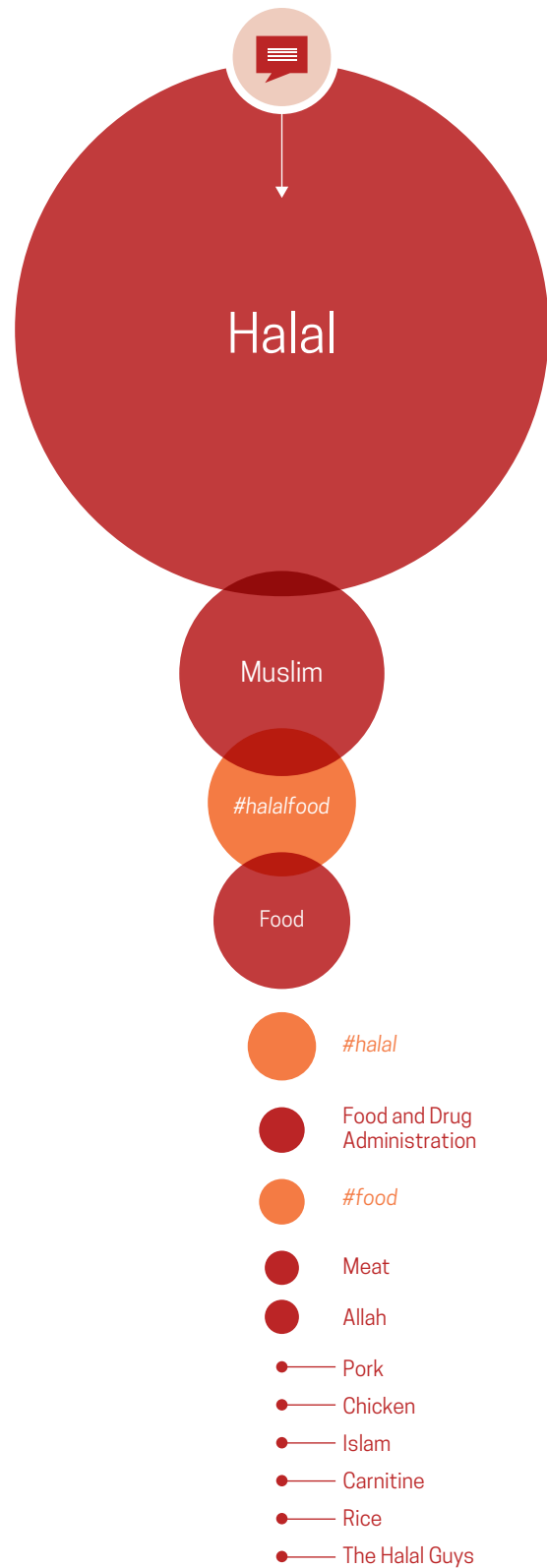
- “ MUIS (Indonesia Halal certifier) certified with posters approval only.....can the authority look seriously into this... Note: Best to advise the Makcik or Kakcik not to work there even though its stated No Pork No Lard.....nauzubillah minzalik..astaghfirullah”



Sentiment distribution of Halal Food related interactions



Top Facebook keywords and hashtags



Top keywords & hashtags

From across the Halal Food interactions captured, the most common terms and hashtags were: Halal, Muslim, #Halalfood, Food, #Halal, Food and Drug Administration, #Food, and Meat.

Aggregate of all sectors keywords and hashtags

Keywords & Hashtags

| | |
|------------------------------|------|
| Halal | 5K |
| Muslim | 1.8K |
| #halalfood | 1.3K |
| Food | 1.2K |
| #halal | 600 |
| Food and Drug Administration | 400 |
| #food | 400 |
| Meat | 300 |
| Allah | 300 |

Gender profile

Millennial women (24.2k/ 45 percent) and men (20.7k interactions/ 39 percent) were both well represented on Halal Food related social media interactions with women more prominent. Specific topics and hashtag where women interaction was more prominent include: #Halalfood, #homemade, and Halal.

● Facebook keywords ● Facebook hashtags

Current Landscape and Trends

Key players across the value chain

| Value Chain | Segments | Select key players | |
|----------------------------------|--|---|---|
| | | Mainstream Companies addressing Halal | Islamic/ Halal Companies |
| Meat Suppliers | Farms, abattoir, meat packaging and supply | BRF (Brazil) Cargill (USA) Allanasons (India) American Foods Group (USA) | Maret (Turkey) Al Shaheer (Pakistan) |
| | Organic meat | Creekstone Farms (USA) | Crescent Foods (USA) Euro Quality Lambs (UK) Willowbrook Farms (UK) Halal Exotic Meats (UK) Honest Chops (USA) |
| Ingredients Manufacturers | Gelatin, sauces / marinades, other | Kerry Group (Ireland) Royal DSM (Netherlands) | Aromco Ltd. (UK) Bidara Herba Niaga (Malaysia) |
| | Prepared Meals | Nestle (Switzerland) | Al Islami (UAE) Saffron Road (USA) Al Safa (Canada) Arman (China) Tahira Foods (UK) KKR Halal Foods / Halaloodies (UK) |
| | Snacks/ Ready to Eat meals | Nestle (Switzerland) Kraft (USA) | Saahtain Foods (UAE) Fajr Foods/ Ramadan Bar (USA) Halal Select Snacks (USA) |
| | Baby Food | Gerber (USA) Beech-Nut (USA) | Nasim's Halal Baby Food (UK) Aara's Baby Foods (UK) |
| Distribution Channels | Digital – E-commerce/ Booking | Alibaba (China) GrubHub (USA) | Dagang Halal (Malaysia) Zilzar (Malaysia) Halaleat.com (UK) Halal Dining Club (UK) |
| | Restaurants / Catering | McDonalds (USA) KFC (USA) | Marrybrown (Malaysia) Kudu (Saudi Arabia) Chicken Cottage (UK) The Halal Guys (USA) |
| | Grocery / Retail | Tesco (UK) Carrefour (France) BIM (Turkey) | Aycon Supermarket (Australia) Pak Supermarkets (UK) |
| | Digital – Information and content | Food Network (USA) | Zabiha Halal (USA) MyHalalKitchen (USA) Halal Gems (UK) |
| Regulatory | Accreditors | JAS-ANZ (Australia/ New Zealand) | Emirates International Accreditation Council GCC Accreditation Council Pakistan National Accreditation Council |
| | Certifiers | SGS (Switzerland) | JAKIM (Malaysia) MUIS (Singapore) |

High growth segments

While the Halal Food industry is overall considered a high-growth industry, there are pockets of opportunity which represent lucrative opportunities for new entrants:

➤ **There is growing demand for Halal organic and Tayyib food, which is fueling rapid growth for individual players, and attracting new players:**

➤ Across the U.S. and UK, there are now several leading Halal organic meat suppliers, including **Crescent Foods**, a U.S.-based chicken and meat supplier; **Euro Quality Lambs**, a UK-based lamb supplier serving Europe

➤ **Saffron Road** is a well-documented success story and a rapidly growing U.S.-based processed food manufacturer with revenues exceeding \$40 million¹

➤ However, the last two years have seen notable new entrants in the meat supply market, including UK-based meat supplier **Halal Exotic Meats** and U.S.-based **Honest Chops**, the first all-natural Halal meat store in Manhattan, New York.

➤ **Halal ingredients manufacturers are seeking to address a core OIC-wide and global opportunity:**

➤ Halal ingredients are a growing necessity for Muslims given the widespread use of non-Halal ingredients in food products, including pork-derived gelatin, the use of pepsin (derived from pork) in cheese, and carmine (derived from insects) as a colorant in several food items

➤ To address this demand, over 300 Halal ingredients manufacturers have been identified globally, including leading global ingredients manufacturers such as Cargill

and DSM, however, a notable segment are emerging in OIC countries.²

➤ **Halal B2B is evolving as a number of key players have emerged to facilitate trade between Halal Food manufacturers, suppliers, and distributors:**

➤ **Dagang Halal**, based in Malaysia, is a public company founded in 2007 with over 21,000 Halal products from 4,000 sellers across Southeast Asia³

➤ **Zilzar**, based in Malaysia, founded in 2014, has over 25,000 suppliers and 30,000 products listed online⁴

➤ **Aladdin Street**, based in Malaysia, was founded in 2015 and has secured \$5 million in funding, but has not launched to date. The company plans to accommodate 1,500 merchants and over 30,000 products.⁵

➤ **Premium restaurant chains are emerging to address the Muslim demand for “farm-to-fork” and “fine dining”:**

➤ **Paramount Fine Foods**, based in Canada, has established over 30 Middle Eastern Halal restaurants and is one of the few Halal companies that have addressed the “farm-to-fork” experience⁶

➤ **UK-based La Sophia** is a highly popular Michelin-Grade restaurant in London that is run by the UK’s premier Halal Chef, combining French Mediterranean cuisine with Palestinian ingredients.

1 http://www.salaamgateway.com/en/food/story/overviewthe_10_bln_us_halal_food_market-salaam20012016164056/, accessed on 9 August 2016.

2 http://www.salaamgateway.com/en/food/story/addressing_the_halal_ingredients_opportunity_industry_developments-salaam13062016062959/, accessed on 8 August 2016.

3 http://digital.salaamgateway.com/en/digital/story/CASE_STUDYDaganghalal_the_halal_ecommerce_pioneer_helping_create_global_islamic_economy_brands-SALAAM08052016030221/, accessed on 8 June 2016.

4 http://digital.salaamgateway.com/en/digital/story/Zilzar_chasing_Alibaba-SALAM04092015105123/, accessed on 8 June 2016.

5 “Aladdin Street, M’sia’s First Halal E-Commerce Platform, Sets Sight On The World”, WebInTravel, March 2016.

6 http://www.salaamgateway.com/en/food/story/creating_a_farmtofork_halal_food_concept-salaam30112015091010/, accessed on 8 August 2016.

Current and emerging leaders in the global Halal Food industry

- **BRF, one of the seventh largest food manufacturers in the world and a major player in the Halal meat industry, plans to expand into Malaysia and the Middle East.** BRF plans to open an office in Malaysia to access the Asia market, following its acquisition in 2015 of Thailand-based Golden Foods Siam,⁷ and also plans to expand capacity at its UAE-based Kizad plant from 72,000 to 100,000 tons by the end of 2016.⁸
- **Several key OIC manufacturers have taken important steps towards becoming global Halal Food brands:**
 - **Al-Islami Foods**, the leading Halal Food brand in the Middle East, has experienced significant growth over the last few years. The company established a foothold in France through launching its Al Farooj Fresh brand, and opened a new factory in Dubai in 2015, tripling its production capacity.⁹ In 2016, Al Islami Foods opened an office in Brazil, with plans to build a chicken processing facility to provide access to Europe and the Americas¹⁰
 - **Brunei Halal**, a Halal Food brand established in 2009, is owned by the government of Brunei via Ghanim International Group. The company has established operations in the UK, securing distribution through leading retailer Tesco's. Following a recent leadership change in 2015, and under new CEO Dr Nur Rahman, the company is now seeking to expand into the Middle East, having had advanced discussions with Lulu supermarkets¹¹
 - **Saahtain Foods**, a UAE-based Halal ready-meals producer, has experienced rapid growth since it was founded in 2014, to provide convenient nutrition to poverty-stricken consumers under its Tayyab brand.

The company is planning to establish operations in Brunei.¹²

- **While Brazil, New Zealand and India remain the top three meat exporters to the OIC, several OIC countries have significantly boosted, or are poised to boost, their exports of Halal meat:**
 - **Turkey** is set to become a leading Halal exporter to the OIC, after establishing Halal certification in 2009 through the Turkish Halal Institute, with meat and live animal exports increasing from \$215 million in 2010 to \$686 million in 2014¹³
 - **Pakistan** has strengthened its Halal Food ecosystem, having established the Pakistan National Accreditation Center in 2015 to oversee 14 certifiers and over 200 testing laboratories. Pakistan's efforts have enabled it to significantly increase meat exports to OIC markets, from \$81 million in 2009, to \$219 million in 2014¹⁴
 - **Iran** is seeking to significantly ramp up its export of Halal Food following the removal of international sanctions in 2016, with plans to substantially increase exports of poultry to GCC markets to 1 million tons.¹⁵
- **Furthermore, several non-OIC markets are seeking to boost their Halal Food production:**
 - **Thailand's** government has set aside \$5.1 billion to support the Halal Food industry through grants and certification subsidies. The country's exports were estimated at \$2.8 billion, including meat and processed animals, according to government statistics¹⁶

7 "BRF to "accelerate" expansion in SE Asia, Middle East", Just-Food, April 2016.
 8 "BRF to expand \$160m food factory in UAE's Kizad", ConstructionWeekOnline.com, November 2015.
 9 "Halal Al Farooj moved to France with Islamic finance", Saphir News, September 2012.
 10 "Al Islami ponders Brazilian factory", Foodnavigator.com, March 2016.
 11 Brunei Halal Company Website, www.bruneihalal.com, accessed on 14 June 2016.

12 "British banker dumps high life to produce halal food in Abu Dhabi for the poor", The National, February 2016.
 13 http://food.salaamgateway.com/en/food/story/OverviewTurkeys_30_bln_halal_food_market_opportunity_-SALAAM27012016105545/, accessed on 8 June 2016.
 14 http://www.salaamgateway.com/en/food/story/overviewhalal_opportunities_in_pakistans_100_bln_muslim_fb_market-salaam24022016034108/, accessed on 8 August 2016.
 15 http://food.salaamgateway.com/en/food/story/OverviewHalal_food_opportunities_in_Irans_61_billion_FB_market-SALAAM12042016112326/, accessed on 8 June 2016.
 16 http://www.salaamgateway.com/en/food/story/overviewthailands_6_bln_halal_food_market-SALAAM17022016053825/, accessed on 8 August 2016.

- **South Korea** plans to boost its exports by a third to over \$1 billion by 2017, and is facilitating this through the establishment of the Korean Institute of Halal Industry in 2014 to oversee the industry, and with the help of JAKIM, developed the Korean National Halal Food Standard, with over 200 South Korean companies certified in 2016¹⁷
- **China** is also emerging as a key player in the Halal Food industry. Following concerns of food quality, consumers are increasingly preferring Halal-certified dairy products, considering it as safe for consumption.¹⁸ There has also been substantial efforts to develop a Halal ecosystem in the country, with the establishment of the Wuzhong Industrial Zone housing Halal companies.¹⁹
- **There has been notable consolidation in the Halal Food industry, with 70 acquisitions identified in the Halal meat value chain between 2012 and 2015, valued at a total of \$2.1 billion.** An estimated 86 percent of the identified deals were led by food companies, with the balance led by private equity firms
- Notable acquisitions by food companies include the acquisition of Kinxia Qinheyuan Halal Food Company by Beijing Xinhua Agriculture for \$267 million in 2015, and the acquisition in Turkey of meat company Namet by competitor Maret for \$75 million in 2014.²⁰
- **ESO Capital and Kingsley Capital Partners** invested \$30 million in Janan Meat, a leading UK-based Halal lamb and mutton supplier founded in 1992. The investment was primarily provided as secured debt, but investors also received an equity stake. The deal will help Janan Meat Limited refine its future strategy and help move the company to its next stage of growth in becoming a premier brand across Europe²¹
- **Leading global private equity firms Abraaj Capital and Texas Pacific Group** invested \$400 million in Saudi Arabia-based fast-food chain Kudu, which has over 200 restaurants across the country, to advance the company's next stage of expansion²²
- **Fajr Capital**, a leading private equity investor in the Middle East and Asia, acquired the Cravia Group in 2016, a UAE-based food and beverage platform founded in 2001, for an undisclosed sum.²³ Cravia currently operates over 85 restaurants and is recognized for exceptional franchise operational management standards with a strong portfolio in the Middle East and franchises including Cinnabon, Seattle's Best Coffee, Carvel, and Five Guys.
- **However, there have been notable developments in the use of shariah financing on stock exchanges:**
- **Dagang Halal** became the first Halal company to list in the UK, raising \$6.1 million when listing on London's ISDX Growth Market stock exchange in 2016²⁴
- **Al Shaheer Corporation** raised \$22 million through listing on the Pakistan Stock Exchange in 2015.²⁵

Investment and finance

- **Several notable private equity investments have occurred in the past year, signaling increasing investor appetite for Halal Food investments:**

17 http://www.salaamgateway.com/en/food/story/south_korea_aiming_to_boost_halal_food_exports_by_a_third_to_123_billion_by_2017-salaam09052016012221/, accessed on 8 August 2016.

18 https://www.salaamgateway.com/en/food/story/domestic_demand_for_better_food_standards_drive_chinas_17_billion_halal_sector-salaam17072016014334/, accessed on 8 August 2016.

19 http://www.salaamgateway.com/en/food/story/overviewchinas_halal_food_market-SALAAM10012016044949/, accessed on 8 August 2016.

20 http://www.salaamgateway.com/en/food/story/global_ma_activity_and_potential_in_the_halal_food_sector-SALAAM07092015070923/, accessed on 9 August 2016.

21 http://food.salaamgateway.com/en/food/story/UK_halal_lamb_and_mutton_supplier_Janan_receives_205_mln_pound_investment-SALAAM30052016044044/, accessed on 8 June 2016.

22 <http://www.reuters.com/article/abraaj-tpg-capital-kudu-idUSL5N0X60DG20150409>, accessed on 9 August 2016.

23 "Fajr Capital completes acquisition of Cravia Group", Gulf News, May 2016.

24 http://www.salaamgateway.com/en/digital/story/case_studydaganghalal_the_halal_ecommerce_pioneer_helping_create_global_islamic_economy_brands-salaam08052016030221/, accessed on 8 August 2016.

25 Please change to "General public portion of Al Shaheer's IPO oversubscribed", The Express Tribune, August 2015.

Regulation and operations

- **Accreditation bodies have begun to oversee Halal certification bodies in several key markets, signaling a major upgrade in how the Halal Food industry will be regulated going forward:**

- While this development is in its early stages, the accreditation bodies would accredit individual Halal certification bodies, ensuring those bodies are certifying according to international standards, similar to best practices followed in other industries such as food safety
- In a momentous step, the UAE launched the International Halal Accreditation Forum in 2016, bringing together 10 founding members which intend to accredit and oversee Halal certification bodies. Members include the Gulf Accreditation Center²⁶
- Examples of certification bodies that have already been accredited include the Halal Feed and Food Inspection Authority in the Netherlands, and the New Zealand Islamic Development Trust.²⁷

- **Halal Food hubs have been set up in several countries in free economic zones, encouraging Halal companies to co-locate and work closely together, facilitating compliance:**

- In Malaysia, the United Malaysian Land and Johor State Government have started to develop an Integrated Bio-Halal Industrial Development to nurture bio-based Halal research and development²⁸
- The Thai Chamber of Commerce has established a Halal Industrial Center in Pattani province in Thailand to encourage the region to become a hub for Halal products in 2013.²⁹

- **The Halal verified engine, designed to check the Halal status of companies, and designed by Malaysia's Dagang Halal, is fueling rapid growth in trade on the Dagang platform.** The engine was launched in 2013, and allows users to search, view, and download Halal certification documents for products and companies across the value chain. The database will include companies that have been certified by the 73 certification bodies under JAKIM.³⁰

Innovation

Several new product segments have emerged in the Halal Food industry over the last few years to address the unmet needs of Muslim consumers, primarily in non-OIC countries:

- **Addressing the need for fresh Halal meals delivered on demand, dedicated Halal online meal takeout and delivery platforms have emerged in non-OIC countries,** going beyond mainstream services such as GrubHub by verifying the Halal certification of restaurants:
- **HalalEat, based in the UK,** was founded in 2013 and has acquired 280 restaurant signups across major UK cities and aims to crowdfund \$220,000 in 2016. The company has also launched in Melbourne, Australia and registered domains across Europe and in South Africa, with plans to scale globally³¹
- **Halalonclick, based in Singapore,** was founded in 2014 and has acquired 18 restaurant signups. The company serves over 20 delivery areas in Singapore³²
- **HalalEda.me, based in Russia,** was founded in 2015 and currently offers food options from over 60 restaurants in 21 cities across Russia. The company was launched by the Halal Guide

26 https://www.salaamgateway.com/en/food/story/new_international_halal_accreditation_forum_in_dubai_to_harmonise_conformity_assessment_practices_-SALAAM12052016011628/, accessed on 8 August 2016.

27 Gulf Accreditation Council company website, www.gac-accreditation.org/cab-list, accessed on 20 July 2016.

28 "Halal Businesses For Everybody, Big Opportunities In Store For Johor Halal Park", MalaysianDigest.com, February 2016.

29 "Incentives Offered to Investors in the Halal Industrial Center in Pattani", The Government Public Relations Department of Thailand, January 2015.

30 DagangHalal company website, <http://www.daganghalal.com/HalalNews/HalalNewsDtl.aspx?id=2350>, accessed on 8 August 2016.

31 http://food.salaamgateway.com/en/food/story/CASE_STUDYHalaleatcom_bringing_freshly_prepared_halal_meals_to_Muslim_households_in_the_UK_-SALAAM11052016021756/, accessed on 8 June 2016.

32 http://food.salaamgateway.com/en/food/story/OverviewOnline_halal_food_takeout_and_delivery_in_Muslimminority_countries-SALAAM05062016132157/, accessed on 8 June 2016.

Team, which raised \$800,000 in 2012 in a start-up competition.³³

- **Catering to the unmet demand for Halal alternative, low protein meats, such as venison, llama and camel meat, Halal Exotic Meats, a UK based meat supplier,** was launched in 2013, and caters both to customers and restaurants and has leased its own farm³⁴
- **To address the need for Halal snacks catered to the Muslim lifestyle, Fajr Foods, based in Switzerland, has launched the Ramadan Energy Bar,** which is designed to provide lasting energy for Muslims who are fasting during the holy month. The low fat, caffeine free chocolate and complex carbohydrate formula has been tested to provide energy for up to nine hours and is primarily sold in the UK and U.S.³⁵
- **CURE nutrition bar from black seed formula.** This nutrition bar, from the U.S., is based on a family

recipe with black seed as the main ingredient. The on-the-go breakfast bar is 100 percent natural, with no sugar, no preservatives and is gluten-free. CURE bars are handed out to the hungry in local communities³⁶

- **Offering the Halal answer to Open Table, a leading reservation app, The Halal Dining Club, based in the UK, helps individuals reserve a space at top quality Halal restaurants.** The online service was launched in 2015, and features top rated restaurants based on reviews, offering a loyalty rewards program for frequent customers³⁷
- **Invention makes testing for porcine DNA risk-free, launched:** GeneStat, an 8 kg portable device that detects traces of porcine DNA in food samples, was developed in 2011 by a team from Universiti Putra Malaysia (UPM). It has now been commercialized and is being marketed in the Middle East, Europe, and in the U.S. through the company DxNA.³⁸

33 http://www.salaamgateway.com/en/food/story/overviewonline_halal_food_takeout_and_delivery_in_muslimminority_countries-salaam05062016132157/, assessed on 9 August 2016.

34 Halal Exotic Meats company website, <https://halalexoticmeats.co.uk/>, accessed on 8 June 2016.

35 <https://www.mysalaam.com/en/story/Can-you-last-the-fast-Try-the-worlds-first-Ramadan-energy-bar/SALAAM16052016044634>, accessed on 8 June 2016.

36 CURE company website, <http://cureyourworld.com/>, accessed on 8 June 2016.

37 Halal Dining Club company website, <http://halaldiningclub.com/>, accessed on 8 June 2016.

38 "Malaysian invention makes testing for porcine DNA risk-free", Halal Focus, January 2016.

Key Challenges

Marketing and sales challenges

- **There remains significant resistance to Halal Food among non-Muslim consumers and in non-Muslim countries**, with several key examples:
 - Holland has moved to ban the export of both Halal and Kosher meat due to objections to slaughtering methods used in both instances, limiting the country's overall participation in high-demand OIC markets.³⁹
 - There has been a significant backlash against Halal certification in Australia, with several senators conducting an inquiry into the Halal industry, considering the cost of certification and higher price of food as a tax.⁴⁰
- **There is a prevalence of Haram ingredients in food items with a lack of awareness among Muslim consumers and importing OIC markets.**⁴¹

Financing challenges

- **Despite recent developments, the level of equity investment in the Halal Food industry remains low, limiting growth:**
 - Despite Muslim spend accounting for over 15 percent of the global Food and Beverage industry, M&A deals in Halal Food accounted for less than 2 percent of deal activity in the Global Food industry in 2014.⁴²
- **Financing remains a challenge**, with a lack of Shariah-compliant debt financing options for companies in the Halal Food industry to expand.⁴³

Regulations and operations challenges

- **There is a lack of common and unified standards globally, which causes confusion for multinational companies seeking to enter the Halal Food market.** For example, there are notable differences between the standards of the Department of Standards Malaysia (DSM) and the Emirates Authority for Standardization and Metrology (ESMA). Unified standards have failed to gain consensus within the industry.⁴⁴
- **Accreditation bodies with Halal programs have emerged, but have not captured the full responsibility of overseeing certification bodies in the global market**, which can reduce quality and control over halal certifiers. Accreditation bodies have not signed Mutual Recognition Agreements to ensure peer review services and currently operate independently.⁴⁵

39 "Holland to ban export of kosher and halal meat", JTA, February 2016.

40 "Halal certification 'creates more value than it costs', says peak food body", The Guardian, August 2015.

41 http://www.salaamgateway.com/en/food/story/addressing_the_halal_ingredients_opportunity_industry_developments-salaam13062016062959/, accessed on 8 August 2016.

42 http://www.salaamgateway.com/en/food/story/global_ma_activity_and_potential_in_the_halal_food_sector-SALAAM07092015070923/, accessed on 8 August 2016.

43 Based on conversations with Ahmed Adam, CEO of Crescent Halal (U.S.), and Rizwan Khalid, Director of Euro Quality Lambs (UK).

44 http://www.salaamgateway.com/en/food/story/resolving_the_current_inefficiencies_in_the_global_regulation_of_halal_food-salaam13042016195204/, accessed on 9 August 2016.

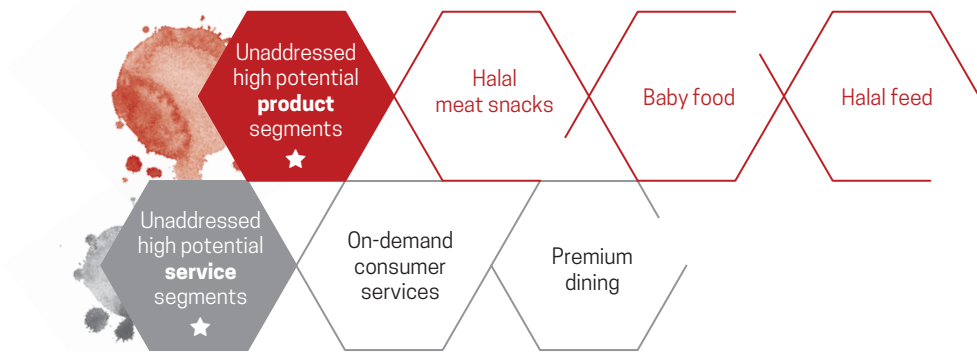
45 http://www.salaamgateway.com/en/food/story/resolving_the_current_inefficiencies_in_the_global_regulation_of_halal_food-salaam13042016195204/, accessed on 9 August 2016.

Opportunities

Opportunities by product/services segment

While the Halal Food industry is maturing, there are several high potential segments that remain largely unaddressed across products and services.

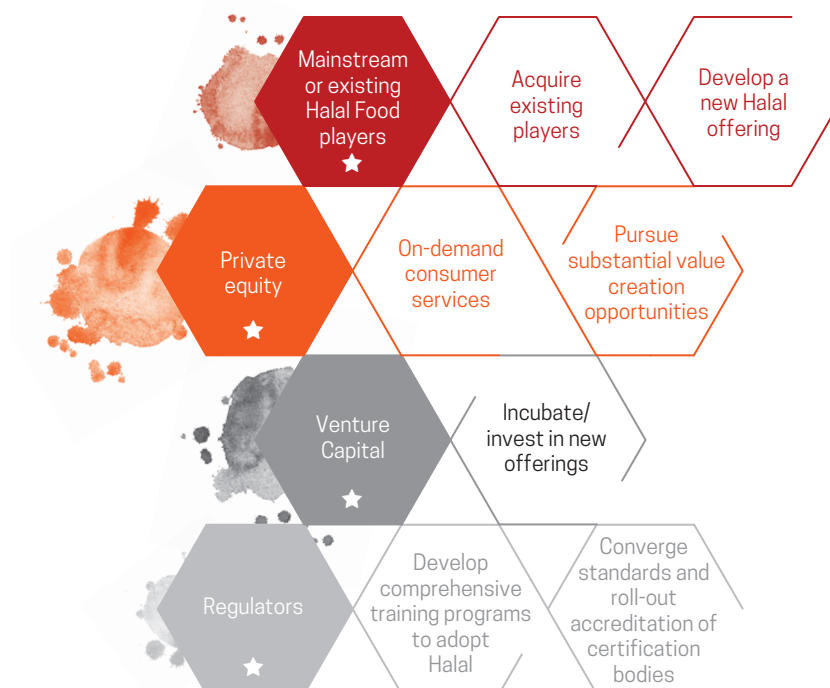
Largely unaddressed product and service segments



Opportunities by stakeholders

Across stakeholder types, there are opportunities for key players to drive the development of the Halal Food industry.

Opportunities by stakeholder type



Existing opportunities in Halal Food

| Opportunity | Explanation |
|--------------------------------|---|
| Halal Meat Snacks | <p>Sub-segments with largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> ➤ <i>Meat snacks:</i> Despite a few small-scale players, very few quality companies are currently addressing the demand for Halal snacks, in particular for dried meat, with a select number of players operating online in non-OIC countries⁴⁶ ➤ <i>Deli meats:</i> There is limited availability of deli meats in non-OIC markets, in particular in the U.S., where over 20 percent of surveyed respondents in a 2014 study felt that there was a major gap in the market for deli meats.⁴⁷ <p>Potential:</p> <ul style="list-style-type: none"> ➤ There is significant potential for mainstream and existing Islamic food brands to extend their offerings to provide Halal meat snacks, with substantial growth prospects for market entrants, with over 10 percent anticipated CAGR growth between 2015 and 2020 in the global meat snacks industry⁴⁸ |
| Baby Food | <p>Largely unmet Muslim demand:</p> <ul style="list-style-type: none"> ➤ There are notable players addressing Muslim demand, including Aara's Baby Food and Nasim's Baby Food in the UK⁴⁹ ➤ However, many leading players in the baby food industry are not Halal certified, with gelatin and other non-permissible ingredients included in popular products <p>Potential:</p> <ul style="list-style-type: none"> ➤ There is an opportunity for start-ups and leading Halal products manufacturers to diversify into the baby food industry, developing high quality products |
| Halal Feed | <p>Largely unmet opportunity:</p> <ul style="list-style-type: none"> ➤ A largely unaddressed opportunity, Halal feed is likely to serve as a major growth area as Muslim consumers become more aware of the Halal supply chain, and as certifiers strictly monitor the product supply chain⁵⁰ <p>Potential:</p> <ul style="list-style-type: none"> ➤ There is an opportunity for feed manufacturers to secure Halal certification, as well as specialized new players to emerge to ensure Halal supply chain integrity |
| On-demand consumer | <p>Sub-segments with largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> ➤ <i>Fresh food delivery:</i> Although several services have emerged, including Halal On-Click and Halal Eat, these services are only available in a handful of cities, with substantial opportunity⁵¹ ➤ <i>Meat kit delivery:</i> The leading meal-kit delivery providers do not provide a Halal option, however, with the increasing demand for convenience among Muslim millennials⁵² <p>Potential:</p> <ul style="list-style-type: none"> ➤ Leading Halal products companies can address the meal-kit delivery opportunity, potentially partnering up with food bloggers to develop offerings |
| Premium dining services | <p>Largely unaddressed Muslim demand in non-OIC markets:</p> <ul style="list-style-type: none"> ➤ The Halal restaurants segment is beginning to diversify, going beyond fast food and ethnic South Asian full-service restaurants, to incorporate a broader range of cultures ➤ However, despite several notable premium Halal restaurants, including Paramount Fine Foods and La Sophia, there are very limited dining options in the premium full-service segment⁵³ <p>Potential:</p> <ul style="list-style-type: none"> ➤ There are substantial opportunities to develop Halal fine dining concepts that can appeal to high-income Muslim households and GCC tourists that are seeking premium options. |

Source: Thomson Reuters and DinarStandard analysis

46. https://www.salaamgateway.com/en/food/story/halal_meat_snacks_the_next_high_growth_opportunity_for_food_brands-SALAAM10072016025917/, accessed on 9 August 2016.

47. "American Muslim Market Study", American Muslim Consumer Consortium in conjunction with DinarStandard, 2014

48. https://www.salaamgateway.com/en/food/story/halal_meat_snacks_the_next_high_growth_opportunity_for_food_brands-SALAAM10072016025917/, accessed on 9 August 2016.

49. https://www.salaamgateway.com/en/food/story/halal_baby_food_the_5_bln_high_growth_untapped_opportunity-SALAAM02112015103839/, accessed on 9 August 2016.

50. Conversation with Saqid Mohamed, CEO, Halal Food Authority (UK).

51. https://www.salaamgateway.com/en/food/story/overviewonline_halal_food_takeout_and_delivery_in_muslimminority_countries-SALAAM05062016132157/, accessed on 9 August 2016.

52. https://www.salaamgateway.com/en/food/story/the_rise_of_online_food_delivery_in_the_us_where_are_the_halal_food_companies-SALAAM06032016072035/, accessed on 9 August 2016.

53. Conversation with Saqib Mohamed, CEO, Halal Food Authority (UK)

Key stakeholder analysis

| Stakeholders | Action | Analysis |
|--|--|--|
| Mainstream or existing Halal Food players | Acquire existing players | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Acquisition of existing players in the Halal Food industry will help drive consolidation and increase efficiency ➤ Through acquisition, companies can gain access to Muslim consumers, and cross-sell its broader product range to Muslims <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Key areas include acquiring high growth Halal Food brands, and acquiring and scaling Halal meat companies |
| | Develop a new Halal Food offering | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ There are several major gaps in the market for Halal Food products, especially in OIC countries which are adjacent to product offerings by existing food players <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Key areas include largely unaddressed segments such as Halal meat snacks, baby food and Halal Feed |
| Private equity | Acquire an existing player | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ The Halal Food industry is highly fragmented and in significant need of capital to scale and expand to address substantial demand ➤ Private equity firms are ideally positioned to provide equity financing in a Shariah-compliant manner and are beginning to invest in Halal Food, evidenced by the recent acquisition of Janan Meat in the UK <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ While the majority of Halal-focused players are small in size, there are numerous high-growth, high potential firms across meat supply, food processing and food distribution. |
| | Create substantial value creation opportunities | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Once a company is acquired there are substantial value creation opportunities to scale a brand and diversify its business. ➤ Examples of such a strategy includes Campbell Soup's acquisition of Plum Organics to expand in the U.S.,⁵⁴ and Empire Kosher's significant expansion in the U.S. once acquired by the Hain Celestial Group in 2015⁵⁵ <p>Main area of opportunity:</p> <ul style="list-style-type: none"> ➤ Players can expand into multiple product categories, as well as geographically and in new distribution channels |
| Regulators | Develop comprehensive training programs to adopt Halal | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ There are significant gaps in the provision of Halal training and a substantial shortage of skilled labor in the Halal industry⁵⁶ <p>Main area of opportunity:</p> <ul style="list-style-type: none"> ➤ Private training providers, educational institutions and certification bodies can work together to develop training programs and certifications to develop Halal capabilities in food professionals |
| | Converge standards an accreditation roll-out | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ There is a substantial variance in Halal standards globally, with limited use of officially developed standards by Halal certification bodies. ➤ The lack of convergence in standards and limited oversight of the industry serves to lower consumer confidence in Halal <p>Main area of opportunity:</p> <ul style="list-style-type: none"> ➤ There are opportunities for accrediting bodies to drive convergence and adoption of these standards by certification bodies.⁵⁷ |

Source: Thomson Reuters and DinarStandard analysis

54. "Plum Organics sales surge 44% in 2015 as 'food-forward' formulations tap into needs of Millennial shoppers", Foodnavigator-usa.com, December 2015.

55. "Hain Celestial Announces Accretive Strategic Acquisition Of Empire Kosher Foods", PR Newswire, March 2015.

56. Conversation with Abdalhamid Evans, CEO, Imarat Consultants (UK).

57. https://www.salaamgateway.com/en/food/story/resolving_the_current_inefficiencies_in_the_global_regulation_of_halal_food-SALAAM13042016195204/, accessed on 9 August 2016.



Interview



Imran Kauser, Co-Founder and Managing Director

Noman Khawaja, Co-Founder and Managing Director
Haloodies (UK)

What broader trends do you see among consumers in the processed food industry globally and which product segments are poised to benefit from this?

Noman Khawaja: Life is getting faster and consumers are seeking convenience. “Food to Go” and “Food for Now” are key areas where consumers are seeking easy to prepare meal options for all meal occasions with 18 percent of shoppers visiting a convenience store for “Food to Go”. According to Him! Consultancy, 44 percent of retailers say lunch is their biggest meal occasion with £0.29 (\$0.37) of every £1 (\$1.3) spent on “Food to Go”. Consumers are becoming more savvy and demanding more, which is driving food producers to create more options.

Imran Kauser: Packaging innovations that optimize freshness and quality while minimizing waste are also increasingly important to consumers. Lab grown “Frankenfoods” have gained a lot of attention recently. Another trend that has strongly emerged is the use of technology. As smartphones become indispensable, Smart labels that can offer more product information via a QR code offer a way to inform increasingly inquisitive consumers. Sharing of food pictures via social media has become a norm for millennial consumers who often “eat and tweet” — this can influence trends and offer opportunities for brands that target those segments.

How has the addressable market for Halal Food processing performed growth-wise relative to the broader Halal Food category, both in the UK and globally? Which sub-sectors in particular are performing well?

Imran Kauser: The Halal processed food segment in the UK is still dominated by frozen products or low quality, highly processed meats resulting in a preference to cook from scratch using raw ingredients or eating in restaurants. It is currently out-of-sync with Halal consumers’ needs and is still some decades behind the mainstream offering. Brands like Haloodies have the opportunity to capitalize on this gap. At a global level in the Halal marketplace, we expect to see protein-rich processed foods growing quickly, especially in the GCC where the bulk of calorific intake is from saturated fats and sugar with average protein intake lower than global averages. As consumers look towards wellness, the protein segment should outperform.

The Halal Food products marketplace is maturing with increasing competition among all key segments, in particular processed food. How does Haloodies differentiate itself from the numerous brands offering processed Halal Food across the UK?

Imran Kauser: Although there are a number of processed products available to Halal consumers, the vast majority were developed with first generation consumers in mind. Currently, half of all Muslims in the UK are

under the age of 30 and don't perceive those brands as meeting their needs. Haloodies differentiates itself primarily by our in-depth understanding of our customer, through formal and informal research, and by producing products that meet customer and retailer needs. A fundamental perspective that we hold is that the Halal consumer will, over time, switch their shopping behavior from ethnic stores and towards mainstream supermarkets. As such, we need to be able to address retailer's expectations of quality, brand appearance and price point. Since we launched in 2014 on Ocado, we have made sure our brand appearance could compete with mainstream brands.

What steps has Haloodies undertaken to expand both its product offering and distribution channels?

Imran Kauser: The Halal Food range in major UK supermarkets has only included fresh meat since 2014. Prior to then major supermarkets were not significant players in the Halal retail landscape. Our approach has been to develop products that are aimed at customers shopping in supermarkets with a view that Halal customers would ultimately be driven into supermarkets by the convenience of a single shopping trip. So far, this has proven correct with the Halal Food category growing 100 percent year-on-year since 2014. Amazon approached us in 2015 to discuss a Halal meat range on the new grocery platform that they were developing. Our presence on Ocado, our product quality and our brand appearance were all in alignment with Amazon's needs

and expectations. Our focus on using data to inform our product development led us to developing a cooked chicken range. This range accounts for 17 percent of non-Halal poultry sales and is virtually absent in Halal. We developed a range with our supplier that was made from 100 percent chicken breast and ready-to-eat. Tesco moved rapidly to introduce it onto shelves and we are confident that we can create a new core category. We expect other major retailers to stock the range soon.

What is your vision for the company over the next five years, and what do you envisage to be the next key steps?

Imran Kauser: Our vision is to create a global Halal brand. To achieve this, we shall focus initially on our cooked chicken range that we have launched at Tesco and then expand into other ranges. Each range has to meet our internal criteria for market potential and product quality. We have ambitions to launch in other European countries over the next year and a half and into the Middle East too. In the UK we have a dual challenge of persuading retailers to devote more shelf space to Halal products in addition to meeting a clear consumer need. We anticipate getting our brand into other major supermarket retailers in addition to ethnic stores and convenience stores.



What remain the major operational and regulatory challenges faced by the industry overall, and to what extent do these affect your company as well?

Noman Khawaja: The main operational challenges have been making sure we have a robust and short supply chain. We have visited the slaughterhouses and processing plants for our fresh and cooked products to make sure we reach and maintain high standards. Halal accreditation has also been challenging with a largely consumer driven agenda of a Halal product being either stunned or un-stunned. More recently, some accreditation bodies have been pushing for hand slaughtered rather than machine slaughtered chicken. This has been challenging to give our brand mass appeal when our position is to have a stunned product, and there is an obvious divide amongst Halal consumers. "Brexit" will also be challenging as the cost of goods could go up and consumer habits will change. Post-Brexit 54 percent of 18 to 34-year-old individuals said they wanted to save on household expenses (Nielson 2016) so they will be spending less. The British pound could also devalue, although the economy grew 0.6 percent in the quarter that included the Brexit result. As some of our product is sourced from Europe, the uncertainty around regulations will lead to future challenges.

How have you been able to finance your business and do you think access to Shariah-compliant financing remains a significant challenge?

Noman Khawaja: We have been able to finance our business through a private investor. He has a back ground in food manufacture which has bought significant experience to the table. Access to Shariah compliant financing remains a challenge as companies look to borrow without interest. To find a lender willing to lend without interest is very difficult and one that poses an ethical dilemma for a Halal business who wishes to not pay interest. With Brexit, investors will seek to invest outside of the UK more, meaning opportunities to find an investor willing to back you will decrease.

What do you consider to be major unmet needs of Muslim consumers in the Halal Food industry? And how does this feature into your new product development?

Imran Kauser: Choices for Halal consumers are still some way off being optimal, meaning there are still many gaps for the industry to capitalize upon. In Western markets, most consumers have extremely limited choice. In Eastern markets there is a plethora of choice but a considerable lack of innovation and quality.

What role do you think investment, in particular private equity, as well as consolidation, will have in shaping the Halal Food industry going forward?

Imran Kauser: Investment will play a crucial role in accelerating the growth of Halal brands globally but it is not the only element needed. Halal needs to learn lessons from technology ecosystems to genuinely create value, jobs and wealth. A combination of experienced investment, risk-taking mindset, creation of Halal hubs — where start-up companies can co-locate and grow together — infrastructure planning and tax relief would allow Halal companies to flourish rapidly across all sectors, not just food. This is ultimately a job for governments and policymakers and we have seen some moves towards this in Malaysia and Dubai, however, we are a long way off.



Halal food is seen in a Coop supermarket chain in Rome, Italy. REUTERS/ALESSANDRO BIANCHI



Interview



David Ventura

Sales and Marketing Director,
Grupo Carinsa (Spain)

What broader trends do you see among consumers in the food ingredients industry and which product segments are poised to benefit from this?

The food ingredients industry is working mainly in the development of solutions in the category of nutrition and health. The industry is working hard on the development of new products that can improve the wellbeing of consumers, as well as the improvement of nutritional facts and the application of new ingredients. But we should not forget that we are talking about food products and not medicines. We have to develop appetizing products. Our level of requirements for these food products must be the same to satisfy the expectations of consumers.

What would you consider to be the major developments in the Halal Food Industry over the last few years and how has this affected Grupo Carinsa?

I do not see many advances in food technologies. But in the case of colorants there is an extra effort to provide new natural colorants suitable for the different categories of food products that can comply with Shariah law. Moreover, the future challenge is research into new proteins to cover the food needs of the planet's growing population. We know thanks to population statistics that an important part of this growth will be in Islamic countries. Therefore, we have to work on developing new Halal proteins. There is also the development of

new analytical systems such as E-Noise, DNA, Chromatography, among others, that can be used by the authorities to detect possible fraud. Carinsa also is also dedicating efforts to provide solutions in those fields through our technological innovation programs.

How has the addressable market for Halal Food processing performed growth-wise relative to the broader Halal Food category, both in Europe and globally?

The Halal Food market and global food market are converging in many product categories. The increasing interest by European and global consumers for healthy products and a dietary balance means that many products that are not Halal certified can be perfectly suitable for the Muslim consumers and vice versa. We can see this situation in some sectors of the food industry such as in the bakery and meat processing industries. For example, the increasing consumption of processed chicken and turkey products is suitable for all consumers. We can develop food products for a global community. We need to take into consideration the expectations of the consumer in all the characteristics of the product — packaging, organoleptic, technological — so why not Halal products for non-Muslim consumers or vegan products for non-vegan consumers? It is easy to say but difficult to implement.

A lot of companies globally are now seeking to enter the Halal Food ingredients industry, with over 300

companies identified, many targeting OIC countries. What strategic steps has Grupo Carinsa taken to stay ahead of the competition?

We have to create our products with each market in mind and what we want to be addressed. We create and develop “tailor-made” flavors and technical solutions, identifying the needs of the manufacturer and the consumer.

How did Grupo Carinsa determine that the Halal sector was a viable sector to address, and what steps did you take to expand both product offering and geographical coverage for Halal consumers?

We started by focusing on North Africa because of its proximity to Spain. It enabled us to learn about the importance of Halal to Islamic culture. Our first two subsidiaries were in Morocco and Algeria, and we are now located in more than 30 countries. With regard to the Islamic community, the most important exports markets for Carinsa are Morocco, Algeria, Turkey, Iran, Egypt and the GCC. Of course within Europe we are offering specific products for Muslims, working with manufacturers in Spain, France and Germany.

What is your vision for the company over the next five years, and what do you envisage to be the next key steps?

We are planning to increase and consolidate our position in the Europe, Middle East and Africa (EMEA) markets over the next two

to three years. Then we want to grow our Halal offerings in Asian markets. I believe that these markets are not only the present, but are the future.

Given the large number of certifiers globally, what in your view remains as the major operational and regulatory challenges faced by the industry overall, and to what extent do these affect your company as well?

My opinion is that we need to try to harmonize the different certifications. These certifiers have to try to find a standard that can be acceptable by the majority of Muslim consumers. It is important to create the appropriate controls in the different levels of the food value chain to guarantee the certification of these products.

What do you consider to be the major unmet needs of Muslim consumers in the Halal Food Ingredients industry? How does this feature into your new product development?

If we talk about Muslim consumers, I think that consumers overall need to understand what we eat. Labeling is important, but the most important is to understand it. Consumers have to know that the industry is doing a big job to guarantee the quality of products, as are the authorities and Halal certifiers as well. If we talk about ingredients, colorants are one of the challenges that we are working on.



Bahrain World Trade Center. EUGENE SERGEEV /
SHUTTERSTOCK.COM



Islamic Finance Sector

Building on a rich history, the Islamic Finance industry continues to play a pivotal role in the wider global economy. The existing Islamic Finance market stands at a \$2 trillion in assets based on 2015's disclosed assets by all Islamic Finance institutions along with sukuk and Islamic funds, with Islamic banking assets and sukuk continuing to dominate the industry.

There have been many positive developments such as rising profitability across the sector, and new product introductions, such as Shariah-compliant pension funds, most notably, Malaysia's pension fund has announced a \$26 billion Savings Plan, the largest in the world. However, 2015 was also marked by a drop in Islamic Funds performance as a result of negative equity performances underpinned by a global drop in oil prices.

The sector continues to be dominated by Malaysia, the UAE and Bahrain, who have set up leading ecosystems to ensure that the industry thrives. Although Malaysia witnessed a slight decline in reported Islamic financial institution assets in 2015 (\$414 billion), impacted by the country's economic slowdown and the Malaysia Central Bank's policy to cut back on short-term sukuk issuances, its introduction to a pension scheme and the IPO of a Malaysian Company, DagangHalal should help Malaysia contribute to the growth in Islamic Finance's total global projected assets to \$3.5 trillion by 2021.

As with any industry, there are challenges, lack of awareness being one for Islamic Finance, which in turn results in a low penetration level of Islamic banking, in particular in the GCC. Despite this, the GCC remains Islamic Finance's regional leader with assets totaling \$922 billion. Strong balance sheets helped Islamic Finance institutions to pass the oil shock.

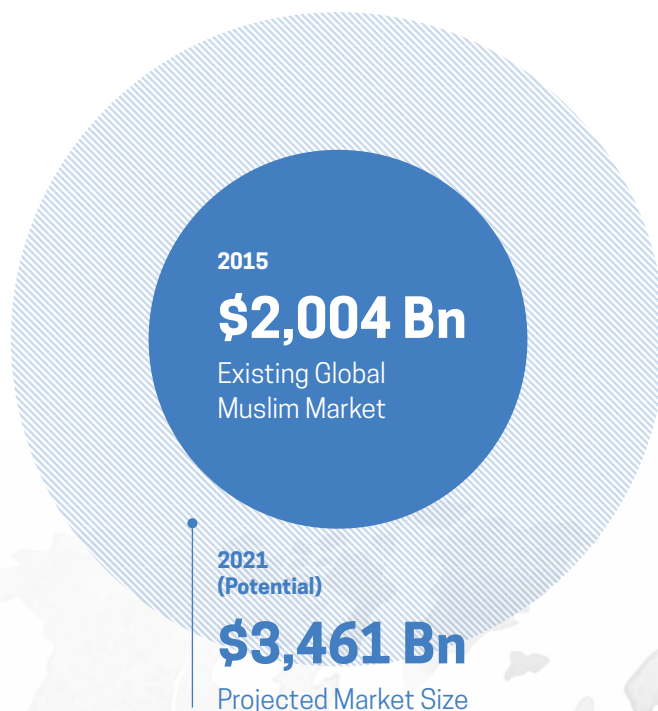
With the lifting of UN sanctions imposed on Iran in January 2016, its fully Shariah-compliant financial market, the second largest globally (\$434 billion), is expected to enter the global economy. But externally, Iran still faces resistance from European and U.S. banks. Internally, despite major technological changes in the country's financial system, MPs are calling to improve the weaknesses in the banking system including low liquidity and outdated Basel requirements.

However, other countries are waking up to the potential of Islamic Finance, with Maldives, Pakistan and Sri Lanka making a concerted effort to develop Islamic Finance capabilities, and African nations, notably Tanzania and Nigeria, undertaking similar initiatives.

ISLAMIC FINANCE

MARKET SIZE¹

How large is the market for Islamic finance assets*? »



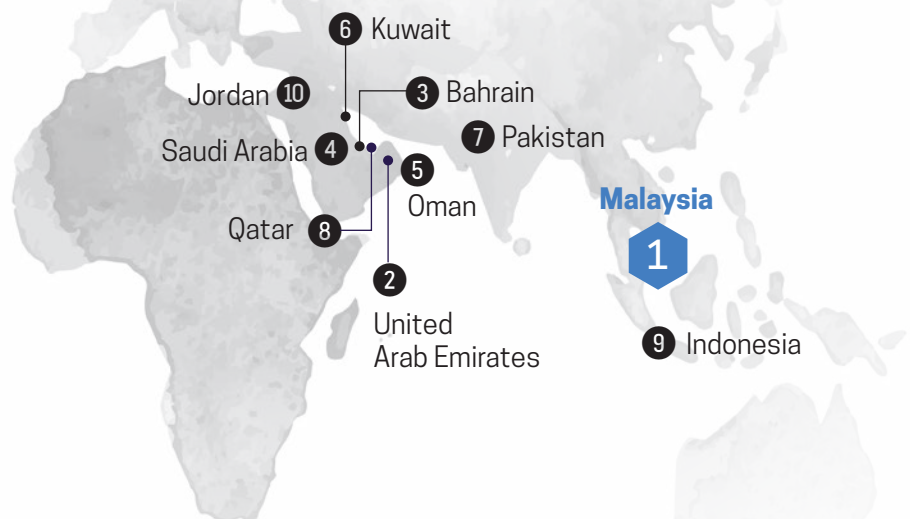
How large is the market for Islamic banking assets? »



*Does not include undisclosed assets of most Islamic windows

THE ISLAMIC FINANCE INDICATOR

Which countries have the best developed ecosystem for Islamic Finance? »



*CRITERIA (From a total of 73 select countries)

Financial (Size Islamic Finance Assets and Number of Islamic Finance Institutions);

Governance (e.g. Regulations for Islamic Finance and Disclosure Index Score);

Awareness (Number of related News Articles, Islamic Finance Education Institutions, Research papers, and events);

Social (Value of Zakat and Charity and CSR Disclosure Index Score).

Selected » key players

Central Banks

Bank Negara Malaysia (Malaysia)
Central Bank of Bahrain (Bahrain)
Saudi Arabian Monetary Agency (Saudi Arabia)
Central Bank of the UAE (UAE)

Commercial Banks

HSBC (UK)
Standard Chartered (UK)
Al Rajhi Bank (Saudi Arabia)
Mellat Bank (Iran)
Dubai Islamic Bank (UAE)

Insurance/ Takaful

Hannover Re Takaful (Bahrain)
Crowdfunding
Crowdfunder (USA)
Crowdcube (UK)
Blossom Finance (Indonesia)

Private Equity

Amwal (Qatar)
Qalaa Holdings (Egypt)
Fajr Capital (UAE)
Arcapita (Bahrain)

Islamic Finance Segments – Current State (2015) ≈



\$1,451 Bn

Islamic banking assets

ISLAMIC BANKS

\$37.7 Bn

Takaful / retakaful assets

TAKAFUL (Insurance)

\$342 Bn

Value of Sukuk outstanding

SUKUK (Bonds)

\$66.4 Bn

Net asset value of Islamic funds

ISLAMIC FUNDS

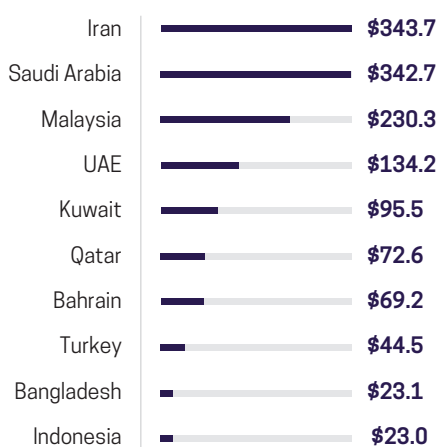
\$106 Bn

Other Financial Institutions

OTHER

TOP MARKETS

Top Islamic Finance markets ≈

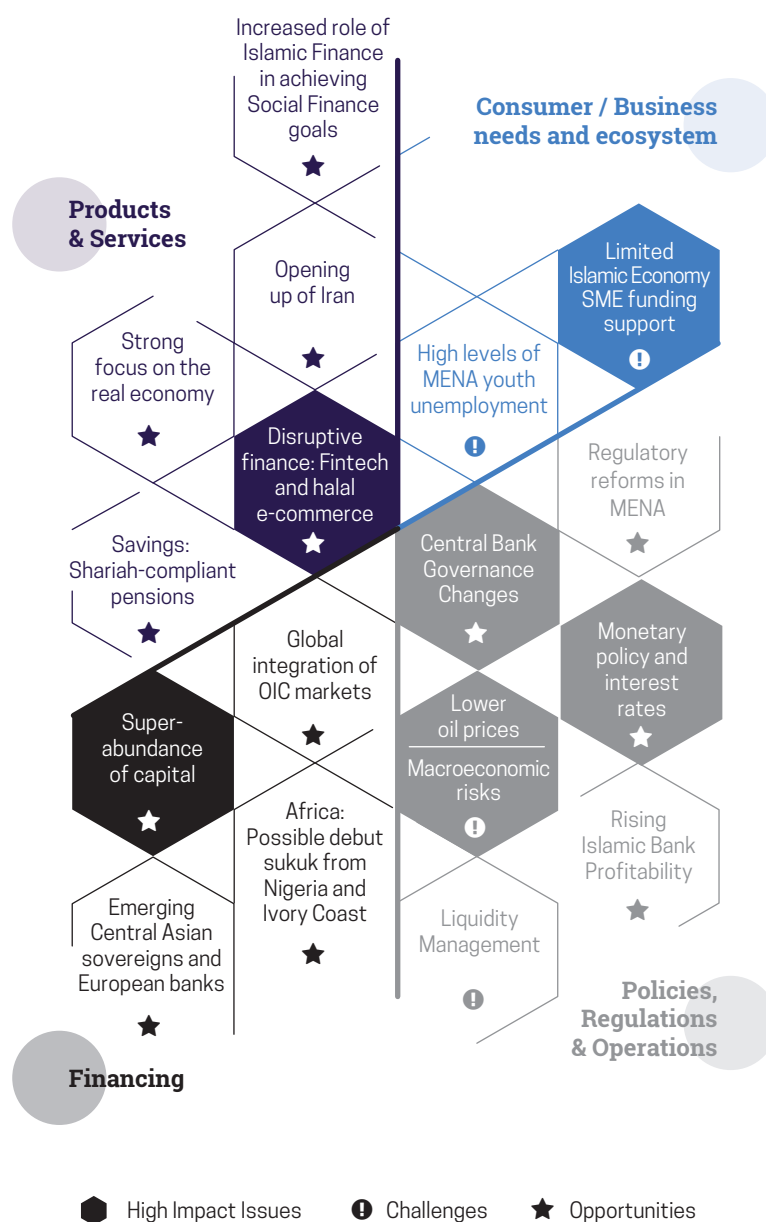


(2015 est., US\$ bn Assets)

Select Growth Indicators

| | 2014 | 2015 | % change |
|---------------------------------------|--------|--------|----------|
| # of Islamic Finance Institutions | 1,113 | 1,291 | 0.16 |
| # of Islamic Finance Shariah scholars | 1,163 | 1,403 | 0.21 |
| # of Islamic Finance events | 243 | 305 | 0.26 |
| # of Islamic Finance news items | 23,911 | 22,524 | -0.06 |
| # of outstanding Sukuk | 2,092 | 2,354 | 0.13 |
| # of Islamic funds | 934 | 875 | -0.06 |

Issues and opportunities map ≈



¹ Source: ThomsonReuters Islamic Finance 2015-16 Data

Islamic Finance Indicator

The 2016 State of the Global Islamic Economy Report revisits the Islamic Finance indicator to evaluate countries' health and development of their Islamic Finance ecosystem. The indicator does not focus on the overall size and growth trajectory of a country in this sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, the United Arab Emirates, and Bahrain lead the Islamic Finance indicator ranking that focuses on the health of the Islamic Finance ecosystem in a country relative to its size and including its related social considerations.

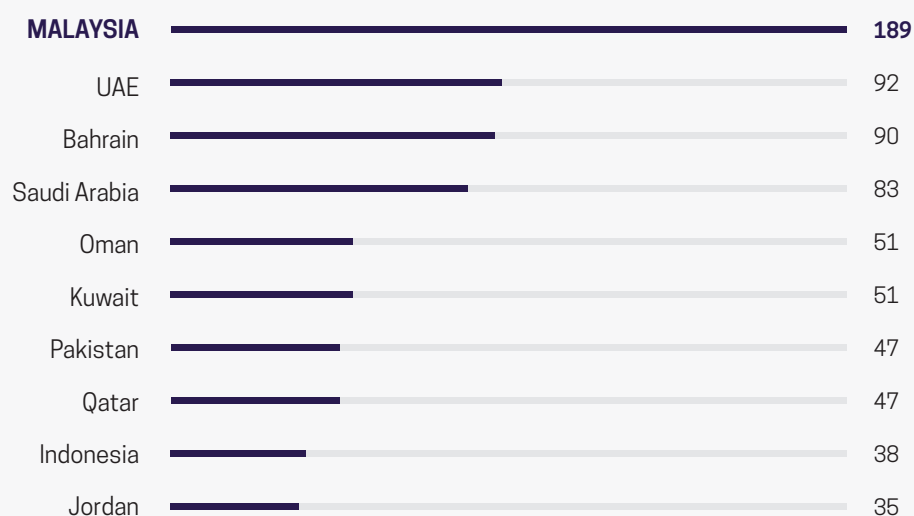
The ranking was calculated according to four criteria:

- Financial (e.g. size of Islamic Finance assets and number of Islamic Finance institutions);
- Governance (e.g. regulations for Islamic Finance and disclosure index score);
- Awareness (e.g. number of related news articles, Islamic Finance education institutions, research papers, and events); and
- Social (e.g. value of Zakat and charity and CSR disclosure index score).

Below are the top 10 countries in the Islamic Finance indicator.



TOP 10 Islamic Finance



| Islamic Finance | Sector Score | Asset Size | Governance Score | Awareness Score | Social Score | GIE Ranking |
|-----------------------------|--------------|------------|------------------|-----------------|--------------|-------------|
| Malaysia | 189 | 276 | 114 | 317 | 49 | 1 |
| United Arab Emirates | 92 | 59 | 72 | 167 | 69 | 2 |
| Bahrain | 90 | 54 | 106 | 143 | 58 | 3 |
| Saudi Arabia | 83 | 111 | 28 | 47 | 148 | 4 |
| Oman | 51 | 7 | 70 | 74 | 53 | 5 |
| Kuwait | 51 | 63 | 50 | 49 | 44 | 7 |
| Pakistan | 47 | 19 | 72 | 76 | 22 | 6 |
| Qatar | 47 | 38 | 42 | 55 | 53 | 8 |
| Indonesia | 38 | 24 | 74 | 30 | 23 | 10 |
| Jordan | 35 | 8 | 39 | 49 | 44 | 9 |

Malaysia

Malaysia once again leads the indicator ranking, establishing itself as the global hub for Islamic Finance. This is mainly due to the country having a large IF asset base, a large number of IF institutions and funds, in addition to having the strongest regulatory framework and highest awareness score of all countries.

United Arab Emirates (UAE)

The UAE overtakes Bahrain in the rankings for this year, occupying 2nd place. While its relative IF asset base is low, its governance score indicates an improvement in its regulations, while its improved awareness score illustrates its media and publicity drive to solidify its status as a global IF hub.

Bahrain

Overtaken by the UAE, Bahrain nevertheless still manages to maintain a strong position, occupying 3rd place in the rankings. The country has improved in all sub-indicators, showing particularly strong performance in its IF governance and awareness scores.

GCC Countries

All GCC countries maintain their presence in the top 10, reflecting the countries' the strength of the Islamic Finance market. This is mainly due to relatively large asset bases, as well as increased spending driven to a great extent by public budgets. The countries have also managed to maintain their presence in the top 10 in spite of declining oil and gas revenues in recent years.

Ups and Downs

All countries from the previous year's ranking have managed to stay in the top 10, with the exception of Sudan, which has been replaced by Jordan, with the country managing to occupy 10th place due to relatively strong scores in the governance, awareness and social sub-indicators.



Islamic Finance Market Sizing

This report estimates that the existing Islamic Finance market stood at an estimated \$2 trillion in assets in 2015, based on data disclosed by all Islamic Finance institutions (full Shariah-compliant as well as those with Shariah 'windows') covering Islamic banking, Islamic funds, sukuk, Takaful, and other segments.

Of this \$2 trillion, Islamic banking was responsible for \$1.451 trillion, the Takaful (insurance) sector for \$38 billion, sukuk (bonds) outstanding for \$342 billion, Islamic funds for \$66 billion, and other financial institutions for \$106 billion. Islamic funds and sukuk led year-on-year growth at 15 and 14 percent, respectively. Takaful was close behind with a growth rate of 11 percent, while Islamic banking experienced more modest growth of 6 percent.

Total Islamic Finance assets are expected to reach \$3.5 trillion by 2021, a CAGR of 12 percent, with Islamic banking responsible for most of this growth, and projected to reach \$2.7 trillion in assets by 2021.

Other industry ecosystem indicators showed, in line with the overall growth of the sector, a 16 percent increase in the number of Islamic Finance institutions, a 13 percent increase in the number of outstanding sukuk, and a 20 percent increase in the number of Shariah scholars.



Investors monitor stock market prices in Kuala Lumpur, Malaysia. REUTERS/BAZUKI MUHAMMAD

Social Listening – Consumer Sentiment

Approach

Earlier in the Report, aggregated insights from millennials (18-35 age group) using social media listening based research was introduced, and methodology was discussed. Here we present specific insights from millennials social media interactions on Islamic Finance. A total of 157,100 Islamic Finance related Facebook 'posts and 'comments' from the millennial age group are analyzed here.

Geography interactions

In aggregate, the **top countries where millennials were engaged with Islamic Finance sector topics were Malaysia (60.6k interactions), Indonesia (37.5k interactions), and Pakistan (4k interactions.)** Southeast Asian countries Indonesia and Malaysia together represent 62 percent of all Islamic Finance related interactions gathered.

Volume of millennial interactions on Islamic Finance recorded by country

| Country | Number of Interactions |
|----------------------|------------------------|
| Malaysia | 60.6K |
| Indonesia | 37.5K |
| Pakistan | 4K |
| Nigeria | 2.6K |
| Saudi Arabia | 900 |
| United Arab Emirates | 300 |
| Bangladesh | 200 |
| Singapore | 200 |

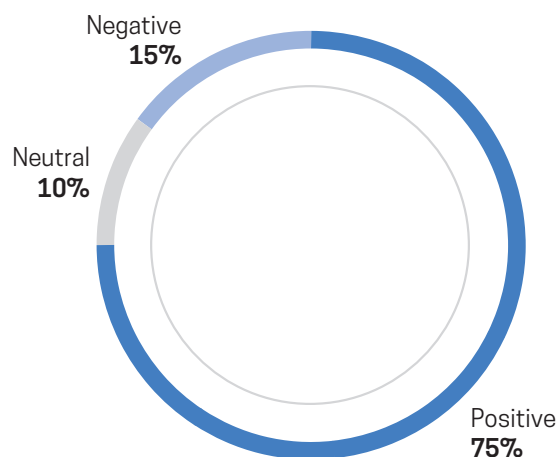


Sentiment analysis

Based on an algorithm that factors in the conversational tone and words used in the interactions, a 'positive', 'negative' and 'neutral' sentiment score is given to interactions (English language ones only.) From the interactions that were able to be analyzed for sentiment across Islamic Finance interactions, **an overwhelming 75 percent of millennial interactions were with positive sentiment, 15 percent were negative, and 10 percent were neutral.**

The majority positive sentiments by millennials observed were generally of the type of interactions on the promise of Islamic Finance, heavy 'takaful product promotions by agents (mostly in Malay and Bahasa Indonesian languages), and some on Zakat topics. Select actual interactions are referenced below (these have been made anonymous for privacy purposes.).

Sentiment distribution of Islamic Finance related interactions



PROMISE OF ISLAMIC FINANCE

“...That is a testament to the rising global clout of Islamic Finance, which adheres to Shariah principles such as a ban on interest, offering depositors a stake in investments instead. It is growing 50 percent faster than conventional banking and weathered the financial crisis far better than its traditional counterparts. Islamic Finance is a \$1.2 trillion market www.economist.com/blogs/schumpeter/2013/11/islamic-finance?fsrc=scn/fb/te/bl/ed/islamicfinanceameccaforsukuk”

“Islamic Banking popularly known as Non Interest Financial Institution (NIFI) to me is the most effective tool for agricultural revamping in Nigeria. Most of our crude and even the mechanised farmers do afraid of going into interest inclusive institutions as they required collateral and charges high interest rate. The story of this Islamic bank is fading as little or few individuals are interested in it for the passion of inbuilt eagerness for making easy money in their hearts. Our local farmers need Islamic Banks. State like Yobe need such.”

TAKAFUL PRODUCT PROMOTIONS

“Want to be a new takaful advisor, InshaAllah I will help anyone who want to increase revenue with us at Prudential BSN TAKAFUL Don't be shy or reluctant to call me, I'll guide you ok? Call / Whatsapp: [redacted]” (translated from Bahasa Indonesia)

“One of our advantages in the Tone Group: Interested to continue to be covered by Etika Takaful? I am. Do not be embarrassed to ask.” (translated from Malay)

“... Thank God the police arrived safely to household.... congratulations [redacted] has TAKAFUL protection at an early age.... you now have the emergency medical fund of RM1 MILLION lifetime... Thank you for choosing Prudential Bsn Takaful and choose us as your agent.... I hope you remain with sustenance and good health... aminnn... Another example of young people who have early awareness like him... Let me handle this for you... YOUR FINANCIAL CONSULTANT” (translated from Bahasa Indonesia)



A man uses an ATM (automated teller machine) at the Emirates Palace hotel in Abu Dhabi, UAE. REUTERS/MOSAB OMAR

Top keywords & hashtags

From across the Islamic Finance interactions captured, the most common terms and hashtags were: Zakat, #Takaful, Islamic banking and finance, #prudentialbsntakaful, Allah, #Prudential, Alhamdulillah, and Sadaqah. Three other takaful providers also were prominent. Zakat seems to be top of mind for millennials and Sadaqah also appears on the top keywords list. In addition, the second most prominent term also had many takaful companies as top terms. Four different Takaful (Islamic insurance) companies appear on this top list as well.

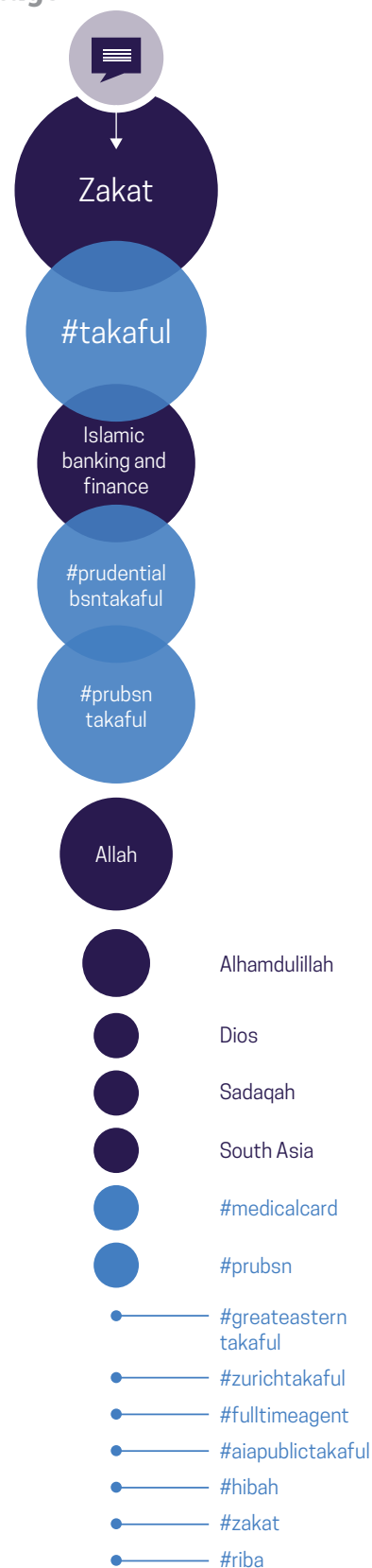
Aggregate of all sectors keywords and hashtags

| Keywords & Hashtags | |
|-----------------------------|-----|
| Zakat | 900 |
| #takaful | 800 |
| Islamic banking and finance | 700 |
| #prudentialbsntakaful | 700 |
| #prubsn takaful | 700 |
| Allah | 500 |
| #prudential | 500 |
| Alhamdulillah | 300 |
| Dios | 200 |
| Sadaqah | 200 |
| South Asia | 200 |
| #medicalcard | 200 |
| #prubsn | 200 |
| #greateastertakaful | 100 |
| #zurichtakaful | 100 |
| #fulltimeagent | 100 |
| #aiapublictakaful | 100 |
| #hibah | 100 |
| #zakat | 100 |
| #riba | 100 |

Gender profile

Millennial men (83.5k interactions/ 53 percent) and women (61.6k/ 39 percent) were both well represented on Islamic Finance related social media interactions. While men had a higher representation, women millennials are also strongly engaged in Islamic Finance interactions. Takaful related keywords and hashtags were the ones in which millennial women were most engaged in.

Top Facebook keywords and hashtags



● Facebook keywords ● Facebook hashtags

Current Landscape and Trends

Key players across the value chain

| Value Chain | Segments | Select key players | |
|-----------------------|-------------------------------|--|--|
| | | Mainstream Organizations addressing Islamic Finance | Islamic/Shariah-Compliant Organizations |
| Regulatory | Central Banks | Bank of England (UK) People's Bank of China (China) | Bank Negara Malaysia (Malaysia) Central Bank of Bahrain (Bahrain) Saudi Arabian Monetary Agency (Saudi Arabia) Central Bank of the UAE (UAE) |
| | Standard Setting Bodies | Islamic Financial Services Board (Malaysia) AAOIFI (Saudi Arabia) | Bank for International Settlements (Switzerland) |
| Multilateral | Multilateral Organizations | Islamic Development Bank (Saudi Arabia) | World Bank (USA) International Monetary Fund (USA) |
| Banking | Commercial Banks | HSBC (UK) Standard Chartered (UK) Barclays (UK) | Al Rajhi Bank (Saudi Arabia) Mellat Bank (Iran) Dubai Islamic Bank (UAE) Pasargad Bank (Iran) Kuwait Finance House (Kuwait) Bank Rakyat (Malaysia) Al Rayan Bank (Qatar) Abu Dhabi Islamic Bank (UAE) Qatar Islamic Bank (Qatar) |
| | Investment Banks | BNP Paribas (France) Deutsche Bank (Germany) | Samba (Saudi Arabia) CIMB Islamic (Malaysia) |
| Insurance | Insurance Providers | Swiss Re Retakaful (Switzerland) Hannover Re Takaful (Bahrain) | Etiqa Takaful (Malaysia) NCCI (Saudi Arabia) Egyptian Life Takaful (Egypt) |
| Crowdfunding | Equity crowdfunding platforms | Crowdfunder (USA) Crowdcube (UK) | Blossom Finance (Indonesia) |
| Private equity | Private equity firms | Texas Pacific Group (USA) Abraaj Capital (UAE) | Amwal (Qatar) Qalaa Holdings (Egypt) Fajr Capital (UAE) Arcapita (Bahrain) |

High growth segments

- **Social impact sukuk represents a high growth segment in Islamic Finance.** Khazanah Nasional has issued the first social impact sukuk in Malaysia, to further encourage the country's goals to become a hub for socially responsible investments in 2015.¹
- **Islamic Fintech & Crowdfunding are disruptive market segments experiencing rapid growth,** with the formation of a new industry body and key regulators such as Bank Negara exploring the changes needed to adopt it. Another disruptive finance trend, Islamic crowdfunding, is also gaining traction, with several new Shariah-compliant crowdfunding platforms and campaigns:

 - **Bank Negara (Malaysia) is reviewing the changes needed for the adoption of financial technology,** or fintech²
 - **A first-of-its-kind Islamic Fintech Alliance (IFT Alliance) aims to be the reference point for knowledge and advice,** and facilitate business matching between investors and entrepreneurs to develop a Shariah-compliant fintech ecosystem. Launched in April, 2016 in Kuala Lumpur, IFT Alliance has eight crowdfunding platforms operating across eight countries and territories as founding members³
 - **EthisCrowd.com, a Singapore-based Islamic real estate crowdfunding platform, has raised \$363,000 in cash and kind seed funding.** The round was led by Azmi Global, a subsidiary of Malaysian law firm Azmi & Associates, and Quest Ventures, a Singapore-based venture fund⁴
 - **Islamic crowdfunding platform Narwi.org has won the 2015 Ethical Finance Initiative Award.** Narwi is a non-profit Islamic crowdfunding platform set up in June 2015 by Silatech (Qatar), which allows donors to support micro-entrepreneurs of their choice by establishing an endowment, or "Narwi-Waqf" with as little as \$25⁵
 - **Blossom Finance, a start-up in Jakarta, is using Bitcoin** as part of a Shariah-compliant crowdfunding platform to provide microfinancing in Indonesia.⁶

Current and emerging leaders in the global Islamic Finance industry

- **New markets across the globe, such as Australia and South Korea, are still witnessing Islamic Finance transactions, despite the absence of wider regulatory structure.** Other countries, such as Azerbaijan and the Philippines, are actively considering legislative reforms to enable interest-free finance in their jurisdictions:

 - **Australia is experiencing a rise in real estate deals using Islamic financing,** capitalizing on low-risk tenants and the weak Australian dollar⁷
 - **Azerbaijan plans to establish its first standalone Islamic bank by 2017** following government moves to allow interest-free finance. Through a Jeddah-based Islamic Development Bank initiative, Central Asian countries are developing Shariah-compliant banks⁸

1 Khazanah to launch Malaysia's first social impact bond, Reuters, 2015 April.

2 http://www.salaamgateway.com/en/finance/story/Bank_Negara_studying_changes_needed_to_adapt_fintech_-SALAAM11052016091332/, accessed on 20 June 2016.

3 http://www.salaamgateway.com/en/finance/story/New_alliance_to_boost_development_of_Islamic_fintech_for_Muslim_communities-SALAAM21042016113446/, accessed on 20 June 2016.




4 http://www.salaamgateway.com/en/finance/story/islamic_real_estate_crowdfunding_platform_ethiscrowd_raises_05_mln_singapore_dollars_seed_funding-SALAAM23052016073234/, accessed on 20 June 2016.




5 http://www.salaamgateway.com/en/finance/story/efica_islamic_crowdfunding_platform_narwi_wins_ethical_finance_initiative_award_2015-SALAAM04102015192855/, accessed on 20 June 2016.


6 "Blossom offers Islamic micro-financing in Indonesia using Bitcoun", TechInAsia, April 2015.

7 http://www.salaamgateway.com/en/finance/story/australia_sees_nascent_growth_in_islamic_finance_despite_tax_concerns-SALAAM15022016064240/, accessed on 20 June 2016.

8 http://www.salaamgateway.com/en/finance/story/correctedazerbaijan_looks_to_new_islamic_bank_as_sector_rules_progress-SALAAM19022016142155/, accessed on 20 June 2016.

-  **South Korea's state-owned Woori Bank carried out its first ever Shariah-compliant banking transaction, worth \$10 million, with the Qatar Islamic Bank in January 2016.** The *murabahah* financing was made through Woori's Bahrain branch⁹
-  **The Philippines plans to sell Islamic bonds to generate new sources of financing** for the new government of President Rodrigo Duterte. New laws are also being drafted to improve the country's Islamic Finance sector¹⁰
-  **With the lifting of US sanctions, Iran is seeking outside investment and expertise to further develop its economy:**

 -  **SWIFT, the global transaction network, has reconnected a number of Iranian banks to its system,** allowing Iranian banks to carry out transactions with foreign banks following the easing of sanctions¹¹
 -  **Iran has increased its issuance of short-term Islamic bonds to bolster the local debt market,** using for the first time the FaraBourse Exchange Market to issue \$278 million in 5.5-month bonds since September 2015¹²
-  **Saudi Arabia has announced its "Vision 2030 Agenda" to transform its economy.** Like Saudi Arabia, Kuwait and Bahrain are also undertaking efforts to adopt greater privatization in key sectors such as the oil industry, airports and infrastructure:

 -  Deputy Crown Prince Mohammed bin Salman, the **young prince overseeing Saudi Arabia's economy, unveiled Vision 2030 in April 2016, to diversify the country's economy and end its "addiction" to oil.** Bin Salman said the kingdom is to increase the capital of its public investment fund to \$2 trillion \$160 billion, and

plans an initial public offering (IPO) of up to five percent in state oil company Aramco¹³

-  **Kuwait plans to privatize some state-owned projects,** including airports, ports and some facilities of the Kuwait Petroleum Corporation (KPC)¹⁴
-  **The recent enactment of 31 laws to enhance Bahrain's economic environment and regulatory frameworks** is a major part of the Kingdom's long-term diversification and sustainability efforts.¹⁵

Regulation and operations

CENTRAL BANK GOVERNANCE CHANGES

-  **New Central Bank governors have been installed in three key Islamic Finance jurisdictions:** Malaysia, Saudi Arabia and Turkey. The outcome of these changes will be interesting to monitor over the coming months, both to see whether these successors continue or depart from their longstanding predecessors' policies, as well as to see how far the new governors promote Islamic Finance:

 -  **Senior deputy Bank Negara Malaysia Governor Datuk Muhammad Ibrahim** was appointed the new head of the central bank in May 2016¹⁶
 -  **Ahmed al-Kholifey was appointed Governor of the Saudi Arabian Monetary Authority in May 2016,** replacing Fahd al-Mubarak¹⁷
 -  **The Turkish cabinet approved the appointment of Murat Cetinkaya** as the new head of the central bank in

9 http://www.salaamgateway.com/en/finance/story/sth_koreas_woori_makes_countrys_first_financial_transaction_with_an_islamic_bank-SALAAM17012016171020/, accessed on 20 June 2016.

10 <http://www.zawya.com/mena/en/business/story/TR20160610nL8N18Z055X2/>, accessed on 20 June 2016.

11 http://www.salaamgateway.com/en/finance/story/Iranian_banks_reconnected_to_SWIFT_network_after_fouryear_hiatus-SALAAM18022016034231/, accessed on 20 June 2016.

12 http://www.salaamgateway.com/en/finance/story/MIDEAST_MONEYIran_to_expand_sale_of_islamic_treasury_bills_spur_debt_markets-SALAAM01022016030900/, accessed on 20 June 2016.

13 http://www.salaamgateway.com/en/finance/story/Saudi_prince_unveils_sweeping_plans_to_end_addiction_to_oil-SALAAM25042016165306/, accessed on 20 June 2016.

14 http://www.salaamgateway.com/en/finance/story/Kuwait_seeking_to_privatise_some_KPC_facilities_infra_finmin-SALAAM15032016035647/, accessed on 20 June 2016.

15 "Bahrain pushes to strengthen private sector", Gulf News Bahrain, June 2016.

16 http://www.salaamgateway.com/en/finance/story/Muhammad_Ibrahim_appointed_new_Bank_Negara_governor-SALAAM27042016072155/, accessed on 20 June 2016.

17 http://www.salaamgateway.com/en/finance/story/Saudi_Arabia_appoints_new_central_bank_governor-SALAAM08052016013925/, accessed on 20 June 2016.

April 2016. Cetinkaya has a background in Islamic Finance.¹⁸

DEVELOPMENT IN THE SUPPORT ECOSYSTEM FOR SMES

- **Countries across the Islamic Finance world are introducing various initiatives to promote the growth of small and medium-sized enterprises (SMEs)**, such as a mini-insolvency law in the UAE, Egyptian central bank support for SMEs, and Saudi Arabia's plans to introduce a SMEs bourse by 2017. Market developments are also occurring, such as BLME Bank's acquisition of an SME-focused leasing business:
- **Saudi Arabia's stock exchange, the Tadawul, plans to establish an equity market** targeting SMEs in 2017. The initiative, which is supported by the Capital Market Authority, would improve SMEs' access to capital and encourage corporate governance improvements¹⁹
- **The central bank of West Africa's CFA-franc zone has signed an agreement with the private sector arm of the Islamic Development Bank** to help finance SMEs through a \$100 million Islamic fund²⁰
- **The Egyptian government announced in January 2016, that the banking sector will provide \$25 billion to support SMEs in a move to support Egypt's sluggish economy and create more jobs**²¹
- **Bank of London and the Middle East (BLME), one of the UK's five Islamic banks, announced in May 2016 that it would acquire Renaissance Asset Finance** to bolster its leasing business. BLME helped establish Renaissance in 2014, providing £35 million (\$45.6 million) in financing²²

- **One of the main focal points of the 2016 World Islamic Economic Forum (WIEF) in Indonesia was the role of SMEs**, with a keynote speech on "Corporatizing SMEs and Cooperatives", and panel discussions on "Restructuring SMEs and Improving Credit Access" and "SMEs in a World of Digitized Trade".²³

Innovation

- **Shariah-compliant pensions are a new product area with strong demographic drivers.** Notably, Malaysia's pension fund has announced a \$25 billion Islamic Saving Plan, the largest in the world. Recently, Indonesia has also allowed Islamic pension funds, and Islamic Finance experts are encouraging the development of Shariah-compliant pension schemes in other countries such as the UAE:
- **Malaysia's pension fund the Employees Provident Fund (EPF) is allocating an initial fund size of \$24.64 billion**, or 14.67 percent, from its total investment asset of \$167.99 billion as of March 2016, for Shariah investments. EPF announced that its new retirement savings option 'Simpanan Shariah' will be launched beginning 2017²⁴
- **Indonesia plans to establish Shariah-compliant pension funds** in anticipation of growing demand from its aging population, with the number of over 60 year olds to triple by 2050. Insurance and asset management firms will be allowed to market Shariah-compliant retirement plans and convert existing funds to Shariah-compliant services.²⁵
- **Islamic impact investing is a largely untapped opportunity which is ripe for further development.** Some examples of Islamic impact investing that have already occurred include:²⁶

18 http://www.salaamgateway.com/en/finance/story/UPDATE_4Turkish_cabinet_approves_deputy_governor_Cetinkaya_as_next_central_bank_chief-SALAAM12042016040216/, accessed on 20 June 2016.

19 http://www.salaamgateway.com/en/finance/story/Saudi_stock_exchange_plans_equity_market_for_SMEs-SALAAM19042016035120/, accessed on 20 June 2016.

20 http://www.salaamgateway.com/en/finance/story/After_Ivory_Coast_Sukuk_West_Africa_bloc_signs_SME_fund_deal-SALAAM25012016024211/, accessed on 20 June 2016.

21 http://www.salaamgateway.com/en/finance/story/Egypt's_president_Sisi_launches_loan_program_for_SMEs-SALAAM09012016125908/, accessed on 20 June 2016.

22 http://www.salaamgateway.com/en/finance/story/Islamic_bank_BLME_to_acquire_SMEfocused_leasing_business-SALAAM01032016044216/, accessed on 20 June 2016.

23 World Islamic Economic Forum website, <http://wief.org/forum/12/forum-programme/>, accessed on 7 August 2016.

24 "Malaysia' EPF to allocate \$24.6b for shariah-compliant investments in 2017", Deal Street Asia, June 2016.

25 "Islamic Pensions to Spur Growth as Indonesia Over-60s to Triple", Bloomberg, April 2016.

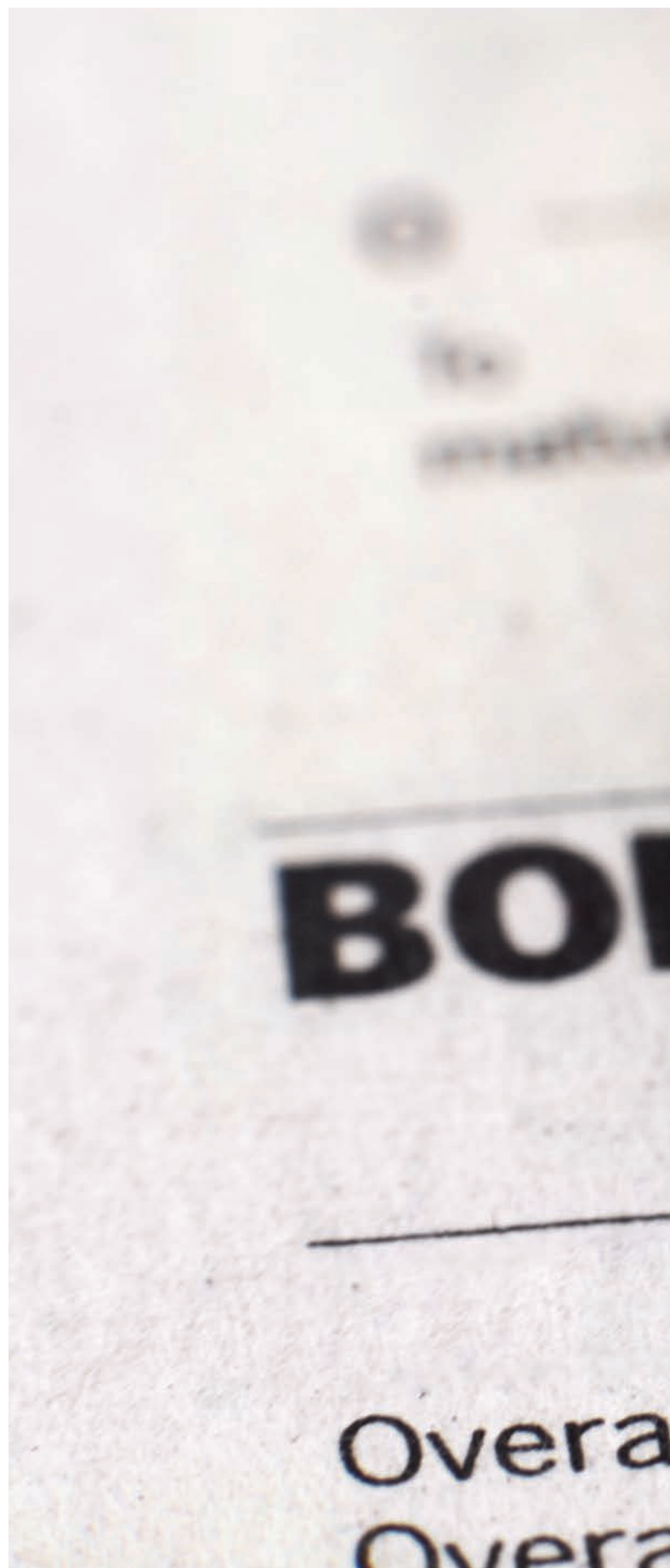
26 http://www.salaamgateway.com/en/finance/story/aligning_maqasid_al_shariah_and_impact_investing_objectives_key_to_growth_of_islamic_sector-salaam10072016050644/, accessed on 4 August 2016.

- **Socially-oriented initiatives, for instance crowdfunding platforms such as Narwi**, which facilitates the financing of SMEs throughout the MENA
- **The world's first Malaysian ringgit-denominated SRI sukuk** in 2014 worth \$240 million by Malaysia's state investment arm Khazanah
- **The Islamic Development Bank's Awqaf Properties Investment Fund (APIF)**, established in 2003, which to-date has approved over \$1 billion in commercial and residential projects
- **Emirates Airlines became the first to issue export-credit-agency-backed sukuk, in 2015.** The sukuk means governments and companies can target a new investor base, with the issuance fully guaranteed by the Export Credits Guarantee Department of the UK Government²⁷
- **Salaam Bank is the world's first global Islamic banking and finance platform**, providing access to Islamic Finance options that are technologically innovative while creating a bank beyond borders²⁸
- **The UAE's Finocracy is launching Human Crescent, the world's first zakat-driven crowdfunding platform** for global humanitarian support.²⁹

²⁷ "Islamic finance: going global", Beyond Borders, February 2016.

²⁸ "The 50 Most Innovative Global Muslim Startups 2016", Ummah Wide, June 2016.

²⁹ "The 50 Most Innovative Global Muslim Startups 2016", Ummah Wide, June 2016.





Key Challenges

Marketing and sales challenges

- ✎ **Low levels of public awareness and understanding of Islamic financial products and services persist, contributing to the low penetration rate of the Islamic financial industry in certain jurisdictions.** A recent industry survey showed that lack of awareness is the main factor causing a low penetration level of Islamic banking in the GCC.³⁰

Financing challenges

- ✎ **Monetary policy formulation and implementation are challenging in the presence of Islamic Finance because of the scarcity of Shariah-compliant monetary policy instruments and a lack of understanding of the monetary transmission mechanism.** In addition to weakening the transmission channel for monetary policy, the scarcity of instruments also forces Islamic banks to hold higher unremunerated reserves, affecting their ability to compete with conventional banks. The IMF considers it important to further deepen sukuk markets and develop Shariah-compliant monetary policy instruments.³¹

Regulations and operations challenges

- ✎ **Although standard-setting bodies have developed specific standards, regulatory and supervisory frameworks in many jurisdictions still do not address the unique risks of the industry.** As a result, in some jurisdictions the practice of Islamic banking has resulted in complex financial products and corporate structures, indicating a need for increased regulatory clarity and harmonization, better cooperation between Islamic and conventional financial standard-setters, and further improvement of supervisory tools³²
- ✎ **Regulators do not always have the capacity (or willingness) to ensure Shariah compliance.** This undermines consistency of approaches within and across borders³³
- ✎ **Safety nets and resolution frameworks remain underdeveloped.** Very few countries with Islamic banking have a full-fledged Islamic deposit insurance scheme with premiums invested in Shariah-compliant assets. In addition, only a few countries have developed a Shariah-compliant lender-of-last-resort facility, despite the systemic importance of such a facility.³⁴

30 "What customers want; Customer insights to inform growth strategies of Islamic banks in the Middle East", PwC, October 2014.

31 "Islamic Finance: Opportunities, Challenges, and Policy Options", IMF, April 2015.

32 "Islamic Finance: Opportunities, Challenges, and Policy Options", IMF, April 2015.

33 "Islamic Finance: Opportunities, Challenges, and Policy Options", IMF, April 2015.

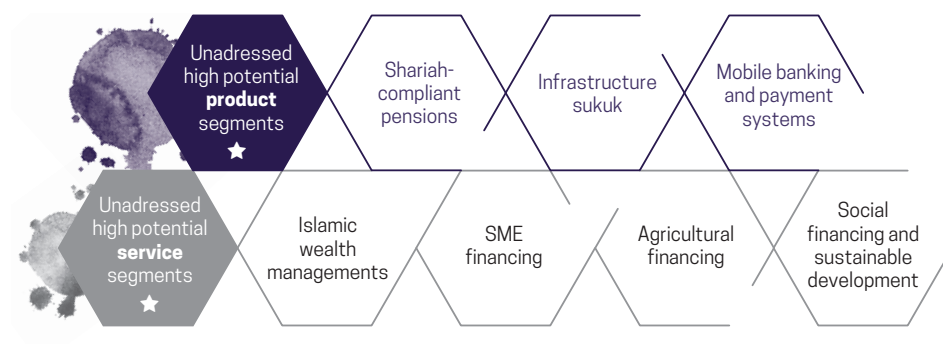
34 "Islamic Finance: Opportunities, Challenges, and Policy Options", IMF, April 2015.

Opportunities

Opportunities by product/services segment

While the Islamic Finance industry is maturing, several high potential segments remain largely unaddressed across products and services.

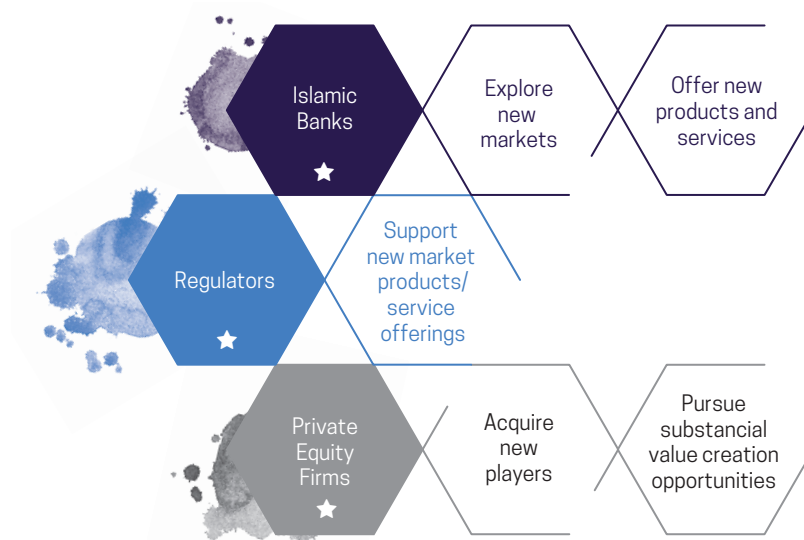
Largely unaddressed product and service segments



Opportunities by stakeholder

Across stakeholder types, there are opportunities for key players to drive the development of the Islamic Finance industry.

Opportunities by stakeholder type



Existing opportunities in Islamic Finance

| Opportunity | Explanation |
|---|---|
| Shariah-compliant pensions | <p>Largely unmet Muslim demand:</p> <ul style="list-style-type: none"> There is significant demand for Shariah-compliant retirement schemes across the Muslim world from individuals, such as middle-income savers and working professionals <p>Potential:</p> <ul style="list-style-type: none"> Malaysia's pension fund has announced a \$26 billion Islamic Saving Plan, the largest in the world. Indonesia has also recently allowed Islamic pension funds, and the development of Shariah-compliant pension schemes is being encouraged in the UAE³⁴ |
| Infrastructure Sukūk | <p>Largely unmet opportunity:</p> <ul style="list-style-type: none"> In major Muslim markets such as Indonesia there is a strong need for infrastructure financing to help fund numerous public infrastructure projects³⁵ <p>Potential:</p> <ul style="list-style-type: none"> There is an opportunity for public-private partnership (PPP) schemes to fund public infrastructure projects, both between local private sector companies and governments as well as with foreign private sector companies and local governments |
| Mobile banking and payment systems | <p>Largely unmet opportunity:</p> <ul style="list-style-type: none"> Across the world, banks are engaged in setting up mobile banking and payment systems that utilize technology to efficiently channel funds from investors to viable economic ventures, promote risk-sharing and support cross-border investments³⁶ <p>Potential:</p> <ul style="list-style-type: none"> There is an opportunity for Islamic banks in emerging Muslim markets to provide Shariah-compliant Internet-based banking platforms, such as the Investment Account Platform (IAP) setup by six Islamic banks in Malaysia |
| Islamic wealth management | <p>Largely unmet opportunity in OIC markets:</p> <ul style="list-style-type: none"> Islamic wealth management services that cater to both high net worth (HNW) individuals and retail investors present a lucrative yet relatively untapped growth opportunity across Muslim markets <p>Potential:</p> <ul style="list-style-type: none"> Leading Islamic Finance jurisdictions such as Malaysia are highlighting Islamic wealth management as a new growth area³⁷ |
| SME financing | <p>Largely unaddressed Muslim demand in OIC markets:</p> <ul style="list-style-type: none"> SMEs across the OIC markets need access to finance for working capital requirements and asset financing, and this sector remains underpenetrated by Islamic banks³⁸ <p>Potential:</p> <ul style="list-style-type: none"> Islamic Banks should focus on providing lower income customers with retail-based offerings and higher income customers with more corporate and sophisticated banking services³⁹ |
| Agricultural financing | <p>Largely unmet opportunity in OIC markets:</p> <ul style="list-style-type: none"> Islamic Finance products and services can provide access to finance for under-banked rural populations who need access to finance agribusiness ventures <p>Potential</p> <ul style="list-style-type: none"> Islamic Finance could provide access to finance for poor and under-banked rural communities through partnership-based contracts and improve food security by providing agricultural financing through Salam-based contracts⁴⁰ |
| Social financing and sustainable development | <p>Largely untapped opportunity in OIC markets:</p> <ul style="list-style-type: none"> With the launch of the UN's Sustainable Development Goals, Islamic Finance's role in helping achieve social finance goals is gaining much attention as part of viable solutions. <p>Potential</p> <ul style="list-style-type: none"> There are several opportunities to drive enhanced social impact through <i>awqaf</i> initiatives, notably Dubai's Mohammed bin Rashid Global Center for Endowment Consultancy (MBRGCEC) that will provide free consultation to individuals as well as institutions;⁴¹ Islamic Finance helping to meet the UN General Assembly 2030 Agenda's Sustainable Development Goals;⁴² and Islamic social finance helping to aid humanitarian efforts.⁴³ |

Source: Thomson Reuters and DinarStandard analysis

34. "Malaysia" EPF to allocate \$24.6b for shariah-compliant investments in 2017", Deal Street Asia, June 2016.
35. https://www.salaamgateway.com/en/finance/story/islamic_financing_for_infrastructure_development_to_top_agenda_for_wief_in_jakarta.-salaam31072016115503/, accessed on 3 August 2016.
36. "Malaysia and Islamic Finance in Emerging Markets", Franklin Templeton Investments, June 2016.
37. "Islamic wealth management a new growth area, says Najib", New Straits Times Online, August 2016.
38. "Islamic Finance: An Opportunity for SME Financing", International Federation of Accountants, August 2015.

39. "Islamic Finance: An Opportunity for SME Financing", International Federation of Accountants, August 2015.
40. "Islamic Finance", The World Bank, March 2015.
41. http://www.salaamgateway.com/en/finance/story/Dubai_unveils_new_awqaf_and_endowment_initiatives-SALAAM23032016105359/, accessed on 20 June 2016.
42. http://www.salaamgateway.com/en/finance/story/Islamic_finance_could_help_in_meeting_sustainable_development_goals.SP-SALAAM19042016095814/, accessed on 20 June 2016.
43. "Islamic wealth management a new growth area, says Najib", New Straits Times Online, August 2016.

Key stakeholder analysis

| Stakeholders | Action | Analysis |
|----------------------|---|--|
| Islamic Banks | Explore new markets | <p>Rationale:</p> <ul style="list-style-type: none"> Accessing new and underdeveloped Islamic Finance markets could increase revenue streams for Islamic banks <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> Key untapped jurisdictions include several jurisdictions with large Muslim populations, such as India, China and most of the Central Asian states⁴⁴ |
| | Offer new products and services | <p>Rationale:</p> <ul style="list-style-type: none"> There are several underserved customer segments that could be further targeted by offering them new products and services <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> Key areas include SME sector customers, in particular lower income customers who can be targeted with new retail-based offerings and higher income customers with more new corporate and sophisticated banking services⁴⁵ |
| Regulators | Support new market products/ service offerings | <p>Rationale:</p> <ul style="list-style-type: none"> Regulators should facilitate market growth by supporting new products and service offerings with clear supporting regulatory frameworks <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> Retail-based investors could benefit from clear regulatory guidelines, such as Bank Negara Malaysia's framework for retail-based sukuk in Malaysia |
| Private equity firms | Acquire new players | <p>Rationale:</p> <ul style="list-style-type: none"> The Islamic Finance industry remains highly fragmented and in significant need of capital to scale and expand to address substantial demand <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> Both mainstream and Islamic Finance-focused MENA-based private equity firms such as Abraaj Capital, Amwal, Qalaa Holdings and Fajr Capital are ideally positioned to provide equity financing in a Shariah-compliant manner and are already involved in several Islamic PE transactions and/or provide Islamic PE financing⁴⁶ |
| | Pursue substantial value creation opportunities | <p>Rationale:</p> <ul style="list-style-type: none"> Once a company is acquired, there are substantial value creation opportunities to scale a brand and diversify its business Examples of such a strategy includes private equity backed Shariah-compliant venture capital funds such as Gulf Islamic Investment's Tandem Fund III and a \$60 million venture capital investment in Apttus⁴⁷ <p>Main area of opportunity:</p> <ul style="list-style-type: none"> As a private equity portfolio company, Islamic Finance PE players can expand into multiple product categories, as well as expanding geographically and into new distribution channels |

Source: Thomson Reuters and DinarStandard analysis

44. "Islamic Finance for Asia: Development, Prospects, and Inclusive Growth", Islamic Financial Services Board, May 2015.

45. "Islamic Finance: An Opportunity for SME Financing", International Federation of Accountants, August 2015.

46. http://www.salaamgateway.com/en/finance/story/islamic_private_equity_a_funding_solution_for_shariahcompliant_companies-salaam08102015071915/, accessed on 4 August 2016.

47. Gulf Islamic Investments company website, <http://gii.ae/>, accessed on 4 August 2016.



Interview



Blake Goud
CEO,
RFI Foundation (UK)

What broader trends do you see among consumers in the Islamic Finance industry and which product segments are poised to benefit from this?

One of the overlooked areas in Islamic Finance is in the asset management space, particularly pension funds. The decision by Malaysia's Employees Provident Fund (EPF) to offer a Shariah-compliant option which will represent \$25 billion in assets is a huge catalyst for the sector. In addition to being a large addition to assets (as of 2014, Islamic funds held \$56 billion in assets), the EPF move aligns Islamic investment more with trends in socially responsible investment. Earlier this year, EPF said all of its assets met standard environmental, social and governance (ESG) criteria and now the Shariah-compliant EPF option represents perhaps the largest collection of assets to incorporate Islamic and ESG approaches.

What are the major developments in the Islamic Finance industry over the last few years and how has this affected the RFI Foundation?

The recognition that socially responsible investing (SRI) aligns closely with Islamic Finance is not new, but how this knowledge is translated into practice is a major change. For example, SEDCO Capital and Arabesque Partners have become the first two signatories to the UN-supported Principles for Responsible Investment which advocates for the integration of ESG into financial analysis. Besides the potential performance benefits for

the fund and their investors (ESG is associated with higher returns), it provides a methodology of how to approach positive screening within Islamic Finance which has lagged previously.

How has the addressable market for Islamic Finance performed relative to the broader conventional finance space, both in Europe and globally?

Islamic Finance growth differs from conventional finance in many ways. For example, while global finance includes significant asset management and banking activity, Islamic Finance is mostly banking with a smaller volume of debt capital markets activity (sukuk) and very little asset management. It also has a different geographical distribution with more assets in emerging markets. As the U.S. Federal Reserve's asset purchase tapering hit emerging market growth more than developed markets and the rise in Fed rates hit bank's net interest margins while capital markets have recovered to new highs in many markets, any EM-focused, banking-centric financial industry was set up to take a hit in its relative performance. Islamic Finance assets overcame these headwinds to show 10 percent year-on-year growth for 2015 versus 2014, which shows the strength of the underlying proposition that finance should be values-based and it should focus primarily on being a facilitator for the non-financial economy.

How did the RFI Foundation determine that the Islamic Finance sector was a viable sector to address?

The RFI Foundation identified that Islamic Finance brought similar values as other areas of responsible finance but operated distinctly. We identified that one of the barriers to realizing the potential overlap between the approaches in responsible finance was that they described differently the similar social impact they wanted to support, which limits awareness. If this awareness gap and the communication challenges it created could be bridged, Islamic Finance could shorten its path to generate positive impact and could contribute its unique approach to traditional responsible finance.

What is the RFI Foundation's vision for the next five years, and what do you envisage to be the next key steps?

Our vision is focused on promoting research to identify the shared and universal value proposition that we see in responsible finance. We are also working to raise awareness of how different areas of responsible finance approach it with a focus on bringing together practitioners from Islamic Finance and traditional responsible finance.

Given the large number of Islamic financial services institutions globally, what are the major operational and regulatory challenges faced by the sector?

We view a key challenge is for institutions to not only focus on creating a Shariah-compliant proposition but also focus on positive social impact. In order to do so, the challenges are

primarily focused on the operational side of how to measure the impact created to differentiate positive social impact versus marketing focused efforts.

What are the main types of Shariah-compliant financing that you see being arranged, and what are the challenges?

One area that will increasingly be in demand is social impact sukuk. The first two were issued in just the past two years by Khazanah (for school construction) and by the International Finance Facility for Immunizations (IFFIm, for vaccines). The challenges for structuring are that many investors perceive a social impact product as being similar to charity so it needs to overcome a perception gap among investors that creating positive social value does not always involve financial sacrifice

What broader trends do you see among consumers in the Islamic Finance industry globally and which product segments are poised to benefit from this?

There been a growing awareness and demand for investing in accordance with Shariah principles among consumers. While Islamic banking is the most developed product of this industry, recently the Islamic capital market has seen significant activity as more and more investors are looking for investment opportunities which appeal to their values and beliefs without compromising on performance



Interview



Talal Yasmine

Managing Director,
Crescent Wealth

What would you consider to be the major developments in the Islamic Finance Industry over the last few years and how has this affected Crescent Wealth?

The global Islamic Finance industry has grown exponentially compared to conventional banking in the last decade. More than 2.5 percent of the world's Muslims are now clients of the Islamic Finance industry. Launch of several Islamic indexes and funds have catalyzed the growth and worked to popularize the Islamic capital market. All of these developments have attracted more consumers globally. Crescent Wealth too has seen a rapid growth in assets under management owing to the awareness and confidence of consumers.

Please outline the steps that Crescent Wealth has undertaken to expand both its product offering and geographical coverage. In particular, tell us about your experience operating in the sukuk origination market space, and how you plan to further expand across Australia?

Since its inception, Crescent Wealth has been trying to expand its presence in Australia by holding multiple on ground activities in Sydney, Melbourne, Brisbane, Adelaide etc. Globally, our Islamic property fund has been recently launched in Malaysia and we are further looking to tap into markets in the UAE, Brunei, Indonesia, Singapore, and South Africa.

Please outline your vision for the company over the next five years, and what do you envisage to be the next key steps for the company? More specifically, please expand upon your expansion in the asset financing space in Australia.

We intend to continue our trajectory of strong sustainable growth in Funds under management. Geographically we are expanding to ensure that our products are available to investors around the world at both the retail and institutional level. We can only do this by continuing to provide strong returns during volatile markets, as well as superior customer service. Our flagship product is a superannuation fund (pension product) which means we have customers who stay with us from working life well into retirement. Therefore, it is critical to our long term growth will be providing the best possible service to our life long members.

What remain the major operational and regulatory challenges faced by the industry overall, and to what extent do these affect your company as well?

In many countries, the Islamic Finance industry is still governed by regulatory and supervisory framework developed for conventional finance industry. Not in Australia, but in some countries the industry operates in an environment where legal rules and financial infrastructure do not take into account special characteristics of Islamic Finance. Scarcity of Shariah scholars

with financial expertise, and a slow pace of innovation are also weighing on the industry.

What do you consider to be major unmet needs of Muslim consumers in the Islamic Finance industry? How does this feature into your new product development?

The two main issues clients currently face in this industry, based on member services feedback, is trust in the brand and returns, and consumer confidence. Consumers need to be acknowledged that their money is invested in 100 percent Halal products and that it would still yield them good returns. We plan to tackle this through customer service, which is the centre of all our communications to clients and through knowledge sharing of our past performance rates.

More than 2.5 percent of the world's Muslims are now clients of the Islamic Finance industry. Consumers need to be acknowledged that their money is invested in 100 percent Halal products and that it would still yield them good returns.



Interview



Nael Mustafa

Managing Director – MENA Investments,
Arcapita

What broader trends do you see among consumers in the Islamic Finance industry globally and which product segments are poised to benefit from this?

The Islamic Finance industry has expanded at a rapid pace over the last 20 years. There has been significant advancement in structuring of investment products that satisfy Shariah requirements and are attractive to investors. We believe this trend will continue. According to the Malaysian International Islamic Financial Centre, global “Islamic assets” under management expected to grow to almost \$77 billion by 2019 from \$58 billion at the end of 2015. We are also starting to see increasing demand for Shariah compliant alternative investments, as investors seek to enhance returns and diversify away from traditional Islamic Finance products such as Sukuks. The rapidly growing Muslim population coupled with an expanding middle class and increasing disposable income is driving the growth in the Islamic Finance industry, especially with millennials looking at more ways to invest ethically. Currently there is a lack of high quality Shariah compliant alternative investment products on offer relative to the available conventional products. We see a greater investor appetite for Shariah compliant private equity and real estate investments.

What would you consider to be the major developments in the Islamic Finance Industry over the last few years and how has this affected Arcapita?

Increased competitiveness in terms of structures and pricing for Islamic financing, growth of sukuks as the principal debt instrument of choice and now more recently the introduction of crowdfunding are a few of the major developments we see in the industry. Another major development is the growth of the alternative investments market with increasing cross-border transactions taking place, ranging from private equity and real estate to crowdfunding. These new and innovative products that are emerging are game changers for the Islamic Finance industry that may force many asset managers and financial services providers to rethink and modify their product offerings. Arcapita’s management is keen to roll out innovative new product offerings that cater to the constantly changing investor demand.

How would you say the addressable market for Islamic financing has performed growth-wise relative to the broader global finance category, both in Bahrain and globally? Which sub-sectors in particular are performing well?

The Islamic financing market has been growing rapidly over the last few years and the growth has been higher than the conventional finance market. For example, the UAE’s Islamic Finance sector has outpaced growth in the conventional banking sector in 2015. As one of the hubs for the financial services industry, Bahrain’s Islamic Finance market continues to expand to cater to the regional and the growing domestic market. The Real estate subsector has probably been the best performing sector

in the region given the volume of transactions taking place in the GCC.

The Islamic Finance products marketplace is maturing with increasing competition among all key segments, especially lease finance (ijarah). How does Arcapita differentiate itself from the numerous brands offering Islamic Finance services across Bahrain?

As an alternative investment firm, Arcapita competes with global alternative investment players. Arcapita was a pioneer in the field of Shariah compliant alternative investments, and we continue to serve our investors with unique product offerings and investments. We are one of the few firms in the region to offer to quality Shariah compliant investments globally with our management having a strong track record in delivering to our investors. Our management team has completed over 70 transactions with total value of approximately \$30 billion.

Please outline the steps that Arcapita has undertaken to expand both its product offering and geographical coverage. In particular, how you plan to further expand across the Middle East?

We aim to grow through diversifying our product offerings as well as expanding our geographic footprint to include more developed, as well as emerging markets. With offices in Bahrain, Atlanta, London and Singapore we are able to originate and execute transactions globally.

Please outline your vision for the company over the next five years, and what do you envisage to be the next key steps for the company? More specifically, please expand upon your expansion in the real estate financing space in Bahrain.

Our vision is to become the preeminent investment manager and capital solutions provider for Shari'ah complaint investors globally. Within real estate, we aim to structure transactions for investors looking for income generation as well as selective development transactions that offer higher returns through capital appreciation.

How have you been able to finance your business and do you think access to shariah compliant financing remains a significant challenge?

Having been at the forefront of Shariah compliant transactions globally we have seen the global Shariah compliant financing market evolve. With the growth of Islamic Finance as an industry it has become easier to secure Shariah compliant financing for transactions in various different geographies. We still believe there is potential to improve financing structuring and more integration of various Shariah boards will further improve the process of securing financing.

What do you consider to be major unmet needs of Muslim consumers in the Islamic Finance industry? How does this feature into your new product development?

SMEs accounting for 60-70% of jobs worldwide, it is crucial these businesses have access to capital. We believe there is lack of Shariah-compliant growth capital or financing for SMEs. Crowdfunding platforms have emerged following the global financial crisis as an alternate source of funding to assist entrepreneurs in raising capital. Although it still remains a nascent industry, it has shown significant growth, to the extent where crowdfunding has already surpassed the funds invested by angel investors. This however has largely been limited to conventional capital and not Shariah compliant capital.

What role do you think investment – in particular private equity, as well as consolidation, will have in shaping the Islamic Finance industry going forward?

With the total Muslim wealth estimated at \$11.5 trillion, according to a recent article in Bloomberg, Islamic asset managers will need to provide a wider array of investments to compete with conventional players. Private equity is still a very small part of the Islamic Finance industry and one of the products which Islamic financial institutions need to focus on to provide diversification for Islamic investors who are looking to build a balanced risk/return investment portfolio.



Young male traveler photographing a beautiful view of the Bosphorus in Istanbul, Turkey.



Halal Travel Sector

‘Say, [Oh Muhammad, PBUH], “Travel through the land and observe how He began creation.”’ (29:20, Quran)

Muslims have a long tradition of traveling embedded within their consciousness. History’s most traveled man, Ibn Battuta, traversed the globe for a remarkable 30 years. Muslim scholars such as Muhammaad al-Bukhari covered great distances to acquire knowledge.

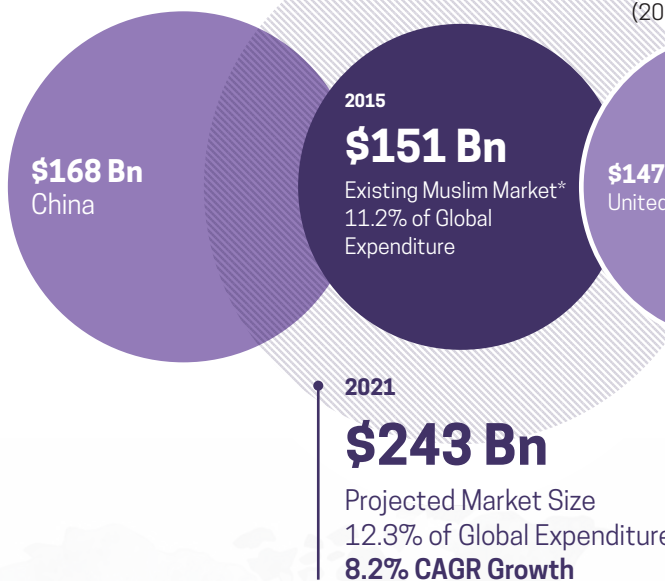
This eclectic tradition has today translated into a burgeoning Halal Travel sector. This report estimates Muslim populations globally to have spent a total of \$151 billion on travel in 2015 (excluding Hajj and Umrah). This is a growth of 4.9 percent from the previous year, and is higher than the 3 percent increase in the global market. This report also estimates the revenues derived from Muslim Friendly Travel services to be worth \$24 billion in 2015.

Globally we have seen the success of platforms such as Airbnb, and with that momentum Muslim-friendly vacation platforms have begun to emerge, such as Bookhalalhomes and Tripfez. Muslim-friendly beach resorts are emerging as a high growth segment, with Muslims spending an estimated \$28 billion on beach resorts in 2014. While Turkey is the most established market for such beach resorts, there are non-Muslim countries such as Thailand that are also seeking to cater towards the Muslim travel sector will continue being a lucrative sector for investment for some time to come.

HALAL TRAVEL

MARKET SIZE¹

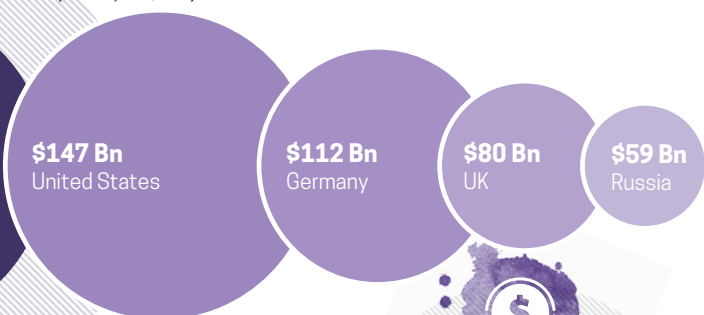
How much do Muslims spend on outbound travel? ≈



BENCHMARK

How does Muslim spend compare to total global spend on outbound travel? ≈

(2015, US\$ Bn)



Estimated revenues derived from Muslim Friendly Tourism services
\$24 Bn
in 2015

THE HALAL TRAVEL INDICATOR

Which countries have the best developed ecosystem for Halal Travel? »



*CRITERIA (From a total of 73 select countries)
Trade: Inbound Muslim Travel relative to its Size
Governance: Halal Friendly Ecosystem
Awareness: Media/Events
Social: Contribution to Employment

Selected key players ≈

Transportation Infrastructure

Saudi Arabian Airlines (Saudi Arabia)
Kuwait Airways (Kuwait)
Firmas Airways (UK)
Waqf Airlines (Malaysia)
Dubai International Airport (UAE)

Accommodation Infrastructure/ Hospitality Suppliers

Sofyan Hotels (Indonesia)
Shaza Hotels (UAE)
Al Meroz Hotel (Thailand)
Macia Condor (Thailand)
Adenya Hotels & Resorts (Turkey)

Food & Beverage / Catering

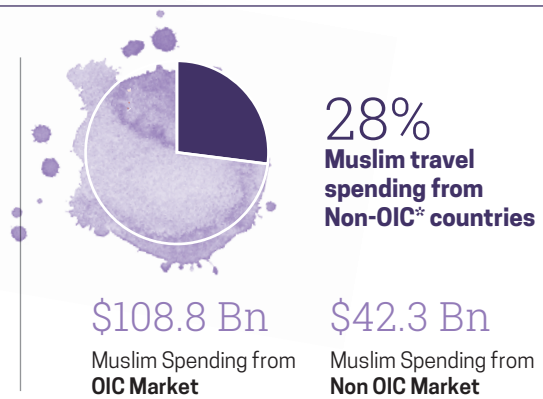
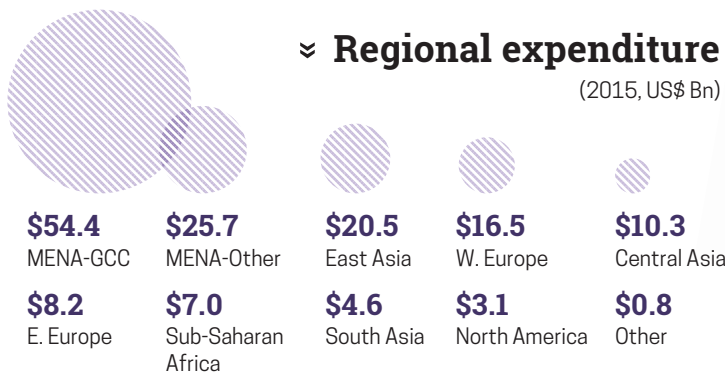
D'Tandoor Restaurant (Australia)
Momen (Egypt)
The Halal Guys (U.S.)
Yemen Catering & Support Services International (Yemen)

Channels/Travel Agencies

Serendipity Tailormade (UK)
Holiday Bosnia (UAE)
Travel Agency Adriaday (Croatia)
Nur and Duha (Spain)
HalalBooking.com (UK)

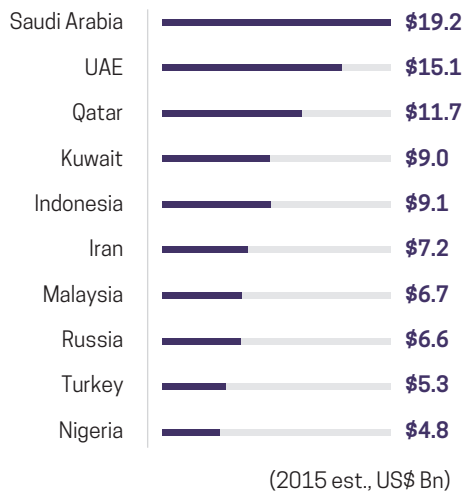
Attractions & Entertainment Infrastructure / Education & healthcare infrastructure

IMG Worlds of Adventure (UAE)
The 99 Village Theme Park (Kuwait)
IMG World of Adventure (UAE)
Legoland (UAE)
Six Flags (UAE)



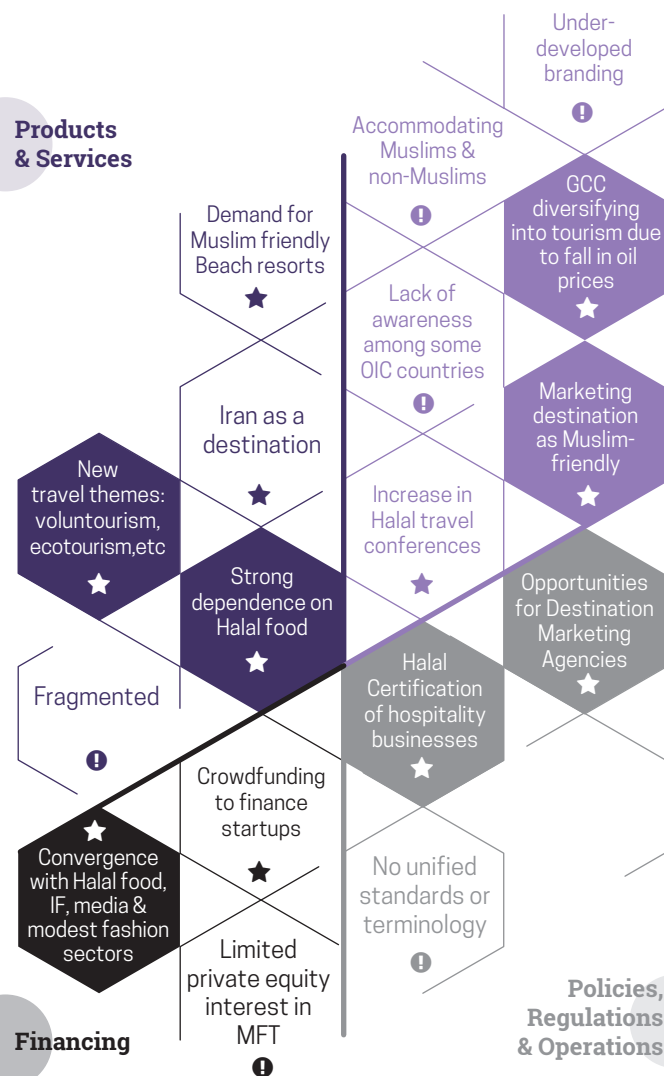
TOP MARKETS

Top Muslim consumer travel expenditure markets ≈



Issues and opportunities map ≈

Consumer needs and ecosystem



\$54.39 Bn
GCC Spend in 2015

GCC travelers are
3% of the global Muslim population
but, represent
36% of the travel spend
in 2015

¹ Expenditure data Baseline from 2014 UNWTO data, DinarStandard Muslim market estimates; Sector correlated IMF Outlook Oct 2014 Database for projections estimates & analysis; IMF Outlook Oct 2014 Database for projections"

Halal Travel Indicator

The 2016 State of the Global Islamic Economy Report revisits the Halal Travel Indicator to evaluate countries' health and development of its Muslim market travel ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) Indicator. The Halal Travel Indicator does not focus on the overall size and growth trajectory of a country in this sector; instead it evaluates countries on relative strengths of the ecosystem they have for the development of the sector.

The UAE, Malaysia and Turkey lead the Halal Travel Indicator ranking that focuses on the health of the Halal Travel ecosystem a country has relative to its size.

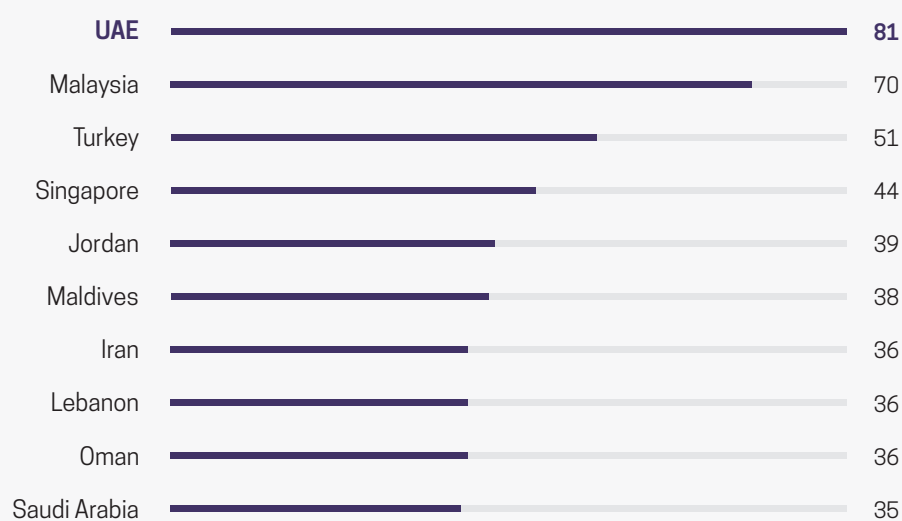
The indicator equally weighs four metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- ✎ Supply drivers relative to country size (inbound Muslim tourists)
- ✎ Governance (Halal-friendly ecosystem)
- ✎ Awareness (number of related news articles and events)
- ✎ Social (travel sectors contribution to employment)

Below are the top 10 countries in the Halal Travel Indicator.



TOP 10 Halal Travel



| Halal Travel | Sector Score | Inbound Muslim Travel Score | Halal Friendly Ecosystem | Awareness Score | Social Score | GIE Ranking |
|-----------------------------|--------------|-----------------------------|--------------------------|-----------------|--------------|-------------|
| United Arab Emirates | 81 | 106 | 67 | 135 | 18 | 2 |
| Malaysia | 70 | 126 | 100 | 35 | 21 | 1 |
| Turkey | 51 | 66 | 100 | 23 | 15 | 17 |
| Singapore | 44 | 107 | 33 | 20 | 16 | 11 |
| Jordan | 39 | 37 | 67 | 19 | 33 | 9 |
| Maldives | 38 | 9 | 33 | NA | 111 | 31 |
| Iran | 36 | 53 | 67 | 13 | 10 | 14 |
| Lebanon | 36 | 20 | 67 | 19 | 39 | 28 |
| Oman | 36 | 17 | 67 | 52 | 11 | 5 |
| Saudi Arabia | 35 | 38 | 67 | 15 | 21 | 4 |

United Arab Emirates (UAE)

The UAE overtakes Malaysia in this year's rankings, mainly due to an increase in its awareness scores, in addition to maintaining high level of inbound Muslim travel. The country is quickly capitalizing on its reputation as an enjoyable travel destination, and has begun to gain a reputation for its Halal-themed attractions, exhibiting a strong Halal Friendly Ecosystem score.

Malaysia

Malaysia, although overtaken by the UAE, continues a strong showing in the indicator, occupying 2nd place. While the country has maintained its levels of inbound Muslim travel and Halal Friendly Ecosystem scores, its awareness score has declined slightly, leading to a lower ranking.

Turkey

Turkey rises four places in this year's ranking, from 7th to 3rd place. While its level of inbound Muslim travel has declined slightly, it has greatly improved its Halal Friendly ecosystem scores, while also slightly improving its awareness scores, capitalizing on its reputation as a Halal friendly destination between East and West.

Ups and Downs

Thailand, Bahrain and Qatar have been replaced by Iran, Lebanon and Oman. The removal of sanctions in Iran has undoubtedly had a positive effect on travel to the country, which, combined with its existing ecosystem, positions the country among the top 10.



Halal Travel Market Sizing

Market size and profile — Global Muslim consumer spending on Travel (outbound) — \$151 billion in 2015 (11 percent of global expenditure), with revenues derived from Muslim Friendly Tourism services estimated at \$24 billion in 2015, estimated for the first time in this report series.

This Report estimates Muslim populations globally to have spent a total of \$151 billion on travel in 2015 (excluding Hajj and Umrah), 11 percent of global market spending of \$1.3 trillion. This is a growth of 4.9 percent from the previous year, and is higher than the 3 percent increase in the global market. Muslim spending on travel is expected to reach \$243 billion by 2021, representing a CAGR of 8.25 percent from 2015.

The Muslim market for travel is the second largest when compared to the largest travel source countries —just after China (\$168 billion) and ahead of the United States (\$147 billion.)

Top source countries of Muslim tourists based on 2014 expenditure were: Saudi Arabia (\$19.2 billion), the United Arab Emirates (\$15.1 billion), Qatar (\$11.7 billion), Kuwait (\$9 billion), Indonesia (\$9.1 billion) and Iran (\$7.2 billion).

Regionally, Muslim Tourism expenditure was the highest in the following regions: MENA-GCC (\$54 billion), MENA-Other (\$26 billion) and East Asia (\$21 billion), followed by Western Europe (\$17 billion) and Central Asia (\$10 billion). The MENA-GCC region represents 36 percent of the total Muslim travel spend even though they are only 3 percent of the global Muslim population.

Estimated revenues derived from Muslim Friendly Tourism services have been estimated at \$24 billion in 2015 across hotels, air travel and leisure activities. Estimates have been based on responses from a survey undertaken by COMCEC in a study on Marketing opportunities in Muslim Friendly Countries. Further details on the approach and sources used are contained in the Appendix.



View at Burj Al arab hotel from Madinat Jumeirah luxury hotel in a summer day in Dubai, UAE. S-F / SHUTTERSTOCK.COM

Social Listening – Consumer Sentiment

Approach

Earlier in the Report, our methodology and aggregated insights from millennials (18-35 age group) using social media listening based research was introduced. Here we present specific insights from millennials social media interactions on Halal Travel. A total of 14,800 Halal Travel related Facebook 'posts and 'comments' from the millennial age group are analyzed here.

Geography interactions

In aggregate, the **top countries where millennials were engaged with Halal Travel sector topics were Indonesia (4.6k interactions), Malaysia (1.9k interactions), and United States (1.5k interactions.)** South east Asian nations of Indonesia and Malaysia once again show high affinity toward Halal Travel given similar affinity toward Islamic Finance and Halal Food. **US based interactions as third most prominent and UK sixth most, is insightful reflecting the Western Muslim millennials interest besides South East Asians in Halal themed travel.**

Volume of millennial interactions on Halal Travel by country

| Country | Number of Interactions | Country | Number of Interactions |
|----------------|------------------------|--------------|------------------------|
| Indonesia | 4.6K | India | 300 |
| Malaysia | 1.9K | Saudi Arabia | 100 |
| United States | 1.5K | Philippines | 100 |
| Pakistan | 500 | Australia | 100 |
| Nigeria | 400 | Singapore | 100 |
| United Kingdom | 300 | | |

Sentiment analysis

Based on an algorithm that factors in the conversational tone and words used in the interactions, a 'positive', 'negative' and 'neutral' sentiment score is given to interactions (English language ones only.) From the interactions that were able to be analyzed for sentiment across Halal Travel interactions, 68 percent of millennial interactions were with positive sentiment, 25 percent were negative, and 7 percent were neutral. **While sentiments are majority positive, relative to other Islamic Economy sectors, Halal Travel were the most negative.** A variety of unpleasant Muslim traveler experiences in the Americas and Europe seem to be the major driver. **67 percent sentiment around topic of 'Muslim' were negative, while almost 100 percent negative sentiment in the interactions with topic of 'flight attendant,' 'American Airlines,' and 'Delta Airlines.'**

The majority positive sentiments by millennials are generally of the type of Halal Travel experiences, Halal Travel/ Muslim tour promotions, and some regarding 'burkini's' at beaches. The minority negative sentiment interactions were generally Islamophobic related (mostly from the US, Europe) but also showed negative impact on their own tourism as well. Select actual interactions are referenced below (these have been made anonymous for privacy purposes.).

HALAL TRAVEL EXPERIENCES

- “ Ate at Just Thai... enjoyed thai cuisine at the mall next to the hotel we are staying (in Indonesia) However no Halal logo but almost all Indonesian people eat there haha.. Just do not forget to read Bismillah and prayer before the meal yes”
- “ My love for #dubai i can't wait to touch down in this beautiful Muslim land & visit some my sisters, make business moves, Arabic school there, to them cars & hotels.. Night halal life chillin insha'allah”

HALAL TRAVEL / MUSLIM TOUR PROMOTIONS

- “ Mekong Delta Cruises travel trip for Muslim clients in another attractive Itinerary:) Our guests fall in love with these things always. How about you Kakak? Are you ready? Ms [redacted] gonna be your best partner. Make a call today: [redacted] #TPtravel #Vietnam #citytour #explore #Lovetravelvietnam”
- “ Gracia Hotel Semarang participating in Halal Tourism National Level Competition 2016 organized by the Ministry of Tourism Indonesia [names redacted] #TimHalalKemenparRI #WisataHalal #RoadToWHTA2016 #PesonaIndonesia #WonderfulIndonesia” (translated from Bahasa Indonesia)
- “ Makassar Tourism Industry ready to drive Halal Tourism: Makassar- Five tourism industry in Kot... <https://t.co/PYx8RhbkvT>” (translated from Bahasa Indonesia)
- “ Beijing muslim ski tour 5d4n, china!!!! You want to surf snow in beijing china? We provide the best travel package in beijing as low as rm927 including ground arrangement. This package is starting in december 2016 to february 2017. Do not miss your chance and quickly book your holiday with us. Any questions or more information, you can contact our travel agent. Thank you. #ZamarTravel #PercutianMurah #HoneymoonPackage #GroundArrangement #MuslimTour #MsTasha

'BURKINI' AT BEACHES

- “ Secularism is a simple concept. Don't interfere with a person's right to worship and exercise their beliefs. Don't judge others. If it is criminal then it is criminal. Wearing “too much” clothes is no one's business. I just came back from Ayvalik area. On the beaches and waterfalls, I swam side to side with “burkini” women. I was proud to be in this country where women can practice their religion and swim and ski and drive and vote and travel and inherit and compete in sports and walk their dogs and whatever. It is tolerance. It is acceptance. I accept that we, human beings (and animals), have to coexist.”

ISLAMOPHOBIC THEMES

- “ The clash of civilizations: Muslims attacked a tourist in Corsica and committed mayhem because they didn't like him taking photos of Muslim women in 'burkinis.' ”
- “ Foreign governments are warning their citizens about traveling to the US if they are Muslim, gay, or don't want to get shot.”
- “ Wow, never thought I'd see this in my lifetime--a number of countries, including Canada, the United Kingdom, France, the United Arab Emirates, New Zealand and Germany, are cautioning their citizens about traveling to the United States! They cite concerns about mass shootings, anti-Muslim and anti-LGBT attitudes, police violence and the Zika virus in the U.S. Thanks a bunch, rightwingers, for creating this image of our country!”
- “ An airline waitress that refuses to serve alcohol.. why did she choose this job? To cause a headline? Or for a lawsuit? <http://www.telegraph.co.uk/travel/destinations/north-america/united-states/articles/muslim-flight-attendant-refused-to-serve-alcohol-sues-expressjet-airline-unlawful-suspension/>”
- “ Go tell Those Airlines of some Muslim countries to serve Alcohol before fighting Other companies about policies.”



Top keywords & hashtags

From across the halal travel interactions captured, the most common terms and hashtags were: Muslim, Halal, American Airlines, Allah, Malaysia, Delta Air Lines, and #travel. As highlighted earlier the reference to two airlines relates to the negative incidents Muslim travelers faced.

Aggregate of all sectors keywords and hashtags

| Keywords & Hashtags | |
|---------------------|------|
| Muslim | 1.3K |
| Halal | 700 |
| Countries | 500 |
| American Airlines | 400 |
| Allah | 300 |
| Malaysia | 200 |
| Delta Air Lines | 200 |
| #travel | 200 |
| Islam | 100 |
| Traveling | 100 |
| American Muslims | 100 |
| #vacation | 100 |
| #pesonaindonesia | 100 |
| #halaltravel | 100 |
| #wonderfulindonesia | 100 |

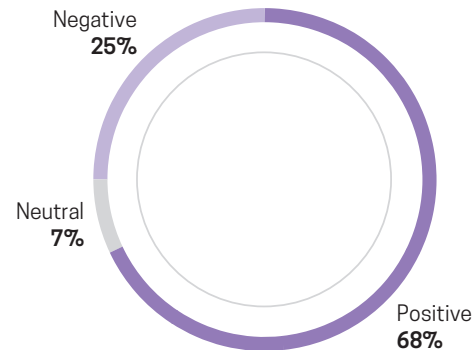
Gender profile

Millennial men (6.6k/ 44 percent) and women (5.8k interactions/ 39 percent) were both well represented on halal travel related social media interactions with men more prominent. In terms of sentiment, both male and female interactions were the same with men slightly more positive.

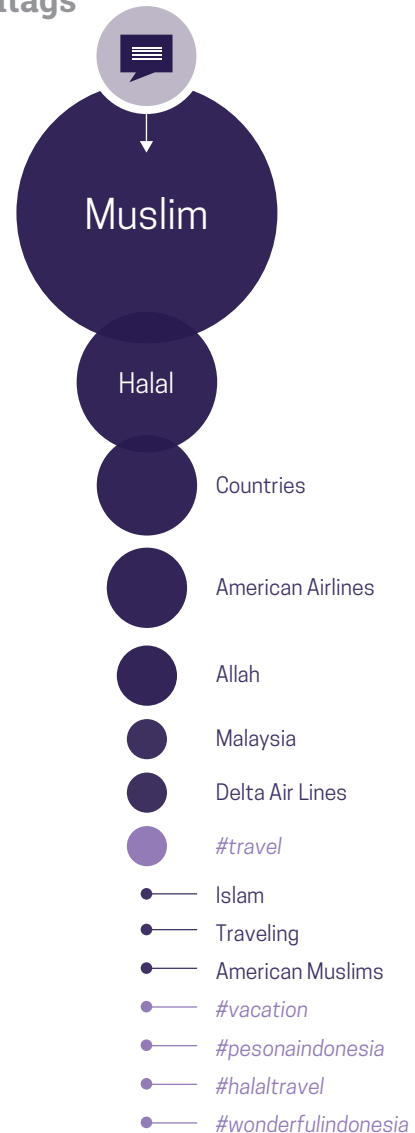
Sentiment differences between male and female millennial interactions

| | Male | Female |
|-----------------|--------------|------------|
| Positive | 62.5 percent | 60 percent |
| Neutral | <100 | <100 |
| Negative | 37.5 percent | 40 percent |

Sentiment distribution of Halal Travel related interactions



Top Facebook keywords and hashtags



● Facebook keywords ● Facebook hashtags

Current Landscape and Trends

Key players across the value chain

| Value Chain | Segments | Select key players | |
|---|-----------------------------|--|--|
| | | Mainstream Companies addressing Halal | Islamic/Halal Companies |
| Transportation Infrastructure | Air | British Airlines (UK) Kansai International Airport (Japan) Suvarnabhumi Airport (Thailand) | Saudi Arabian Airlines (Saudi Arabia) Kuwait Airways (Kuwait) Firnas Airways (UK) Waqf Airlines (Malaysia) Dubai International Airport (UAE) |
| | Sea | Disney Cruises (U.S.) | Salaam Cruise (U.S.) Star Cruise (Malaysia) Fusion Tours (Turkey) |
| Accommodation Infrastructure/ Hospitality Suppliers | Hotels | Marriott International (U.S.) Tschuggen Grand Hotel (Switzerland) Grosvenor House (UK) | Sofyan Hotels (Indonesia) Shaza Hotels (UAE) Al Meroz Hotel (Thailand) Macia Condor (Spain) |
| | Resorts | Six Senses Resorts (Thailand, Maldives) Ao Nang Princeville Resort (Thailand) Banyan Tree Resorts (Maldives) | Adenya Hotels & Resorts (Turkey) Selge Beach Resort (Turkey) Bera Beach Resort (Turkey) Porto Marina Resort (Egypt) The Regency (Kuwait) |
| | Home sharing | Airbnb (U.S.) | BookHalalHomes (UK) |
| Food & Beverage / Catering | Restaurants | Nando's (UK) McDonald's (U.S.) KFC (U.S.) | D'Tandoor Restaurant (Australia) Momen (Egypt) The Halal Guys (U.S.) |
| | Catering | Gate Gourmet (UK) | Yemen Catering & Support Services International (Yemen) |
| Attractions & Entertainment Infrastructure / Education & healthcare infrastructure | Attractions & Entertainment | Everland Amusement Park (South Korea) | IMG Worlds of Adventure (UAE) The 99 Village Theme Park (Kuwait) IMG World of Adventure (UAE) Legoland (UAE) Six Flags (UAE) |
| | Healthcare | Bangkok Hospital (Thailand) | KPJ Healthcare Berhad (Malaysia) Global Health City Chennai (India) |
| Channels/Travel Agencies | Travel Agencies | Kuoni Group (Switzerland) | Serendipity Tailormade (UK) Holiday Bosnia (UAE) Travel Agency Adriaday (Croatia) Nur and Duha (Spain) |
| | Online Travel Agencies | TripAdvisor.com (U.S.) Agoda.com (Singapore) | HalalBooking.com (UK) HalalTrip.com (Singapore) Tripfez (Malaysia) Yamsafer (Palestine) |

High growth segments

✎ Beach resorts are emerging as a high growth segment:

- ✎ **Muslims spent an estimated \$28 billion on beach resorts in 2014. Turkey is the most established market for beach resorts, with 28 resorts dedicated to Muslim travelers.** In addition to offering Halal Food, being alcohol-free, and providing prayer spaces, the resorts have women-only dedicated pools, beaches, spas and fitness centers. Examples of Muslim-focused beach resorts in Turkey are Selge Beach Resort, Bera Beach Resort, Adenya Beach Resort, and Wome Deluxe. Outside of Turkey, examples include Porto Maina Resort in Egypt, Lagoon Hotel and Resort in Jordan, and The Regency in Kuwait¹

✎ Luxury hotels are experiencing significant growth and expanding into the four-and five-star categories:

- ✎ **Shaza Hotels is diversifying into the four-star segment and expanding across the GCC.** The Dubai-based luxury hotel operator launched a four-star brand in May 2016 called Mysk by Shaza. The new brand shares the same values as Shaza but is adapted to the four-star segment and features a younger, more vibrant brand positioning. The company is negotiating five 4-star hotels across Saudi Arabia, the UAE and Oman. It is also considering expanding into Iran. A flagship Mysk by Shaza property will open in Muscat, Oman, in March 2017²
- ✎ **Jannah Hotels and Resorts is a luxury five-star hotel operator with plans to expand into the mid-scale category.** Properties include Jannah Burj Al Sarab, Jannah Eastern Mangroves Suites, and Jannah Place Abu

Dhabi, in Abu Dhabi, in addition to Jannah Marina Bay Suites, Jannah Place Dubai Marina in Dubai, and plans to open Jannah Creek Dubai in 2018. Its planned Jannah Creek Hotel will replace the traditional reception check-in with a unique *karim* (personal concierge) welcoming service. The company plans to launch a budget brand named Bedolnn aimed at the millennial market. The hotel will provide modern facilities and prioritize ethical and sustainable practices, with rooms based on themes. Fitness enthusiasts can book a room with a treadmill in the room, while gaming enthusiasts can select a room that includes gaming equipment. It has not been confirmed when the first Bedolnn will launch.³

✎ Booking platforms are experiencing significant growth and are a major driver of awareness and interest in Muslim-friendly tourist packages:

- ✎ **HalalBooking.com**, the UK-based online travel booking platform focused on the Muslim market, has received \$1 million in Series A funding at a \$30 million valuation in 2015. It plans to launch a \$1 billion IPO by 2018⁴
- ✎ **Tripfez**, the online booking platform for Muslim-friendly hotels, tours and activities, has raised \$750,000 in seed investment, which it is planning to use to expand.

Key existing and emerging players

✎ Leading hotel chains are expanding their presence in OIC markets:

- ✎ **Indonesia-based Sofyan Hotels is in discussions with a three-star hotel in Malacca in a bid to expand into Malaysia.** The Malaccan hotel is valued at about \$10 million. It has not been decided whether

1 <http://repository.salaamgateway.com/images/iep/galleries/documents/201602021104352997.pdf>, accessed on 9 August 2016.

2 http://travel.salaamgateway.com/en/travel/story/INTERVIEWShaza_Hotels_to_expand_aggressively_across_GCC_eyes_Iran_-SALAAM15052016102254/, accessed on 9 August 2016.

3 "Jannah CEO reveals plans for budget brand Bedolnn", Hotelier Middle East.com, February 2016.

4 http://www.salaamgateway.com/en/travel/story/halalbookingcom_announces_1_million_series_a_round_funding_to_accelerate_growth-salaam20102015130728/, accessed on 9 August 2016.

the cooperation will be in the form of a franchise or other⁵

➤ **UAE-based Time Hotels**, whose properties do not serve alcohol, are scheduled to open seven hotels by the end of 2017. These include two in Saudi Arabia, two in Dubai, and one in each of Abu Dhabi, Doha, and Egypt⁶

➤ **Al Meroz Hotel** is a new 4-star Halal hotel in Thailand that opened in Bangkok in November 2015. The hotel is owned by the TS Family Group. The main target segments for the hotel are the Middle East, in addition to Muslim populations of Europe and China. The TS Family group is interested in forming a joint venture with Muslim investors to develop Muslim-friendly resorts in destinations like Pattaya and Hua Hin in the next few years.⁷

➤ **Several new destinations are emerging in the MFT market:**

➤ **Saudi Arabia launched its Vision 2030 which aims to diversify its oil-dependent economy, with tourism being one of the areas of focus.** With regards to tourism, Saudi Arabia's vision is to improve visa issuance procedures for visitors and develop their historical and heritage sites. Saudi Arabia previously did not issue tourist visas, but will now start issuing them again. The Commission for Tourism and National Heritage plans to build new museums, including one in Mecca dedicated to the history of Islam.⁸ The country has improved some of its key tourism sites, but lack of highways and transportation is hampering the tourism industry⁹

➤ **Following the lifting of United Nations Security Council sanctions on Iran, inbound tourism is expected to increase.** The country is rich with historic sites and is home to

several UNESCO World Heritage Sites. Seeing the potential, a number of hotel chains have already started making investments in Iran, including UAE-based Rotana and France-based Accor. Shaza Hotels is also considering expanding into Iran

➤ **Bahrain revamped its tourism brand in April 2016 under the slogan "Ours.Yours"** as part of plans to diversify the national economy away from its dependence on oil. The new brand focuses on one of the country's biggest assets: the warmth of its people. Bahrain's marketing campaigns will focus on conveying this message. The Bahrain Tourism and Exhibition Authority (BETA) aims at showcasing Bahrain's heritage and authentic culture in addition to its business-friendly atmosphere.¹⁰

Investment and finance developments

➤ **Indonesia relaxed rules for foreign ownership in tourism as well as other sectors** in a bid by President Widodo to open up Indonesia's economy.¹¹ This will have wide implications in the tourism sectors as it will facilitate investment by global hospitality brands as well as Muslim-focused regional brands to expand into Indonesia which is a ripe market for Halal Travel

➤ **Investec Bank, a lender in the aviation market, has closed a \$1 billion operating lease transaction with Emirates Airlines.** Financing was provided by banks and institutional investors across the Middle East, Europe and Asia. Islamic financing was involved in two of the deliveries¹²

➤ **Tripfez, the online booking platform for Muslim-friendly hotels, tours and activities has raised \$750,000 in seed investment from Chinese and Malaysian investors.** The round was led by Shanghai-based Gobi Partners, Malaysia's Intres Capital, and angel investors including Douglas Khoo, co-founder of Baidu-owned Qunar, one of China's largest online travel sites. The investment

5 http://www.salaamgateway.com/en/travel/story/Indonesias_halal_hotel_Sofyan_in_discussions_with_Malacca_property_to_expand_into_Malaysia_-SALAAM17052016082250/, accessed on 9 August 2016.

6 http://travel.salaamgateway.com/en/travel/story/Misuse_of_the_term_halal_tourism_could_hurt_genuine_operators-SALAAM31052016071845/, accessed on 9 August 2016.

7 "New halal hotel charts course for expansion", 4Hoteliers, March 2016.

8 http://www.salaamgateway.com/en/travel/story/Beyond_pilgrimages_and_religious_tourism_Saudi_Arabia_opening_up_its_remote_familyfriendly_destinations_-SALAAM20032016123816/, accessed on 9 August 2016.

9 http://travel.salaamgateway.com/en/travel/story/Saudi_Arabias_roads_less_traveled_leaving_tourists_behind-SALAAM24042016074027/, accessed on 9 August 2016.

10 "Bahrain launches new tourism identity, eyes \$1bn revenues by 2020", Arabianbusiness.com, April 2016.

11 http://travel.salaamgateway.com/en/travel/story/Factbox_Indonesia_eases_foreign_investment_ownership_in_Big_Bang_liberalization-SALAAM25052016033014/, accessed on 9 August 2016.

12 http://travel.salaamgateway.com/en/travel/story/Investec_closes_1_billion_A380_aircraftlease_deal_with_Emirates-SALAAM09052016130206/, accessed on 9 August 2016.

will be used to expand its inventory, enhance its technology capabilities and hire new talent¹³

- **National carrier Saudi Arabian Airlines issued a \$1.3 billion sukuk**, arranged by HSBC, to finance its fleet expansion
- **Dubai Parks & Resorts raised \$460 million for Six Flags theme park.** The debt financing fund was provided by Abu Dhabi Commercial Bank, Dubai Islamic Bank and Sharjah Islamic Bank and accounts for about 37 percent of the total financing being raised. The park is expected to open by the end of 2019.¹⁴

Innovation

Several new product segments have emerged including Shariah-compliant airlines, Muslim-friendly activities booking platforms, and Halal home sharing.

- **Transportation: The airlines sector saw the rise (and fall, in the case of Rayani Air) of Shariah-compliant airlines. These airlines provide Halal Food and prayer spaces, do not serve alcohol and their crew is modestly dressed. Some airlines also started employing female-only crews on some routes:**
 - **Firnas Airways is a London-based Shariah-compliant airline planning to start operations in 2017 with services to South Asia.** The Shariah-compliant airline covers funding, food served on the plane as well as the absence of alcohol. Planes will feature a staggered cabin layout to enhance privacy¹⁵
 - **Malaysia's Rayani Air was the first in the market to advertise itself as Shariah-compliant**, however it is facing operational troubles. The airline's air operations certificate was suspended in April 2016 for three months because it had temporarily halted operations following a strike by its pilots, without the approval of the aviation authority¹⁶
- **LGO International FZ, an Abu Dhabi based private airline, will serve only women clients with an all-female crew.** The airline is targeting wealthy conservative GCC families. Female customers can customize the plane's interior in terms of color scheme and request to include a shower or TV screens¹⁷
- **Another new concept is a waqf-based airline that subsidizes Hajj and Umrah trips to those who cannot afford them:**
 - **Malaysia-based Waqf Airlines is a new carrier for pilgrims.** The airline was launched in January 2016, and hopes to make its maiden flight to Jeddah by December. The airline is operated by Air Riths Sdn Bhd, which works in partnership with Perbadanan Wakaf Selangor (PWS), a charitable management group based in Selangor, Malaysia. PWS, along with state religious authority Majlis Agama Islam Selangor, manages all waqf contributions that are made to the airline. The carrier aims to offer pilgrims subsidized rates and also aims to give away part of its proceeds to charity and eventually become a social enterprise.¹⁸
- **Accommodation: Muslim-friendly peer-to-peer vacation home rental platform, with a similar concept to Airbnb, has emerged:**
 - **Bookhalalhomes is a peer-to-peer property rental platform that connects Muslim travelers with Muslim hosts.** The company is currently in the phase of signing up property owners. Homes that are added to the database need to be free of alcohol, provide Halal Food and prayer spaces. The company is currently seeking investors to finance its marketing campaign to attract customers.¹⁹

13 http://travel.salaamgateway.com/en/travel/story/Tripfez_wins_750000_seed_funding_from_Chinese_and_Malaysian_investors-SALAAM03052016024341/, accessed on 9 August 2016.

14 "Dubai Parks & Resorts raises funds for Six Flags theme park", The National, April 2016.

15 "UK-based longhaul start-up Firnas Airways to use B767s", ch-aviation, July 2015.

16 http://travel.salaamgateway.com/en/travel/story/Malaysias_Rayani_Airs_fate_to_be_known_soon_-SALAAM23052016082508/, accessed on 9 August 2016.

17 "UAE launches first all-woman airline service", New York Times, January 2016.

18 http://travel.salaamgateway.com/en/travel/story/Malaysias_new_waqfbased_airline_for_hajj_and_umrah_pilgrims_to_take_off_by_December_-SALAAM04052016070957/

19 "Book Halal Homes' launched in London to serve Muslim travelers", eHotelier, May 2016.

Key Challenges

Product and marketing related challenges

- **Accommodating Muslims without alienating non-Muslims:** This is more of a challenge in some sub-sectors, such as beach resorts, where it is difficult to accommodate both types of guests. Whereas in other sectors it is easier to accommodate the needs of both.
- **Underdeveloped branding.** There are only a limited number of regionally recognized Muslim travel brands. Companies should focus on building strong brands.
- **Limited number of Muslim travel influencers.** Mainstream travel brands heavily depend on social media travel influencers to create buzz, however there are only a limited number of Muslim travel-focused bloggers and social media influencers. The alternative is to work with Muslim bloggers from other Islamic Economy sectors that have similar audiences, such as food and fashion.

Investment and finance related challenges

- **Challenges in obtaining financing.** For hotels it is challenging to convince investors that a dry hotel is a lucrative investment. Although with the success of luxury hotel brands such as Shaza Hotels and Jannah Hotels & Resorts, with new properties

being added, as well as the increasing number of investors seeking Shariah-compliant investment, there is increased traction from investors. Non-real estate financing is especially a challenge. However, with more Silicon Valley type investors looking at digital startups to invest in, there is an opportunity for new players to obtain seed funding.

- **Cash flow challenges.** Some large projects have faced cash flow challenges. For example, Rayani Air, Malaysia's first Shariah-compliant airline, faced severe cash flow difficulties which resulted in their pilots going on strike, allegedly due to non-payment of salaries.

Regulation and operations challenges

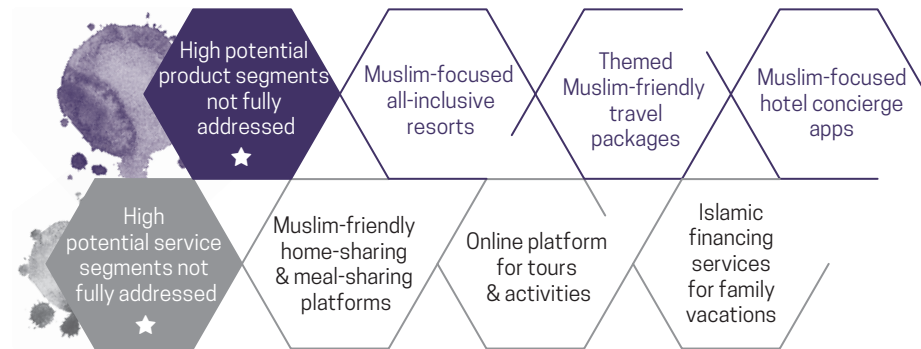
- **Absence of unified standards in Halal tourism** is a challenge which can result in confusion and lack of confidence on the part of consumers as suppliers that label themselves as Halal or Muslim-friendly have varying levels of compliance.
- **Terror threats pose a challenge to the tourism industry.** Safety concerns scare away tourists. A string of terror attacks in Turkey and Egypt in 2015 and 2016 resulted in a drop in tourism. Additionally, there have been direct attacks on ancient heritage sites. Islamic radicalism has resulted in the destruction of ancient heritage sites in Syria and Mali.

Opportunities

Opportunities by product/service segment

There are many opportunities in the Halal Travel sector across the range of products and services offered.

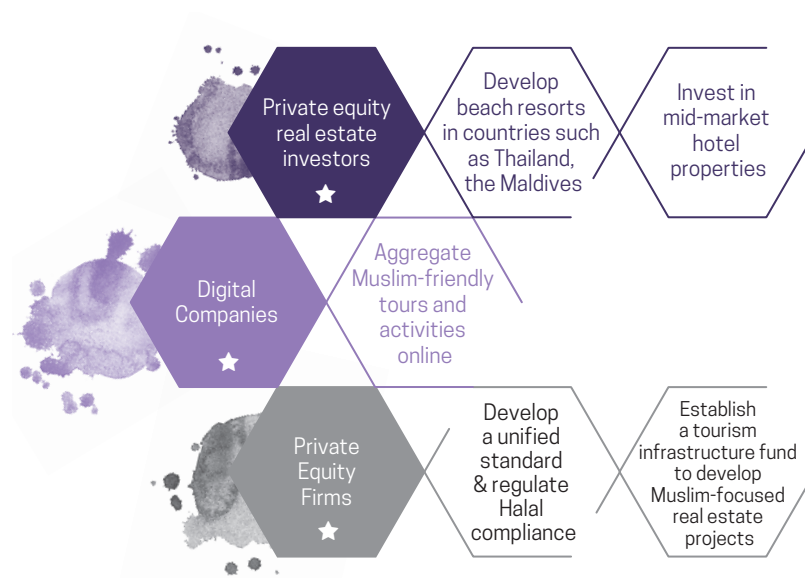
High potential product and service segments



Opportunities by stakeholder

There are many opportunities in the Halal Travel sector across the different stakeholders.

Opportunities by stakeholder type



Existing opportunities in Halal Travel

| Opportunity | Explanation |
|--|---|
| Muslim-focused all-inclusive resorts | <p>Largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> Turkey is the top destination for Muslim-focused beach resorts, with over 30 resorts that provide pools dedicated to women, women-only beaches, a mosque within the resort, Halal food and family-friendly entertainment There is huge demand for Muslim-focused all-inclusive resorts, including beach resorts outside of Turkey²⁰ <p>Potential:</p> <ul style="list-style-type: none"> All-inclusive resorts are a profitable segment for investors with a potential for lucrative returns especially in countries with a developed Muslim-friendly eco-system such as Thailand, Malaysia, the UAE and others |
| Themed Muslim-friendly travel packages | <p>Under-addressed Muslim demand:</p> <ul style="list-style-type: none"> There is little differentiation among Halal Travel agencies, many of whom tend to focus on heritage tourism and on fulfilling travelers' faith-based needs such as providing Halal food and prayer spaces. However, there are growing customer segments such as millennial travelers who are looking for immersive experiences and unique travel themes, including adventure travel <p>Potential:</p> <ul style="list-style-type: none"> There is potential for travel agencies to specialize in certain travel themes as well as focus on particular customer segments. Themes that may be addressed include sports tourism, study tourism, cruises and adventure travel |
| Muslim-focused hotel concierge apps | <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> Muslim travelers visiting mainstream hotels rarely have their needs met <p>Potential:</p> <ul style="list-style-type: none"> Mainstream hotels that wish to accommodate Muslim guests, while being discreet about it, have an opportunity to do so by providing a Muslim-focused concierge app that provides updated information on prayer times, nearby mosques and any Muslim-friendly services provided at the hotel, as well as where they can obtain Halal food |
| Muslim-friendly home sharing & meal sharing platforms | <p>Under addressed Muslim demand:</p> <ul style="list-style-type: none"> Mainstream home sharing services do not accommodate the unique needs of Muslim guests, while global meal sharing websites do not accommodate Muslim dietary needs in terms of Halal food and absence of alcohol <p>Potential:</p> <ul style="list-style-type: none"> There is potential for Muslim-focused home sharing platforms that accommodate the needs of Muslim guests by, for example, providing a prayer mat and indicating the <i>Qibla</i> direction, as well as training hosts on providing information on nearby Halal restaurants as well as information on local mosques |
| Online platform for tours & activities | <p>Mainstream industry overview:</p> <ul style="list-style-type: none"> Global travel booking platforms such as Expedia and TripAdvisor have expanded their offerings to provide tours and activities <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> Customers, including Muslims, are shifting from using traditional travel agencies to booking their trips through online travel agencies. In addition to booking flights and hotels online, tours and activities can be booked from the same website for additional convenience <p>Potential:</p> <ul style="list-style-type: none"> Tripfez jumped on this opportunity and is the first online platform for Muslim-friendly tours and activities. However, there is room for other players as well |
| Islamic financing services for family vacations | <p>Category overview:</p> <ul style="list-style-type: none"> It is common practice for hotels and travel agencies in Turkey to provide financing services as part of their arrangement with local banks <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> Middle class Muslims with large families often find it difficult to fund their vacations. Having access to Islamic financing would allow families to travel more often <p>Potential:</p> <ul style="list-style-type: none"> This is a new opportunity area for Islamic Finance providers as well as for Muslim-focused travel agencies and hotels. There is an opportunity to focus on travel-related ancillary services such as travel and health insurance. |

Source: Thomson Reuters and DinarStandard analysis

20. In an interview for last year's State of the Global Islamic Economy Report 2015/2016, Laurent Voivenel, CEO of Hospitality Management Holdings (HMH) in the UAE, said that long-term sustainability of the tourism sector depends on the development of the mid-market sector that caters to the growing middle class.

Key stakeholder analysis

| Stakeholders | Action | Analysis |
|--------------------------------------|--|--|
| Private equity real estate investors | Develop beach resorts in countries such as Thailand, the Maldives | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Demand for Muslim-focused beach resorts exceeds current supply ➤ Turkish beach resorts have proven the success of this model and that there is indeed a market for it ➤ Countries, such as Thailand have a well-developed Halal eco-system <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Developing all-inclusive beach resorts in countries blessed with pristine beaches and a well-developed Halal ecosystem |
| | Invest in mid-market hotel properties | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Globally, the Muslim middle-class segment is growing. With its increased purchasing power, many are able to afford traveling abroad²¹ ➤ Several luxury hotel chains such as Shaza Hotels, Jannah Hotels & Resorts have decided to diversify into the four-star hotel segment to cater to the growing middle class <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Developing three-star and four-star hotels that provide comfort and accommodate Muslim needs, while being affordable ➤ Focus on accommodating the needs of the Muslim millennial travel segment who are digitally connected, ethically-conscious and look for genuine experiences |
| Digital Companies | Aggregate Muslim-friendly tours and activities online | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Globally there has been a shift from using traditional travel agencies to booking travel services online ➤ Accommodating Muslim needs extends beyond providing Muslim-friendly accommodation to providing Muslim-friendly tours and activities <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Platforms for guided tours and recreational activities. Tripfez is an example of a new company that is successfully filling this gap, but there is room for more |
| Government Agencies | Develop a unified standard & regulate Halal compliance | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Halal Travel regulation is in its infancy compared to Halal food, and in many instances there is a complete lack of regulation ➤ There is an opportunity for government agencies, as well as regional and OIC-level bodies, to develop a unified standard for Halal Travel <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Unified hospitality standard that allows for varying levels of compliance ➤ Standards for travel agencies that cover tours and activities |
| | Establish a tourism infrastructure fund to develop Muslim-focused real estate projects | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ A tourism infrastructure fund would support the much needed development of Muslim-focused real estate projects such as beach resorts and amusement parks <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ All-inclusive resorts ➤ Family-themed amusement parks |

Source: Thomson Reuters and DinarStandard analysis

21. In an interview for last year's State of the Global Islamic Economy Report 2015/2016, Laurent Voivenel, CEO of Hospitality Management Holdings (HMH) in the UAE, said that long-term sustainability of the tourism sector depends on the development of the mid-market sector that caters to the growing middle class.



Interview



Faez Fadhillah

Founder,
Tripfez (Malaysia)

What are the major developments in the Halal Travel industry over the last few years and how does Tripfez fit in?

The Halal Travel industry is one of the fastest growing segments in tourism. Firstly, the travel industry itself faces a highly competitive and globalized market. It needs and is looking for differentiation and localization of their products. Many new markets and customers are in Muslim majority countries. Those markets are looking for Muslim-friendly offerings. Secondly, Muslim travellers are changing their expectations of their travel experience. A decade ago, a Muslim was happy to find Muslim-friendly amenities during their travels. Over the past few years Muslim travellers have come to expect that their needs are taken into account by the global travel industry. Tripfez wants to contribute to the development of the Halal Travel industry by supporting hotels to understand and offer Muslim facilities and services, and offer accommodation providers a platform to showcase their offerings for Muslim travellers. We also want to inform Muslims about the amenities and services which are available to them, and empower them to make an informed choice.

How has the online Muslim-friendly hotels and tours booking sector performed compared to the broader Halal Travel category?

The Muslim-friendly hotels sector has seen a boom in the past year. Hotels which offer Muslim-friendly services and amenities have

substantially increased their business with our target customer. Muslims reward the effort of such hotels and book them in much higher frequency. We currently see on average a 42 percent higher conversion of Muslim-friendly hotels on our site. At the same time hotels are reaching out to us to learn how to offer more Muslim facilities. To see how eager hotels in non-Muslim countries are to offer a great Muslim-friendly experience to their Muslim guests is probably the highest reward for us and we are planning to increase those efforts in many more destinations.

The Halal Travel marketplace is seeing increasing competition among all key segments, with companies such as HalalBooking.com gaining market share. What strategic steps has Tripfez taken to stay ahead of the competition?

The main focus of Tripfez is our users. We constantly strive to increase the quality of our platform and inventory. It is essential that we improve the travel experience of Muslims around the world by offering as much information on as many destinations and accommodations as possible. We think any company which puts their users first will be on the right track. That being said, we are expanding the Salam Standard information on Tripfez rapidly, because it is the key drive of our endeavour, to proudly serve our Muslim users.

Are you planning to increase the number of product offerings as well as your geographic coverage?

Our main goal is to increase the inventory of hotels regarding the availability of Muslim-friendly amenities and services. We are focusing on covering a large numbers of hotels in prime destinations in Asia, the MENA, Europe and North America. We are looking to reach a global number of 100,000 hotels in those destinations by the end of 2016. We believe that a vast geographical reach of Muslim-friendly destination information is essential for our users.

What are the major operational and regulatory challenges faced by the industry overall, and to what extent do these affect your company as well?

One of the biggest challenges faced in this space are the high costs of operation to reach users and inventory. A related challenge is that the Muslim travel space is a highly fragmented market due to many different geographies, languages and cultures. The market is big and fast growing, but it is not a homogenous market like for example China, India or the U.S. But although it is highly fragmented, it is united by religious beliefs and practices. So to reach out to potential consumers requires huge investment in the form of marketing and brand awareness. While the fragmented market makes the Muslim travel space unique when compared to other segments of tourism, it is also quite challenging to create a uniform formula that suits the global market.

Tripfez managed to secure \$750,000 in financing. Was it a challenge to access Shariah-compliant financing?

The struggle was to find investors who look beyond the money, but also believe in the principles of the business. We are happy to have found real partners in our investors, who became advocates of Muslim travel and all the opportunities and the possibilities of helping people that comes with it. This was the reason it was important for us to find investors which also have a Shariah-compliant finance background. With the involvement of Malaysia Venture Capital Management Berhad (MAVCAP) we were able to find a partner that is a pioneer in the sector.

There is confusion in the Halal Travel market due to the lack of a global or regional standard that defines what travelers can expect from the term "Muslim-friendly hotel" or "Halal hotel". Is that why you launched your own standard, the Salam Standard?

We see Salam Standard as an information tool for Muslim travelers to make an informed choice on their travel purchase, such as hotel bookings. Our main focus is to provide information on which services and amenities are available and get ratings and reviews based on those Muslim specific facilities. With Salam Standard we want to empower the users themselves, without necessarily trying to create a unified regulation. With this, we are following similar strategies to other non-Muslim focused travel review standards. The current biggest opportunity in the Muslim-friendly hotels space lies with the accommodation providers themselves. By acknowledging their service responsibility for all their guests, they will have to create and offer more Muslim-friendly facilities. And this will drive the overall Muslim travel market forward in the near future.

What are the major unmet needs of Muslim consumers in the Halal Travel sector?

One of the biggest unmet needs of Muslim consumers in the travel space is the availability of Halal food in non-Muslim majority countries. In all surveys conducted around the globe, Halal food is considered to be the most important thing during the travels of a Muslim. In many countries hotels do not offer Halal food as a standard product. But many do offer it as an on-demand service, which can be pre-ordered before the arrival of a guest. One of our goals of our current product development is to make this feature more readily available to our users and offer them direct communication with hotels that offer the possibility of pre-ordering Halal food as a general option to their guests. In this way we hope to solve a big concern of many Muslim travelers visiting non-Muslim majority countries.



Interview



Sanya Saengboon

Managing Director & General Manager,
Al Meroz Hotel (Thailand)

What broad trends do you see in the Halal tourism industry, and what segments are poised to benefit?

I am sure in the next couple of years more and more Muslims from Central Asia and Eastern Europe will travel to this part of the world, especially Thailand. Halal restaurants, Halal hotels and resorts, and travel agents specialized in handling this unique market will all benefit from the increase in Muslim travel.

What would you consider to be the major developments in the Halal Travel Industry over the last few years and how has this impacted the launch of Al Meroz Hotel?

More Muslim people will travel if the destinations they are visiting provides facilities that match their requirements. Japan and Korea now have all facilities to accommodate this special group of travelers. We are very happy to be the pioneer in Thailand that can truly provide all facilities to their needs.

Please outline the story of how Al Meroz Hotel determined that the Muslim-friendly sector was a viable sector to address?

Five years ago, after speaking with travel industry people from Muslim countries, our CEO realized that this sector was untouched and that it was an opportunity for both local and international tourism.

Please outline your vision for the company over the next five years,

and what do you envisage to be the next key steps for the company to bring out this vision?

When the right time comes during the next 5 years we will definitely add more room accommodation and more meeting and function rooms. We want to develop our current land bank to something special for the local community and international visitors.

What are the major operational and regulatory challenges faced by the industry overall, and to what extent do these affect your hotel?

Our major operational challenge is to make people understand that a Halal hotel or Muslim-friendly hospitality is not just for Muslims but for everyone. It does not really affect our operation but people should be educated about Halal and Muslim-friendly hospitality.

How have you been able to finance your business?

We get good support from an Islamic bank here in Thailand and our financing is Shariah-compliant.

What are some of the success factors and opportunities for this industry?

A success factor for this market is to create awareness of the fact that there are 1.7 billion Muslims around the world. There are countless opportunities to cater for them, be it locally-made products, hotels and resorts, and travel agencies.





A model walks on the runway for Anniesa Hasibuan collection during New York Fashion week at Moynihan station, New York, USA. LEV RADIN / SHUTTERSTOCK.COM



Modest Fashion Sector

A new age of fashion has arrived. Modest Fashion is trending across cultures and national boundaries; especially as mainstream brands are waking up to the Muslim market. Muslim women in particular are driving this market forward, and are innovatively pushing boundaries within the fashion sector.

This, along with other factors, has meant that Muslim consumer spending on clothing is estimated at \$243 billion in 2015, 11 percent of the global market spend. This is a growth of 5.7 percent from the previous year. The revenues from Modest Fashion clothing purchased by Muslim women has been estimated at \$44 billion in 2015.

Such growth has naturally meant that more mainstream players in the fashion market have entered the field of Modest Fashion, with their own line of hijab, modest garments and related accessories. Dolce & Gabbana (D&G) launched its first ever collection of hijabs and abayas for the Middle East market in the beginning of 2016, Burberry launched its first Ramadan collection, and Uniqlo launched its second modest fashion range.

New ways to deploy Modest Fashion for societal benefit have also emerged as H&M debuted a hijab wearing model, Mariah Idrissi, in a commercial that encourages the retailer's customers to recycle their clothes. Education activist Malala Yousafzai collaborated with US-based Toms to create Malala Fund x Toms scarf where 100 percent of the profit from sales will go to support girls' education.

Unfortunately, several anti-Islamic expressions relating to Modest Fashion have arisen, such as the hacking of the Instagram accounts of several Muslim fashion retailers. This included the posting of anti-Islam content on these accounts, an issue that has since been addressed by Instagram. But this is not about to stop the mostly female Muslim trailblazers of this sector.

Incredible innovations continue to take place, with Dubai-based designer Manaal Al Hamaadi recently creating the first solar-powered abaya that can charge a portable electronic device on the go. The sector offers many opportunities, where there still a need for products that combine fashion and functionality, which is a great access point for people interested in innovating in this sector. The sector will undoubtedly continue to thrive as can be seen by the fact that this report estimates that Muslim spending on clothing is expected to reach \$368 billion by 2021.

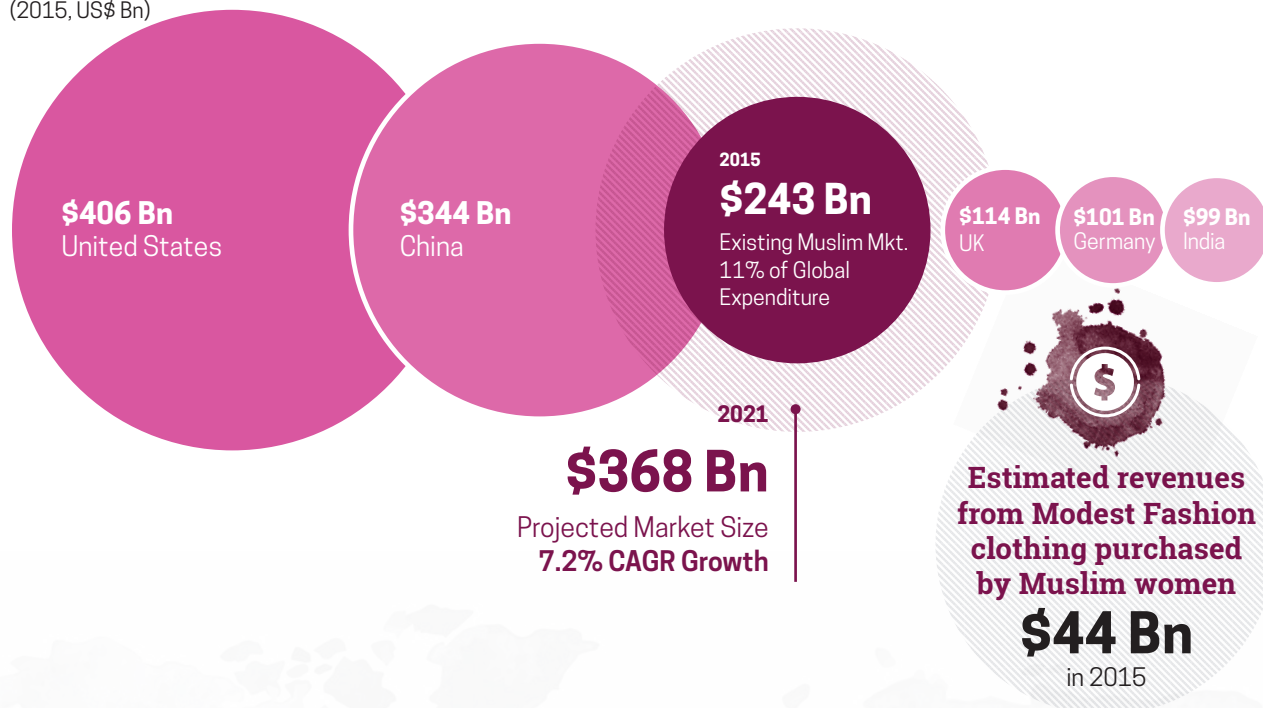
The clothing may be modest, its success is anything but.

MODEST FASHION

BENCHMARK

How does Muslim spend compare to global market spend? »

(2015, US\$ Bn)



THE MODEST FASHION INDICATOR

Which countries have the best developed ecosystem for Modest Fashion? »



*CRITERIA (From a total of 73 select countries)
Trade: Clothing Export to OIC Countries
Awareness: Number of News articles & Events
Social: Clothing Prices Index; Labor Fairness Index

Selected » key players

Raw materials inputs

Aker (Turkey)
Armine (Turkey)
Tekbir (Turkey)

Retailers

Matahari (Indonesia)
Harrods (UK)
Jo Lamode (Qatar)
Moshait (Indonesia)
Modanisa (Turkey)

Designers/Labels and Value Add manufacturers

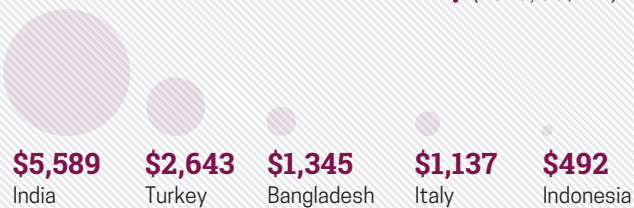
H&M (Sweden)
Aab (UK)
Itang Yunasz (Indonesia)
Naelofar (Malaysia)
Haute Hijab Ruh Collective (UK)

Which countries export the most clothing to OIC countries? ≡

\$21,926

China

(2015, US\$ Mn)



Clothing and apparel trade value by OIC member countries² ≡

\$510 Bn

Global Exports

\$78 Bn

OIC Exports

(2015, US\$ Bn)

\$465 Bn

Global Imports

\$42 Bn

OIC Imports

TOP MARKETS

Top Muslim consumer clothing expenditure markets ≡



(2015 est., US\$ Bn)

\$78 Bn

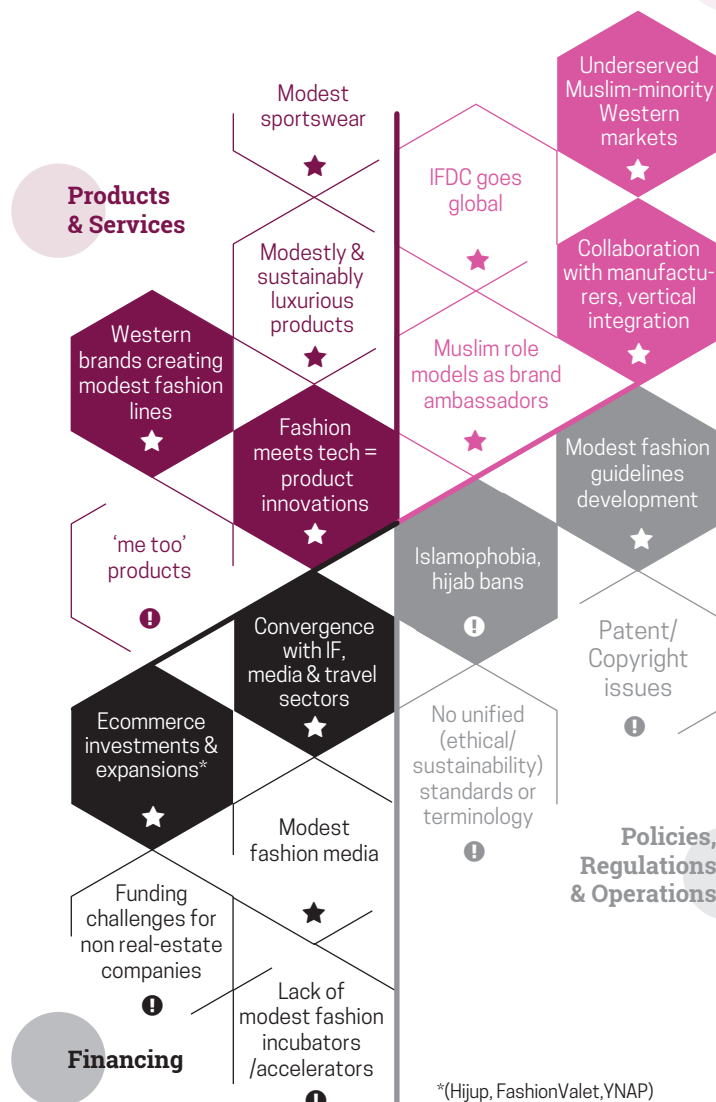
Value added clothing exports by OIC countries (15% of global exports)

\$36 Bn

Value-added clothing trade surplus by OIC countries in 2015

Issues and opportunities map ≡

Consumer needs and ecosystem



High Impact Issues Challenges Opportunities

¹ Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology.

² Product label: Articles of apparel and clothing accessories, not knitted or crocheted. Articles of apparel and clothing accessories, knitted or crocheted. Other made-up textile articles; sets; worn clothing and worn textile articles; rags.

Modest Fashion Indicator

The 2016 State of the Global Islamic Economy Report revisits the Modest Fashion Indicator (MFI) to evaluate countries' health and development of their Modest Fashion ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The United Arab Emirates, Turkey, and China lead this year's Modest Fashion Indicator ranking that focuses on the health of the Modest Fashion ecosystem in a country that is relative to its size and includes its related social considerations.

The indicator equally weighs three metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (clothing export to OIC countries)
- Awareness (Number of news articles and events)
- Social (clothing pricing and labour fairness indexes)

Below are the top 10 countries in the Modest Fashion Indicator.



| Modest Fashion | Sector Score | Clothing Export to OIC | Awareness Score | Social Score | GIE Ranking |
|----------------------|--------------|------------------------|-----------------|--------------|-------------|
| United Arab Emirates | 67 | 76 | 96 | 29 | 2 |
| Turkey | 29 | 57 | 5 | 26 | 17 |
| China | 28 | 53 | NA | 32 | 49 |
| India | 27 | 24 | NA | 56 | 30 |
| Italy | 27 | 16 | NA | 65 | 55 |
| Sri Lanka | 27 | 8 | NA | 72 | 22 |
| Bahrain | 26 | 12 | 24 | 41 | 3 |
| France | 26 | 9 | 2 | 66 | 44 |
| Singapore | 26 | 26 | NA | 52 | 11 |
| Togo | 26 | 0 | NA | 78 | 63 |

United Arab Emirates (UAE)

The UAE's efforts to establish Dubai as the capital of the Islamic Economy continue to pay dividends, as the country takes the first spot in this year's rankings. This is due mainly to its high level of exports to OIC countries, as well as a strong social score.

China

China currently occupies 3rd place on the ranking. While this is a decline of two spots from the position it occupied a year ago, 1st, the country is still by far responsible for the highest number of exports to OIC countries, valued at \$27 billion.

Turkey

Turkey occupies 2nd place in this year's rankings, showing strong improvement from 7th place in the previous year. Its improvement is also driven by high levels of clothing exports to OIC countries, with online shopping platforms such as Modanisa responsible for much of the recent growth.

Ups and Downs

India and Bahrain make their way into the top 10 this year at the expense of Burkina Faso and Senegal, with India occupying an impressive 4th place and Bahrain 7th.



Modest Fashion Market Sizing

Market size and profile — Global Muslim consumer spending on clothing at \$243 billion (11 percent of global expenditure), with revenues from Modest Fashion clothing purchased by Muslim women estimated at \$44 billion in 2015, estimated for the first time in this report series.

This Report estimates Muslim populations globally to have spent a total of \$243 billion on clothing in 2015, 11 percent of the global market spend of \$2.2 trillion. This is a growth of 5.7 percent from the previous year, and is higher than the global market growth of 3.5 percent. Muslim spending on clothing is expected to reach \$368 billion by 2021, a CAGR of 7.2 percent from 2015.

The Muslim market for clothing ranked third behind the United States (\$406 billion) and China (\$334 billion), and ahead of the United Kingdom (\$114 billion) and Germany (\$101 billion).

Muslim countries with the highest spend on Muslim fashion in 2015 were Turkey (\$25.7 billion), the United Arab Emirates (\$20.6 billion), Nigeria (\$16.1 billion), Saudi Arabia (\$15.3 billion), and Indonesia (\$13.3 billion). Russia and the U.S., countries with Muslim minorities, also spent \$11.4 and \$6.9 billion, respectively.

Revenues from Modest Fashion clothing purchased by Muslim women were estimated at \$44 billion in 2015, representing the amount of spend by females over the age of fourteen on modest apparel, excluding footwear. More detailed explanations of the approach taken to estimate these numbers are included in the Methodology Section towards the end of this report.



A model wears a creation by Anas Abdullah during the Islamic Fashion Festival at Kuala Lumpur Fashion Week in Kuala Lumpur, Malaysia. REUTERS/OLIVIA HARRIS

Social Listening – Consumer Sentiment

Approach

Earlier in the Report, our methodology and aggregated insights from millennials (18-35 age group) using social media listening based research was introduced. Here we present specific insights from millennials social media interactions on Modest Fashion. A total of 108,000 Halal modest fashion related Facebook 'posts and 'comments' from the millennial age group are analyzed here.

Geography interactions

In aggregate, the **top country where millennials were engaged with Modest Fashion sector topics was by a far margin, Indonesia (68.6k interactions) followed by Malaysia (5.3k), Singapore (1k), Pakistan (1.5k), and Taiwan (1.5k).** This shows the concentration of Modest Fashion activities among millennials in Indonesia. High interactions in non-Muslim majority countries of Singapore, Taiwan, Hong Kong, Philippines and USA is a reflection of the prominent interest from these markets in Modest Fashion category.

Volume of millennial interactions on Modest Fashion by country

| Country | Number of Interactions | Country | Number of Interactions |
|---------------|------------------------|----------------------|------------------------|
| Indonesia | 68.5K | Saudi Arabia | 900 |
| Malaysia | 5.3K | Bangladesh | 700 |
| Singapore | 1K | India | 500 |
| Pakistan | 1.5K | Nigeria | 500 |
| Taiwan | 1.5K | United Kingdom | 400 |
| Hong Kong | 1.2K | Egypt | 400 |
| Philippines | 1.2K | France | 300 |
| United States | 1.1K | United Arab Emirates | 200 |

Sentiment analysis

Based on an algorithm that factors in the conversational tone and words used in the interactions, a 'positive', 'negative' and 'neutral' sentiment score is given to interactions (English language ones only.) **From the interactions that were able to be analyzed for sentiment across Modest Fashion interactions, an overwhelming 82 percent of millennial interactions were with positive sentiment, 12 percent were negative, and 6 percent were neutral.** Significant positive sentiment is a reflection of large and growing interest in hijab and Muslim modest fashion by millennials in the prominent countries of Indonesia and Malaysia especially.

The majority positive sentiments by millennials are generally of the type of supporting modest wear/ hijab, or Modest Fashion promotions. The minority negative sentiment interactions were generally Islamophobic related (mostly from the US, Europe). Select actual interactions are referenced below (these have been made anonymous for privacy purposes.).

SUPPORT FOR MODEST WEAR/HIJAB

“ I think the most remarkable thing I saw today was when I to get in to the cafeteria and saw a Jew man wearing a Kipa and a muslim girl wearing a Hijab laughing and sharing food, in fact they are good friends; that was a beautiful scenario. As a country we may be not perfect however something good about it is how peaceful coexist people from different racial group and religion.”

“ Hijab is not to remove all beauty from a woman. Rather, it is to let her define her sense of beauty by donning the dress and character that pleases God. When Muslim women are asked why do they wear hijab, the simple answer is, “Because God asked me to” not “Because men asked me to.” Hijab is about Allah (swt) and submitting to His will and trusting His way. VirtualMosque.com”

MODEST FASHION/ HIJAB PROMOTIONS

“ Want to be HIJAB FREE dariCANTIK.COM? Let's just follow the instructions below:
1. Like FB Fanpagecantik.com:www.facebook.com/imcantik 2. Share this image
3. Mention to @imcantik and 3 friends you #CANTIKhijabgratis”

“ Assalamualaikum Ukhty Sholehah..... Again nyari Gamis cheap and quality??? shar'i dressed because guns have to be expensive..... yuk Kepoin fp <http://hijabsahla.com/>”><http://hijabsahla.com/> Karna #hijabSahla sell hijabs syari, robe, and Muslim women's clothing at affordable prices & guaranteed guns make perforated bags.... oh yes..... <http://hijabsahla.com> is one that,

God willing Olshop Aman.nyaman.ramah.dan trustful. So the guns need to worry yes..... Do not forget to follow Giveaway is also yes, good luck..... Barakallahu fiik #Hijabsahla” (translated from Bahasa Indonesia)

“ Beijing muslim ski tour 5d4n, china!!!! You want to surf snow in beijing china? We provide the best travel package in beijing as low as rm927 including ground arrangement. This package is starting in december 2016 to february 2017. Do not miss your chance and quickly book your holiday with us. Any questions or more information, you can contact our travel agent. Thank you. #ZamarTravel #PercutianMurah #HoneymoonPackage #GroundArrangement #MuslimTour #MsTasha

'BURKINI' AT BEACHES

“ Secularism is a simple concept. Don't interfere with a person's right to worship and exercise their beliefs. Don't judge others. If it is criminal then it is criminal. Wearing “too much” clothes is no one's business.” I just came back from Ayvalik area. On the beaches and waterfalls, I swam side to side with “burkini” women. I was proud to be in this country where women can practice their religion and swim and ski and drive and vote and travel and inherit and compete in sports and walk their dogs and whatever. It is tolerance. It is acceptance. I accept that we, human beings (and animals), have to coexist.”

ISLAMOPHOBIC THEMES

“ The clash of civilizations: Muslims attacked a tourist in Corsica and committed mayhem because they didn't like him taking photos of Muslim women in “burkinis.” “



A shop assistant of the "Irada" confession fashion store, which specializes in female clothing and is popular among women including Muslim believers, works on the day marking Eid al-Adha (Kurban Bairam) in Moscow, Russia. REUTERS/MAXIM ZMEYEV

Top keywords & hashtags

From across the Modest Fashion interactions captured, the most common terms and hashtags were: #hijab. (hijab in Arabic language), Muslim, Allah, Hijab, and #hijabers. It is obvious that the term hijab is central to millennials interactions around Modest Fashion. Most of them related to the numerous hijab/ modest fashion 'bloggers' and experts promoting their various comments on Modest Fashion especially linked to hijabs.

Aggregate of all sectors keywords and hashtags

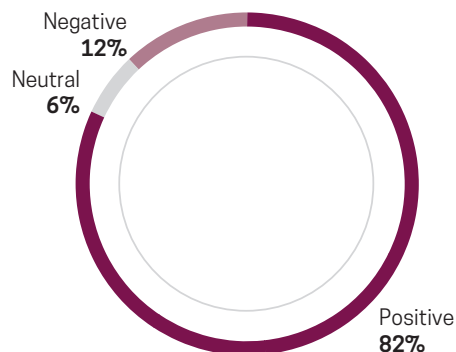
Keywords & Hashtags

| | |
|---------------|------|
| #hijab | 3.2K |
| حجاب | 2.4K |
| Muslim | 500 |
| Allah | 400 |
| Hijab | 300 |
| #hijabers | 300 |
| Islam | 200 |
| #ootd | 200 |
| #jilbab | 200 |
| #like4like | 200 |
| Islamophobia | 100 |
| Subhanallah | 100 |
| #muslimah | 100 |
| #hijabista | 100 |
| #fashion | 100 |
| #latepost | 100 |
| #hijabfashion | 100 |
| #makeup | 100 |
| #subhanallah | 100 |
| #likeforlike | 100 |
| #hijabstyle | 100 |

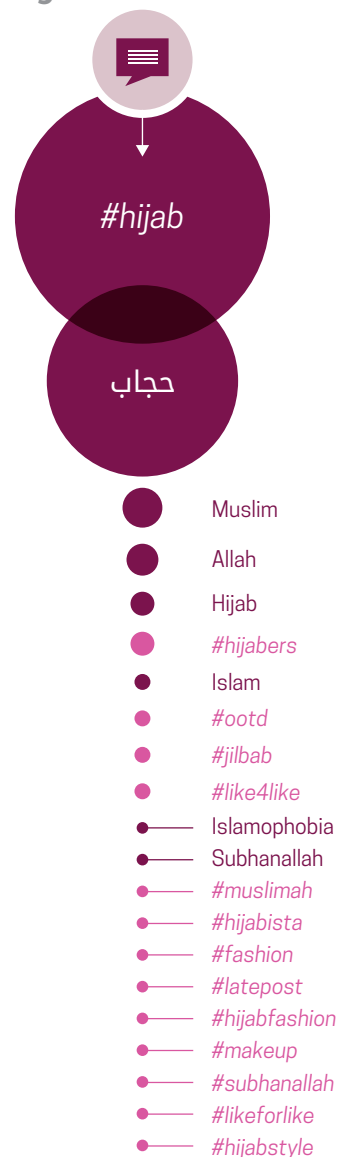
Gender profile

Millennial women (65.4k/ 65 percent) dominate the millennial interactions around Modest Fashion with men representing only 24 percent (24.4k). In terms of sentiment, both male and female interactions were the same with men slightly more positive. For select hashtags the interaction is even higher by women millennials. For example, #hijab had 91 percent women and #hijabers, #jilbab were 100 percent women.

Sentiment distribution of Islamic Modest Fashion related interactions



Top Facebook keywords and hashtags



● Facebook keywords ● Facebook hashtags

Current Landscape and Trends

Key players across the value chain

| Value Chain | Segments | Select key players | |
|-------------------------|-----------------------|--|---|
| | | Mainstream Companies addressing Modest Fashion | Modest Fashion Companies |
| Raw materials inputs | Textile manufacturers | Hangzhou Huacuiyuan Silk Co (China) Deqing Erdemei Scarf Factory (China) Beximco (Bangladesh) Aker (Turkey) | Armine (Turkey) Tekbir (Turkey) |
| | Hijab/Womenswear | Uniqlo (Japan) Dolce & Gabbana (Italy) Mango (Spain) Melinda Looi (Malaysia) Cotton Ink (Indonesia) | Aab (UK) Itang Yunasz (Indonesia) Naelofar (Malaysia) Haute Hijab |
| Designers/labels | Sustainable fashion | H&M (Sweden) | Ruh Collective (UK) SHUKR (UK) |
| | Ethnic clothing | Khaadi (Pakistan) Gene Martino (Malaysia) Ghea Sukarya (Indonesia) Arabesque (UAE) | Dian Pelangi (Indonesia) DAS Collection (UAE) Rabia Z (UAE) |
| | Sportswear | Marks & Spencer (UK) House of Fraser (UK) Modest Sea (USA) | Assila (China) Nashata (Malaysia) Mumine (Belgium) Veil (USA) Alsharifa (USA) |
| Value add manufacturers | | Gul Ahmed (Pakistan) Dongguan Hong Xin Fashion Factory (China) | PT Shafira LarasPersada (Indonesia) Elzatta (Indonesia) Alya Sarah (Malaysia) |
| Retailers | Brick and mortar | Matahari (Indonesia) Landmark International (Middle East) Harrods (UK) Zara (Spain) | Jo Lamode (Qatar) Moshait (Indonesia) |
| | E-commerce | Zalora (Singapore) Souq.com (UAE) Yoox Net-a-Porter (UK) | Modanisa (Turkey) Islamic Design House (UK) Sefamerve (Turkey) Hijup (Indonesia) Saqina (Indonesia) |

High growth segments

➤ **Clean and contemporary designs, frequently mixed with local elements, are gaining traction among the young and urban, Muslims as well as non-Muslims:**

➤ **The designs of Saudi designer Reem Al Kanhal** have been worn by international and regional fashion icons such as blogger Leandra Medine, Lily Cole, Anne Vyalitsnya, and Samar Seraqui de Buttafoco. Reem Al Kanhal won the Arab Women Award for Best Designer in

2015. Her work, mainly featuring contemporary interpretations of traditional Arab clothing, was showcased during the Vogue Dubai Fashion Experience.¹

➤ **Sportswear and swimwear is a high-growth segment within Modest Fashion that is attracting new players as well as mainstream modest fashion companies:**

¹ "Introducing the Young Talents of the Vogue Fashion Dubai Experience", Vogue, November 2015.

- **UK retailer Marks & Spencer (M&S) launched its first burkini collection.** The three-piece sets are sold on the store's website in the UK and at the company's flagship store in Marble Arch, London. Previously, the modest swimwear collection was only available in Dubai and Libya.²
- **Ethical modest fashion is a high growth area with a growing number of players addressing the opportunity globally:**
 - **SHUKR** is an Modest Fashion industry pioneer that has consistently upheld its ethical values. Since its establishment in 2001, SHUKR has expanded its distribution in many countries
 - **Zinia K³** and **Ruh Collective⁴** are examples of Modest Fashion brands that specialize in natural fabrics and ethical manufacturing
 - **Zynira.com** is an online retailer specializing in ethical apparel and Halal personal care products.⁵
- **Formal and luxury wear is a high growth segment not only in the GCC but also globally. This segment especially has high potential to grow around special events such as Ramadan, Eid and wedding seasons:**
 - **Jo La Mode in Qatar, Ush Boutique in Dubai and House of Fraser Abu Dhabi** are some outlets in the GCC that stock luxury abayas and modestly cut gowns from various designers and labels
 - **Irna La Perle**, the luxury label of Indonesian designer Irna Mutiara, is sold at upscale department stores in Indonesia and has made

appearances at international events such as the Istanbul Modest Fashion Week

- Moroccan-born designer **Nadia Zein** has been selling her modest formal wear among the Muslim immigrant community in Spain⁶
- Since 2015, luxury online retailer **Net-A-Porter** has prepared the Ramadan version of The Edit, its weekly online magazine. The Ramadan Edit features exclusive apparel and accessories from labels such as Etro Fendi, Emilio Pucci and Oscar de la Renta.⁷

Current and emerging leaders in the Modest Fashion industry

- **Several startups are showing signs of maturity by opening brick and mortar stores and expanding their product lines:**
 - Following the opening of its flagship store in 2015, UK Modest Fashion label **Aab** has opened another store at The Broadway, a mall in Westfield, London⁸
 - **SHUKR** opened its second store in Amman, Jordan⁹
 - Singapore-based Modest Fashion label **Sufyaa** announced plans to expand to neighboring Malaysia¹⁰
 - **Malaysia-based label Naelofar announced plans to set up an office in New York.¹¹** Launched in 2014 by actress Noor Neelofa Mohd Noor, Naelofar has quickly grown into an umbrella brand with three product

2 http://fashionartdesign.salaamgateway.com/en/fashion-art-design/story/MS_burkinis_mark_arrival_of_modest_sportswear_into_mainstream_say_UK_modest_fashion_companies_-SALAAM26042016104353/, accessed on 9 August 2016.

3 Ziniak company website, <http://www.ziniak.com/>, accessed on 9 August 2016.

4 Ruh Collective company website, <https://www.ruhcollective.com/>, accessed on 9 August 2016.

5 "Zynira.com The New Marketplace For Ethical Fashion And Halal Personal Care Products!", Halal Trade Zone, May 2016.

6 "Moroccan origin stylist Nadia Zein combines modesty and style", Jeune Afrique, August 2015.

7 "Net-A-Porter fetes Ramadan with exclusive edit", Luxury Daily, May 2016.

8 "Six new names announced by Westfield for The Broadway shopping centre in Bradford", Telegraph & Argus, October 2015.

9 Shukr company website, <http://www.shukr.co.uk/blog/index.php/2015/12/shukr-expanding-in-jordan/>, accessed 9 August 2016.

10 http://www.salaamgateway.com/en/fashion-art-design/story/INTERVIEWSingapore_modest_fashion_brand_Sufyaa_eyes_regional_expansion_-SALAAM28022016070100/, accessed 9 August 2016.

11 "Naelofar Hijab to make foray into New York", The Rakyat Post, February 2016.

lines: Naelofar Hijab, Naelofar Abaya, and Lofalens contact lens^{12, 13}

- **Verona Collection, a US-based Modest Fashion company that started its business online, has opened a store in Florida.**¹⁴ The shop is located at Orlando Fashion Square and is one of the first Islamic wear stores to open in a mainstream mall in the U.S.
- **Turkey-based online Modest Fashion retailer Modanisa.com in collaboration with the Islamic Fashion and Design Council (IFDC) organized Istanbul Modest Fashion Week, Turkey's first international modest fashion week.** The event was attended by notable Modest Fashion designers, bloggers and fashion personalities from 25 countries, from Azerbaijan to Indonesia¹⁵
- **Events have served as a driving force to converge and promote the Modest Fashion industry:**
 - **Italian Vogue, the Dubai Design and Fashion Council, and chairman of Emaar Properties Mohamed Alabbar organized the Vogue Fashion Dubai Experience as a platform for promoting emerging designers from the Middle East, Africa and Asia.**¹⁶ The event featured many modest clothing designers, including award-winning Saudi designer Reem Al Kanhal
 - **Indonesia's Modest Fashion e-commerce platform Hijup.com showcased the work of four Indonesian designers at the International Fashion Showcase section of London Fashion Week.**¹⁷ This is the first time that Modest Fashion made an appearance at the event, which was covered widely by media channels, including the BBC and CNN.

- **Dubai-based Islamic Fashion and Design Council (IFDC) has been active in developing partnerships and coming up with initiatives to grow the Modest Fashion industry:**
 - **IFDC has launched Pret-A-Cover™**, a program that offers a range of supporting services to retailers and designers so they can attract the valuable modest wear consumers. In launching the program, IFDC has partnered with Bangladesh-based garment manufacturing company Beximco
 - In Indonesia, IFDC has forged collaboration with the organizers of leading fashion events such as **Jakarta Fashion Week and Muslim Fashion Festival Indonesia (MUFFEST)** to enable designers from the UAE and other countries to appear on the runways of the world's most populous Muslim nation
 - **The leading fashion event in Qatar, Heya Arabian Fashion Exhibition, entered its ninth year in 2016.** The women-only event has become a hub for fashion entrepreneurs and consumers in the GCC as well as being a key element of Qatar's tourism industry¹⁸
 - **Recognizing the rise and popularity of celebrity-created labels, a fashion bazaar called CelebFest has been organized in Singapore.** CelebFest is an annual event that gathers celebrities and fashion icons from Indonesia, Malaysia, and Singapore¹⁹
 - **To serve the 172 million Muslim market in India,** a growing number of online retail sites are catering to the specific needs of Islamic fashion consumers. These sites include MyBatua.com, Abaaya.in, Islamicshop.in, Islamic-attire.com and Mubarak Deals.²⁰

Investment and finance

- **Several notable venture capital investments relating to the Muslim fashion market have**

12 Naelofar Hijab company website, <http://naelofarhijab.com/pages/about-us>, accessed 9 August 2016.

13 "Naelofar Hijab to make foray into New York", The Rakyat Post, February 2016.

14 "Modest Muslim Clothing Store Hopes To Cater To People of All Faiths", The Huffington Post, May 2016.

15 "Azerbaijani kelayagi on show at Turkey's Modest Fashion Week", Azernews, September 2016.

16 "Introducing the Young Talents of the Vogue Fashion Dubai Experience", Vogue, November 2015.

17 http://www.salaamgateway.com/en/fashion-art-design/story/Modest_Fashion_or_Fashioning_Modesty_HijUp_Unveiled_at_London_Fashion_Week-SALAAM12042016062423/, accessed on 9 August 2016.

18 Heya Arabian Fashion Exhibition website, <http://heya.qa/>, accessed on 9 August 2016.

19 CelebFest company website, <http://www.celebfest.co/>, accessed on 8 August 2016.

20 "When an abaya is both modest and modish", The Times of India, April 2016.

occurred in the past year, signaling investor's interest in this segment:

- **The Qatari Mayhoola investment fund bought the French luxury fashion label Balmain** for close to 500 million euros (\$563 million)²¹
- **Dubai-based Alabbar Enterprises bought a 4 percent stake in Yoox/Net-a-Porter (YNAP) in a deal valued at \$111 million.** Following the investment, the high-end luxury site is expected to potentially target more Middle Eastern customers²²
- **Malaysia's online Modest Fashion retailer Fashion Valet received a multi-million-dollar Series B strategic investment by Start Today Co., the operator of Japan's largest online fashion mall, ZOZOTOWN.** The funding came a year after its Series A investment from US-based Elixir Capital. With the newly injected capital, FashionValet plans to expand its operations in Singapore and Indonesia.²³
- **Crowdfunding platforms are emerging as an alternative venue for Modest Fashion-related projects to raise funds:**
- **Veil, a U.S.-based startup that has successfully raised funding for its climate-adapting hijab on Kickstarter, is launching a modest sportswear line** on the same crowdfunding site.²⁴

Regulatory developments

- Having organized the 2015 Round Table Discussion on Modest Fashion in Turin, Italy, the Dubai Islamic Economy Development Center (DIEDC) is developing Modest Fashion guidelines for industry players. The guidelines are being developed with the goal to educate potential as well as existing market players on the requirements of Islamic modest

clothing as well as the cultural variety and ethical responsibility of the industry.

Innovation

- **More mainstream players have entered the Modest Fashion market with their own line of hijab, modest garments and related accessories:**
- **Italian luxury label Dolce & Gabbana (D&G) launched its first ever collection of hijabs and abayas for the Middle East market in the beginning of 2016.** This collection was followed by a Ramadan and Eid abaya collection a few months later²⁵
- **Uniqlo, a Japanese brand, partnered with famous designer Hana Tajima** to launch a collection featuring tops, bottoms, and dresses, along with kebayas and hijabs, complete with Uniqlo's AIRism technology—a patented material that is thin, light, highly breathable and quick-drying.²⁶ Consecutively, Uniqlo has also announced the launch of the collection in Japan, which will be followed with more launches in China, South Korea, Taiwan, Hong Kong and Australia²⁷
- **Spanish brand Mango launches a Ramadan collection for the second year.** The launch of the collection has drawn some criticism because some elements seems to portray a lack of understanding of Muslim women's demographics and lifestyle²⁸
- **UK luxury fashion brand Burberry launched its first Ramadan collection** on its website. The collection features handbags in addition to gowns and dresses.²⁹
- **Several innovative new hijab and modest wear products have been developed:**

21 "Valentino's Qatari Owners Acquire French Fashion Brand Balmain", Bloomberg, June 2016.

22 http://www.salaamgateway.com/en/fashion-art-design/story/What_does_the_AlabbarYNAP_deal_mean_for_the_Mideast_fashion_world-SALAAM02052016081429/, accessed on 8 August 2016.

23 "Malaysia's Fashion Valet secures Series B funding from Japan's Start Today", Deal Street Asia, March 2016.

24 "Fore More Modest Workout Clothes, Women Look to Sportswear Startup 'Veil' ", Time Magazine, June 2016.

25 "Exclusive preview: Dolce & Gabbana's Ramadan and Eid abaya collection", The National, May 2016.

26 "7 Reasons Hana Tajima's New Uniqlo Collection Is A Win For Modest Fashion", InStyle.co.uk, March 2016.

27 "Uniqlo and Tajima take Islamic fashion to the world", Nikkei Asian Review, June 2016.

28 "The 4 Big Problems With 'Ramadan' Fashion Collections", Refinery29, June 2016.

29 "Burberry's First Ramadan Collection", Mode-sty blog, June 2016.

- ✎ **Singapore hijab designer Adlina Anis announced patent-pending earphone-friendly hijab Ninja Echo**, which promises to make it easier for women who wear the hijab to put in earphones or use a stethoscope³⁰
- ✎ **Swedish designer Iman Aldebe has created a line of fashionable turban interpretations** as an alternative way of wearing the *hijab*³¹
- ✎ **Dubai-based abaya designer Manaal Al Hammadi introduced a solar-powered abaya** prototype at the **Solar Expo during the World Future Energy Summit in Abu Dhabi**. The abaya features solar panels and hidden cellphone charging ports, which enables the wearer to charge her cellphone on the go.³²
- ✎ **New Modest Fashion and accessories labels created by celebrities and fashion personalities have launched:**
 - ✎ In Malaysia, female celebrities including **Noor Neelofa Mohd Noor, Emma Maembong, Elfira Loy** and others have created their own line of hijab labels³³
 - ✎ US fencing medalist **Ibtihaj Muhammad** has launched her own Modest Fashion label, Louella
 - ✎ UK-based hijab blogger **Amena Khan** has launched a new range of false eyelashes with eyelashes company Lashionery.³⁴
- ✎ **Several innovative ways to deploy Modest Fashion elements as tools of education and activism have emerged:**
 - ✎ **H&M debuted a hijab-wearing model, Mariah Idrissi**, in a commercial that encourages the retailer's customers to recycle their clothes³⁵
 - ✎ **Education activist Malala Yousafzai collaborates with Toms, a US-based footwear and fashion accessories company, to create Malala Fund x Toms Scarf**. 100 percent of the profits from the sales of the scarf goes to the Malala Fund to support girls' education.³⁶
 - ✎ **Nigeria-based Haneefah Adam creates Hijarbie, an Instagram account featuring Barbie dolls dressed modestly and fashionably** as an alternative fashion reference for Muslim young women³⁷
 - ✎ **Australian app Mod Markit is applying the 'sharing economy' concept to the Modest Fashion industry**. The app enables users to shop, swap, and sell Modest Fashion from their wardrobe or other people's wardrobes.³⁸

30 "Earphone-friendly hijab", The Straits Times, January 2016.

31 "The Rise of 'Islamic Chic' and Hijab Haute Couture", Fair Observer, July 2015.

32 "Solar-Powered Abayas Light up the Abu Dhabi World Future Energy Summit", Style.com/Arabia, January 2016.

33 "M'Sian Star Elfira Low Swaps Acting For Fashion", The New Paper, June 2016.

34 "Luxurious New Lashes", Amena Official, March 2016.

35 "H&M Debuts First Hijab-Wearing Muslim Model in New Video Campaign", NewsBeat Social YouTube Channel, September 2015.

36 "Malala fund x Toms Scarf", Toms website, <http://www.toms.com/malala-fund-toms-scarf>, accessed on 9 August 2016.

37 "This 'Hijab Barbie' May Be The Cutest Style Star on Instagram", Mic Network Inc., February 2016.

38 ModMarkit company website, <http://www.modmarkit.com/>, accessed on 8 August 2016.



U.S. Olympic team fencer Ibtihaj Muhammad poses for photographers on the red carpet as she arrives for the TIME 100 Gala in Manhattan, New York, U.S. REUTERS/SHANNON STAPLETON

Key Challenges

Marketing and sales challenges

➤ **Several anti-Islamic incidents relating to Modest Fashion have occurred, creating an atmosphere of discouragement and negativity around the industry:**

➤ Several Muslim fashion retailers and influencers' Instagram accounts were hacked in April 2016. The attack deleted images and posted anti-Muslim content on accounts with hundreds of thousands of followers, including those belonging to Australia's fashion outlet Hijab House, Modest Fashion personality Nabilla Bee, and fashion and lifestyle blogger Mariam Moufid. Instagram has since reinstated the hacked accounts³⁹

➤ **Laurence Rossignol, France's minister for families, children, and women's rights, publicly criticized Modest Fashion on a TV show**, saying "it was irresponsible for companies to make and market such clothing"⁴⁰

➤ **At the Olympic Games in Rio de Janeiro, female Egyptian volleyball athletes were singled out in the Western media for wearing modest clothing** compared to their German opponents, prompting anti-Islamic sentiment. U.S. fencer Ibtihaj Muhammad was also subjected to online abuse for wearing a hijab⁴¹

➤ **More and more mainstream brands are entering the Modest Fashion industry. Some of them exhibit a lack of understanding of Islamic principles, Muslim lifestyle and cultural nuances.** Mango and D&G's Modest Fashion line launches have invited criticism due to the styles and price range offered, the choice of models

and the limited geographic areas where they are launched. By contrast, Japan's Uniqlo has been praised for its efforts in involving a Muslim designer with a cosmopolitan background and its inclusive approach in marketing their Muslim-friendly fashion line.⁴² To be successful in this market, it is essential for mainstream brands to understand that Muslims are not a monolithic group and that they need to cater to different Muslim lifestyles.

Financing challenges

➤ **Obtaining financing still a challenge.** In many Muslim markets, fashion is still seen as a home-based industry with limited growth opportunities, which makes it challenging for fashion entrepreneurs to obtain institutional financing. Crowdfunding websites are an alternative venue for raising funds, but currently only very few Modest Fashion projects have been successful in raising funds on online platforms.

Regulations and operations challenges

➤ **Adapting the production process from design through to production and delivery to address increased demand.** Emerging Modest Fashion companies often find it challenging to respond quickly to market changes, resulting in missed opportunities.

➤ **Due to their small scale operations, leveraging manufacturers to turn designs into garments at the scale and in the timeframe needed is a challenge for Modest Fashion businesses. As a result, in-house production is frequently required.**

39 "Islamic fashion houses, including Hijab House, targeted by racist hackers", ABC News, April 2016.

40 "The French Culture Wars Continue", The New Yorker, May 2016.

41 "The Internet Goes Nuts Over This Picture Of Olympic Volleyball: Egypt vs. Germany", The Daily Wire, August 2016.

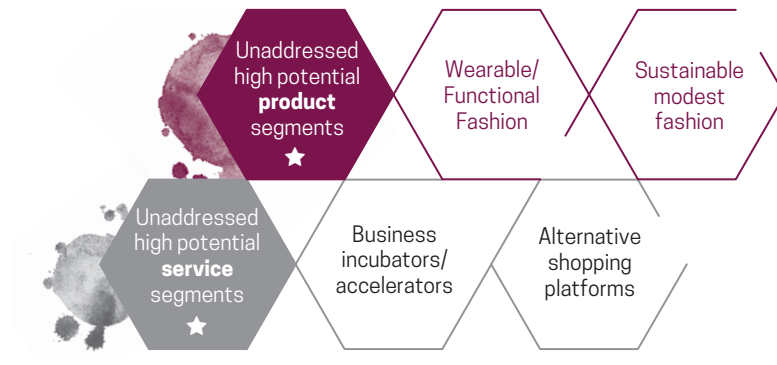
42 "Here's Why Uniqlo Is Poised To Nail The Muslim Fashion Market", The Huffington Post, February 2016.

Opportunities

Opportunities by product/services segment

Despite increasing competition in the Modest Fashion industry, there are several high potential segments that remain unaddressed across products and services.

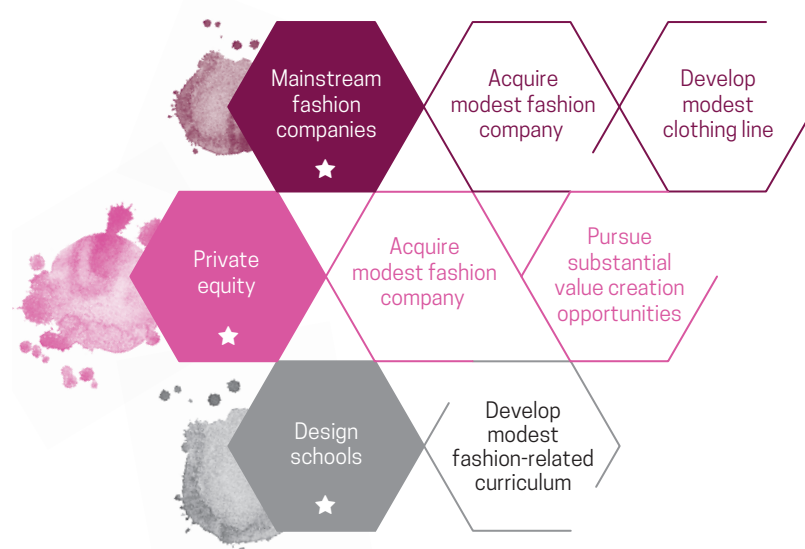
Largely unaddressed product and service segments



Opportunities by stakeholder

The Modest Fashion sector offers a range of opportunities for stakeholders across the value chain.

Opportunities by stakeholder type



Existing opportunities in Modest Fashion

| Opportunity | Explanation |
|---|--|
| Wearable/Functional Fashion | <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> ✎ Muslims have a variety of unique needs pertaining to their daily lifestyle. There is still ample room for innovative fashion or wearable products that better serve the lifestyle needs of Muslim men and women <p>Potential:</p> <ul style="list-style-type: none"> ✎ Products that combine fashion and functionality to serve the unique pain points of Muslims. The earphone-friendly Ninja Echo hijab and Veil's climate-adapting hijab are some examples of such innovations |
| Sustainable modest fashion | <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> ✎ The Quran states that Muslims should care for the environment and not be extravagant in their consumption. In the meantime, practices in the apparel and fashion industry are rampant with ethical and environmental issues <p>Potential:</p> <ul style="list-style-type: none"> ✎ Sustainable and ethical fashion is a growing trend globally. There is a great opportunity to grow fashion labels that are both modest and sustainable |
| Business incubators/accelerators | <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> ✎ Muslim fashion entrepreneurs frequently find difficulties in growing their business due to a lack of mentoring and funding <p>Potential:</p> <ul style="list-style-type: none"> ✎ There is opportunity to cultivate global modest fashion brands through business incubators |
| Alternative shopping platforms | <p>Unmet Muslim demand:</p> <ul style="list-style-type: none"> ✎ Many modest fashion startups have thrived through the e-commerce model. There are uncharted possibilities to apply other innovative shopping models to the modest fashion market <p>Potential:</p> <ul style="list-style-type: none"> ✎ Mobile commerce and subscription services are a couple examples of many viable opportunities that can be explored by modest fashion players |

Source: Thomson Reuters and DinarStandard analysis

Key stakeholder analysis

| Stakeholders | Action | Analysis |
|------------------------------|---|---|
| Mainstream fashion companies | Acquire modest fashion company | <p>Rationale:</p> <ul style="list-style-type: none"> ✎ Acquiring a modest fashion company gives a mainstream fashion company instant access to the acquired company's client base <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ✎ Acquisition of companies in emerging economies with high Muslim populations such as the GCC, Malaysia, Indonesia and Pakistan will help grow a mainstream fashion company's customer base in these regions |
| | Develop modest clothing line | <p>Rationale:</p> <ul style="list-style-type: none"> ✎ By developing a modest fashion line, a mainstream fashion company brings diversification to its product offering, resulting in new sales potentials from customers with affinity for more covered clothing ✎ Many leading brands, from D&G to Tommy Hilfiger, have adopted this strategy <p>Main areas of opportunity:</p> <p>Forging collaborations with emerging designers, labels, and distribution channels in Muslim communities</p> |
| Private equity | Acquire modest fashion company | <p>Rationale:</p> <ul style="list-style-type: none"> ✎ Fashion is a core sector addressed by private equity firms, with modest fashion a high-growth, high potential segment ✎ Many modest fashion firms struggle to get the capital needed for expansion, and private equity will help provide the capital and expertise needed <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ✎ There are substantial opportunities to acquire a leading label among more than 146 key modest fashion labels.⁴³ In particular, one that has a strong management team, strong brand identity and following |
| | Pursue substantial value creation opportunities | <p>Rationale:</p> <ul style="list-style-type: none"> ✎ Once a company is acquired — there are substantial value creation opportunities to scale a brand in terms of customer segments and geography <p>Main area of opportunity:</p> <ul style="list-style-type: none"> ✎ Private Equity firms are well-positioned to enhance marketing efforts, strengthen management team as well as exploring incubating new concepts |
| Design schools | Develop modest fashion-related curriculum | <p>Rationale:</p> <ul style="list-style-type: none"> ✎ Industry stakeholders need a good understanding of Muslim cultures and Islamic requirements in order to create a modest fashion line that is well-received by the largely religious target market <p>Main area of opportunity:</p> <ul style="list-style-type: none"> ✎ Mainstream fashion companies and designers interested to tap into the conservative clothing market. |

Source: Thomson Reuters and DinarStandard analysis

43. http://www.salaamgateway.com/en/fashion-art-design/story/current_consolidation_activity_and_potential_in_islamic_modest_fashion-salaam10032016064009/



Leadership Article



MODEST FASHION REVOLUTION

By Duygu Demir
Brand Manager
Modanisa

modanisa.com 

Muslim fashion designers reflect on a rapidly growing industry. While established names continue to gain traction in their respective regions, new labels and designers of Modest Fashion clothing are emerging all over the globe. As the Modest Fashion industry continues to grow rapidly in 2016, there has been notable recognition by mainstream western media.

Muslim consumers have been estimated to spend \$243 billion on apparel and footwear in 2015. This number is larger than the current clothing markets in the UK (\$107bn), Germany (\$99bn) and India (\$96bn).¹

Although all clothing purchases made by Muslim consumers does not qualify as Modest Fashion, a number of drivers suggest the Modest Fashion industry will be continue to thrive.

First and foremost, the “importance of religion” plays a major role in a considerable number of Muslim lives. 88 percent of the population in Muslim majority countries define religion as ‘important’. Secondly, the average age in Europe and the United States is an estimated 44 years, whereas in Muslim majority countries, the average age is an estimated 30 years. Moreover, the purchasing power of young consumers tends to grow over the years.

The third important growth driver for the Modest Fashion industry is an economic one. The gross domestic product (GDP) of

countries with a majority Muslim population is projected to grow at an average of 5.4 percent a year, which is faster when compared to a 3.4 percent annualized GDP growth rate for Europe and the United States over the next few years. Lastly, 29 percent of the global population is projected to be Muslim by 2030.²

A large number of local fashionistas, entrepreneurs and designers have been rushing to seize the opportunity within the Modest Fashion industry in the last few years. However, a number of players outside of local entrepreneurs and designers trying to jump on the Modest Fashion bandwagon have been identified. Large international brands such as DKNY, H&M and Uniqlo have all created collections to cater to the Muslim market. D&G launched its abaya and hijab collection more recently. This unveiling caused discussions in the luxury fashion world and flashed a light on the other design houses that want to follow.

This new perspective on the Muslim consumers reminded the western industry

¹ 2015-2016 State of the Global Islamic Economy Report, <http://www.dinarstandard.com/state-of-the-global-islamic-economy-report-2015/>

² 2015-2016 State of the Global Islamic Economy Report, <http://www.dinarstandard.com/state-of-the-global-islamic-economy-report-2015/>

that for the longest time Muslim consumers have been treated as passive, but they are more active than ever and brands need to adhere to their specific needs to prevent outcasting. 2016 has been a year to prove this right. Now, it requires being innovative in order to stand out in the increasingly competitive environment.

Modest Fashion is a way to empower Muslim women and give them choice, and help them express themselves.

Attempts to create a pan-global Muslim community among industry leaders, designers and influencers via Modest Fashion weeks held around the world have encouraged community growth.

Istanbul Modest Fashion Week, Turkey's first international Modest Fashion event brought together the leading designers, influencers and buyers. The organization proved itself to be a global platform for Modest Fashion and received more than 10,000 participants which included national and international journalists, featured fashion shows, designer boots, workshops and conferences. The events took place in the impressive atmosphere of Haydarpaşa Station, an Ottoman-era railway station, with old-fashioned train cars.

Modanisa.com is Turkey's first and world's most popular online Modest Fashion

shopping website³. The fashion power house showcases more than 30,000 casual styles, evening dresses, shawls, scarves, sportswear, swimwear and accessories from 300 brands and 30 international designers to more than 9 million monthly visitors. Muslim women from 100 countries all over the world choose Modanisa for Modest Fashion shopping. The company acted as the main sponsor of Istanbul Modest Fashion Week with the goal of making Istanbul the Modest Fashion capital and creating a unity among the Muslim fashion community.

The event has received significant attention and played a great role in raising awareness regarding Modest Fashion on a global scale. There have been numerous articles written by the world's most renowned press associations' including the New York Times, The Guardian, US News, Business of Fashion, and many others. This awareness, topped by Indonesian Muslim designer Anniesa Hasibuan's show at New York Fashion week featuring hijab, is a huge leap forward in creating a cultural shift in today's society to bring together a community filled with young, bright, and empowered Muslim women.

3 Global Islamic Economy Report 2014 (GIES), Thomson Reuters



Interview



Altaf Alim

Commercial Director,
Aab (UK)

What broader trends do you see in the fashion industry and which product segments are poised to benefit?

One of the more noticeable trends over the past year has been the growth of the 'athleisure' (casual wear) sector. The growth here has impacted modest wear in that it has allowed us to branch out more into loungewear and active wear, broadening the range of our offering and of the modest wear sector in general. In addition, with the rise of Halal Travel experiences, we are launching our own resort wear collection.

How does the growth of the global Muslim population affect your business?

The rapid projected growth of the Muslim population is great for us — it means we are operating in a market naturally poised for growth. Of course, the larger market size can only result in more demand, which is definitely a good thing.

How has the addressable market for modest fashion performed compared to the broader fashion category, both globally and in the UK?

Although many mainstream conventional brands have been struggling recently due to macroeconomic factors, which definitely haven't been helped in short-term in the UK by the effect of Brexit, the modest wear market has, in our experience, actually

experienced growth. We saw a healthy improvement on Ramadan sales and had double-digit percentage growth online, which is reflective of the latent demand which has only recently begun to be met.

The modest fashion marketplace is maturing with increasing competition among all key segments, in particular womenswear. What strategic steps has your brand taken to stay ahead of the competition?

The increasing competition has been good in that it's reflective of the increasing size of the market, and has led to the Muslim consumer becoming much more demanding. To respond to this, we're seeking to strengthen our Omni-channel retail operation by looking to further develop our website, increasing social media engagement, and of course increasing our physical brand presence with regards to stores to ensure that the brand is always strongly represented. Our customers can shop online, over the phone and in-store.

What steps has your brand taken to expand its product offering and geographical coverage?

The most recent major steps we have taken are the expansion of our brick-and-mortar offerings, particularly with the opening of our store in Bradford, UK. Although setting up the stores has required very high capital investment, in the long-term they

are instrumental in reinforcing the brand and helping to increase awareness of, and customer engagement with, our products.

What is your vision for Aab over the next five years, and what do you envisage to be the next key steps?

Having proven the concept of the brand in the UK market, we're now looking to export the retail proposition into overseas markets as a franchise. We're seeking out the right partners and brands who can complement our offering and enable us to tap into new markets. Also, the online sector continues to offer major growth opportunities, as global comfort levels regarding online shopping improve, as does the general infrastructure, including payment and delivery systems. Over the next five years we're looking to continue investing in the brand and marketing in order to ensure we are able to make the most of the growing market and population. Our experience with brick-and-mortar stores has also shown us that, rather than just purchasing modest wear, people are buying into the lifestyle. We're looking into launching fragrances and expanding our range of complementary offerings, perhaps by offering a basic homeware collection.

How have you been able to finance your business and do you think access to shariah-compliant financing remains a significant challenge?

The business has largely grown organically, which is a testament to the rapid growth of the modest fashion market. Whilst growth in this manner may take slightly longer, it does ensure we have complete control over the business and the direction we wish to take it in. In our experience, although there's lots of hype around Shariah-compliant financing — and it's definitely an area with great potential — it's at a nascent stage at the execution level in terms of actually closing investments to offer opportunities for SMEs.

What are the major unmet needs of Muslim consumers in the modest fashion industry and what role could investment play?

Due to the growth of the industry, I actually believe there's now a huge amount of choice available in the modest fashion market. There are many brands, each with their own unique DNA and approach to the market, which is great for the discerning Muslim consumer. Investment could definitely be used to greatly accelerate the speed-to-market of retail propositions, as what could ordinarily take five years could now be achieved in 18 months. However, ultimately, the success of a proposition is grounded in a solid business concept that can demonstrably produce revenue, regardless of how much investment can be raised.



Interview



Andy Santoso
CFO,
HijUp (Indonesia)

What broader trends do you see in the fashion industry and which product segments are poised to benefit from this trend?

The major Muslim fashion trend is the one suitable for daily activities tailored for each country's taste and weather. We think that each product has its own segments that fit with this trend, so all products will benefit. For instance, vests (undershirts) can be used daily everywhere.

How does the growth of the global Muslim population affect HijUp?

We are very optimistic with the growth of the global Muslim population as the market for Muslims is the fastest growing market in the world. In the Halal lifestyle, as well as the Muslim fashion industry, we are very certain that if the Muslim fashion industry goes global, it cannot only be enjoyed by those who are Muslim but by all women who like the modest fashion style. We hope that the industry will give a positive image towards Islam. Since the establishment of HijUp, we see the instrumental growth to our business. We continue to grow double digits in the last few years and foresee this trend

How has the e market for modest fashion performed compared to the broader fashion category, both globally and in Indonesia?

The modest fashion market has been growing faster both globally and in Indonesia than that of the general one. In fact, it grew three fold

in 2015. We see that there are many regular brands that are starting to target the Muslim fashion market, such as Uniqlo, H&M, Dolce & Gabanna, although they are not focused yet in this segment.

The modest fashion marketplace is maturing with increasing competition among all key segments, in particular womenswear. What strategic steps has HijUp taken to stay ahead of the competition?

By curating and providing good quality products at affordable prices and being Shariah-compliant, HijUp, being a trendsetter, will be able to stay ahead.

What steps has HijUp taken to expand both its product offering and distribution?

In terms of products, we collaborate with the designers to make special products and maintain the supply. In terms of distribution, we collaborate with local and international shipping companies and plan to have a warehouse abroad.

What is your vision for HijUp over the next five years, and what do you envisage to be the next key steps?

HijUp is an abbreviation of "Hijab Up". We believe that by wearing hijab as a Muslim, we are not impeding ourselves from being active and powerful, on the contrary, we are bringing energy and power to women wearing it. This is the vision of HijUp -Muslim women

are confident for being a Muslim and wearing hijab. As we are growing our e-commerce market share in Indonesia and Southeast Asia, our next step is to establish our presence in Singapore and Malaysia so that our customers benefit from the world-known Indonesian designs from HijUp, yet still get tailored offerings that suit local tastes.

What remain the major operational and marketing challenges faced by the industry overall, and to what extent do these affect HijUp?

As the market is getting bigger and the industry gets more players, the competition is getting more challenging. The local fashion players still have a lot of homework to do in terms of scaling up the business, manufacturing and supply. On the other hand, the competition from bigger competitors or the incumbent brands are also more competitive. Therefore, our biggest challenge is to support the local designers to grow, maintain the quality of the product, maintain good branding and positioning, and maintain good relationship with the consumers. HijUp is well positioned to make the local fashion players shine in this world by bringing their products to our international customers.

How have you been able to finance your business and do you think access to Shariah-compliant

financing remains a significant challenge?

We have been able to secure funding from several venture capital firms from Indonesia and the Silicon Valley. Shariah-compliant financing is still a significant challenge both in Indonesia and the rest of the world, but we were able to make sure that the venture capital firms that invested in us gave us the Shariah-compliant terms we requested.

What are the major unmet needs of Muslim consumers in the modest fashion industry?

We found that the supply chain is still an issue for the industry. Sometimes the demand is much higher than supply. Furthermore, due to the limited manufacturing capacity, the price of the product becomes more expensive. This is one of HijUp's priorities, to connect the designers to the manufacturer.

What role do you think investment – in particular venture capital – will have in shaping the modest fashion industry going forward?

In our opinion, the venture capital world will shape the modest fashion industry in innovative ways. We envision the marriage between the fashion and high-tech worlds, to deliver innovative online shopping experiences, and to develop custom-made/ready-to-make fashion and just-in-time manufacturing.





Halal Media and Recreation Sector

In 2016/17, Muslims are reclaiming their narrative. For over a decade, Muslims around the world have faced the challenge of having their narrative be defined by others. No more. This year saw three Somali-Canadian siblings open Qurtaba Publishing House, with the vision “to define our narrative, our stories, our perspectives and reclaim the voice of Muslims”. In a similar fashion, Muslim Ink, a magazine for Muslims in the 21st century, was launched with an aim to address “the absence of genuine Muslim voices in the media”.

Such a confident approach from Muslim storytellers has resulted in a confident Islamic Economy. This report estimates Muslim populations globally to have spent a total of \$189 billion on Halal Media and Recreation in 2015, which is five percent of the global market figure of \$3.7 trillion. Not only is this a five percent growth from the previous year’s figure, it is also higher than the global market growth of 3.8 percent.

With such growth, it is little wonder that mainstream companies have sought to invest in the potential of the Islamic Economy. Publishing giant Simon & Schuster launched Salaam Reads, the first imprint focusing on children and young adult books, featuring Muslim characters and experiences. Leading publisher Mifflin Harcourt utilized their most famous children’s book character, Curious George, to target the Muslim audience through their Ramadan Edition. This edition gained the unique combination of both critical and commercial success, with the pre-order phase on Amazon being sold out.

While there are challenges, such as a notable lack of community support for the arts and media sector, especially financial support, the future for this sector is nevertheless bright. Important innovations are taking place, such as Islamic Tunes in Malaysia, a self-styled Halal digital content marketplace. The sector also offers many areas of opportunity, such as having interactive, educational programs for children, something Muslim Kids TV has attempted to address.

With such growth, innovation and opportunity, the Halal Media and Recreation sector is expected to reach \$262 billion by 2021. The sector is already ranked seventh globally behind only countries such as the United States, Japan and China. A lucrative and growing sector, made distinct by the confidence of its leading storytellers and innovators, should inspire nothing but confidence in its future investors as well.

HALAL MEDIA & RECREATION SECTOR

BENCHMARK

How does Muslim spend compare to total global spend? »

(2015, US\$ Bn)

\$1,142 Bn
United States

\$261 Bn
Japan

\$254 Bn
China

\$244 Bn
UK

\$207 Bn
Germany

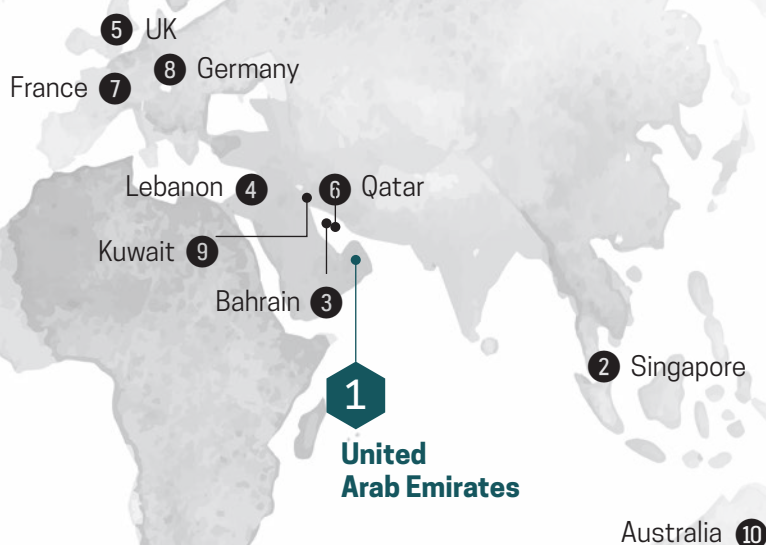
2015
\$189 Bn*

*Existing Muslim Market
5.1% of Global Expenditure

2021
\$262 Bn
Projected Market Size
5.6% CAGR Growth

THE HALAL MEDIA & RECREATION INDICATOR

Which countries have the best developed ecosystem for Halal Media and Recreation? »



*CRITERIA (From a total of 73 select countries)
Supply drivers relative to country size (Recreation exports to OIC)
Awareness (Number of News Articles and events)
Social (Internet access Index)

Selected » key players

Distribution channels

Peace TV (UK)
Islam Channel (UK)
British Muslim TV (UK)
Eman Channel (UK)
Ruju Murgam (India)

Services

Halal Ad (Denmark)
Muslim Ad Network (USA)
Ogilvy Noor (Global)

Production

NA3M (New Arab Media) (Jordan)
Engare (Iran)
5 Pillar Games (Saudi Arabia)
Darussalam (UK)
International Islamic Publishing House (Saudi Arabia)

\$10 Bn

Media & recreation imports by OIC countries (6.7% of global imports)

\$7 Bn

Media & recreation trade deficit by OIC countries in 2015

Media and Recreation trade value by OIC* member countries ≈

(2015, US\$ Bn)

\$136 Bn

Global Exports

\$3 Bn

OIC Exports

\$149 Bn

Global Imports

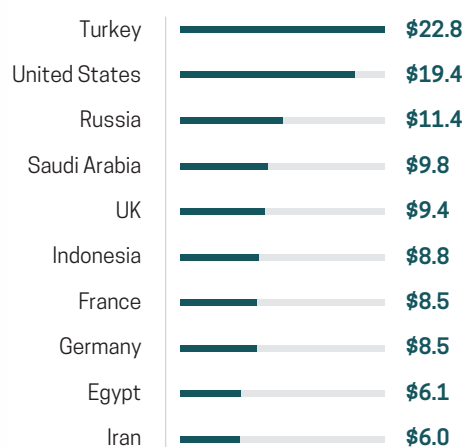
\$10 Bn

OIC Imports

* Only for print (news, books, other) toys, games, sports, cultural recreational services, media and other information services.

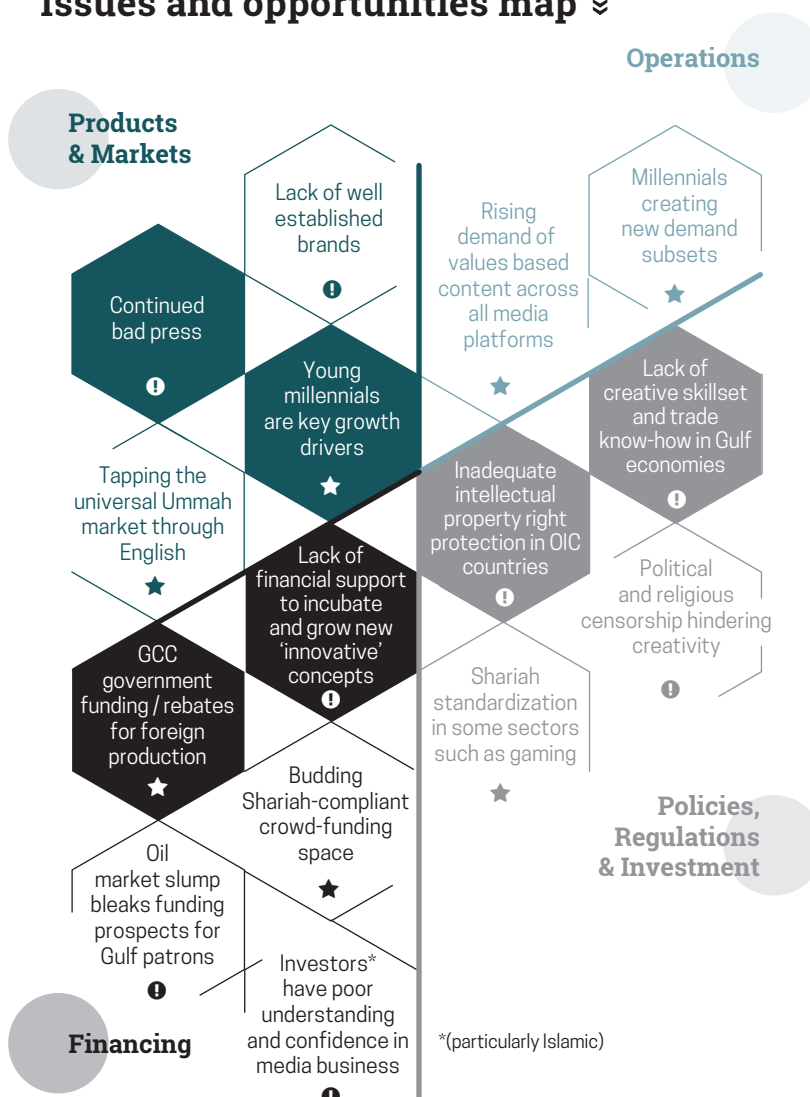
TOP MARKETS

Top Muslim consumer media and recreation expenditure markets ≈



(2015 est., US\$ Bn)

Issues and opportunities map ≈



¹ Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology.

Halal Media and Recreation Indicator

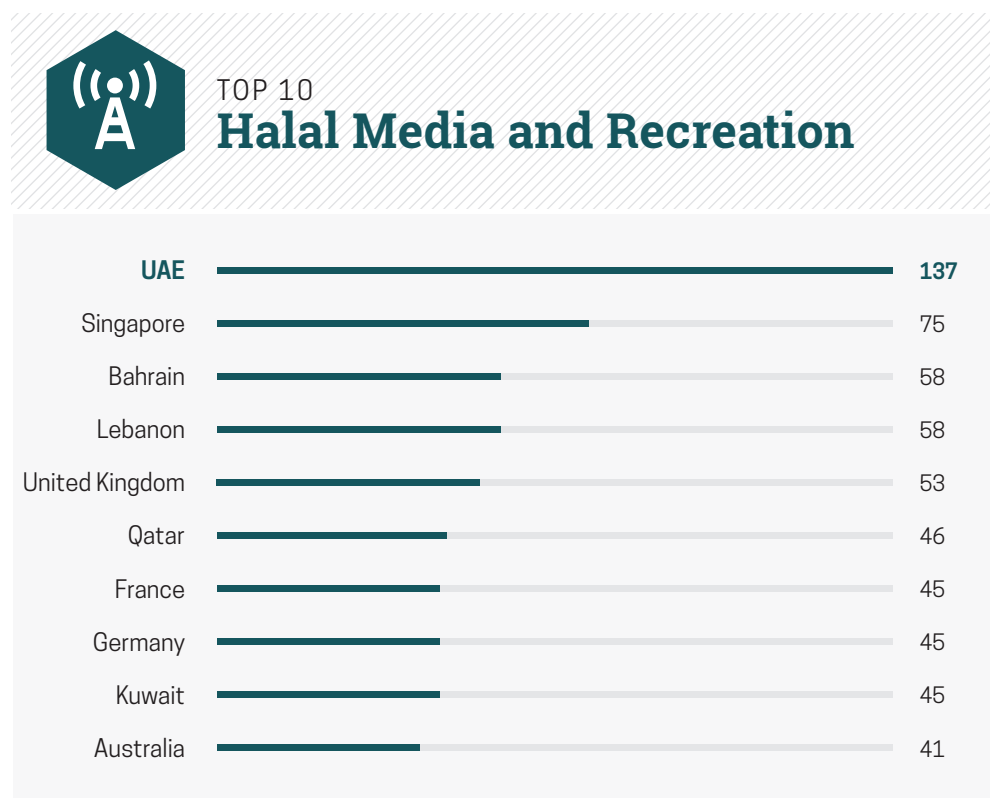
The 2016 State of the Global Islamic Economy Report revisits the Halal Media and Recreation Indicator to evaluate countries' health and development of their family-friendly/Islamic media and recreation ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The United Arab Emirates, Singapore and Bahrain lead this year's Halal Media and Recreation Indicator ranking that focuses on the health of the family-friendly/Halal media and recreation ecosystem a country has relative to its size, including its related social considerations.

The indicator equally weighs three metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (recreation exports to OIC countries)
- Awareness (number of news articles and events)
- Social (Internet access Index)

Below are the top 10 countries in the Halal Media and Recreation indicator.



| Halal Media and Recreation | Sector Score | Recreation Exports to OIC | Awareness Score | Social Score | GIE Ranking |
|-----------------------------|--------------|---------------------------|-----------------|--------------|-------------|
| United Arab Emirates | 137 | 240 | 49 | 122 | 1 |
| Singapore | 75 | 123 | NA | 102 | 11 |
| Bahrain | 58 | 7 | 42 | 125 | 3 |
| Lebanon | 58 | 41 | 35 | 98 | 28 |
| United Kingdom | 53 | 24 | 9 | 125 | 25 |
| Qatar | 46 | 2 | 19 | 119 | 8 |
| France | 45 | 20 | NA | 114 | 44 |
| Germany | 45 | 16 | 3 | 117 | 51 |
| Kuwait | 45 | 2 | 29 | 105 | 7 |
| Australia | 41 | 8 | NA | 115 | 19 |

United Arab Emirates (UAE)

The UAE overtakes Singapore in this year's ranking, mainly due to its increased level of recreation exports to OIC countries, as well as an improved awareness score and maintaining a relatively high social score. The country has begun to increase its foothold in the sector, including through greater investments and infrastructure projects, such as Dubai Internet City, a \$1.2 billion project.¹

Singapore

Although overtaken by the UAE, Singapore nevertheless maintains a strong position in the rankings at 2nd place. While the country has maintained its social score, its exports to OIC countries have declined, and have therefore also contributed to a decline in its overall ranking in the indicator.

Bahrain

Bahrain occupies 3rd place in this year's ranking, an improvement of 4 places from last year's ranking of 7th place. While the country's exports are low, its social score is quite high and is driven by the highest internet penetration rate (along with the UK) of all countries measured at 90 percent.

Ups and Downs

Qatar and Kuwait make their way into the top 10 this year at the expense of the United States and Canada. Both GCC countries' entry into the rankings is driven by high internet penetration rates—Qatar at 85 percent and Kuwait at 75 percent.

1 "Ongoing Dubai construction projects said to be worth \$400bn", Arabian Business, 2016.



Halal Media and Recreation Market Sizing

Market size and profile — Global Muslim consumer spending on Halal Media and Recreation at \$189 billion in 2015 (five percent of global expenditure):

This Report estimates Muslim populations globally to have spent a total of \$189 billion on Halal Media and Recreation in 2015, five percent of the global market of \$3.7 trillion. This is a growth of five percent from the previous year, and is higher than the global market growth of 3.8 percent.

Muslim spend on Halal Media and Recreation is expected to reach \$262 billion by 2021, a CAGR of 5.6 percent from 2015.

The Muslim market for media and recreation ranked seventh globally, behind the United States (\$1.1 trillion), Japan (\$261 billion), China (\$254 billion), the United Kingdom (\$244 billion), and Germany (\$207 billion).

The top 10 Muslim markets with Halal Media and Recreation expenditure were equally split between Muslim-majority and Muslim minority countries. The top six included Turkey (\$22.8 billion), the U.S. (\$19.4 billion), Russia (\$11.4 billion), Saudi Arabia (\$9.8 billion), the UK (\$9.4 billion) and Indonesia (\$8.8 billion).

In addition to the U.S., Russia, and the UK, other Muslim-minority countries in the top 10 included France and Germany, which each spent \$8.5 billion.



A general view shows the newsroom at the headquarters of the Qatar-based Al Jazeera English-language channel in Doha. REUTERS/ FADI AL-ASSAAD

Social Listening – Consumer Sentiment Barometer

Approach

Earlier in the Report, aggregated insights from millennials (18-35 age group) using social media listening based research was introduced. Here we present specific insights from millennials social media interactions on Halal Media and Recreation services. A total of 98,800 Halal Media and Recreation related Facebook 'posts and 'comments' from the millennial age group are analyzed here.

Geography interactions

In aggregate, the **top country where millennials were engaged with Halal Media and Recreation sector topics was by a far margin, Pakistan (48.5k interactions) followed by Saudi Arabia (5.3k), India (5.2k), Turkey (4.9k), and Indonesia (4.2k).** Pakistani millennials prominence is a reflection of high volume of Islamic themed media in the country and high levels of social media engagement. Following countries of Saudi Arabia, India, Turkey, Indonesia and UAE also have strong Halal Media and Recreation services.

Volume of millennial interactions on Halal Media and Recreation by country

| Country | Number of Interactions | Country | Number of Interactions |
|----------------------|------------------------|-------------------------|------------------------|
| Pakistan | 48.5K | Jordan | 1K |
| Saudi Arabia | 5.3K | Lebanon | 1K |
| India | 5.2K | United Kingdom | 1K |
| Turkey | 4.9K | Germany | 900 |
| Indonesia | 4.2K | France | 800 |
| United Arab Emirates | 3K | Bangladesh | 500 |
| Iraq | 2.6K | Canada | 300 |
| Morocco | 2.5K | Palestinian territories | 300 |
| Egypt | 2.3K | Nigeria | 300 |
| United States | 2.2K | Afghanistan | 300 |
| Malaysia | 1.4K | Italy | 200 |

Sentiment analysis

Based on an algorithm that factors in the conversational tone and words used in the interactions, a 'positive', 'negative' and 'neutral' sentiment score is given to interactions (English language ones only.) **From the interactions that were able to be analyzed for sentiment across Halal Media and Recreation interactions, an overwhelming 82 percent of millennial interactions were with positive sentiment, 12 percent were negative, and 7 percent were neutral.** Interactions referencing topics such as 'happiness,' 'sibling' 'Alhamdulillah' 'gratitude' seem to reflect positive engagement with Islamic themed media topics.

Top keywords & hashtags

From across the Halal Media and Recreation interactions captured, the most common terms and hashtags were: #bilal (an upcoming Islamic themed animated movie, #iqra, sibling, Allah, Birthday, #duawo (urdu language word meaning prayers.) It is obvious that the term hijab is central to millennials interactions around modest fashion. The most popular topic of #Bilal the movie reflects the excitement around high quality Islamic themed entertainment.

Aggregate of all sectors keywords and hashtags

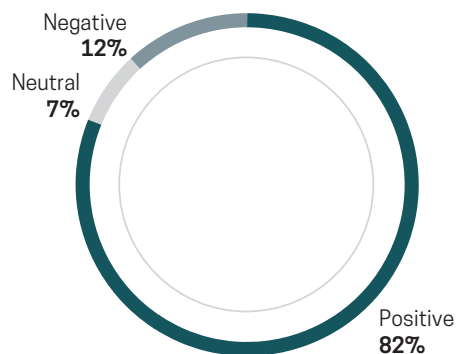
| Keywords & Hashtags | |
|----------------------------------|------|
| #bilal | 1.2K |
| #iqra | 800 |
| #kaḥaḥiya | 700 |
| #ṣḥaḥzādū | 700 |
| Sibling | 600 |
| Allah | 600 |
| Birthday | 400 |
| #duawo | 300 |
| #afzzz | 300 |
| #assalam_walaikum_my_all_frndzzz | 300 |
| #love | 200 |

Gender profile

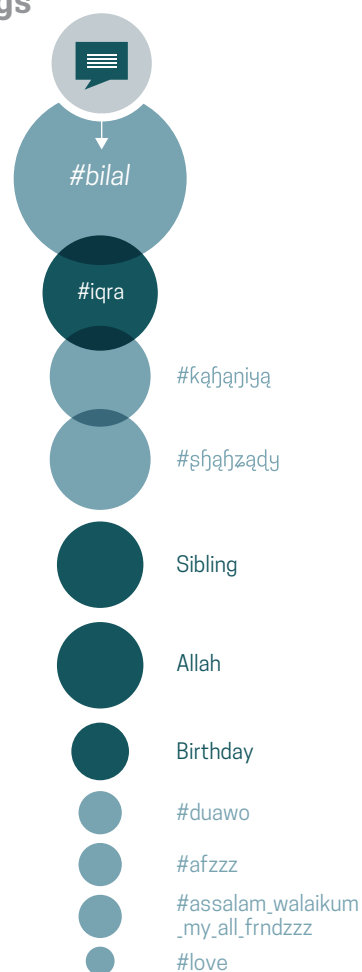
Millennial men (65.7k/ 66 percent) dominate the millennial interactions around Halal Media and Recreation with women representing 30 percent of the interactions (29.5k). While for specific top topics/ hashtags, men were the majority, the hashtag #iqra had majority women interactions.

Note: Detailed and relevant individual commentary was not accessed for Halal Media and Recreation.

Sentiment distribution of Halal Media and Recreation related interactions



Top Facebook keywords and hashtags



● Facebook keywords ● Facebook hashtags

Current Landscape and Trends

Key players across the value chain

| Value Chain | Segments | Select key players | |
|-----------------------|------------------------|--|---|
| | | Mainstream Companies addressing Halal | Islamic/ Halal Companies |
| Production | Video games | Ubisoft (USA) | NA3M (New Arab Media) (Jordan) |
| | | Activision (USA) | Engare (Iran) |
| | | Rubicon (UK) | 5 Pillar Games (Saudi Arabia) |
| | | Electronic Arts (USA) | |
| | Print content | Simon & Schuster (USA) | Darussalam (UK) |
| | | Modern Library (USA) | International Islamic Publishing House (Saudi Arabia) |
| | | Houghton Mifflin Harcourt (USA) | Kazi Publications (USA) |
| | | Penguin Random House (USA) | IQRA (USA) |
| | | Marvel (USA) | Awakening Publications (UK) |
| | Films | Tiglon (Turkey) | Barajoun Entertainment (UAE) |
| | | Kinostar(D) (Germany) | SplitMoon Arts (USA) |
| | | Farabi Cinema Foundation (Iran) | |
| | Digital Apps/ Services | Apple Siri (USA) | Muslim Pro (Singapore) |
| | | iTunes (USA) | Quran Companion (USA) |
| | | | Productive Muslim (USA) |
| | | | Ramadan Legacy (USA) |
| | | | IslamicTunes (Malaysia) |
| Distribution channels | Terrestrial television | Channel Four (UK) | Peace TV (UK) |
| | | BBC (UK) | Islam Channel (UK) |
| | | DW (Germany) | British Muslim TV (UK) |
| | | PBS (USA) | Eman Channel (UK) |
| | | HistoryTV (USA) | Ruju Murgam (India) |
| | | Discovery (USA) | Iqra (Saudi Arabia) |
| | | Al Jazeera (Qatar) | Al Huda (Egypt) |
| | | MBC (Saudi Arabia) | Manara TV (Nigeria) |
| | | Press TV (Iran) | Al Majd (Saudi Arabia) |
| | Online media | Netflix (USA) | Alchemiya (UK) |
| | | Amazon Prime Video (USA) | Muslim Kids TV (Canada) |
| | | | Bayyinah TV (USA) |
| | | | IECON TV (USA) |
| | | | |
| Services | Marketing | Memac Ogilvy (UAE) | Halal Ad (Denmark) |
| | | Trans Arabian Creative Communications (Saudi Arabia) | Muslim Ad Network (USA) |
| | | | Ogilvy Noor (Global) |
| | | | |

High growth segments

➤ **Religious TV channels are thriving. There are now over 180 Islamic channels globally in six languages, with several new channels launching catering to Muslim needs:**

- **Eman Channel** is a new free-to-air Islamic TV channel launched in the UK that will also be available online. The channel's content will focus more on religion and lifestyle than politics, and is supported internationally by renowned Muslim figures such as Mufti Ismail Menk, Shaikh Abdur-Raheem Green, and Shaikh Abdur-Raheem McCarthy, who will have their own programs²
- Universal Islamic Research Center (UIRC), a Hyderabad (India) based Da'wah organization has launched **Ruju Margam**, the first Islamic TV channel in Telugu. India, with the second biggest Muslim population in the world, has more than 100 million Telugu speakers³
- To spread Islamic teachings, **Manara Television** and radio stations have been launched by a leading Nigerian Islamic group, targeting West Africa. The new channel is expected to benefit both Muslims and non-Muslims by helping them to understand the teachings of Islam⁴
- The world's largest pan-Islamic body, the 56-member **Organization of Islamic Cooperation (OIC)**, is planning to launch a new television channel. Maha Mustafa Akeel, the OIC's communications director, said the new channel would be broadcast across the world and discuss issues affecting Muslims and creating awareness of Islamic teachings.⁵

➤ **Animation is a significant area of opportunity, with popular Muslim comic**

book characters gaining significant traction with younger consumers:

- **Samurai Akiyama** is a manga about a Muslim brother and sister who fight off demons to protect their village. It illustrates the heroic character of Muslims. Modern day manga are Japanese-style comics, which originated in the mid-1900s. It is part of the Muslim Manga Project, which uses manga to help enlighten people on what Islam really teaches by creating manga style comics that address current issues⁶
- **Dunia**, a new and original children's action-comedy animated series, was commissioned by ICFLIX, the Middle East and North Africa's leading online streaming service. Dunia, Arabia's first teen female superhero, follows the adventures of a lively 12-year-old girl who uses her secret martial art skills to fight injustice and reinforce positive social behavior with her peers. The series, mainly targeted at children aged 12 and below, is produced in Arabic, but will also be available in English and French making it accessible to a wider audience.⁷
- **Islamic-themed movies are maturing as a media segment, with several new movies planned:**
 - Oscar-winning screenwriter David Franzoni is to work on a biopic about the 13th-century Iranian poet **Jalaluddin al-Rumi**. Producers hope to begin shooting the film in 2017 and would like to cast Leonardo DiCaprio to play Rumi⁸
 - Pakistan's first-ever animated TV series **Burka Avenger** premiered on the big screen in the British Southbank Center Arts Festival. Its lead character, a school teacher named Jiya who becomes a black burqa-clad avenger

2 "New Islamic channel launches on Sky", 5Pillars UK, May 2016.

3 "RUJU MARGAM : First Telugu Islamic TV Channel", MuslimMirror, June 2015.

4 "Manara television and radio launches in Nigeria", Pulse.ng, December 2015.

5 "OIC television channel to project Muslim viewpoint", Arab News, October 2015.

6 "The Muslim Manga Project", MuslimMatters.org, September 2015.

7 http://www.salaamgateway.com/en/media-recreation/story/ICFLIX_to_premiere_new_original_Arabic_animated_production_for_kids_worldwide-SALAAM09112015042926/, accessed on 8 August 2016.

8 "Rumi film will challenge Muslim stereotypes, says Gladiator writer", The Guardian, June 2016.

who fights evil and promotes education, has been listed among the most influential fictional characters of 2013⁹

- Muslim animated superhero Buraq creators Adil and Kamil Imtiaz of California-based Split Moon Arts aim to create a high-quality **Buraq movie**. The main character, Yousuf Abdullah, is a young man in his early 30s, born and raised in the U.S.¹⁰
- Saudi Arabian 3D animation film **Bilal** had its international premiere at Cannes. The film tells the story of Bilal Ibn Rabah, the Ethiopian companion of the Prophet Muhammad who converted to Islam. Completed over three years with a budget of \$30 million, the movie is set for worldwide release in September 2016.¹¹

Current and emerging leaders in the Halal Media and Recreation industry

Established brands are benefiting from operational economies of scale and scope particularly on traditional media platforms like TV:

- **While Peace TV has a formidable force among Islamic-themed TV channels, the emergence of channels Al Hijrah and Alchemiya is driving diversification in the genres**, going beyond traditional religious lectures:
- **Peace TV** is a nonprofit Mumbai-based global Islamic channel launched in 2006. Founded by Dr. Zakir Naik, its programs feature famous scholars and orators on Islam. The channel broadcasts 24 hours a day, seven days a week. According to the UK's Charity Commission, the foundation raised about £1.16 million (\$1.51 million) in 2014.¹²

- **Alchemiya**, dubbed the "Muslim Netflix", is growing in popularity through its Islamic content. The platform recently invested in original content by producing two new productions, *The Muslim Traveler's Guide to Granada* and *I Heart Quran*¹³

- **Al Hijrah TV**, the first Islamic television station in Malaysia, provides Islamic-specific and permissible content for Muslims and non-Muslims under 40 years old. The network has also set up an online media platform, **Alhijrah Media**, offering free and paid on-demand Islamic media

➤ In the broader Halal Media and Recreation space, several key players are beginning to emerge:

- **Kamala Khan**, aka Ms. Marvel, a Muslim superhero Marvel introduced in 2013 that went on to be an international bestseller according to the publisher, launched an English and Arabic version in the Middle East through Al Ahli Publishing and Distribution (APD)¹⁴
- **MuslimGirl**, a leading online publication for Muslim women in the U.S., recently teamed up with *Teen Vogue*, a version of *Vogue* magazine for teenage girls, to bring to the public what life is like for a Muslim girl in today's society. MuslimGirl.net was launched by Amani Al-Khatahtbeh to counter negative media coverage of Islam with positive coverage of Muslims and their lifestyle. The publication is part of a campaign drive to become the first mainstream media network by and for Muslim women¹⁵
- **Awakening Publication**, the publication division of Awakening Records, released *The Productive Muslim* book, providing a practical framework that helps urban Muslims lead a productive lifestyle. Mohamed Faris, founder of ProductiveMuslim.com, joins other acclaimed authors such as Tariq Ramadan and Peter Sanders in the Awakening Publication's roster.¹⁶

9 "Mokhtar film competition continues with theme of 'Tell us about Prophet Muhammad'", Daily Sabah, October 2015.

10 "The ticket: Flying high", Dawn, March 2015.

11 "Saudi animated film Bilal screens at Cannes", Ahramonline, May 2016.

12 The channel has also extended its reach to the Chinese market, with Peace TV offering programs in Mandarin and other programs dubbed into English and telecast free-to-air. The Channel will feature many famous native Muslims such as Ma Zi Long, Li Shan Mu and Zhang Wei Zhen. The network also ventured into the telecom domain with the launch of Peace Mobile Phone, claiming to be the "world's only authentic Islamic Android Smartphone" complete with religious app, games, and books according to the network.

13 http://www.salaamgateway.com/ar/media-recreation/story/interviewaudiences_want_more_travel_and_childrens_programmes_alchemiya_founder-salaam16092015074812/, accessed on 8 August 2016.

14 "Al Ahli Publishing and Distribution launches Ms. Marvel, first ever Muslim superhero", Al Ahli Holding Group, June 2015.

15 "How This 23-Year-Old Is Busting Negative Myths About Muslim Women and Dominating the Internet", *Teen Vogue*, August 2015.

16 Productive Muslim Book website, <http://www.productivemuslimbook.com/resources/>, accessed on 8 August 2016.

➤ **Digital services addressing the Islamic lifestyle are beginning to diversify their offerings to appeal to Muslims globally:**

- **ProductiveMuslim**, an online platform that aims to boost productivity amongst Muslims around the world, saw its website traffic increased fivefold after it ran a special “Productive Ramadan” campaign starting 30 days before the fasting month. The startup, which debuted as a blog in 2007, has now scaled up to become a media/training company that offers online classes and courses¹⁷
- **Muslim Pro**, the most downloaded and reviewed Islamic app in the world, with over 10 million downloads, rises in popularity. Heavy on advertising and monetization, it has proven to be the most profitable Muslim app in the world according to trade analysts. Translated into 15 languages, the app provides users with global *qibla* direction, prayer times, Quran functions and much more.¹⁸

musical group from the U.S. Native Deen’s music combines hip-hop and R&B styles with lyrical themes grounded in Islam²⁰

- **Ramadan Legacy**, the world’s first fully featured app for Ramadan released in June 2015, launched its 2016 crowdfunding campaign The #Legacy Campaign. Shahbaz Mirza, founder of Ramadan Legacy, an app that helps the faithful track and remember their Ramadan experience, is planning to launch a series of lifestyle apps that cater to Muslims particular daily needs²¹

- Muslim superhero Buraaq creators Adil and Kamil Imtiaz used a crow funding campaign to generate \$65,000 for the animated Buraaq movie “Pitch Book”.²²

➤ **The experience of digital apps such as Quran Academy suggests a positive and engaged role for accelerators to help support and refine Digital Islamic concepts:**

- **Quran Academy**, which seeks to help serious and dedicated users to better meet their Quran memorization goals, was accepted into two highly competitive incubation programs, Start-Up Chile and Malaysia’s MaGIC Accelerator Program. The programs helped Quran Academy learn and incorporate best practices along with securing financing for their operations.²³

Investment and finance

➤ **Islamic media companies have been able to successfully leverage crowdfunding to fund their expansion needs:**

- **Alchemiya**, the Muslim focused SVOD (subscription video on demand) platform, secured double figure seed capital by targeting ABC1s of the Muslim world on equity crowdfunding platform Crowdcube. Alchemiya, which had initially set a figure of £60,000 (\$78,451), received an additional £59,000¹⁹
- **DEEN TV**, the first 24/7 Halal online entertainment channel, is looking to raise \$150,000 for the development of its studio, equipment and staff with an aim to offer better and more varied programming. The webcaster aims to raise \$600,000, in the next two years. DEEN TV is founded by Native Deen, an Islamic

Regulation and operations

- **Peace TV** and its founder Dr. Zakir Naik were accused of promoting radical ideology following the terror attacks in Dhaka, Bangladesh in July 2016. The channel, banned in India since 2012, was restricted in Bangladesh, where both the channel and its founder are extremely popular.²⁴

17 http://www.salaamgateway.com/en/media-recreation/story/ramadan_review_productivemuslim_website_traffic_jumps_fivefold-salaam28062016233756/, accessed on 8 August 2016.

18 “The 50 Most Innovative Global Muslim Startups 2016”, Ummah Wide, June 2016.

19 http://www.salaamgateway.com/ar/media-recreation/story/interviewaudiences_want_more_travel_and_childrens_programmes_alchemiya_founder-salaam16092015074812/, accessed on 8 August 2016.

20 Native Deen company website, <http://nativdeen.com/>, accessed on 8 August 2016.

21 “Islam means business: Meet the new generation of Muslim entrepreneurs”, Management Today, April 2016.

22 “The ticket: Flying high”, Dawn, March 2015.

23 http://www.salaamgateway.com/en/digital/story/case_studyquran_academy_a_smart_way_to_memorize_the_quran_-salaam15052016052342/, accessed on 8 August 2016.

24 “Bangladesh probes ‘Peace Schools’ after ban on Naik’s Peace TV”, The Times of India, July 2016.

- **Game Developers Conference 2016** discussed **Muslim representation in video games.** A conference panel comprised of Muslims working in the gaming industry emphasized that the industry needs greater diversity to counter the negative, violent portrayal of Muslims in games today. The conference also appreciated positive representation of Muslims emerging in the gaming world like Ubisoft's Assassin's Creed's Altair character. Likewise, a positive portrayal of a Muslim character of Faridah Malik in Deus Ex: Human Revolution was appreciated.²⁵

Innovation

Several new product segments have emerged in the Halal Media and Recreation industry over the last few years to address the unmet needs of Muslim consumers, primarily in non-OIC countries.

- **Mainstream publishing houses are encouraging Muslim representation through characters and themes, reaching out to Muslim and non-Muslim readership interested in Islam:**

- **Publishing giant Simon & Schuster launched Salaam Reads,** the first imprint focusing on children's and young adult books featuring Muslim characters and experiences. The company plans to publish at least nine books a year with its first titles launching in 2017. The four books that have already been acquired by the publisher are by first time authors, including the British teen pop star Harris J's "Salam Alaikum". The publisher aims to target both Muslim children as well as a larger non-Muslim audience by providing entertaining and enriching coverage of a wide range of cultural and religious traditions in Islam²⁶

- **Thematic publications by new players, primarily targeting a young Muslim demographic, have been driven by a desire to chart a positive narrative for Muslims:**

- Three Somali-Canadian siblings opened **Qurtuba Publishing House,** focusing on Muslim-interest titles, business and more.

The founders' vision is to reclaim the Muslim narrative: "We want to define our narrative, our stories, our perspectives and reclaim the voice of Muslims." Qurtuba Publishing aims to be more than a publishing house by creating platforms for issues that are pertinent to the needs of contemporary Muslims and tackle important issues that are often not represented in mainstream media²⁷

- **Muslim Ink,** a magazine for Muslims in the 21st century, was launched with an aim to address "the absence of genuine Muslim voices in the media". The publication's editorial team has extensive experience in the mainstream media coupled with a strong background in Islamic studies. Through its coverage the magazine will strive to improve the quality of life and faith without compromising Islamic beliefs.²⁸

- **Several new digital Islamic services have been launched to aid Muslims in fulfilling their religious obligations and meet potential partners:**

- **Ramadan Legacy,** the world's first fully featured app for Ramadan launched in June 2015, released its 2016 crowdfunding campaign called The #Legacy Campaign. Shahbaz Mirza, founder of Ramadan Legacy, an app that helps the faithful track and remember their Ramadan experience, is planning to launch a series of lifestyle apps that cater to Muslim's particular daily needs²⁹

- **IslamicTunes,** a self-styled Halal entertainment digital content marketplace, is aiming to tap into the significant demand for spiritual music and Islamic-oriented entertainment. The website claims to attract 30,000 visitors per day offering some 20,000 items in music content. The site also provides digital content for video, talks, movies and events³⁰

25 "Shooting the Arabs: How video games perpetuate Muslim stereotypes", Engadget, March 2016.

26 "Simon and Schuster Launches Muslim Imprint for Children's Books", Publishers Weekly, February 2016.

27 "Somali Sisters Launch Qurtuba Publishing House in Ottawa", Publishing Perspectives, August 2015.

28 Muslim Ink company website, <https://www.muslimink.com/about>, accessed on 8 August 2016.

29 "Islam means business: Meet the new generation of Muslim entrepreneurs", Management Today, April 2016.

30 http://www.salaamgateway.com/en/media-recreation/story/Malaysia_pushing_music_up_the_charts_in_Islamic_Economy_ecosystem_-SALAAM24032016030952/, accessed on 8 August 2016.

- **New matchmaking apps and methods.** Minder is dedicated to helping connect progressive, smart, fun and interesting Muslims with each other. Muzmatch is a new mobile app for Muslims worldwide who are looking for their perfect spouse. Salaam Swipe is an interactive matching application that wants to revolutionize the way Muslims meet one another. Ishqr, formerly known as HipsterShaadi, is a space for young Muslims to connect. Et3arraf brings traditional Saudi courting online. Furthermore, speed dating events have gone 'Halal' in Malaysia.³¹
- **Dedicated Islamic Economy projects have seen a considerable rise in the online sphere:**

 - **IECON TV**, the first crowd-based online TV dedicated for Islamic Finance and Halal sectors, was launched in the U.S. in 2015. IECON TV disseminates information on the rapidly growing Islamic Economy around the world in video format.
 - **Al-Kanz**, a French information website that originally started as a blog dealing with news on Islamic economics in France and globally, is planning to launch an English version in 2016.³²
 - **Salaam Gateway**, the first and only online platform for all Islamic Economy-related industry intelligence, news, information, and data is gaining popularity amongst Islamic Economy professionals to keep informed on the sector.
- **Media and entertainment targeting Muslim children is a relatively new genre — with a range of media products and services — including games and web-based interactive platforms:**

 - **Muslim Kids TV**, the first interactive Islamic TV channel for children online, was launched with an aim to bring together the best digital content for children. The webcaster boasts of hundreds of videos, computer games,

apps, educational resources and interactive activities and seeks to make learning about Islam the most enjoyable thing in a child's life and be "Disney" for Muslim families³³

- **5Pillar Games**, a new board game that seeks to bring families together and have fun learning about Islam and recently hit major retail stores around the world and was sold online, with 90,000 copies sold.³⁴

31 "Et3arraf brings traditional Saudi courting online", Wamda, April 2016.

http://mediarecreation.salaamgateway.com/en/media-recreation/story/Speed_dating_goes_halal_in_Muslimmajority_Malaysia-SALAAM06102015035613/, accessed on 8 August 2016.

32 http://www.salaamgateway.com/en/media-recreation/story/case_studyalkanz_the_information_gateway_for_muslim_consumers-salaam08112015104818/, accessed on 8 August 2016.

33 Muslim Kids Guide company website, <http://www.muslimkidsguide.com/mkg-chats-with-muslim-kids-tv/>, accessed on 8 August 2016.

34 "Entrepreneur seeks to develop Islamic-friendly games", Saudi Gazette, April 2016.

Key Challenges

Marketing and sales challenges

- **The barriers to entry are extremely high in mainstream media platforms, in particular television and cinema.** Traditional media platforms focused on Islamic and ethical themes are very few in number. Raising funds and sustaining operations prior to a break-even phase can be an impediment to breaking into the sector.
- **Apathy and a lack of community support restricts the ability of the Islamic media genre to go beyond core religious content.** Founders of Muslim Kids TV, a web based operation aimed at Muslim children around the globe, have complained about the lack of concern in the Muslim community about Islamic media for children. Children, the founders claim, are “not even on the agenda”. Muslims should comprehend the positive effect that media can have on building a better Muslim generation, inasmuch as there is a real danger of exposing children to mainstream media that is counter to Muslim values.³⁵
- **There is a continued, global negative brand connotation with Islam due to the numerous terrorist attacks over the last year, in particular in Europe and the U.S.** Recent research by the University of Cambridge has shown that mainstream media reporting about Muslim communities is contributing to an atmosphere of rising hostility toward Muslims in the UK and Europe.³⁶

Financing, regulations and operational challenges

- **Investors continue to have fairly limited confidence and appreciation of Halal Media and Recreation, restricting fundraising options to high potential projects.** Many upcoming projects fail to secure funding compared to mainstream projects. The creators of Muslim superhero Buraaq had to resort to a crowdfunding campaign after failing to generate investor interest in their project.³⁷
- **There remains a high level of dependence on OIC government support to fund Islamic media initiatives, in particular in the GCC, which can be hampered by fiscal pressures following the decline in oil prices:**
 - The majority of funding in the GCC comes from government-backed initiatives such as Twofour54’s SANAD Fund, Injaz at the Doha Film Institute, and the Arab Fund for Arts and Culture.³⁸ These funds have been able to fill the gap and support the film industry in the region, which has been gaining momentum over the last five years. Most film festivals also have government back, such as in Dubai, Abu Dhabi and Qatar
- **Poor IP rights continues to impact profitability** in most emerging markets, which in turn limits innovation and entrepreneurship.

³⁵ Muslim Kids Guide company website,

³⁶ “Why the British media is responsible for the rise in Islamophobia in Britain”, Independent, April 2016.

³⁷ Buraaq The Movie website, <http://www.buraaqthemovie.com/blog/buraaq-the-movie-update>, accessed on 8 August 2016.

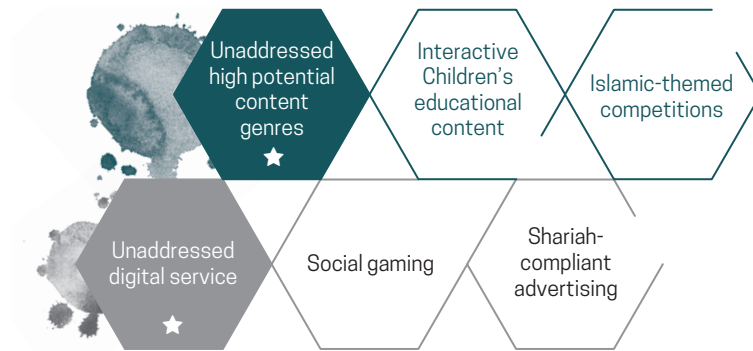
³⁸ “May the funds be with you”, Wamda, October 2015.

Opportunities

Opportunities by product/services segment

The Halal Media and Recreation industry is in a very early stage of growth with several high potential segments that remain largely unaddressed across products and services.

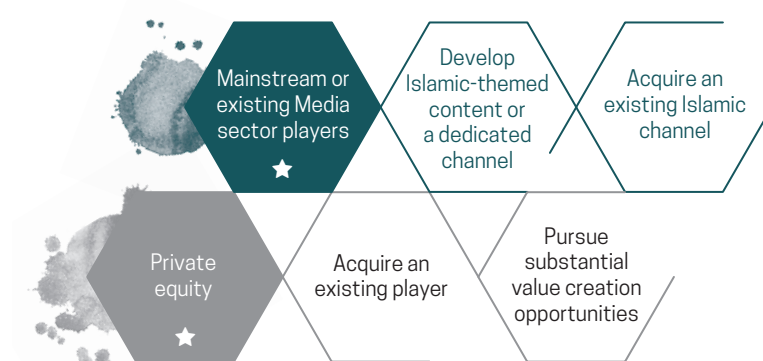
Largely unaddressed product and service segments



Opportunities by stakeholder

Across stakeholder types, there are opportunities for key players to drive the development of the Halal Media and Recreation industry.

Opportunities by stakeholder type



Existing opportunities within Halal Media and Recreation

| Opportunity | Explanation |
|---|--|
| Interactive Children's educational content | <p>Largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> While there are ample Islamic-themed television channels with well-developed animated content, there is a substantial need for interactive, character-based and educational program, that can replicate the success of popular television programs such as Barney and Yo Gabba This gap prompted the development of Muslim Kid's TV, but remains largely unaddressed by leading Islamic channels³⁹ <p>Potential:</p> <ul style="list-style-type: none"> There is significant potential to introduce Islamic characters in mainstream children's programs that appeal to broader Muslim values, as well as to develop tailored values-based programs for Muslim children |
| Islamic-themed competitions | <p>Largely unmet Muslim demand:</p> <ul style="list-style-type: none"> There have been attempts at Islamic-themed competitive programs, replicating the format of popular programs such as American Idol, evidenced by Egypt-based 4shbab, which seeks to provide the Islamic answer to MTV, with its own competitive program "U-turn", and with similar programs aired in Malaysia and Indonesia However, with few examples, this is an unaddressed format that could prove highly popular⁴⁰ <p>Potential:</p> <ul style="list-style-type: none"> There is significant scope to introduce this format of program into popular Halal Media and Recreation channels and to attract younger viewers who are seeking a more positive portrayal of Islam in the media |
| Social gaming | <p>Sub-segments with largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> There is a substantial need for social gaming that connects Muslim's online and that enables them to share similar passions, going beyond blogs and discussion boards, covering areas such as travel and food — with Heaven's Diner and Virtual Traveler serving as good mainstream examples <p>Potential:</p> <ul style="list-style-type: none"> This is an opportunity for existing app developers to develop a game based on Islamic values that can connect users worldwide and foster positive engagement amongst the Ummah |
| Shariah-compliant advertising | <p>Largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> Shariah-compliant advertising is a relatively new concept, coined by Malaysia's TV Al Hijrah, and involves the tailoring of advertisements to Islamic values, including prohibiting alcohol or gambling, and adherence to modest clothing requirements⁴¹ While not a possibility on mainstream channels, in particular in non-OIC countries, a service that can tailor advertisements to Muslim viewers has significant potential, as done by leading multinationals during Ramadan⁴² <p>Potential:</p> <ul style="list-style-type: none"> There is substantial scope for an advertising agency, or an online advertising platform, to help leading multinationals develop advertisements that cater to Muslim values and that can be efficiently deployed on Islamic channels and during Islamic-themed programs Such a move would also promote the growth of Islamic Economy companies and represents an attractive convergence opportunity |

Source: Thomson Reuters and DinarStandard analysis

39. Based on discussion with Michael Milo, Co-Founder of Muslim Kids TV.

40. Based on discussion with Michael Milo, Co-Founder of Muslim Kids TV.

41. Based on discussion with Salehudding Jumiri, Business Development Director, Al Hijrah TV.

42. http://www.salaamgateway.com/en/digital/story/muslim_ad_network_the_digital_gateway_to_muslim_consumers-salaam09032016055541/, accessed on 8 August 2016.

Key stakeholder analysis

| Stakeholders | Action | Analysis |
|--|---|---|
| Mainstream or Existing Media sector players | Develop Islamic-themed content or a dedicated channel | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Developing an Islamic program or dedicated channel will help media platforms build a viewing among Muslim viewers ➤ For instance, in the UK, the BBC has aired documentaries on Islam,⁴³ and in India, Zee TV, the leading media player, has launched Zee Salaam, a dedicated Islamic channel⁴⁴ <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Developing new genres, such as reality TV shows and comedy, will help attract Muslim millennial viewers and drive niche advertising and marketing opportunities across the Islamic Economy sectors |
| | Acquire an existing Islamic channel | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Acquiring an existing channel will help capitalize and enhance production and distribution for Islamic-themed content <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Identifying leading channels in OIC countries, helping mainstream players address a new customer segment, as well as expanding geographic scope |
| Private equity | Acquire an existing player | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Media is a core sector that is addressed by private equity firms, with Halal Media and Recreation a high-growth, high potential genre ➤ Many media firms struggle to get the capital needed for expansion, and private equity will help provide the capital and expertise needed <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ With over 180 channels, there are substantial opportunities to acquire a leading channel, in particular one that has a strong management team and a diverse production schedule |
| | Pursue substantial value creation opportunities | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Once a company is acquired there are substantial value creation opportunities to scale a channel or media offering in terms of product segments and geography <p>Main area of opportunity:</p> <ul style="list-style-type: none"> ➤ Private equity firms are well-positioned to enhance channel and media marketing efforts, as well as exploring add-on acquisition opportunities and incubating new concepts |

Source: Thomson Reuters and DinarStandard analysis

43. http://www.salaamgateway.com/en/media-recreation/story/overviewislamic_and_muslim_lifestyle_vod_and_tv_programming_in_the_uk-salaam19062016082048/, accessed on 8 August 2016.

44. http://www.salaamgateway.com/en/media-recreation/story/islamic_television_programming_gaining_share_in_indias_9_billion_market-salaam09062016090912/, accessed on 8 August 2016.



Interview



Michael Milo

Co-Founder,
Muslim Kids TV (Canada)

There are multiple Halal Media and Recreation channels, but very few seem to be addressing children. Is Muslim Kids TV an early mover in this segment, and how does it differ from existing offerings that provide content for children?

Muslim Kids TV is an early mover. We differ from other Islamic children's content providers as we focus on the delivery platform and monetization of content through the platform. The most cost effective way for us to deliver content is through web and cloud, and through apps. This is the preferred way children consume content rather than through television delivery. As a platform we are also a content aggregator. We search out the best content producers around the world and bring families meaningful content with universal and Islamic-themed values. Our value proposition to parents is that Muslim Kids TV filters all this content and provides the peace of mind that the children are in the safest digital environment. So we focus both on building our customer base as well as our relationships with content providers. With a platform we have a stronger business model to ensure long term sustainability. We have studied successful Western children's media companies and are taking these best practices and applying them to Muslim Kids TV. This includes business models, content pedagogy, and production practices. The platform will allow us to scale and introduce merchandising, e-commerce and integration in educational environments.

Although you started in Canada, you have secured partnerships in Malaysia and are seeking to expand internationally. How did you grow the business internationally?

We have secured international partners in Malaysia and are also negotiating with partners in the GCC, Indonesia and Philippines. We have benefited greatly from the support of the Canadian Trade Commission. They have facilitated meetings with potential partners in each of these regions. For example, the Trade Commission has referred us to the services of MDEC (Malaysia Digital Economy Corporation). MDEC has been amazing in facilitating introductions to animation companies and we now have partnerships with nearly a dozen Malaysian companies. Our current customer base is predominately in North America and the UK. We realize that to reach our growth targets we must also be in Muslim majority markets. This has worked out very well as Muslim Kids TV is a unique offering in these countries as well. Having established the business in North America has been a benefit in a number of ways. Firstly, the IT infrastructure is extremely stable and provides a world-class backbone on which to run the platform. The start-up culture is mature here and provides models and guidance. The regulatory environment is also stringent, especially in Canada which provides discipline in the areas of compliance and shareholder relations.

What is your vision for the company over the next five years, and what do you envisage to be the next key steps?

Our vision is to be the premium digital platform for values-based Islamic-themed programming for children. Our mantra is to be the “Disney” for Muslim children. Our goal is to be a household brand internationally and the go-to source for values-based and Islamic-themed digital media for children. We are in our first series of equity financing. We expect a number of rounds of financing over five years. There are two key factors to grow the business — marketing and content. Capital will allow a broader marketing reach especially online. We are also developing innovative marketing campaigns to reach directly to children. This includes live entertainment events that bring our characters off the screen and in front of children to see, hear, touch and interact. This direct contact with end customers — children and families — is crucial to developing brand loyalty. We will continue to have an aggressive content strategy. We have partnerships with over a dozen production companies and expect this to grow exponentially. We will be expanding the platform to include apps, e-commerce and merchandizing. Strategic partnerships will remain key to reaching growth targets in markets in a variety of priority regions.

What in your view remains as the major operational and regulatory challenges faced by the industry overall, and to what extent do these affect your company as well?

In Western broadcast markets financing for content comes from multiple sources including equity partners; government programs and non-profit cultural agencies and foundations. Government support for the motion picture and digital media industry in most Muslim majority markets is almost non-existent. When it does take place it has a very positive impact. An example being Malaysia. They are now the leader among Muslim majority countries providing content in all markets. To our knowledge the Ministries of Culture and Islamic Affairs in Muslim majority

countries have not yet begun to support the production of digital content that celebrates Islamic history, culture and beliefs. The support of digital and motion picture media is a key function of many Western ministries of culture which leads to sustainability of media and motion picture industries in these countries. What we understand from Muslim majority markets is that investment is coming from corporations, charitable organizations, and philanthropists and less from government. There is increasing awareness of the potential of this sector, especially when investors look at the successes of media companies in developed markets. That is why Muslim Kids TV has looked at the entire value and supply chain with a specific focus on how to extract value. This is something missed by many media start-ups. The area of start-up financing is also relatively new in Muslim countries. That said it is progressing forward rapidly with many incubators appearing in almost every country. This is excellent news for start-ups.

What do you consider to be major unmet needs of younger Muslims in the Halal Media and Recreation segment?

We see the major unmet need in two areas — entertainment and education. When a comparison is done with the output of Western and Asian markets in these two areas, it is clear that Halal Media and Recreation output is virtually non-existent. Every day tens of thousands of products are released in Western and Asian markets including children and youth books, videos, animations, apps and games. Digital educational resources are also widely abundant and efforts are being made to transform educational environments to completely digital spaces. In the past it has been far easier for traditional media outlets in Muslim markets to acquire content from outside these markets. Today Muslim consumers are demanding content reflective of Islamic heritage, culture and beliefs to pass on to children and youth. This offers an amazing opportunity as there is such a large unmet demand.



Interview



Bilal Memon

CEO and Founder,
Quran Academy (U.S.)

What major developments are you noticing among Digital Islamic Apps and how does this impact Quran Academy?

I think you are starting to see Islamic Apps trying really hard to engage communities, build market places, and tap into habit building. You have many Islamic apps in both the Play & App stores but unfortunately, the majority are just copycats of the more prominent apps and lack real innovation. You have an app like Muslim Pro which undoubtedly is the most profitable Islamic app in the market, and it's done by far the best job with its digital marketing efforts. It's built such a solid platform to cater to all of your spiritual needs. I'm starting to see that Islamic Apps are trying to invest in digital marketing but are really limiting themselves in the sense that they are utilizing one or two digital channels to market their products and services. They are generally investing in Facebook ads which can lead to higher acquisition costs than other more affordable and effective channels. Additionally, most Islamic apps don't take a data driven approach to making decisions which significantly stunts their growth and learning. The reality is that you don't know what will work and what won't work until and unless you run weekly growth experiments in the following avenues: acquisition, activation, retention, revenue, and referral; it's really hard to grow. I think *Insha'Allah* we are on the right track for Quran Academy. We have a lot of expertise in product, growth and marketing which I think gives us a unique opportunity to scale and get

revenues faster than other products. Most Islamic apps have a very small team, mostly of engineers and not product or growth guys. We have these folks with specialized skillsets and are able to make product changes and major decisions to positively impact growth faster than other Islamic products and services.

How would you compare the growth of Digital Islamic services to the broader Halal Media and Recreation industry?

I am seeing more Digital Islamic services startups, in the past three to four years in particular. You have several Islamic-themed companies such as Al Maghrib Institute who are doing incredibly well *Masha'Allah*. I would say that Halal Media and Recreation companies are more profitable and successful currently than the Digital Islamic services companies, with an exception being Bayyinah, which is probably more profitable than any major media company. A lot of media companies are more focused on a content play and with information product launches. Whereas other companies such as Bayyinah and Productive Muslim have shifted towards both information product launches as well as Software as a Service (SaaS) models. At the moment, even though the media companies still have the biggest market share, I am foreseeing that those companies that converge on both info product and SaaS are starting to not only gain significant momentum, but will have stronger market share as well.

Quran Academy has become an international offering, with a strong user base in Malaysia, and with a new offering, the Quran Companion addressing a broader segment of learners. How did you expand the business?

At first we built our iPad App, Quran Academy, which is catered more towards those people that have memorized longer portions of the Quran, such as at schools or madrasahs (Islamic school). These customers have a higher lifetime value than others and so we developed a product catering to their needs and preferences. However, the majority of the market is the common Muslim who has maybe memorized four to five Surahs (a chapter in the Quran) and would love to memorize some of the longer and more famous Surahs such as Al Mulk, and Yaseen. We then decided to create a second product, Quran Companion (QC), that's more for the masses. For the first time now, Muslims around the world can connect with one another to pursue a common Quran memorization goal together through gamification technology. This breaks down borders and allows Muslims from anywhere to connect with each other, support each other, and race with each other towards performing good deeds -- just as Allah has commanded Muslims to do and as the Prophet's (PBUH) companions had done. QC's technology also makes Quran memorization more accessible to the masses. Previously, Quran memorization was mostly limited to those who could commit a significant amount of time and money to study at either a madrasah) or with a personal Quran teacher. This resulted in a trend where primarily only children, retired people or scholars would have the time to commit to intensive Quran memorization classes. QC's learning technology and social support through the smartphone has the potential to shift this limiting trend in Muslim societies. With QC,

even the average, busy Muslim can pursue his or her Quran memorization goals without being constrained by a classroom timetable or the costs of commuting to class, as well as being a significantly cheaper alternative to enrolling in an Islamic school or engaging a personal Quran teacher. We launched Quran Companion in May 2016 (in the Play Store) and in Aug. 2016, we launched our iOS App. *Alhumdulillah*, we've received a very positive response for Quran Companion and we have major plans to take it to the next level.

What is Quran Companion's vision for the next five years, and what do you envisage to be the next key steps?

The reception for Quran Companion (QC) has so far been encouraging with high interest expressed from users around the world. Within just the first two and a half months of launch, Muslims from 109 countries have downloaded QC to benefit from the Quran memorization journey at their fingertips. In the future, Quran Academy also plans to expand its services through value-added programs and courses that supplement the usage of QC in addition to launching training seminars and Quran memorization competitions. Additionally, in our product roadmap, we have several games we'd like to launch to make memorization even more enjoyable *Insha'Allah*. Finally, we'll be taking advantage of data science and machine learning to personalize each individual's memorization journey and experience.

What are the major unmet needs of Muslim consumers in the Halal Media and Recreation industry?

It is offering services in other languages besides English. There's significant opportunity for the media companies to expand their operations overseas in countries with large Muslim populations who don't speak English. We do plan on adapting our App UI and other programs/courses to other languages.



Interview



Peter Gould
CEO,
Peter-Gould.Com

Islam-inspired media seems to be taking on a life of its own, in particular, with a raft of new creative brands, designer products and even comic book characters. What major innovation trends have observed in the space?

We're witnessing an exciting flourish of innovation with many new design-driven brands and creative projects rapidly emerging in this space. In the last couple of years alone we've had many promising Muslim-centric media sites, startups and creative content being launched to reflect the changing expectations of Muslim audiences. A trend I've noticed is that we now have much more quality niche content for different Muslim audiences. These 'tribes' range from new parents, to teenagers, gamers, converts, tech geeks, newlyweds, artists, pop culture junkies, fitness freaks and more. These may be further segmented into countries and regions, where there are opportunities for creative content and products to be purpose-built with a cultural, as well as Islamic, awareness. At all levels, they are expecting more unique content created with them in mind, or are creating it themselves. One clear example is looking at the rapid growth of kids' books, products, apps, games & toys primarily created by and for English-speaking Muslims living in non-Muslim communities. Many parents

in today's climate are conscious of building positive Muslim identities for their children and are wanting to introduce faith to their families in soft, fun, enjoyable experiences. Creative brands such as Noor Kids, Faatimah & Ahmed, Ilyas & Duck, Salam Sisters, Bismillah Babies, Jannah Jewels, and products such as My First Wudu Bathtime Book, 5Pillars Board Game, are among many others. Even mainstream projects such as "It's Ramadan Curious George", the hugely successful Ms Marvel comic and Sesame Street's new Afghan character reflect important changes in the global conversation. Inspired by this proliferation of niche-based products & creative content, I felt that there was a need for platforms to serve each community. I wanted a way for creators in each space to connect with each other, inspire great work and of course share their ideas and products to global audiences. This led to the creation of 5 independent sites — Muslim Kids Guide, Muslim Gift Guide, Creative Ummah, MuslimLOL, and Geeky Muslim (collectively called Gould.Community). This differentiation is one that I don't often see in online media platforms, which tend to provide content on almost every topic. Since launching in January this year Alhumdulillah we've had helped many entrepreneurs discover new audiences and connect a new generation of Muslim consumers with quality, curated brands, products & experiences.

How important is design and creativity generally in Halal Media and Recreation, and modern brands? How have you sought to address this with Creative Ummah and Islam Imagined, and what are your plans for both going forward?

Design and creative professions have been undervalued by Muslim communities, organizations and brands for some time, which has far reaching consequences in our highly branded world. Recently however I'm seeing a positive change in mindset and am feeling very optimistic about the road ahead. Investing in the people, projects and institutions who champion a deeper level of design, creativity, artistry, innovation and fresh thinking in Muslim organizations will have a significant impact and influence at all levels of society. They uniquely have the ability to disrupt ugliness in the world by shaping conversation and introducing a narrative of positivity, hope and beauty. While there is still an abundance of brands that do not place high priority on design, creativity or innovation, there is a growing minority that recognize it is fast becoming essential for their business success. Over the next five years this transition will become more and more apparent as Design-driven brands start to shine and achieve global recognition. For example, brands that embrace Design Thinking and understand the importance of User Experience design can expect a huge strategic advantage in the same way mainstream brands such as Apple, Uber and Tesla achieve success by designing their end-to-end customer journeys & experiences. We launched Creative Ummah as a platform to showcase those inspirational people driving positive change in the global community and who illuminate our world with beauty, creativity, artistry and fresh perspectives. One brilliant creative we have featured on Creative Ummah includes the deeply inspiring work of el Seed. His recent project "Perception" saw his signature Calligraffiti style mural spanning 50 buildings in the Manshuyat Nasr neighborhood in Cairo, which brought attention to unconscious bias based on stereotypes that society can subject marginalized communities to. This is an example of creativity and art going beyond the use of Arabic letters, rather it displays a meaningful motivation and message to

the work. Our aim with Islam Imagined is to introduce Muslim children to the world of design and technology, and spark their learning and imagination. Creativity, design, innovation & entrepreneurship are the tools our global community desperately needs to embrace. Islam Imagined is my personal effort to inspire and motivate young people around the Ummah to think positively and optimistically about the future, and encourage them to proactively create the future they want. Both of these projects are committed to nurturing a culture of thinking innovatively and creatively so that we may, as a community, solve complex problems while bringing some more beauty into the world. While it may not be possible to outshine creative masters from our past, we can certainly honor our creative legacy in the language of today.

We'd like to learn more about your involvement in the Zileej brand. What gaps in the market is the company trying to address, and what do you envisage going forward?

Zileej is a major new focus and I'm very excited to be a co-founder. We have been working on the concept quietly for the past year and almost at a stage we can present our detailed plans more publicly. Building on the success of his 5Pillars Board Game, selling over 100,000 copies since launch, CEO Ansarullah Ridwan Mohammad & our team have established an ambitious vision for the new company. The Zileej brand will be built on innovative and exciting design-led products and creative lifestyle experiences for Muslims. It will be a global brand, but we are focusing on the MENA region first, with our new creative team based in Dubai. Our initial two core product ranges are in prototyping stage and related to faith-inspired fun & learning (think toys & games) and spiritual self-improvement (think wearable technology). The projects address several gaps in the Islamic Economy around innovative tech-based products experiences for increasingly sophisticated Muslim audiences. My hope is that Zileej will become a globally known and loved brand associated with beautiful, innovative, high-quality products and experiences that inspire positivity and creativity with a deep sense of purpose, inshAllah. Watch this space!





Halal Pharmaceuticals and Cosmetics Sector

From its very origins, Islam has sought to encourage human beings to live a holistic way of life. A life where the individual sees their body and mind as a trust placed upon them by God. Historically, to honor that trust has been of the utmost concern to Muslims. It is why medicine was a central part of medieval Islamic culture and gave rise to such titans as Muhammad ibn Zakariya al-Razi and Al-Biruni.

However, a period of significant advancement within the sciences led by Muslims is by no means exclusive to the medieval period. Even today, there is much innovation by Muslims within this field, especially when it comes to Halal certified pharmaceuticals products. Innovation that is fueled by increasing demand. This Report estimates Muslim spending on pharmaceuticals to be \$78 billion in 2015, 7 percent of global expenditure, and the Muslim spend on cosmetics is estimated at \$56 billion in 2015, also 7 percent of global expenditure.

The amount of new product development is just one example of how much traction this sector is gaining. Within pharmaceuticals, there has been an ongoing push for Halal-certified vaccines. A Malaysian and Saudi Arabian consortium working on developing a Halal vaccine are waiting to launch their product as soon as the world's first Halal vaccine facility becomes operational in 2018.

In the cosmetics sector, Halal nail polish is a product many companies are seeking to develop. The Saudi Arabia based BCI Group launched its Halal certified H nail polish line in 2014, as did Greece-based Safe 'N' Beautiful. The UK's Nails Inc. launched a Halal friendly line in 2015.

Challenges have come in the form of backlash against Halal products, hindering Halal certification by multinationals and limiting marketing possibilities. As with other sectors, there are funding challenges, as Halal manufacturers are in significant need of resources to compete with global manufacturers with sizeable marketing budgets.

Beyond challenges, the landscape is changing. The lifting of sanctions on Iran means that the country of 79 million people is set to become a major global player in this sector. The country's current pharmaceutical market is estimated to be worth \$2.35 billion while in cosmetics Iran is the second largest market in the Middle East, valued at an estimated \$4 billion.

With further innovations occurring in this sector in areas such as skincare, fragrance and nutraceuticals, this Report estimates Muslim spending on pharmaceuticals to reach \$132 billion and the spending on cosmetics to reach \$81 billion by 2021.

HALAL PHARMACEUTICALS

BENCHMARK

How does Muslim spend compare to total global spend? »

(2015, US\$ Bn)

\$371 Bn
United States

\$114 Bn
Japan

\$109 Bn
China

2015
\$78 Bn
Existing Muslim Market*

\$62 Bn
Germany

\$44 Bn
France

*6.6% of Global Expenditure

MARKET SIZE¹

How much do Muslims spend on pharmaceutical products? »

2021

\$132 Bn

Projected Market Size
9.3% CAGR Growth

34%

Muslim pharmaceutical market in Non-OIC² countries

66%

Muslim spend on pharmaceutical products in OIC countries

THE HALAL PHARMACEUTICALS & COSMETICS INDICATOR

Which countries have the best developed ecosystem for producing Halal pharmaceutical and cosmetics products? »

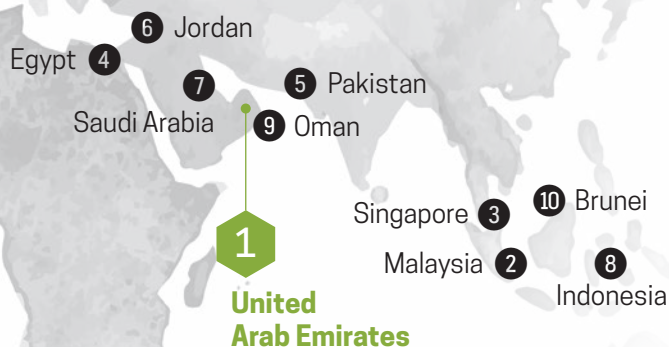
*CRITERIA (From a total of 73 select countries)

Trade: Pharma & Cosmetics exports to OIC relative to country size

Governance: Regulation/ Certification requ

Awareness: Media/Events

Social: Pharma & Cosmetics Pricing Index



Selected » key players

Ingredients

DSM (Switzerland)
Symrise (Germany)
Givaudan (Switzerland)
Halaljel (Malaysia)
Suci Harumatiques (Malaysia)

Pharmaceutical products

Pfizer (U.S.)
AJ Pharma (UAE)
Juphar (UAE)
Noor Vitamins (U.S.)
CCM Berhad (Malaysia)

Cosmetics products

Wardah (Indonesia)
Ivy Beauty Corporation (Malaysia)
Pure Halal Beauty (UK)
One Pure (UAE)

Distribution

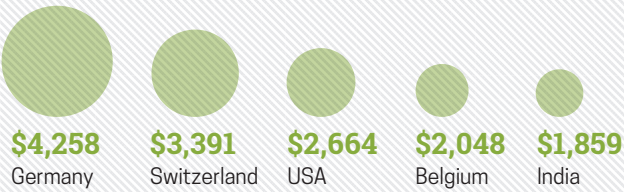
Noorain (B2C, Malaysia)
Zilzar (B2B, Malaysia)
Aladdin Street (B2B, Malaysia)
Dagang Halal (B2B, Malaysia)

Which countries export the most pharmaceutical products to OIC countries? ≈

\$5,086

France

(2015, US\$ Mn)



TRADE BY OIC COUNTRIES³

Pharmaceutical manufacturing trade value by OIC* member countries ≈

\$495 Bn
Global Exports

\$4 Bn
OIC Exports
(0.8% of global exports)

\$514 Bn
Global Imports

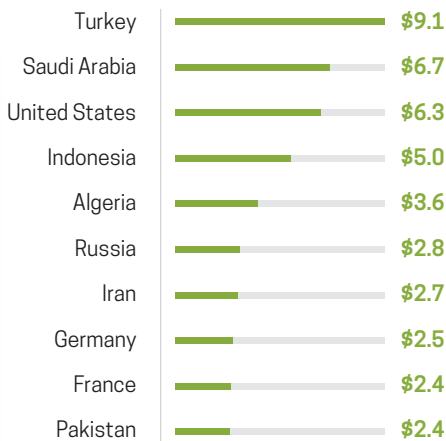
\$33 Bn
OIC Imports
(6.4% of global imports)

* Only for pharmaceutical manufacturing sectors

(2015, US\$ Bn)

TOP MARKETS

Top Muslim consumer pharmaceutical expenditure markets ≈



(2015 est., US\$ Bn)

Issues and opportunities map ≈

Products & Markets

Halal pharma B2B and retail ecommerce

Emerging exporters

Halal neutraceuticals

Halal pharma government support (certain countries)

Medical tourism

Low consumer awareness and trust issues

Halal ingredients manufacturers

Few multinationals investing

Consumer needs and ecosystem

Labelling and certification

Limited distribution

Religious rulings regarding porcine gelatin

Lack of vaccine certification

Testing and detection advancement

R&D and overhead costs high

Lack of standardization

Policies, Regulations & Investment

Financing



High Impact Issues



Challenges



Opportunities

\$33 Bn
Pharmaceutical imports by OIC countries (6.4% of global imports)

\$29 Bn

Pharmaceutical trade deficit by OIC countries in 2015

¹Expenditure data based on various National Statistics Agencies/ Pharma Industry Associations and UN Comtrade Data, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology

²OIC: Organization of Islamic Cooperation — 57 member countries.

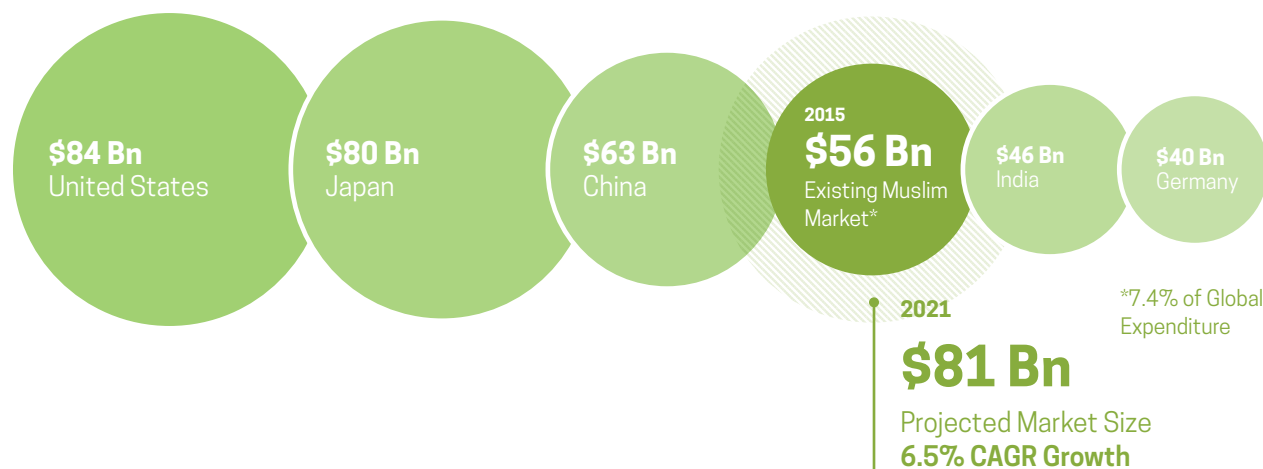
³International Trade Centre Trademap Statistics.

HALAL COSMETICS

BENCHMARK

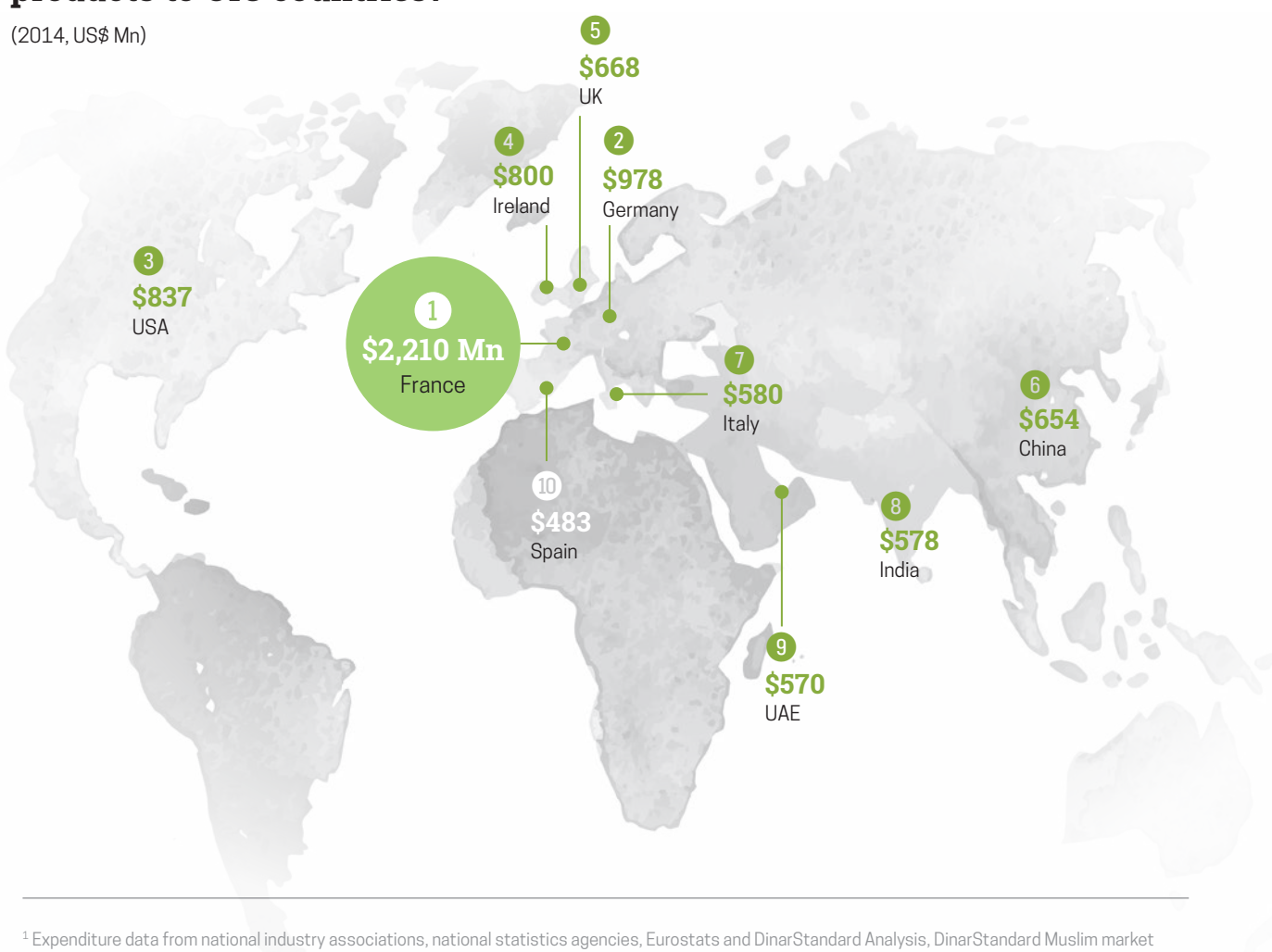
How does Muslim spend compare to total global spend? ≈

(2015, US\$ Bn)



Which countries export the most personal-care and cosmetics products to OIC countries? ≈

(2014, US\$ Mn)



¹ Expenditure data from national industry associations, national statistics agencies, Eurostats and DinarStandard Analysis, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. See Report for full methodology.

Global Personal care /cosmetic segment breakdown »



20%
Hair Care



10%
Fragrance



23%
Other (toothpaste, deodorants, sunscreens, other personal care products)



27%
Skin Care

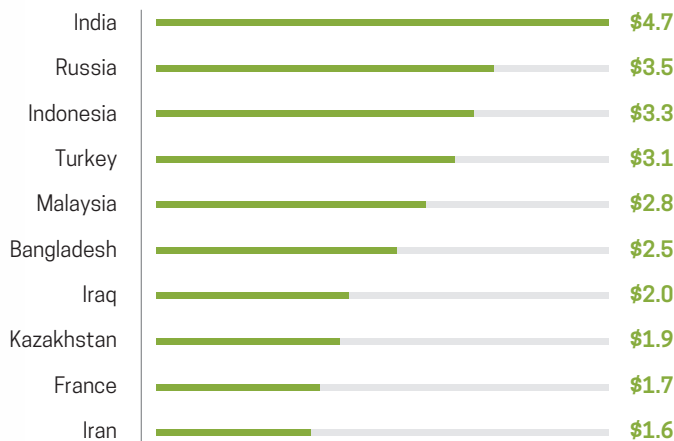


20%
Make-up

Source: ChemistCorner
<http://chemistcorner.com/a-cosmetic-market-overview-for-cosmetic-chemists/>

TOP MARKETS

Top Muslim consumer cosmetics expenditure markets ≈



(2015 est., US\$ Bn)



\$12.7 Bn

Personal care/cosmetics imports by OIC countries (12.1% of global imports)

\$9.4 Bn

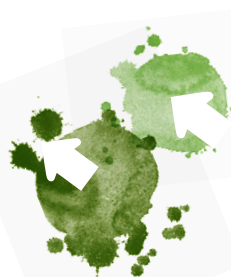
Personal care/cosmetics trade deficit by OIC countries in 2015

Cosmetics trade value by OIC* member countries ≈

(2015, US\$ Bn)

\$107.5 Bn
Global Exports

\$3.4 Bn
OIC Exports
(3.2% of global exports)



\$105 Bn
Global Imports

\$12.7 Bn
OIC Imports
(12.1% of global imports)



40%
Muslim cosmetics market in Non-OIC* countries

\$34 Bn

Muslim Spending from OIC Market

\$22 Bn

Muslim Spending from Non OIC Market

* Only for Essential oils, perfumes, cosmetics, toiletries manufacturing

*OIC: Organization of Islamic Cooperation — 57 member countries

Halal Pharmaceuticals and Cosmetics Indicator

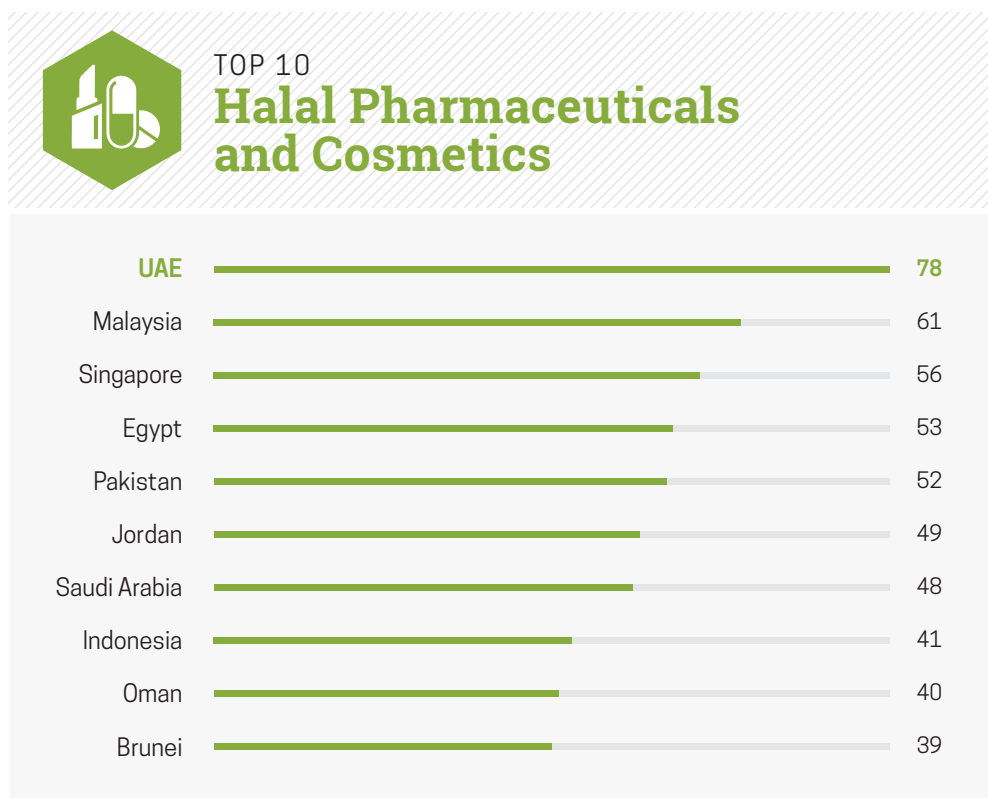
The 2016 State of the Global Islamic Economy Report introduces the Halal Pharmaceuticals and Cosmetics Indicator to evaluate countries' health and development of their Halal Pharmaceuticals and Cosmetics ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The United Arab Emirates, Singapore and Bahrain lead this year's Halal Media and Recreation Indicator ranking that focuses on the health of the family-friendly/Halal media and recreation ecosystem a country has relative to its size, including its related social considerations.

The indicator equally weighs four metric categories and has the following metrics for each: (Full methodology is presented in the Appendix.)

- Supply drivers relative to country size (pharmaceutical exports to OIC countries)
- Governance (Halal regulations and certification requirements)
- Awareness (number of news articles and events)
- Social (Pharmaceuticals and Cosmetics pricing indexes)

Below are the top 10 countries in the Halal Pharmaceuticals and Cosmetics indicator.



| Halal Pharmaceuticals and Cosmetics | Sector Score | Pharmaceutical Exports to OIC | Governance | Awareness Score | Social Score | GIE Ranking |
|-------------------------------------|--------------|-------------------------------|------------|-----------------|--------------|-------------|
| United Arab Emirates | 78 | 167 | 100 | 19 | 26 | 2 |
| Malaysia | 61 | 9 | 100 | 89 | 46 | 1 |
| Singapore | 56 | 110 | 83 | 4 | 26 | 11 |
| Egypt | 53 | 30 | 100 | 2 | 78 | 16 |
| Pakistan | 52 | 3 | 100 | 17 | 88 | 6 |
| Jordan | 49 | 52 | 67 | 18 | 59 | 9 |
| Saudi Arabia | 48 | 37 | 100 | 14 | 42 | 4 |
| Indonesia | 41 | 5 | 100 | 10 | 48 | 10 |
| Oman | 40 | 7 | 100 | 6 | 48 | 5 |
| Brunei | 39 | 0 | 100 | 20 | 38 | 12 |

United Arab Emirates (UAE)

The UAE occupies 1st place in the rankings, mainly driven by a high level of pharmaceutical exports to OIC countries, relative to its size, in addition to high regulatory and certificatory requirements for pharmaceuticals and cosmetics.

Singapore

Singapore occupies 3rd place in the rankings, due mostly to its high volume of exports to OIC countries, as well as a respectable social score.

Malaysia

Malaysia occupies 2nd place in the rankings, mainly driven by strong awareness and governance scores, as would be expected given its experience in certification. The country's exports however are low relative to other players.



Halal Pharmaceuticals and Cosmetics Market Sizing

Pharmaceuticals Market size and profile – \$78 billion market in 2015 (7 percent of global expenditure)

This report estimates global Muslim spending on pharmaceuticals to be \$78 billion in 2015, 7 percent of global expenditure of \$1.2 trillion. This is a growth of 4.2 percent from the previous year, slightly lower than the global market growth rate of 5.3 percent. Muslim spend on pharmaceuticals is expected to reach \$132 billion by 2021, a CAGR of 9 percent from 2015.

The Muslim market for pharmaceuticals ranked fourth globally, behind the United States (\$372 billion), Japan (\$114 billion), and China (\$109 billion). The top 10 Muslim markets with pharmaceuticals expenditure were Turkey (\$9.1 billion), Saudi Arabia (\$6.7 billion), the United States (\$6.3 billion), Indonesia (\$5 billion), Algeria (\$3.6 billion) and Russia (\$2.8). Germany and France, countries with Muslim minorities, ranked eighth and ninth on the list, spending \$2.5 and \$2.4 billion on pharmaceuticals, respectively.

Cosmetics market size and profile – \$56 billion market in 2015 (7 percent of global expenditure)

This report estimates global Muslim spending on cosmetics to be \$56 billion in 2015, 7 percent of global expenditure of \$750 billion. This is a growth of 4 percent from the previous year, and is higher than the global market growth rate of 2.4 percent. Muslim spend on cosmetics is expected to reach \$81 billion by 2021, a CAGR of 7 percent from 2015.

The Muslim market for cosmetics ranked fourth globally, behind the United States (\$84 billion), Japan (\$80 billion), and China (\$63 billion). The top ten Muslim markets with cosmetics expenditure were India (\$4.7 billion), Russia (\$3.5 billion), Indonesia (\$3.3 billion), Turkey (\$3.1 billion), Malaysia (\$2.8 billion), and Bangladesh (\$2.5 billion).



A saleswoman from Wardah cosmetics, an Indonesian brand specialising in products for Muslim women, attends to a customer at a sales booth in a mall in Jakarta, Indonesia. REUTERS/BEAWIHARTA

Social Listening – Consumer Sentiment

Approach

Earlier in the Report, aggregated insights from millennials (18-35 age group) using social media listening based research was introduced. Here we present specific insights from millennials social media interactions on Halal Pharmaceuticals and Cosmetics sectors. (Note: social media research methodology is described in the beginning section, “Millennial Consumer Insights — Social Data Analysis Interactions” on page 17.) A total of 27,500 Halal Pharmaceuticals and Cosmetics related Facebook ‘posts and ‘comments’ from the millennial age group are analyzed here.

Geography interactions

In aggregate, the **top countries where millennials were engaged with Halal Pharmaceuticals and Cosmetics sector topics were Malaysia (8.1k), Indonesia (7.8k interactions.) and Philippines (4.3k).** This shows the high level of awareness and interaction around Halal Pharmaceuticals and Cosmetics. Other countries with some interactions included USA, Pakistan, Singapore and the UK.

Volume of millennial interactions on Halal Pharmaceuticals and Cosmetics by country

| Country | Number of Interactions |
|----------------|------------------------|
| Malaysia | 8.1K |
| Indonesia | 7.8K |
| Philippines | 4.3K |
| United States | 500 |
| Pakistan | 200 |
| Singapore | 200 |
| United Kingdom | 100 |

Sentiment analysis

Based on an algorithm that factors in the conversational tone and words used in the interactions, a ‘positive’, ‘negative’ and ‘neutral’ sentiment score is given to interactions (English language ones only.) **From the interactions that were able to be analyzed for sentiment across Halal Pharmaceuticals and Cosmetics interactions, an overwhelming 91 percent of millennial interactions were with positive sentiment, 6 percent were negative, and 4 percent were neutral.** Across all Islamic Economy sectors this sector had the most positive interactions by millennials.

Note: Analysis of detailed interactions were not available for Pharmaceuticals and cosmetics

Top keywords & hashtags

From across the pharmaceuticals and cosmetics interactions captured, the most common terms and hashtags were #projekstg, Halal, #elitkingdom, glutathione, melanin, dietary supplement. Projekstg and #elitkingdom are related to a part-time business program in Malaysia related herbal medicine and other products.

Aggregate of all sectors keywords and hashtags

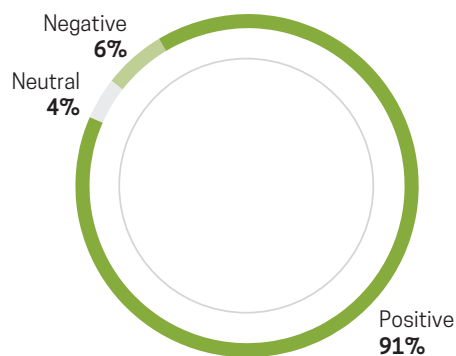
Keywords & Hashtags

| | |
|------------------------------|------|
| #projekstg | 2.2K |
| Halal | 2K |
| Food and Drug Administration | 1K |
| #elitkingdom | 1.4K |
| Glutathione | 1.3K |
| Melanin | 800 |
| Switzerland | 800 |
| Dietary supplement | 800 |
| #winkwhite | 800 |
| #pancea | 800 |
| #glutapancea | 800 |
| #cozumacccream | 700 |
| Vitamin C | 500 |
| #meroketrm1000seminggu | 500 |
| Muslim | 400 |
| Viber | 300 |
| Antioxidant | 300 |
| #greatapprenticeempire | 300 |
| #wemakeithappen | 300 |
| #themagicofparttime | 300 |
| #halal | 300 |

Gender profile

Millennial women (20.1k/ 73 percent) dominate the millennial interactions around pharmaceuticals and cosmetics with men representing 15 percent only (4.1k). Also all top hashtags were majority women, with only the topic 'Muslim' being all men.

Sentiment distribution of Halal Pharmaceuticals and Cosmetics related interactions



Top Facebook keywords and hashtags



● Facebook keywords ● Facebook hashtags

Current Landscape and Trends

Key players across the value chain

| Value Chain | Segments | Select key players | |
|-------------------------|------------------------|---------------------------------------|-----------------------------------|
| | | Mainstream Companies addressing Halal | Islamic/ Halal Companies |
| Ingredients | Manufacturing | DSM (Switzerland) | Halalgel (Malaysia) |
| | | Symrise (Germany) | Suci Harumatiques (Malaysia) |
| | | Givaudan (Switzerland) | |
| Pharmaceutical products | Nutraceuticals | Abbott Nutrition (U.S.) | Noor Vitamins (U.S.) |
| | | Nestle (Switzerland) | |
| | Vaccines and medicines | Pfizer (U.S.) | CCM Berhad (Malaysia) |
| | | AJ Pharma (UAE) | Kalbe Pharma (Indonesia) |
| | | Julphar (UAE) | |
| Cosmetics products | Manufacturing | 4LifeResearch (U.S.) | Wardah (Indonesia) |
| | | | Ivy Beauty Corporation (Malaysia) |
| | | | Pure Halal Beauty (UK) |
| | | | One Pure (UAE) |
| Distribution | Retail | CVS Pharmacy (U.S.) | Geo pharmacies (U.S.) |
| | Online | Alibaba (B2B, China) | Noorain (B2C, Malaysia) |
| | | Amazon (B2B, U.S.) | Zilzar (B2B, Malaysia) |
| | | | Aladdin Street (B2B, Malaysia) |
| | | | Dagang Halal (B2B, Malaysia) |

High growth segments

➤ **Pharmaceuticals. Halal Nutraceuticals are a rapidly emerging Muslim consumer segment, incorporating nutritionally enhanced products:**

- Many leading nutraceuticals ingredients companies have secured Halal certification, including Abbott, Nestle, Archer Daniels Midland Company, Groupe Danone S.A., BASF SE, and Royal DSM N.V.¹
- The Halal segment is growing on the back of higher purchasing power and health awareness, with Halal nutraceuticals successfully marketing products without porcine. North America remains the largest

regional market for nutraceuticals, including in the Halal segment, followed by Asia Pacific²

- There are a number of players emerging globally that are focused on Halal nutraceuticals including U.S.-based Noor Vitamins, Madina Vitamins and Rxtra Solutions, the Netherlands-based HalalVital, and the UK's Natures Well. Sanofi's Australian subsidiary Ostelin produces Halal certified vitamins.

➤ **Halal Pharmaceuticals and Cosmetics. Halal e-commerce platforms focused on the broader Halal lifestyle markets, including Pharmaceuticals and Cosmetics products, have emerged:**

¹ "Malaysia: World's first halal vaccine plant to begin production in early 2018", Halal Focus, December 2015.

² "Demand for Nutraceuticals Expected to Rise as Consumers Show Growing Inclination toward Natural Ingredients, Says TMR", Transparency Market Research, April 2016.

its portfolio of Halal ingredients, citing rising demand among Muslim consumers as well as Indonesia's push to have mandatory Halal-certified products by 2019. Notably, BASF cited rising demand from Western consumers for Halal certified products due to quality assurance, with Halal ingredients traceable through the value chain⁶

- Malaysia's CCM Berhad is seeking Halal certification for its prescriptive medicines once JAKIM, the country's Halal certifier, opens up the Halal application for this segment in 2016. The company is also working on being the first to offer Halal certified biologics, Highly Active Pharmaceutical Ingredient (HAPI) and vaccines fill and finish
- The Indonesian subsidiary of South Korea's Cosmax Inc., an original development manufacturing (ODM) cosmetics company, was granted Halal certification from Majelis Ulama Indonesia (MUI)⁷
- FMC Corporation's health and nutrition division, a global producer of concentrated marine omega-3 fatty acids, had its Norwegian Facility Halal certified in 2015
- UK-based Rosemont Pharmaceuticals received Halal certification in 2015. The company produces liquid medicines, and has applied for 80 products to be Halal certified
- UK-based Natures Well Laboratories, which produces vitamins and nutritional products, was Halal certified in 2016
- MM Makeup launched Pakistan's first Halal cosmetics company in 2015, offering a range of products focused on the South Asian market
- The UK's PHB Ethical Beauty is launching over 100 Halal certified products in 2016.

➤ **Halal Pharmaceuticals and Cosmetics. Iran is set to become a major global player in Halal**

6 http://www.salaamgateway.com/en/pharma-cosmetics/story/chemical_giant_basf_says_going_halal_for_personal_care_products_worth_it_for_business_-salaam22052016103140/, accessed on 20 July 2016.

7 http://www.salaamgateway.com/en/pharma-cosmetics/story/south_koreas_cosmax_beauty_products_get_halal_certification_for_indonesia-SALAAM19032016140917/, accessed on 20 July 2016.

pharmaceuticals and cosmetics after the lifting of sanctions. The country of 79 million people will be an attractive market for Halal pharmaceuticals and cosmetics. The current pharmaceutical market is the fourth largest in the Middle East and estimated to be worth \$2.35 billion,⁸ while over the next decade Iran plans to bolster exports of medicines from \$180 million to \$1.5 billion.⁹ In cosmetics, Iran is the second largest market in the Middle East and seventh in the world, valued at an estimated \$4 billion.¹⁰

➤ **Pharmaceuticals. Halal pharmaceutical manufacturers are investing in R&D to develop vaccines, and eyeing patent expirations to expand their portfolios:**

- The UAE's AJ Pharma through its subsidiary **AJ Biologics acquired Denmark's Statens Serum Institut's vaccine production business** in 2016, to have better access to the global vaccine market and have upstream manufacturing capabilities at its Halal facility in Malaysia. The firm is working on an animal source-free polio vaccine
- **AJ Pharma is in phase three of development of a Halal vaccine** for EV71 (Hand, Foot and Mouth Disease), while the first phase of a MCV4 (meningococcal meningitis) vaccine will start in the last quarter of 2016. The MCV4 will be the first ever Halal certified meningococcal vaccine for pilgrims traveling to Saudi Arabia
- **Companies are gearing up to take advantage of the 'patent cliff' in generics,** with \$148 billion worth of generic patents set to expire by 2018.¹¹ Malaysia's CCM Berhad will select products with upcoming patent expirations for manufacturing, depending on production capacity, by 2018.¹²

➤ **Cosmetics. At a regional level, Southeast Asia is emerging as a leading player in the Halal Cosmetics industry globally, but with**

8 "Iran to Be 4th Largest Mideast Pharmaceutical Market", Financial Tribune, June 2015.

9 "Iran's Pharmaceutical Sector to become a Pharma Powerhouse Post Sanction Era - Biotechnology Sector to Have Lucrative Opportunities", Frost & Sullivan, December 2015.

10 "Barriers to entry: Iran's cosmetics market may prove harder to crack for international brands", Global Cosmetics News, April 2016.

11 "From vision to decision Pharma 2020", PwC, 2012.

12 Interview with CCM Berhad, July 2016.

increasing participation from European and U.S. Halal-focused companies:

- **Southeast Asia accounts for 61.2 percent of the total halal cosmetics market in Asia, with total regional sales estimated** at \$1.4 billion; of that Malaysia and Indonesia account for around 65 percent of Southeast Asia's total Halal cosmetics sales¹³
- **Malaysia and Indonesia account for 65 percent of Southeast Asia's total Halal cosmetics sales, at \$1.03 billion by end 2016**, reflective of the advanced nature of the Halal sector in both countries, and corresponds with sizable Muslim populations. Wardah, an Indonesian Halal brand, is a notable Halal cosmetics player, as is Malaysia's IVY Beauty Corporation. East Asian brands with dedicated Halal lines account for 20 to 25 percent of the overall market¹⁴
- **Indonesia's 760 cosmetics companies**, which had exports of \$818 million in 2015, will have to gear up for Halal certification, if not already complying, to be in line with new legislation requiring all products in the country to be Halal by 2019¹⁵
- **Southeast Asia's adoption of Halal cosmetics has led to regional manufacturers to bring out Halal lines**, such as Japan's Shisedo and South Korea's Talent Cosmetic; the latter has 550 cosmetic products, of which 147 have Halal certification
- **However, there are emerging players addressing the opportunity in Muslims minority countries, such as in the U.S., the UK, India and Japan.** Indicative of the Halal cosmetics segment emerging fast out of its niche status is that sales in the U.S. have grown by 80 percent per year, albeit rising from a low base.¹⁶ Amara Cosmetics is the first U.S. Halal-certified makeup brand, since 2011, and is exporting around the world, while in 2016, Seven Scent UK became the country's first

fragrance manufacturer to be Halal certified.¹⁷ In India, Iba Halal Care has expanded fast since launching in 2014, producing some 80 Halal certified cosmetics products and planning to have 16 stores throughout the country by end 2016.¹⁸ Japan's PBJ Inc. released a line of Halal-certified skincare products called "Momo Hime," which means "Peach Princess", approved by the Japan Islamic Trust.¹⁹

Investment and finance

- **Several Halal companies were able to successfully leverage crowdfunding:**
 - The Netherlands-based startup HalalVital used a fundraising campaign on equity crowdfunding site Symbid in 2015, to reach its target of \$72,000. It seeks to generate revenues of \$6.7 million by 2017
 - Noor Vitamins used start-up crowdfunding website MassChallenge to expand its business following a six-month "proof of concept" pilot in the U.S. The company was later awarded a \$75,000 prize in the NYU Stern new venture competition.

Regulation and operations

- **The push for Halal accreditation impacts all Halal products sectors**, driving the industry towards a clearer adoption of common standards, and stricter oversight of Halal certifiers. These developments will serve to encourage greater participation in the Halal products sector from leading pharmaceutical products and cosmetics companies seeking to market to Muslims²⁰
- **Malaysia is urging pharmaceutical companies to use the country as a manufacturing hub**, having been accepted into the Pharmaceutical Inspection

13 Future Market Insights.

14 http://www.salaamgateway.com/en/pharma-cosmetics/story/southeast-asias_1_bln_halal_cosmetics_opportunity.-salaam03022016122534/, accessed on 20 July 2016.

15 Indonesian Ministry of Trade, 2016.

16 "Global Halal Cosmetics Market 2015-2019", TechNavio, January 2015.

17 http://www.salaamgateway.com/en/pharma-cosmetics/story/case_studyamara_cosmetics_develops_madeinusa_halal_brand-salaam02112015044400/, accessed on 20 July 2016.

18 http://www.salaamgateway.com/en/pharma-cosmetics/story/halal_products_gaining_market_share_in_indias_43_billion_personal_care_industry-salaam06042016110444/, accessed on 20 July 2016.

19 "Made in Japan halal cosmetic "MOMOHIME" is now on sale", Halal Media Japan, March 2016.

20 https://www.salaamgateway.com/en/food/story/resolving_the_current_inefficiencies_in_the_global_regulation_of_halal_food-SALAAM13042016195204/, accessed on 20 July 2016.



A polio worker gives polio vaccine drops to a child during a vaccination campaign in Peshawar, Pakistan. REUTERS/FAYAZ AZIZ

Cooperation Scheme (PIC/S), an extension of the international, non-binding Pharmaceutical Inspection Convention of 1970, which promotes cooperation between regulatory authorities in the field of GMP. Malaysia has 110 Halal certified pharmaceutical manufacturers, of which 24 are export orientated²¹

- **For the first time since 2001, the European Commission updated its guidelines for pharmaceutical qualification and validation, as part of Good Manufacturing Procedures (GMP) guidelines.** Key changes require manufacturers to ensure “critical aspects” of their operations are validated through the product lifecycle to ensure quality control, ranging from cleaning to transportation, to packaging and testing for microorganisms. The move will ensure greater traceability, a core component for Halal ingredients and producers.²²

Innovation

There have been several new promising product and service offerings developed across the Halal pharmaceuticals and cosmetics industries to cater to a growing demand among Muslims for Halal-certified products.

- **Pharmaceuticals. While vaccines are predominantly derived from non-Halal gelatin, there has been an ongoing industry push for Halal-certified vaccines:**
 - A Malaysian-Saudi Arabian consortium has been working on developing a Halal vaccine, which was slated for launch in 2016, but has now postponed the release until a Halal vaccine facility — the world’s first — is operational in 2018²³
 - However, the Halal World Conference in Malaysia in April 2015, suggested that with no Halal vaccine yet developed, plant-based vaccines could be certified as Halal. Muslim spend on vaccines was \$1.8 billion in 2014, forecast to grow to \$2.3 billion by 2020, while

estimates point to a potential \$1 billion Halal vaccine market by 2030²⁴

- The Drugs for Neglected Diseases initiative (DNDi) and Egypt’s Pharco announced that a hepatitis C drug tested could be available within two years. It is expected to cost less than \$300, a tiny fraction of the \$80,000-plus price charged by major drug-makers. Latin America stands to benefit from DNDi’s and Pharco’s move, along with Egypt, Malaysia, Thailand, Saudi Arabia and Iran.²⁵
- **Cosmetics. Halal Nail polish is a new product area that cosmetics companies are seeking to develop.** The Saudi Arabia-based BCI Group launched its Halal certified H nail polish line in 2014, as did Greece-based Safe ‘N’ Beautiful. The UK’s Nails Inc. launched a Halal friendly line in 2015. The nail polish is permeable, allowing water to penetrate to the nails, a requirement for *wudu* (ablution). Other brands have launched permeable polishes, but have garnered criticism for marketing to Muslim consumers without being Halal certified.

21 “Use Malaysia As Regional Halal Hub, Pharmaceutical Makers Urged”, Pharma Bio Asia 2016, October 2015.

22 “EU Makes Major Update to Drug Manufacturing Guidelines”, Regulatory Affairs Professionals Society, April 2015.

23 “Malaysia: World’s first halal vaccine plant to begin production in early 2018”, Halal Focus, December 2015.

24 “World’s first halal vaccine plant to begin production in early 2018”, The Malay Mail Online, December 2015.

25 “Drugs for Neglected Diseases initiative and Pharco Pharmaceuticals to test affordable hepatitis C regimen with support of Malaysian and Thai governments”, Drugs for Neglected Diseases initiative, April 2016.

Key Challenges

Marketing and sales challenges

- **In certain markets there has been a backlash against Halal products, hindering Halal certification by multinationals and limiting marketing possibilities.** There have been major campaigns, primarily using social media, calling for boycotts against Halal goods, especially in non-Muslim majority countries. Such campaigns have prompted stores to not stock Halal goods, and for manufacturers to not emphasize Halal certification and labeling.
- **Economies of scale.** Multinational companies are opting to produce organic and natural products instead of Halal certified products to appeal to a broader consumer base and have better economies of scale.
- **Identifying the source of medicines.** Fortunately, gone are the days when pig placenta was used in anti-ageing cosmetics or mare urine to manufacture the contraceptive pill, thanks to increasing consumer demands for cruelty and animal free products. There is a preference for using non-animal ingredients now, owing to consumer awareness due to vegetarian and vegan lobbying. The 'mad cow' and bird flu epidemics have also impacted the use of animal-based ingredients. Most antibiotics on the market are synthetic, making them cheaper and available in large quantities to meet global demand. The main problem is at the formulation stage where these antibiotics and other medicines are encapsulated in ingredients that aren't Halal.

Financing, regulations and operations challenges

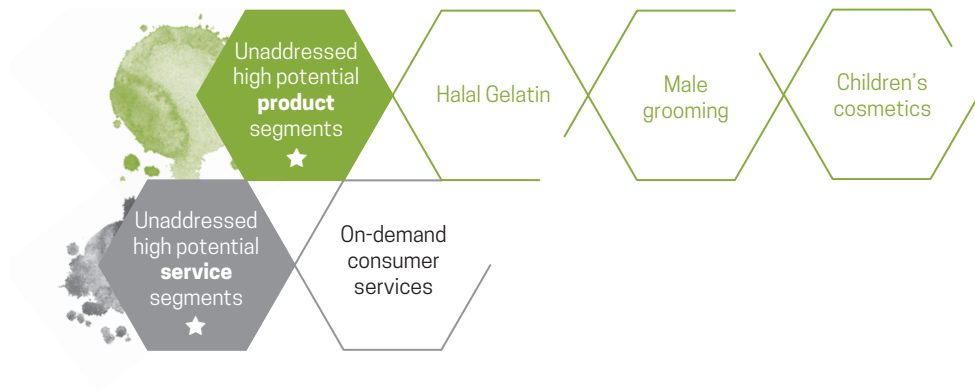
- **Halal manufacturers are in significant need of funding to ensure they can compete with global manufacturers with sizable marketing and advertising budgets.** While the global market for pharmaceuticals is estimated at \$1 trillion, the world's 10 largest drug companies accounted for nearly half of that revenue. Furthermore, for every \$1 spent on research, big pharmaceuticals companies spend an estimated \$19 on promotions and advertising. Lacking such budgets, in large part due to the sector's nascency, Halal certified producers are having to promote Halal labeling on products and emphasize the quality of ingredients to capture market share.²⁶
- **Uncertainty about requirements and the stringency of certification can have a major impact on production costs.** For instance, some certifiers and scholars state that Halal manufacturing facilities should be separate — standalone — from non-Halal facilities over concerns about contamination. Such standalone facilities typically require significantly upfront investment.
- **Good Manufacturing Procedures (GMP) compliance has become a must at the global level, while manufacturers have to abide by national regulatory bodies.** Such compliance procedures can complicate production, with high compliance barriers cited as obstacles to investment in the Halal sector. Furthermore, many Muslim auditors are not trained in GMP guidelines Practices (GMP) guidelines, thereby missing potential points of contamination in product traceability and applicability for Muslim patients, such as unethical *masbooh* ingredients (best to avoid) that can be absorbed via the skin or ingested internally.

²⁶ "2015 Global life sciences outlook; Adapting in an era of transformation", Deloitte, 2014.

Opportunities

Opportunities by product/services segments

Largely unaddressed product and service segments



Opportunities by stakeholder

Opportunities by stakeholder types



Existing opportunities within Halal Pharmaceuticals and Cosmetics

| Opportunity | Explanation |
|------------------------------------|--|
| Halal Gelatin | <p>Sub-segments with largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> ➤ Gelatin is a key component of medicinal products, used extensively in vaccines, capsules and supplements, with close to 40 percent of gelatin sources from porcine ➤ While there is some variation in scholarly views on whether pork-derived gelatin is permissible for medicinal purposes, there is a significant unmet demand among consumers for Halal gelatin across a range of products²⁷ <p>Potential:</p> <ul style="list-style-type: none"> ➤ There is significant opportunity to develop a large-scale producer of Halal gelatin, providing the consistent supply needed in order to make Halal pharmaceutical products viable on a mass-scale |
| Male grooming | <p>Largely unmet Muslim demand:</p> <ul style="list-style-type: none"> ➤ While the demand for male grooming products is expected to increase significantly, valued at \$21.4 billion in 2016 and forecast to grow by 9.4 percent annually, there has been relatively limited innovation to develop products tailored to Islamic lifestyle needs, with beard oil serving with as a good example of what is needed²⁸ <p>Potential:</p> <ul style="list-style-type: none"> ➤ There is substantial opportunity for existing cosmetics companies to develop a range of personal care products marketed at Muslim men to complete a modest lifestyle, including for instance, alcohol-free fragrances and dental cleansing products |
| Children's cosmetics | <p>Largely unmet Muslim demand and potential:</p> <ul style="list-style-type: none"> ➤ Children's cosmetics products are a high-growth area — valued at \$47.7 billion worldwide and forecast to grow by 7 percent CAGR to 2017, to \$66.8 billion — and similar to male grooming above, there has been limited innovation²⁹ <p>Potential:</p> <ul style="list-style-type: none"> ➤ There are substantial opportunities to develop a range of personal care products such as fragrances, dental cleansing products, and skincare products for Muslim children ➤ The marketing and branding of such products can leverage the popularity of popular Muslim cartoon characters and emerging television channels, such as Muslim Kids TV |
| On-demand consumer services | <p>Largely unaddressed Muslim demand:</p> <ul style="list-style-type: none"> ➤ On-demand services have evolved beyond taxi-hailing and food delivery apps to include multiple lifestyle sectors, including cosmetics ➤ While Uber has partnered with Benefits Cosmetics in New York to provide beauticians on demand, and hairdresser booking app Rock Pamper Scissors has secured over \$1.5 million in venture funding, there has been limited development of on-demand Halal products and services provision beyond food delivery and e-commerce <p>Potential:</p> <ul style="list-style-type: none"> ➤ There is substantial opportunity to create on-demand product and service delivery apps providing Halal cosmetics products or connecting Muslims beauty service providers with households |

Source: Thomson Reuters and DinarStandard analysis

27. https://www.salaamgateway.com/en/food/story/addressing_the_demand_for_halal_gelatin_in_food_products-SALAAM10042016082408/, accessed on 20 July 2016.

28. "Asia Leads Growth In World Market For Men's Beauty", Personal Care Business 360, February 2016.

29. "Global Baby Care Products Market to Exhibit 7.0% CAGR during 2007-2017 due to Rise in Disposable Income across Developing Economies", Transparency Market Research, April 2016.

Key stakeholder analysis

| Stakeholders | Action | Analysis |
|---------------------------------------|--|---|
| Mainstream or Existing players | Acquire existing players | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Acquiring a small-to-mid sized pharmaceutical products or cosmetics company with existing Halal production capabilities or an emerging brand tailored to Muslim users ➤ The recent acquisition of Dollar Shave Club by Unilever for \$1 billion shows a substantial appetite and acquisition potential for Halal products³⁰ <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Key areas include acquiring dedicated Halal ingredients manufacturers, and high-growth Halal nutraceutical products manufacturers |
| | Develop a new Halal offering | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Following the path of leading global nutraceutical products providers, there are substantial opportunities for leading pharmaceutical and cosmetics products manufacturers to gain certification for key product lines <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Products tailored to Muslim needs would address a large potential market, in particular in OIC countries where Halal-certification is very important for consumers, such as Malaysia. Example products could include Halal nail polish and Halal vitamins and supplement |
| Private equity | Acquire existing players | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ Many of the dedicated Halal products manufacturers are small and in need of expansion capital, which a private equity firm can provide, to address demand in a growing, sizeable market <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ There are high-growth and relatively recent nutraceutical products manufacturers, cosmetics companies, as well as key ingredients suppliers that could be scaled |
| | Pursue substantial value creation opportunities | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ With capital and through leveraging substantial commercial experience provided by private equity firms, there are substantial avenues for value creation and growth ➤ The portfolio companies can then either be sold to leading multinational companies after a five to 10-year investment holding period, or listed a public stock exchange <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Private equity firms can help broaden the product offering of portfolio companies as well as helping management pursue a more aggressive marketing plan ➤ For instance, an ingredients manufacturing company can pursue large pharmaceutical products manufacturers and develop a large-scale Halal gelatin offering which can be used in a wide-range of medicines |
| Regulators | Develop comprehensive training programs for the industry | <p>Rationale:</p> <ul style="list-style-type: none"> ➤ As mentioned in the Halal Food section, there are substantial opportunities to provide dedicated training platforms for Halal industry professionals, going beyond food to cover a wide range of products <p>Main areas of opportunity:</p> <ul style="list-style-type: none"> ➤ Training providers and regulators (including accreditation bodies and certifiers) can develop formal training qualifications to ensure appropriate skillsets for Halal production |

Source: Thomson Reuters and DinarStandard analysis

30. "Unilever sharpens P&G rivalry by buying Dollar Shave Club", Yahoo, July 2016.



Interview



Dr. Mohamed Issa
CEO,
Noor Pharmaceutical (U.S.)

What are the emerging application areas for nutraceuticals?

What we have been doing for the past two years is clean sources of ingredients, using whole food and plant-based ingredients for general vitamins and nutraceuticals. Consumers are becoming more educated and more inclined to know where ingredients are coming from. The other area is specialty products, which have direct benefit for a special need, whether it be beauty, skin, eyes or for the heart. At this point a trend is to develop unique products with very specific functional benefits.

What technological advances are nutraceuticals companies tapping into to develop the sector?

Technology is being used to extract core ingredients of functional food, for example Vitamin K from spinach. That has always been available but companies have not pursued it as other less expensive forms and sources are available. But use of technology is much more than it was. Another use of technological advances in the space is in dosage forms, you'll see new forms of these products. Traditional forms were capsules, tablets and soft gels, and now it is more innovative — liquids, shots, juices, gummies.

Is the Halal nutraceuticals sector reflecting the mainstream market in terms of segment demand and development?

I think the Halal sector is following the trend, of functional food and to extract ingredients. Slowly and surely Halal is converging with the mass market. I think in the next five years there will not be much disconnect. At Noor we are eager to not only drive and develop the market in the Halal space but also to be a significant player in the mass market.

How has Noor expanded its offerings in recent years? And are certain products performing better than others?

We have expanded in a couple of different ways. We have pushed to source the highest quality ingredients we can for all products. Now 10 out of 12 are 100 percent all natural, GMO free, gluten free, and organic ingredients, that is one advancement. Another is pushing to produce an exclusive proprietary blend, so trade-marked formulas are not replicated by any other brand. Trade-marks on sources have also come together. This shows that studies have been done on the benefits on claims we are making on products, so customers know it is Halal but also natural, and a formula you cannot replicate in the market place, that the benefits are unique to us. Another is the forms of products. We were the first ever to produce a Halal gummy product, and we now have products for both children and adults. So we push on forms, and innovate the class.

What export markets are you targeting and expecting to target in the coming years?

Right now we are finalizing some really important agreements with the Middle East and North Africa market, with the European market, and with Latin America. We will also be in Canada by the end of the summer, so an additional eight countries by the end of 2016, bring us to around 19 countries. We have an 80 percent share of the market outside the US, while the US is our biggest market, having around 90 to 95 percent share of the Halal market, according to our internal estimates.

Is Noor considering developing new segments, like sports nutrition?

Our team is working aggressively on sports nutrition. We are meeting with some high profile Muslim athletes globally that would get behind a sports nutrition line sourced and produced to the quality Noor operates. We are also looking at beauty pretty aggressively, consumables and external, so those two main segments. But we have a lot of room with nutraceuticals, so we want to balance core business with future opportunities.

Do you use Shariah-compliant finance, and what are the challenges in securing such financing?

Since the day we started we have used Islamic-based business principles. We are an Islamic compliant business so not just focused on finance, also contracting, and a credo you hold to when interacting with consumers, B2B partners, and employees. Given our growth and track record securing financing has not been a big challenge. My advice to companies seeking Islamic Finance is, worry about financing after making sure you are providing solutions to a problem in the

market place. If your solution is compelling and the problem is significant, fundraising will inherently be easier.

What are the un-met nutraceuticals needs of Muslim consumers?

It is access to Halal products. Before it was creating products, but at Noor we have created a solution, and other companies have copied parts of our business. Another issue is high quality and uniquely formulated products sourced from natural ingredients that provide the benefits they claim, that is much harder to copy. Anybody can put a label on a product these days. It may seem that consumers have several options, but when they take a closer look, not all brands are giving the same value as it may seem on the surface. The more informed consumers are about the products they purchase and ingredients they use, the more likely they are in keeping their families healthy.

With more Halal certified ingredients available every year, what opportunities does this present for the development of the Halal nutraceuticals segment?

More innovative formulas and more innovative forms of delivery. I think you don't have to settle for the basic multi-vitamins formula or a basic tablet. Our Noor energy product for example has a proprietary blend with ingredients mentioned by the Prophet (PBUH). We wouldn't have been able to do that without an increased access to Halal ingredients. Now it is doing something innovative. Availability will drive innovation. I am confident we can continue to lead from the front and innovate the space as more ingredients and sources become available.



Interview



Dr. Tabassum Khan
Managing Director,
AJ Pharma Holding (UAE)

There is an anti-immunization trend in many parts of the world. What kind of challenge does that present? And will the development of Halal vaccines help overcome this phenomenon, particularly in Muslim-majority markets?

The anti-immunization campaigns can be segregated into three groups: social and medical, political and religious. The first group includes those who have mistrust in the effectiveness and utility of vaccines. They have been made to believe that vaccines cause harm rather than good. Notions have been put forward that vaccines may even lead to HIV and are vehicles for sterilization. Such notions develop mistrust on vaccines and put a question mark on their safety. They can easily be handled through education campaigns, based on scientific data showing a clear cut benefit of immunization. The second is political. Certain countries have conspiracy theories about immunization programs that vaccines have been used as a cover for military intelligence gathering purposes. At times there is also mistrust on those who deliver vaccines such as governments and international agencies. This group can be managed through reassurance and education. For the religious group, in addition to the aforementioned factors, the problem is compounded by wrongly applying religious injunctions. The presence of ingredients forbidden by religion, especially those derived from a porcine source, created a resistance to vaccine use. These objections are further substantiated by bringing faith into it that disease is the will of God and will happen anyways. So the challenges are three pronged

and have to be handled accordingly. People have to be made aware that a disease that's apparently under control can suddenly return and we have seen it in countries like Japan, Sweden and Australia. The other example is the re-emergence of polio mainly in the Islamic countries. Polio primarily affects children under the age of five and one in 200 infections lead to irreversible paralysis. Among those paralyzed, almost five to 10 percent face death. Awareness needs to be created that as long as a single child remains infected, children throughout the world are at risk. Failure to eradicate polio from the countries where it is present — mainly Pakistan and Afghanistan — can result in as many as 200,000 cases every year globally, putting the future generations at the risk of disability and premature deaths. As far as the impact on development of Halal vaccine is concerned, there would definitely be a positive step in increasing immunization rates in the Muslim dominated countries, as psychologically the highest resistance is perpetuated by misinterpreted religious perceptions.

By 2019, all products imported into Indonesia will have to be Halal certified. What opportunities and challenges does this present for the global Halal vaccine and pharmaceutical sector?

Indonesia is a large market for pharmaceuticals, which more than doubled from \$3 billion in 2008, to reach approximately \$7 billion in 2015, and is anticipated to hit about \$12 billion by the end of 2019. Although the value of imports of finished products have significantly reduced over the years, even in 2015, around 90 percent of the raw

materials for medicines were imported. If we split the pharmaceutical industry into pure pharmaceuticals and biologics most products falling under pharmaceuticals will have no issue of being Halal certified. The major challenge will be for biologics. Having said that it is virtually impossible to have all or even majority of the biologics to be Halal certified by 2019. So in my opinion, the challenge is not that big but the groups investing in Halal vaccines and biologics have an opportunity in hand to monopolize the Indonesian market.

AJ Pharma through its subsidiary AJ Biologics signed to acquire Denmark's Statens Serum Institut (SSI) vaccine production business in 2016. What was the motivation for the acquisition and how will it tie into plans to develop Halal vaccines?

The biggest motivation for acquisition was to have access to the global vaccine market and to have upstream manufacturing capabilities for our project in Malaysia. The other motivation was to have access to a polio vaccine and to develop new formulations and expand our reach to contribute to the World Health Organization (WHO) objective of eradicating polio. Developing an animal source-free polio vaccine would be a major contribution to the Islamic world.

Will the vaccines developed at SSI be Halal-certified?

It is too premature to answer this question. However, we would be working on the prospect of making an animal source-free polio vaccine. Our primary goal nevertheless will be to concentrate on new formulations of polio vaccine and to expand the capacity substantially. We would like to be an important partner in the noble cause of eradicating polio from the face of the earth in collaboration with, and the support of, international agencies such as BMGF (Bill and Melinda Gates Foundation).

How is progress developing at AJ Pharma's Halal vaccine facility in Malaysia? When will it open, and which markets are you expecting to target?

AJ Biologics is under construction and is expected to start commercial operations in the first quarter of 2018. The primary target markets would be ASEAN, Middle East and South Asia.

How is development progressing on AJ Biologics' vaccines, such as EV71 (against Hand, Foot and Mouth disease) and MCV4 (meningococcal meningitis)? When will these vaccines be commercially available?

These are our co-development projects with international partners. EV71 is in phase three and MCV4 shall begin phase one in the last quarter of 2016. The MCV4 will be the first ever Halal certified meningococcal vaccine for all the pilgrims traveling to Saudi Arabia.

What are the major operational and regulatory challenges faced by the Halal ingredients industry overall, and to what extent do these affect your company as well?

The main overall challenges faced by the industry will include the confusion surrounding Halal standards, primarily because they are being compiled by many different government linked organizations, private organizations and independent Halal certification bodies. The challenge for manufacturers is to determine which standard will essentially provide market access, and in many cases multiple certificates are necessary for exporters. The major operational challenge will be identifying the right source of constituents that can replace the forbidden components. In addition, many Halal certification auditors are not trained in Good Manufacturing Practices (GMP) guidelines, which is important to maintain quality. It is imperative that the quality remains in the domain of technical and scientific experts.

What opportunities are there for the Halal pharmaceutical industry to leverage the current trend for personalized – or precision – medicine?

For a lot of diseases there is no proven tool to prevent or to give effective treatment. At this stage of time we have to gain better knowledge of biological, environmental and behavioral influences on such diseases to make an impact on the people suffering from them. Precision medicine is an emerging approach that takes into account the individual variability in genes, environment and lifestyle of each person. The whole concept of it, at the moment, is in its initial stage, so bringing Halal into it at this point of time can only be explored.



Special Brief: Healthcare



The growing need for Muslim-friendly Healthcare services

Mirroring other sectors, Muslims represent a core patient segment with specific, faith-based needs that may not be fully addressed by conventional products and services across the Healthcare value chain.

NEEDS

The core needs of Muslim patients can be segmented into three broad categories:

- **Location-based needs.** These include:
 - Gender-segregated care, notably matching female patients with female doctors
 - Halal certified food
 - Access to prayer rooms
 - Access to essential Islamic services for bereavement.
- **Medical product needs:** These include the availability of Halal certified products, inclusive of medicines and medical applications that do not contain gelatin or alcohol.
- **Financing needs:** Shariah-compliant insurance and financing solutions.

TRENDS

There are three positive trends that will drive robust growth in the demand for Muslim-friendly Healthcare services:

- **The fast-growing Muslim population will increase the overall Muslim need for healthcare services:** With the Muslim population growing faster than the global population,¹ there will be an overall increase in demand for products and services used by Muslims across the Healthcare value chain
- **Muslims are increasingly requiring the availability of products and services that suit their religious lifestyle needs, and this will impact the procurement decisions of service providers:** While there is a variation in the level of adherence among Muslims to religious

requirements, there is a notable growth in demand for Halal food options, and a push among Halal certification bodies to certify cosmetics and pharmaceutical products

- **Healthcare tourism is a growing trend and a high-potential segment within Halal Travel.** A study by the OIC in 2016 found in a global survey that only one percent of Muslims that traveled abroad did so for medical reasons. However, there is a notable trend toward Muslim friendly tourism, with the study identifying several countries seeking to address visitor's medical needs, including Malaysia, Indonesia, Turkey and Tunisia.²

Market size and profile

The value of healthcare spend attributable to Muslims can be estimated at \$435.6 billion in 2015, accounting for 5.7 percent of global spend on healthcare, estimated at \$7.7 trillion in 2015.³ Global spend on healthcare includes public (government) spending, out-of-pocket expenses and private spending on insurance and healthcare services.

In 2015, if ranked together with other countries the aggregate global Muslim market would be the fifth largest market for Healthcare spend, with the four largest markets comprising the United States (\$1.9 trillion), China (\$1.4 trillion), Brazil (\$575 billion), and Japan (\$438 billion).

Healthcare spend attributable to Muslims was highest in Indonesia, estimated at \$39.9 billion in 2015, followed by the U.S., estimated at \$31.9 billion, and Saudi Arabia, estimated at \$21 billion.⁴

1. Pew Research estimates, 2011.

2. "Muslim Friendly Tourism: Understanding the Demand and Supply Sides In the OIC Member Countries", COMCEC, February 2016.

3. Global aggregate healthcare spend estimates are based on 2013 Global Healthcare spending estimates by the Economist Intelligence Unit, Healthcare market growth estimates by the Carlyle Group (2016 Global Health Care Outlook), national healthcare spending estimates, and World Bank data on Healthcare spend as a share of GDP.

4. Breakdown of Muslim healthcare spend by country was estimated using National estimates and global healthcare spend estimates, with Muslim share of spend estimated based on Muslim proportion of population for each country, adjusted for income disparities.

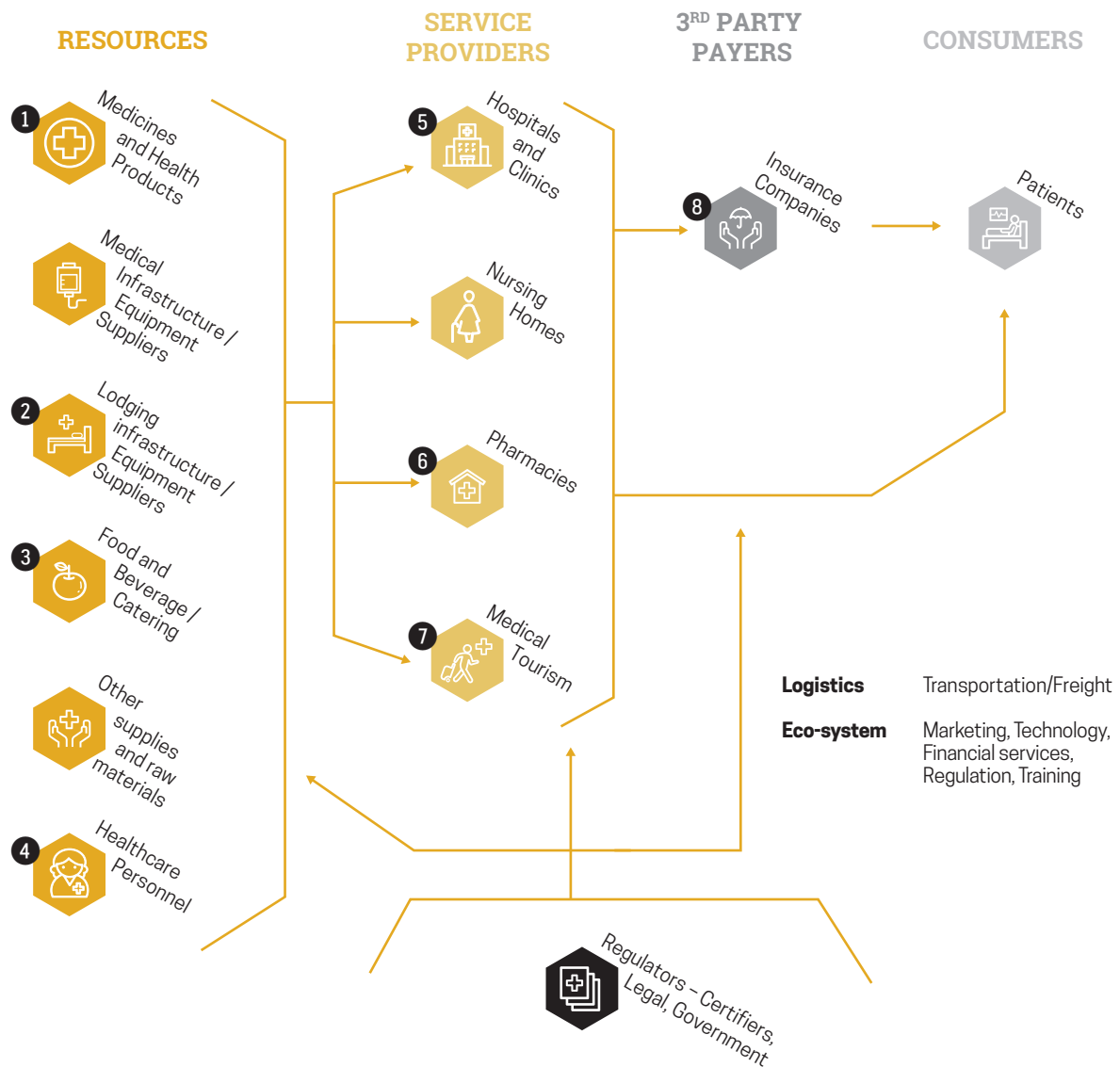


Healthcare value chain

The Healthcare value chain can be segmented into four key components which support the delivery of essential healthcare services to the end consumer. Across each segment there are several key Halal/ Islamic lifestyle touchpoints.

| Key segments | Sub-segments |
|--|---|
| Resources: Essential inputs enabling the delivery of healthcare services including products, materials and personnel | Includes: Pharmaceutical products manufacturers; Medical infrastructure and equipment suppliers; Lodging infrastructure and equipment suppliers; Food and beverage suppliers; Healthcare personnel |
| Service Providers: Providers of essential services across the healthcare continuum | Includes: Hospitals; Clinics; Nursing Homes; Pharmacies and Medical tourism agencies |
| Finance providers: Payers and institutions that help mitigate the cost of healthcare services | Includes: Financial institutions; Insurance companies |
| Regulators: Government and non-government institutions that oversee resource and service providers and ensure compliance with relevant laws and regulations | Includes: Healthcare regulators; Government agencies; Product certification bodies |

Healthcare value chain diagram



Healthcare value chain diagram Halal touchpoints

Halal Touchpoints

- | | |
|---|--|
| 1 | ➤ Halal certified products or plant-based products |
| 2 | ➤ Muslim prayer spaces |
| 3 | ➤ Halal food and beverage |
| 4 | ➤ Health professionals familiar with muslim values (i.E.: Gender-matched care) |
| 5 | ➤ Muslim-friendly facilities and services |
| 6 | ➤ Muslim-friendly nursing homes |
| 7 | ➤ Muslim-friendly medical tourism |
| 8 | ➤ Halal medical insurance companies (takaful) |

Key players across the Muslim-friendly Healthcare value chain

OVERVIEW

While this report has looked in detail at key players across the Halal Food and Pharmaceuticals industries, there are several notable players in the provision of Muslim-friendly Healthcare services and Shariah-compliant financing.

Key players in Muslim-friendly Healthcare

| Segments | Company | Year Founded | HQ | Description |
|-----------------------------|---|--------------|----------|--|
| Healthcare Service Provider | KPJ Healthcare Berhad | 1981 | Malaysia | Overview: <ul style="list-style-type: none"> ✎ KPJ Healthcare Berhad is the largest private healthcare service provider in Malaysia Core focus and developments: <ul style="list-style-type: none"> ✎ KPJ Healthcare Berhad has over 10,000 employees and operates over 25 hospitals across Malaysia ✎ KPJ Healthcare Berhad offers treatment and surgery options including cardiac, orthopedic, and oncology⁵ ✎ The healthcare service provider also offers Muslim-friendly services, which include prayer spaces, Islamic funeral preparation, Halal meal options for patients, and accommodates gender requests for patient care |
| | Bangkok Hospital | 1972 | Thailand | Overview: <ul style="list-style-type: none"> ✎ Bangkok Hospital is the largest private healthcare service provider in Thailand Core focus and developments: <ul style="list-style-type: none"> ✎ Bangkok Hospital operates over 40 hospitals throughout Thailand ✎ Bangkok Hospital established an Arabic Medical Services wing in 2006⁶ ✎ They provide Arabic-speaking staff in addition to Halal food and prayer facilities |
| | Global Health City Chennai (Global Hospitals) | 1999 | India | Overview: <ul style="list-style-type: none"> ✎ Global Health City Chennai is a subsidiary of Global Hospitals, which is one of the fastest growing healthcare chains in India Core focus and developments: <ul style="list-style-type: none"> ✎ Global Health City Chennai specializes in multi-organ transplant for liver, pancreas, kidney, heart and lungs ✎ Global Health City Chennai has received Halal certification and provides Muslim-friendly services including prayer mats and direction in hospital rooms, privacy for female patients ✎ The hospital also has Arabic-speaking employees |
| Medical Tourism Service | Thai Halal Tour | 2013 | Thailand | Overview: <ul style="list-style-type: none"> ✎ Thai Halal Tour is a Muslim-focused tour operator in Thailand Core focus and developments: <ul style="list-style-type: none"> ✎ The tour operator offers health check-up packaged tours and offers customers to visit attractions, shop in the city of Bangkok, and receive health check-ups in the capital city from three different hospitals ✎ In addition to these offerings, the company provides Halal meals and Arab-speaking guides |

5 http://www.salaamgateway.com/en/travel/story/healthy_growth_of_muslimfriendly_medical_tourism_-salaam13072016052658/, accessed on 25 July, 2016.

6 http://www.salaamgateway.com/en/travel/story/healthy_growth_of_muslimfriendly_medical_tourism_-salaam13072016052658/, accessed on 25 July, 2016..

| Segments | Company | Year Founded | HQ | Description |
|--------------------|--------------------------------|--------------|----------|--|
| Insurance provider | Takaful Ikhlas Berhad | 2002 | Malaysia | Overview: <ul style="list-style-type: none"> Takaful Ikhlas Berhad is an Islamic insurance provider and is a wholly owned subsidiary of MNRB Holdings Berhad Core focus and developments: <ul style="list-style-type: none"> Takaful Ikhlas Berhad has established Islamic financial protection services based on the Takaful system and offers Islamic medical insurance The company has 13 regional offices across Malaysia and has reached 2 million individuals and corporations as clients The company also has comprised a workforce of over 5,000 |
| | Islamic Arab Insurance Company | 1979 | UAE | Overview: <ul style="list-style-type: none"> Islamic Arab Insurance Company is a Shariah-compliant Takaful (Islamic insurance) provider and is one of the largest Takaful providers globally Core focus and developments: <ul style="list-style-type: none"> Islamic Arab Insurance Company is also the parent company of six different Takaful companies that operate in Saudi Arabia, Egypt, Senegal, Algeria and Jordan |
| | Noor Takaful | 2009 | UAE | Overview: <ul style="list-style-type: none"> Noor Takaful is an Islamic insurance company, which is a subsidiary of Noor Investment Group, a commercial and private banking service Core focus and developments: <ul style="list-style-type: none"> Noor Takaful was established to provide a broad range of Islamic insurance including medical insurance and primarily serves individuals, families and corporations in the UAE. |

Source: Thomson Reuters and DinarStandard analysis

Challenges

Establishing a Halal supply chain and verifying the source of ingredients:

- While Halal certification of pharmaceutical products is increasing, much of the certification that has occurred has been led by Muslim-majority, or OIC member countries, which have well-developed Halal ecosystems, namely Malaysia and Indonesia
- There still remains a considerable challenge in identifying Halal alternatives for common medical ingredients including gelatin, which is mostly derived from porcine.⁷

Justifying the perceived higher cost of Halal products and services:

- At a time when medical service providers are under pressure to reduce costs by insurance providers, securing food from alternative, often smaller

suppliers could add considerable costs and result in the loss of economies of scale.

- This higher cost is exacerbated by the fact that Halal Food suppliers are likely to pass on the cost of certification through higher prices.⁸

Managing the co-mingling of Muslim and non-Muslim patients

- Segregating Muslim patients and meeting their needs may be difficult in high-strained environments where critical life-enabling decisions must be made and where capacity constraints exist
- Such challenges are exacerbated by funding difficulties at hospitals and the negative portrayal of Muslims in the media, which can cause an adverse reaction among non-Muslims, especially in Muslim-minority countries.⁹

⁷ http://www.salaamgateway.com/en/food/story/addressing_the_halal_ingredients_opportunity_industry_developments-salaam13062016062959/, accessed on 25 July 2016.

⁸ Based on Discussions with a Muslim medical professional and former medical resident at Lutheran Medical Center in Brooklyn, New York.

⁹ Based on Discussions with a Muslim medical professional and former medical resident at Lutheran Medical Center in Brooklyn, New York.

Opportunities

Raising awareness of healthcare needs of Muslims:

- There are significant opportunities to shine a spotlight on the needs and developments in the provision of Muslim-friendly Healthcare services, both at conventional medical conventions, as well as tailored Islamic Economy and consumer summits, including the annual State of the Global Islamic Economy Summit in Dubai, and regional Muslim-oriented consumer events such as those organized by the American Muslim Consumer Consortium and the Muslim Lifestyle Show.

Certification of hospitals:

- There is significant scope for Halal certifiers to assess the suitability of hospital services for Muslims, including the availability of Halal Food, gender-segregated care, as well as providing training to staff on cultural and religious sensitivity topics

- The certification of the Global Health City Center in India serves as a good example of a hospital securing Halal certification,¹⁰ and mirrors a similar model applied to hotels in Spain, several of which have been certified by Instituto Halal¹¹
- Certifiers are in a position to proactively approach hospital management, in particular in areas with large numbers of Muslims, to help hospitals better meet the needs of key customer segments.

Promoting Medical Tourism for Muslims:

- There is significant scope for OIC and non-OIC countries to target travelers for Muslim-friendly Medical Tourism, with Thailand and India serving as good models for non-OIC countries, and with tourism agencies playing a key potential role in marketing services and ensuring travelers can enjoy destinations fully while also receiving treatment.¹²

¹⁰ http://www.salaamgateway.com/en/pharma-cosmetics/story/healthy_growth_of_muslimfriendly_medical_tourism,-salaam13072016052658/, accessed on 25 July, 2016.

¹¹ Based on discussion with Tomas Guerrero Blanco, Director, Instituto Halal.

¹² http://www.salaamgateway.com/en/pharma-cosmetics/story/healthy_growth_of_muslimfriendly_medical_tourism,-salaam13072016052658/, accessed on 25 July 2016.





Special Brief: Education



Top high school students attend an annual award ceremony organized by Yemen's Education Ministry in Sanaa. REUTERS/KHALED ABDULLAH

The growing need for tailored Islamic Education

QURANIC CONTEXT AND HISTORY

Knowledge and its attainment are central to the Islamic faith. The Quran makes this clear numerous times, including in the following verses, the first to be revealed to the Prophet (PBUH):

“Recite in the name of your Lord who created.
Created man from a clinging substance. Recite,
and your Lord is the most Generous. Who taught by
the pen. Taught man that which he knew not”(Surat
Al-‘Alaq, Verses 1-5)

The Prophet Muhammad (PBUH), also made it obligatory upon Muslims to seek knowledge, and extolled its virtues, those who obtain it, and impart it to others.

The history of education in the Muslim world has therefore been extensive, with Islamic education and instruction spreading to all parts of the world. It is therefore no surprise that the Islamic world also hosts the oldest existing, and continually operating educational institution in the world, the University of Qarawiyyin, founded in 859 AD in Fez, Morocco.

MUSLIM NEEDS IN EDUCATION

The core needs of Muslim students can be tailored into three broad categories:

- **Content needs:** Islamic content either in dedicated or broader education programs
- **Location-based and scheduling needs:**
 - Gender-segregation of students
 - Halal certified food
 - Access to prayer rooms
 - Consciousness of major Islamic events, including Ramadan, Islamic holidays, and prayer times
- **Financing needs:** Access to Shariah-compliant financing.

TRENDS

Islamic education in the near future will be driven by three major trends:

- **The Muslim population is growing fast, which is on balance younger than the global average with a range of education needs.** Muslim populations are among the fastest growing in the world, and the number of Muslims in North America and Europe is expected to greatly increase in the coming years. By 2050, Muslims will account for 10 percent of the population in Europe and 2.1 percent of the population in the U.S.¹ Muslim youth in particular will comprise 27 percent of the world’s youth and young adult population in 2020 and will increase to 29 percent in 2030—this demographic will be the major force driving the growth of Islamic education²
- **There is increased interest in Islamic content, in particular at the university and post-graduate levels.** Over the past few years, educational institutions and platforms have increasingly been offering Islamic educational content, and specifically Islamic Finance. For instance, in the UK, there are currently over 30 Masters’ programs in Islamic Finance.³ High-ranking universities from around the world, such as Harvard University and the University of Oxford, also have dedicated Islamic studies departments and programs
- **Millennial Muslims are increasingly demanding education be made available online.** Muslim populations are amongst the most connected in the world,⁴ and have increasingly been demanding that education be delivered online. Islamic education has begun to respond to this demand with online universities, professional qualifications delivered online, and Massive Online Open Courses (MOOCs), including ones such as Bayyinah TV, Productive Muslim and Yurizk Academy, which offer Islamic values-driven education and courses.

1 “Muslim population in Europe to reach 10% by 2050, new forecast shows”, The Guardian, April 2015.

2 “Chapter 1: Main Factors Driving Population Growth”, Pew Research Center, April 2015.

3 “The Human Capital Challenge: Shaping The Future”, Simply Sharia, 2015.

4 “Social media strategy”, Smart Insights website, <http://www.smartinsights.com/social-media-marketing/social-media-strategy/new-global-social-media-research/>, accessed on 8 August 2016.



Muslim students entering school, Thailand.
DODDA / SHUTTERSTOCK.COM

Market size and profile

The value of education spend attributable to Muslims is an estimated \$402 billion in 2015,⁵ which is 9 percent of global spend on education, estimated at \$4.4 trillion in 2015.⁶ Global spend on education includes public (government) spending as well as private spending.

In 2015, if ranked together with other countries, the aggregate global Muslim market would be the third largest market for Education spend, with the two largest markets comprising China (\$1.1 trillion) and the U.S. (\$695 billion).

Education spend attributable to Muslims was highest in Indonesia, estimated at \$85.9 billion in 2015, followed by Iran, estimated at \$36.6 billion and Turkey estimated at \$25.4 billion.⁷

Education value chain

The Education value chain can be segmented into four key components. Across each segment there are several key educational touchpoints.

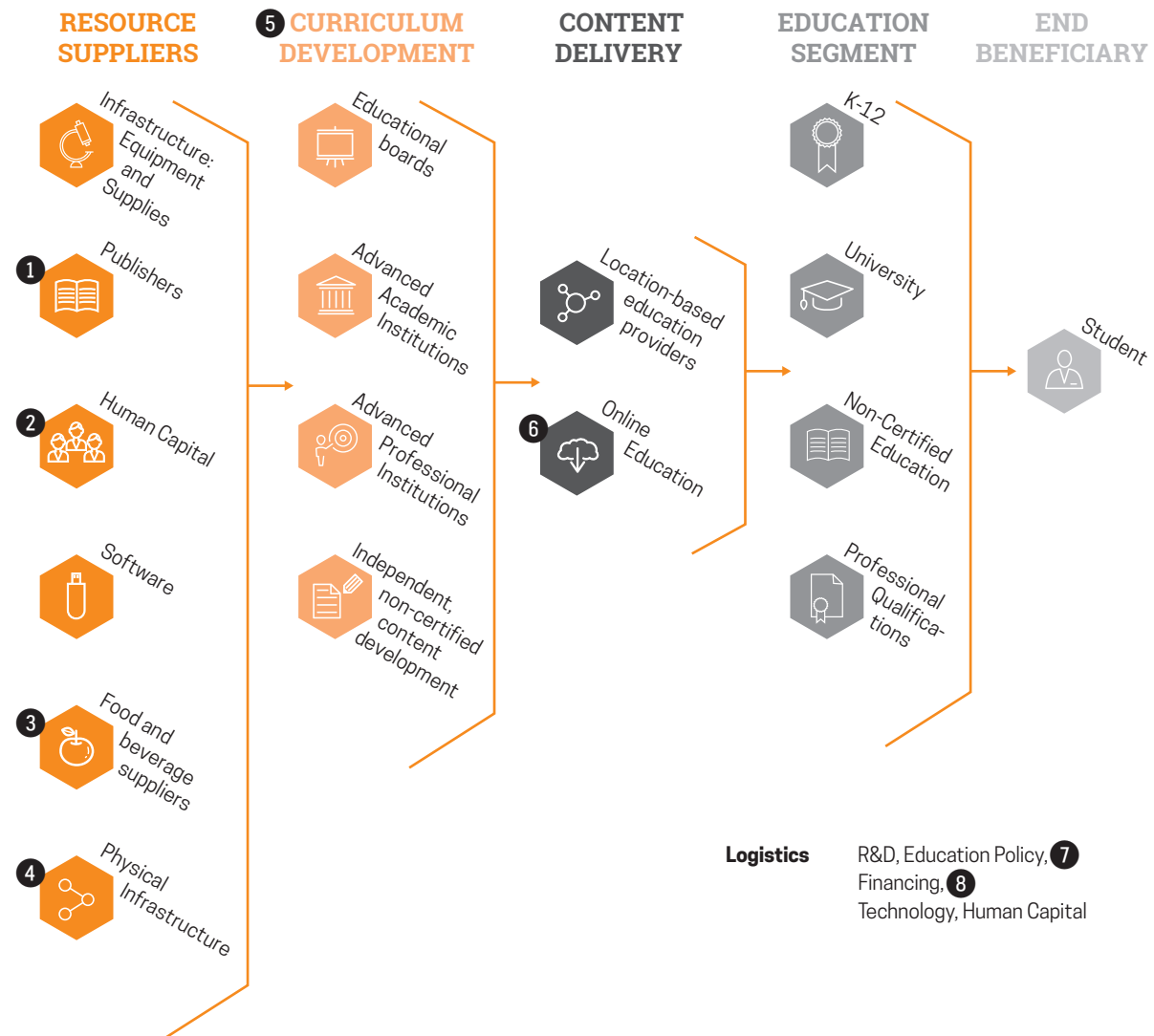
| Key segments | Sub-segments |
|---|--|
| Resources: Essential inputs enabling the delivery of educational services including products, materials and personnel | Includes: Infrastructure and equipment suppliers, publishers, human capital, software, food and beverage suppliers, physical infrastructure |
| Curriculum development: Institutions determining the focus and segmentation of content across certificates and classes | Includes: Educational boards, advanced academic institutions, advanced professional institutions and independent non-certified content developers |
| Content delivery: Institutions that deliver the content and instruct students, either for certificates issued by themselves or a third party institution | Includes: Location-based education providers, online education |
| Support and oversight: Government and non-government institutions that set guidelines, and financing providers | Includes: Educational policy/ government, financing |

⁵ Muslim share of total spend based on Muslim share of population adjusted for income disparities for each country.

⁶ Global education spend estimates are based on 2012 IBIS Capital sizing data, and extrapolated to 2015 based CAGR and World Bank data on Education spend as a share of GDP.

⁷ Breakdown of Muslim healthcare spend by country was estimated using National Estimates and global healthcare spend estimates.

Education value chain diagram



Education value chain diagram Halal touchpoints

Halal Touchpoints

- 1 ➤ Design, development and printing of Islamic educational content
- 2 ➤ Provision of cultural and religious sensitivity training to teaching personnel
➤ Training of educators proficient in Islamic content
- 3 ➤ Product and supply of Halal certified Food and Beverage products
- 4 ➤ Creation of dedicated Muslim prayer spaces and washroom facilities
- 5 ➤ Development and incorporation of Islamic content and courses into broader academic curriculum
- 6 ➤ Provision of instruction in Islamic content, and where on-site, access to the full suite of facilities and services addressing Muslim needs
- 7 ➤ Development of guidelines and policies to ensure Muslim needs are understood and addressed
- 8 ➤ Development of Shariah-compliant financing solutions

Key players across the Islamic Education value chain

OVERVIEW

This section profiles notable players providing some form of Islamic education, including traditional and innovative, as well as old and new.

Key players in Islamic Education

| Segment | Institute | Year Founded | Location | Description |
|--------------|--|--------------|------------------------|---|
| Universities | Al-Azhar | AD 970 | Egypt | Overview: <ul style="list-style-type: none"> Al-Azhar is known as one of the world's most prominent Islamic universities, and is also in charge of a network of educational institutions throughout Egypt providing education to over 2 million students Core focus and developments: <ul style="list-style-type: none"> The university focuses on teaching Islamic theology and Arabic, in addition to providing education in various secular subjects |
| | Zaytuna College | 2009 | United States | Overview: <ul style="list-style-type: none"> Zaytuna College is the first Islamic Liberal Arts University in the United States Core focus and developments: <ul style="list-style-type: none"> A liberal arts college that focuses on Islamic law and theology <p>In May 2014 it had its first graduating class and has since also been accredited</p> |
| | University of Oxford | 1096 | Oxford, United Kingdom | Overview: <ul style="list-style-type: none"> The University of Oxford is the oldest university in the English-speaking world Core focus and developments: <ul style="list-style-type: none"> The university offers several programs in Islamic studies, and is also home to the Oxford Center for Islamic Studies, established in 1985 to encourage the study of Islam and the Islamic world The university also hosts the <i>Oxford Islamic Studies Online</i> resource, which provides vast amounts of research and scholarly works on Islam and the Islamic world |
| | Harvard University | 1636 | Mass., United States | Overview: <ul style="list-style-type: none"> Harvard University is the oldest institution of higher education the United States Core focus and developments: <ul style="list-style-type: none"> The university offers many courses in Islamic studies, and is also home to the Prince Alwaleed Bin Talal Islamic Studies and Islamic Legal Studies Programs, both of which seek to promote interdisciplinary research on Islam and the Islamic world |
| | Islamic Online University | 2007 | Global | Overview: <ul style="list-style-type: none"> Islamic Online University, established in Doha, Qatar by Dr. Bilal Philips, offers online degrees and certifications in Islamic fields and sciences Core focus and developments: <ul style="list-style-type: none"> The online university offers a mixture of free and affordable, accredited university-level instruction and qualifications, ranging from diplomas and certifications to Bachelor and Master degrees in business administration, education, IT, Islamic banking and finance, Islamic studies and psychology. To date it has over 260,000 registered students |
| | International Center for Education in Islamic Finance (INCEIF) | 2006 | Malaysia/ Global | Overview: <ul style="list-style-type: none"> INCEIF is a university offering location- and distance-based degrees and certifications in Islamic Finance and banking Core focus and developments: <ul style="list-style-type: none"> The university was established by the central bank of Malaysia, Bank Negara. Dedicated to postgraduate study in Islamic finance, it offers a Masters in Science of Islamic Finance, and a Doctor of Philosophy in Islamic Finance, as well as a Masters in Islamic Finance Practice which can also be completed online |

| Segment | Institute | Year Founded | Location | Description |
|-----------------------------|---------------------------------------|--------------|------------------------|---|
| Professional qualifications | Al Maghrib Institute | 2002 | Global | <p>Overview:</p> <ul style="list-style-type: none"> Al Maghrib Institute is a non-profit organization that provides university-level Islamic education through global educational seminars held in person <p>Core focus and developments:</p> <ul style="list-style-type: none"> The institute offers single and double-weekend seminars in over 40 cities worldwide in Islamic theology, Islamic law, Quranic and Hadith Science, and Islamic history, in addition to other electives, to a mostly young Muslim audience The Islamic education institute with the largest student body in the West, with over 80,000 having benefitted from its classes |
| | Al Kauthar Institute | 2006 | Global | <p>Overview:</p> <ul style="list-style-type: none"> Al Kauthar Institute is a non-profit organization that provides university-level Islamic education through global educational seminars held in person <p>Core focus and developments:</p> <ul style="list-style-type: none"> The institute also offers single and double-weekend seminars in over 20 cities worldwide in Islamic theology, jurisprudence, Quranic studies, Prophetic traditions, history and personal development. To date over 100,000 students have attended its classes |
| Non-Certified Education | Critical Loyalty | 2008 | Toronto, Canada/Global | <p>Overview:</p> <ul style="list-style-type: none"> Critical Loyalty, initially established as the Shatibiyyah Institute, offers courses on Islamic sciences <p>Core focus and developments:</p> <ul style="list-style-type: none"> Is headed by Sheikh Uthman Khan, a master of Quranic recitation in North America. It focuses on the rules of <i>tajwid</i> (Quranic recitation) In 2011, the institute expanded its reach to also offer distance-based learning and in addition to teaching Quranic recitation and hadith, also teaches the Arabic language |
| | Bayyinah | 2005 | US/Global | <p>Overview:</p> <ul style="list-style-type: none"> Bayyinah, launched in the United States, focuses on Arabic and Quranic studies, offers a hybrid of online and on-site education <p>Core focus and developments:</p> <ul style="list-style-type: none"> It provides instruction through a curriculum at its own institute, in addition to travelling seminars and intensives, and online programs, as well as pre-recorded videos and podcasts |
| | RWAQ | 2013 | Global | <p>Overview:</p> <ul style="list-style-type: none"> RWAQ is an Arabic-based MOOC offering free online courses in a variety of fields <p>Core focus and developments:</p> <ul style="list-style-type: none"> The platform, established by Saudi Arabian entrepreneurs Fouad Al Farhan and Sami Al Hussayen, offers completely free Arabic courses in Islamic sciences, economics, IT, medicine, engineering, arts and culture, social sciences, and history Classes feature interactive exercises and are also available through apps |
| | Yurizk | 2012 | Global | <p>Overview:</p> <ul style="list-style-type: none"> Yurizk is a MOOC offering courses dedicated to the Islamic Economy <p>Core focus and developments:</p> <ul style="list-style-type: none"> The platform's instructors include scholars, professionals and entrepreneurs. It offers courses in Islamic law, Islamic entrepreneurship, Islamic economics, Islamic banking and finance, as well as Islamic travel and marketing |
| | Lantern of Knowledge Secondary School | 2006 | London, UK | <p>Overview:</p> <ul style="list-style-type: none"> Lantern Knowledge is a secondary school based in London <p>Core focus and developments:</p> <ul style="list-style-type: none"> The independent school achieved an overall effectiveness rating of 'Outstanding' by the Office for Standards in Education, Children's Services and Skills (Ofsted). The report noted that 'the spiritual, moral, social and cultural development of pupils is outstanding. They have an excellent understanding of the world around them and make a positive contribution to their community,' and that the curriculum 'achieves a successful balance between Islamic and secular subjects'. |
| | Averroès High School | 2003 | Lille, France | <p>Overview:</p> <ul style="list-style-type: none"> Averroès High School was the first private Muslim school in France to abide by the national curriculum <p>Core focus and developments:</p> <ul style="list-style-type: none"> While it had only 11 students following its establishment, it currently has over 750.⁸ It is rated as one of the best schools in France.⁹ |

8 "The Muslim Averroes school grew with the acquisition of a building", Saphir News, April 2016.

9 "France's first private Muslim school tops the ranks", France24, March 2013.

Challenges

Establishing and scaling existing educational programs and institutes is a significant challenge:

- Attracting and retaining talented educators has proven difficult for many segments of Islamic education, and therefore successful expansion in some segments, such as K-12 and university has been difficult. This is particularly the case with new segments, such as MOOCs and distance-based learning. Commenting on the necessity of talent, Muhammad Alshareef, founder of Al Maghrib Institute, noted the need for “outstanding leadership” and “bona fide community leaders” to encourage the growth of Islamic educational institutions
- This is also due to the difficulty many Islamic education institutions face in getting accredited. Much of Islamic education is still not accredited by international and local governing bodies, including some of the largest institutes in North America and Europe. This inevitably inhibits the growth of the field, while also discouraging many potential students from seeking knowledge.

Islamophobia in many Western countries has made it difficult for institutions to serve the needs of Muslim students:

- France’s ban of the hijab in state schools is a prime example. Rising Islamophobia is also expected to have increased intolerance to Islamic educational institutions and Muslim students in non-Islamic schools. Such issues have also occasionally highlighted a failure of some Islamic schools to encourage integration amongst their students.

Education can be prohibitively expensive, especially where Muslims are unable to resort to interest-bearing loans:

- This is the case in most non-Muslim countries where the dominant mode of financing education has been through obtaining interest-bearing loans. However, the UK’s proposed hybrid takaful-charitable model could be a positive change.¹⁰

Opportunities

Online and distance-based learning represent a largely untapped market gap for Islamic education:

- An increasing number of high-education institutions have begun to offer online education for their students, as is the case with INCEIF, while MOOCs such as Bayyinah are experiencing rapid growth.¹¹

Increasing demand for Islamic Economy education

- While Islamic finance education has experienced massive growth in recent years, a focus on other Islamic Economy sectors such as Halal Food, Modest Fashion, and Halal Travel is still in its nascence. The emergence of Yurizk and its Islamic Economy courses is a case in point.

As segments of the sector increasingly adopt subscription-based models, investment is guaranteed to grow:

- Some institutes, particularly online- and distance-based ones, will inevitably see more investment from private equity and venture capital in the near future, particularly if they maintain their levels of growth. While this may not be the case with some higher education institutions such as universities, MOOCs, and especially those that offer Islamic Economy education, will see increased levels of financing and investment.

10 “Muslim students to be given ‘charitable’ sharia loans”, Telegraph, May 2016.

11 http://www.salaamgateway.com/en/digital/story/Islamic_elearning_platforms_thriving_in_a_18_billion_MOOC_market-SALAAM20032016082627/, accessed on 8 August 2016.



Introductory Overview: Islamic Culture and Arts Economy



Below is an overview of a study commissioned by the Dubai Culture and Arts Authority on the Islamic Culture and Arts Economy to complement the role of Dubai as the global capital of the Islamic Economy. His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai set the goal for Dubai to become the capital of the Islamic Economy by the end of 2017 and Islamic Culture and the Arts is one of the seven pillars that will support Dubai's strategy as the capital of the global Islamic Economy.

Islamic Culture and Arts represents one of the seven pillars identified under the Dubai Capital of the Islamic Economy Initiative launched in 2013. Dubai is in a leading position to drive the development of the global Islamic Culture and Arts Economy, given its diversified and innovation-driven economy.

Dubai Culture and Arts Authority's study promises to convey ground-breaking research to propose the first definition of the Islamic Culture and Arts Economy by studying over 20 definitions from diverse sources ranging from international governmental, to private-sector and academic bodies.

These definitions have been interwoven and adapted in order to match the reality of Dubai's evolving Islamic Culture and Arts Economy:

1. **Islamic Art:** Works related to history of Muslim nations, arts and sciences, cultural heritage and current work inspired by Islamic traditions and civilization
2. **Islamic Culture:** Languages, literature, philosophy, sciences and artistic creations but also lifestyles, ways of living together, value systems, traditions and beliefs

3. **Islamic Culture and Arts:** Islamic traditions, lifestyles, civilization and values and artistic creations and works related to or inspired by them

4. **Culture and Arts Economy:**

- "Cultural industries": Industries of consumption and production that have at their core a symbolic or expressive element
- "Creative Industries": Industries which have their origin in individual creativity, skills and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property; further defined as industries that use intellectual capital as their primary input

5. **Islamic Culture and Arts Economy:** Economic activities that include cultural and creative production and consumption of works, participation at cultural events and activities, as well as innovations creating wealth and jobs through generation of intellectual property, which are of Islamic origin, related to or inspired by Islamic tradition, civilization and values

As such the report suggests that the Islamic Culture and Arts Economy relates to all economic activities of a creative and artistic nature that are associated with Islamic heritage and its contemporary manifestations.

COMPONENTS OF THE ISLAMIC CULTURE AND ARTS ECONOMY

Identified by the Dubai Islamic Economy Development Centre as "Islamic fashion, arts and design", Islamic Arts contribute to the economy in creating both value and employment opportunities.

It is important to shed light on the components of the Islamic Culture and Arts Economy so as to evaluate the size of its constituting industries and their growth potential. In order to distinguish the different sectors, Dubai Culture and Arts Authority has exhaustively studied various categorizations from museums to academic and private institutions, and put together a list of examples of Islamic Culture and Arts Economy components.

The following examples include components of Islamic culture and arts that contribute to the economy through business growth, employment, exports, and tourism and investment opportunities.

Examples of Islamic Culture and Arts Economy Components

1. ISLAMIC DESIGN

- Modest fashion
- Jewelry, ivory and precious stones
- Furniture and carpets
- Tiles and ceramics
- Glassware
- Metalwork
- Arabesque and geometry-inspired items
- Graphic design

2. ISLAMIC ARCHITECTURE, ISLAMIC CITIES AND PUBLIC ART

- Buildings and monuments
- Urban planning
- Islamic gardens and landscaping

3. VISUAL ARTS

- Drawing
- Painting
- Miniature painting
- Sculpture
- Films and documentaries
- Mixed media installations
- Photography

4. ISLAMIC HERITAGE

- Handicrafts, artisanal works
- Material cultural heritage: Classic arms and armors

- Immaterial cultural heritage: Islamic trade heritage and traditional manufacturing methods, culinary art, Islamic history and sciences

5. ISLAMIC WRITTEN MEDIA AND ARABIC LANGUAGE

- Holy Quran, Islamic manuscripts and religious texts, Tajweed
- Arabic language
- Islamic calligraphy, ornamentation of texts and typography
- Poetry, storytelling and mysticism

6. PERFORMING ARTS

- Music
- Theatre
- Urban arts
- Performances and ceremonies

7. DIGITAL ART

8. MEDIA, INFORMATION AND COMMUNICATIONS

- Academic and scientific publications
- Magazines (both printed and digital)
- Social media and blogs
- Islamic-themed TV/broadcast channels
- Radio
- Advertising and marketing
- Software development
- Entertainment and 'edutainment' products (Islamic children's cartoons and video games)

9. SPORTS

- Camel racing
- Falconry

Acknowledgements

Supported by:



DUBAI ISLAMIC ECONOMY DEVELOPMENT CENTRE

For the fourth consecutive year, the Dubai Islamic Economy Development Centre (DIEDC) in partnership with Thomson Reuters launches the 'State of the Global Islamic Economy Report' including the 'Global Islamic Economy Indicator (GIEI) 2016/17,' as part of its priority to evolve as a one-stop-reference for the global Islamic Economy. The report is a comprehensive study on the continued momentum of the Islamic Economy focusing on the seven pillars that comprise the DIEDC's Islamic Economy strategy.

The Dubai Islamic Economy Development Centre (DIEDC) was established in December 2013 to make Dubai the 'Capital of Islamic Economy', as envisioned by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai.

The DIEDC is equipped with the financial, administrative and legal tools to promote economic activities compatible with Islamic law in Dubai's goods and financial services sector, as well as the non-financial sector. In this capacity, it will conduct research and specialist studies to determine the contribution of Shariah-compliant activities to the emirate's gross domestic product, and explore how to extend this contribution to boost the economy. The DIEDC is also mandated to create new products and lines of service to law firms specializing in finance structuring.

Produced by:



THOMSON REUTERS

Thomson Reuters is the world's leading source of intelligent information and is a committed stakeholder of the Islamic Economy. Thomson Reuters provides integrated knowledge services and solutions that enhance transparency, clarity and accessibility of the Islamic Economy to the global audience of businesses and professionals. We are proud to have been at the heart of Islamic banking since the first commercial Islamic bank launched in 1975. Our involvement in developing reports such as the State of the Global Islamic Economy Report, since 2013, demonstrates our institution's commitment to develop much needed knowledge solutions to increase transparency and improve collaboration across the industry.

In collaboration with:

DinarStandard™

DINARSTANDARD™

DinarStandard™ is a growth strategy research and advisory firm empowering organizations for profitable and responsible global impact. DinarStandard specializes in the Halal/Tayyab Food, Islamic/Ethical Finance, Halal Travel, Islamic NGOs and OIC member country sectors. Since 2008, DinarStandard has been advising organizations globally on market expansion, business/investment strategy, and innovative marketing strategies. Its clients include global multi-nationals, Islamic financial institutions, Halal market startups and NGOs.

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| | |
|--|--|
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Report Purpose and Methodology

Report context, purpose and objectives

CONTEXT

The 2016-17 State of the Global Islamic Economy Report presents the continued momentum of the Islamic Economy, highlighting the maturing of key players identified in previous reports, and the emergence of new players and more sophisticated products and services addressing Muslim needs.

The 58 Muslim majority countries¹ of the world represent current GDP exceeding \$7 billion in 2015, just under 10 percent of global GDP. Furthermore, Muslims in total represent a 1.7 billion population growing at a faster pace than the global population and containing some of the fastest-growing global economies that stretch from Indonesia in the east to Turkey in the west with the Arabian Gulf states at their center.

The influence of the Islamic Economy stretches beyond Muslim-majority countries as more than 350 million Muslims reside as minorities in many nations, with largely affluent ones living in the West and large populations residing in the emerging nations of India, China, and Russia.

All over the world, this fast growing and relatively young population of Muslims is increasingly asserting its Islamic sensitivities in the marketplace to products which include food, banking, and finance, extending all the way to fashion, cosmetics, travel and healthcare.

PURPOSE

The purpose of the State of the Global Islamic Economy Report is to inspire and empower business leaders, entrepreneurs, government officials and industry bodies to evaluate and develop an actionable, practical, and high impact market strategy focused on the Global Islamic Economy.

OBJECTIVES

The content objectives of the Report are to:

1. Present key business and consumer drivers of the Global Islamic Economy, providing an update on previous reports.
2. Provide a global view of the Islamic economic landscape, including Muslim spend, value chains and key players across core Islamic Economy pillars, and highlight new product developments, high growth sectors, as well as regulatory, financing and operational developments.
3. Present an illustrative estimate of actual Halal activity across the Halal Food and Beverage, Halal Travel and Modest Fashion industries.
4. Present specific market opportunities for each sector including current challenges and areas of opportunity across product and service segments, as well as opportunities for key stakeholders.

1 Islamic Development Bank member 56 mostly Muslim-majority countries.

5. Present existing and emerging centers of the Global Islamic Economy based on a continuation of this report's high-impact Islamic Economy Indicators.
6. Present focus reports on the Healthcare, Education and Islamic Arts sectors.

Report methodology

APPROACH

In addressing its objectives, the Report incorporates a top-down and bottom-up approach. This includes:

1. **Primary research and frameworks have been used to ensure a comprehensive understanding of developments, issues and opportunities, supplemented by extensive secondary research.**

PRIMARY RESEARCH

Original research of Halal Food and lifestyle market-related companies and ecosystem institutions was conducted by leveraging the services of on-the-ground analysts from each global region. Thomson Reuters Islamic Finance Development Report research was leveraged for the Islamic Finance-related section. Expert interviews were also conducted to identify the market landscape, challenges, opportunities and key companies and institutions.

The Report presents interviews with 12 related industry practitioners and influencers across major geographic markets to identify key sector challenges, trends, and opportunities.

INTERVIEWS



Halal Food

—
Imran Kausar,
Co-founder and
Managing Director
Haloodies (UK)

—
Noman Khawaja,
Co-founder and
Managing Director
Haloodies (UK)

—
David Ventura,
Sales Director
Grupo Carinsa (Spain)



Islamic Finance

—
Blake Goud,
CEO
RFI Foundation (UK)

—
Nael Mustafa,
Head of MENA Investments
Arcapita (Bahrain)

—
Talal Yassine,
Managing Director
Crescent Wealth (Australia)



Halal Travel

—
Faez Fadhilah,
Founder
Tripfez (Malaysia)

—
Sanya Saengboon,
Managing Director and
General Manager
Al Meroz Hotel (Thailand)



Modest Fashion

—
Andy Santoso,
CFO
Hijup (Indonesia)

—
Altuf Alim,
Commercial Director
Aab (UK)



Halal Media and Recreation

—
Micheal Milo,
Co-Founder and CEO
Muslim Kids TV (Canada)

—
Bilal Memon,
CEO and Founder
Quran Academy (U.S.)

—
Peter Gould,
Founder and Creative
Director
Peter-Gould.com (Australia)



Halal Pharmaceuticals and Cosmetics

—
Mohamed Issa,
CEO
Noor Pharmaceutical (U.S.)

—
Dr Tabassum Khan,
CEO
AJ Pharma (UAE)

Industry survey methodology overview

PURPOSE

An industry survey was undertaken across each core pillar of the Islamic Economy to measure current business sentiment, representing the first such survey in the annual “State of the Global Islamic Economy Report” series. The survey contained a series of questions designed to gain unique insights into the progress, level of optimism, main opportunities and core challenges faced by industry players.

SURVEY RESPONDENTS

172 responses were received across core geographies and sectors, with a credible distribution across business size and with the majority of responses from senior company personnel. The main attributes for responses are as follows:

- **By geography:** Perspectives were gained from core markets in the Islamic Economy, with Malaysia, the UK, the U.S. and the UAE accounting for just under 50 percent of total responses
- **By sector:** Halal Food and Islamic Finance were strongly represented in the survey, at close to 60 percent of responses, but key perspectives were gained from the other pillars
- **By business size:** The majority (just over 50 percent) of respondents had annual revenues of less than US\$5 million, but there was a robust representation of larger companies, with 22 percent of respondents having revenues exceeding \$100 million
- **By seniority:** The majority of respondents had senior positions in their companies, with 41 percent of respondents either owner, president or CEO of the companies they represented.

SECONDARY RESEARCH

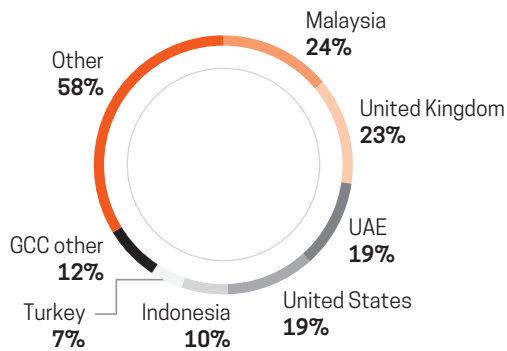
A range of sources have been used, including but not limited to Halal Focus, Salaam Gateway, international news sites and company websites, supplemented by the extensive project-based sector knowledge developed by DinarStandard.

OPPORTUNITY IDENTIFICATION FRAMEWORKS

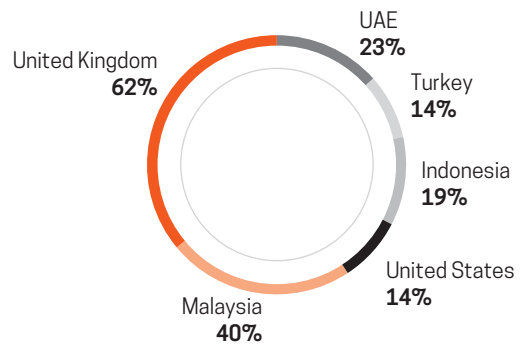
The Report presents sector-level opportunities that are primarily derived from DinarStandard’s Islamic Economy related project experiences.

Survey response percentage breakdown

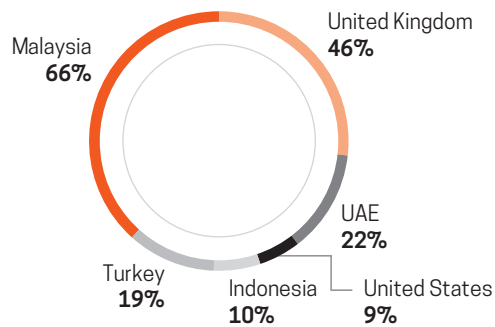
BREAKDOWN BY GEOGRAPHY



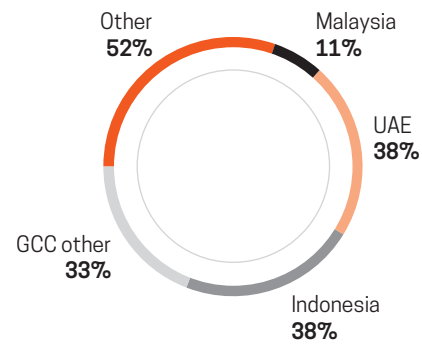
BREAKDOWN BY SEGMENT



BREAKDOWN BY BUSINESS SIZE



BREAKDOWN BY SENIORITY



Source: Analysis based on responses

1. **Universe market sizing:** The value of Muslim spend across lifestyle sectors by country was developed by applying DinarStandard's proprietary Muslim multiplier to global sector-level market sizing data.

Overall, the Islamic Economy sector estimates (Halal Food, Islamic Finance, Modest Fashion, Halal Travel, Halal Media and Recreation, Halal Pharmaceuticals and Cosmetics) are based on the potential universe of the opportunity and focused on its core audience of Muslim consumers globally.

MARKET SIZING METHODOLOGY

1 Per Country, Global lifestyle spend by sector (excl. Finance), \$Bn

Key steps in the calculation (summary)



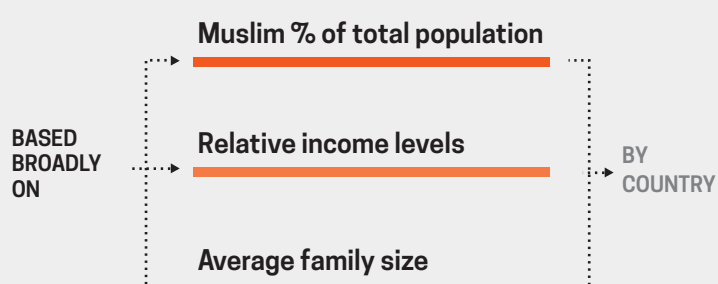
Key external sources

National databases; International Comparison Programs, UN World Trade Organization, World Bank, DS analysis and estimations

X

2 Muslim multiplier % Per country, global lifestyle spend by sector (excl. Finance), \$Bn

Key steps in the calculation (summary)



Key external sources

Census data; DS Analysis and estimations

=

Total Muslim lifestyle spend market size, \$Bn

X

Halal penetration of Muslim markets, %

NOT ADDRESSED
IN THIS REPORT

=

Actual Islamic Lifestyle Economy market size, \$Bn

NOT ADDRESSED
IN THIS REPORT

A KEY CAVEAT

This number does not represent the actual value of the Global Islamic Economy, but more broadly, the total value that Muslims provide to the Islamic Economy, including their consumption of non-Islamic products and services. However, the Islamic Economy could capture a large share of total spend on lifestyle products and services by offering products and services that appeal to the core values of Muslim consumers.

Metrics used to calculate Muslim spend on individual sectors

| Muslim market | Global spend Metric, segment by country | Sources used |
|---|---|--|
| Muslim spend on Food and Beverage | Expenditure on food and non-alcoholic beverages | Baselined from latest International Comparison Program values (2011), adjusted to more recent values from national statistics agencies and GDP evolution |
| Muslim spend on Apparel and Footwear | Expenditure on clothing and footwear | |
| Muslim spend on Media and Recreation | Expenditure on culture and recreation | |
| Muslim spend on Travel | Expenditure on outbound travel | 2014 UNWTO (World Tourism Organization) and World Bank data |
| Muslim spend on Pharmaceuticals and Personal Care products | Expenditure on pharmaceuticals and cosmetics | National statistics agencies, pharmaceuticals and cosmetics industry associations |

The Islamic Finance current market estimates are based on data derived from Thomson Reuters Islamic Finance Development Report research. The potential Islamic banking universe estimate has been baselined from national total banking assets data from central banks. It assumes an optimal scenario of the fully supportive regulatory environment in the core Islamic Finance markets as well as 100 percent penetration of the Muslim demographic proportion for the countries included.²

Global Muslim market estimates are applied based on DinarStandard's Muslim population estimates per country that are adjusted for income disparities. **Projections** were determined primarily by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, showing high correlation. The regression determined a line of best fit that, using IMF GDP forecasts, projected industry growth. Regression output was compared to external estimates by national statistics agencies and global industry forecasts.

2. This is the first year that actual Halal market estimates have been developed, for Certified Halal Food, Halal Travel, and Modest Fashion

CERTIFIED HALAL FOOD AND BEVERAGE

The current market size of Halal Certified food and beverage products has been estimated for the first time in this report series based on the following approach:

- Interviews were held with over 20 certifiers around the world, supplemented by secondary research of national and industry association estimates, resulting in close to 30 data points on the size of Halal certified food actuals in over 20 key countries (representing ~40% of the estimate Halal Certified Food market).

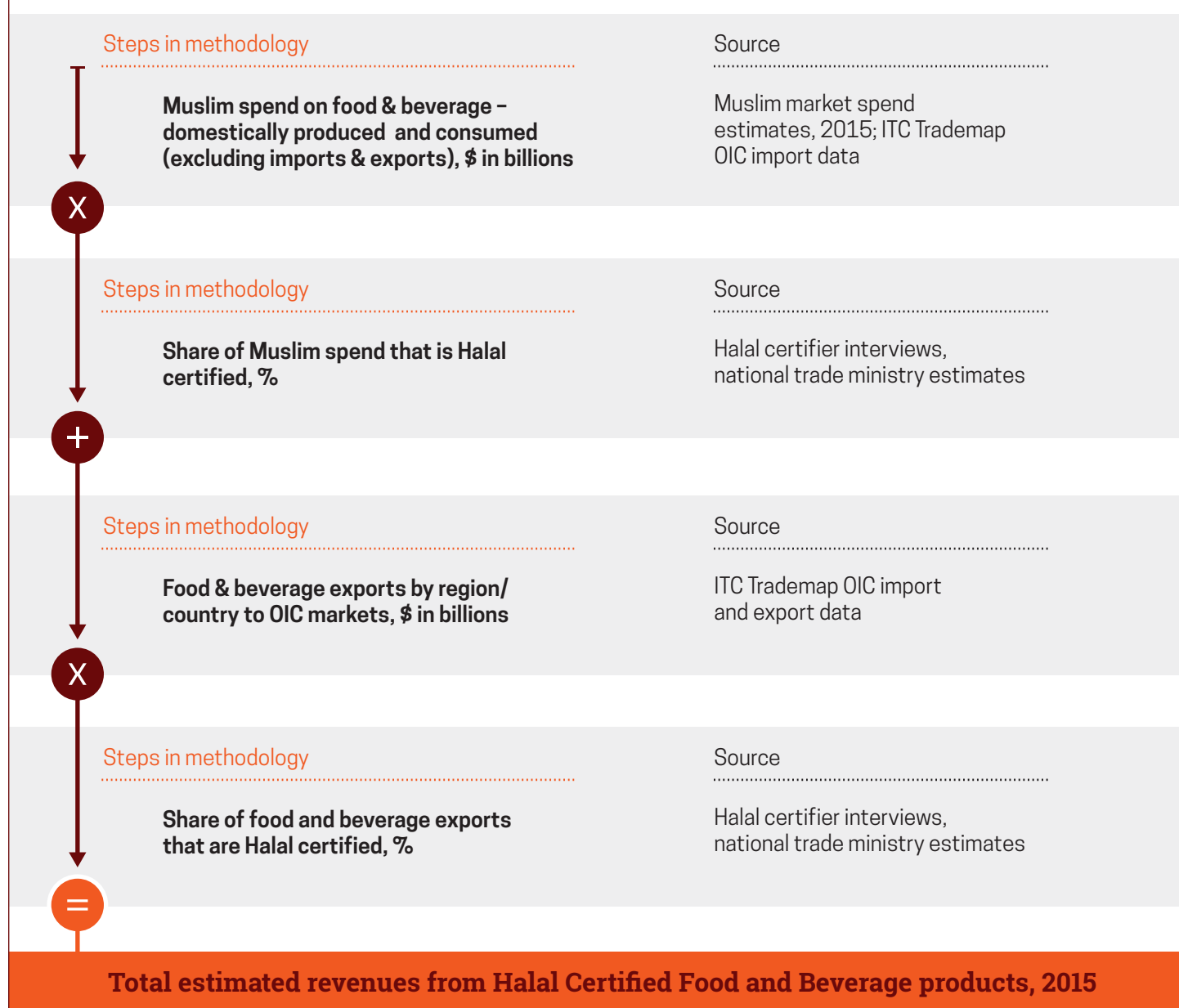
² Based on DinarStandard analysis. Note that Global assets data is from 72 countries representing over 85 percent of the global GDP.

- A thorough review of Muslim spend on food and beverage by region, including key countries, supplemented by a detailed analysis of food and beverage exports to OIC countries were used to estimate the revenues from Halal certified food and beverage products for remaining countries

We note that in many OIC countries, formal Halal certification is often not carried out nor expected, and has only started to be applied widely. This estimate does not include food produced domestically that is considered Halal, but not officially certified Halal (for instance, this is the case with majority of domestically produced food in Pakistan).

Halal-Certified food and beverage market sizing methodology

1 Estimates developed by region



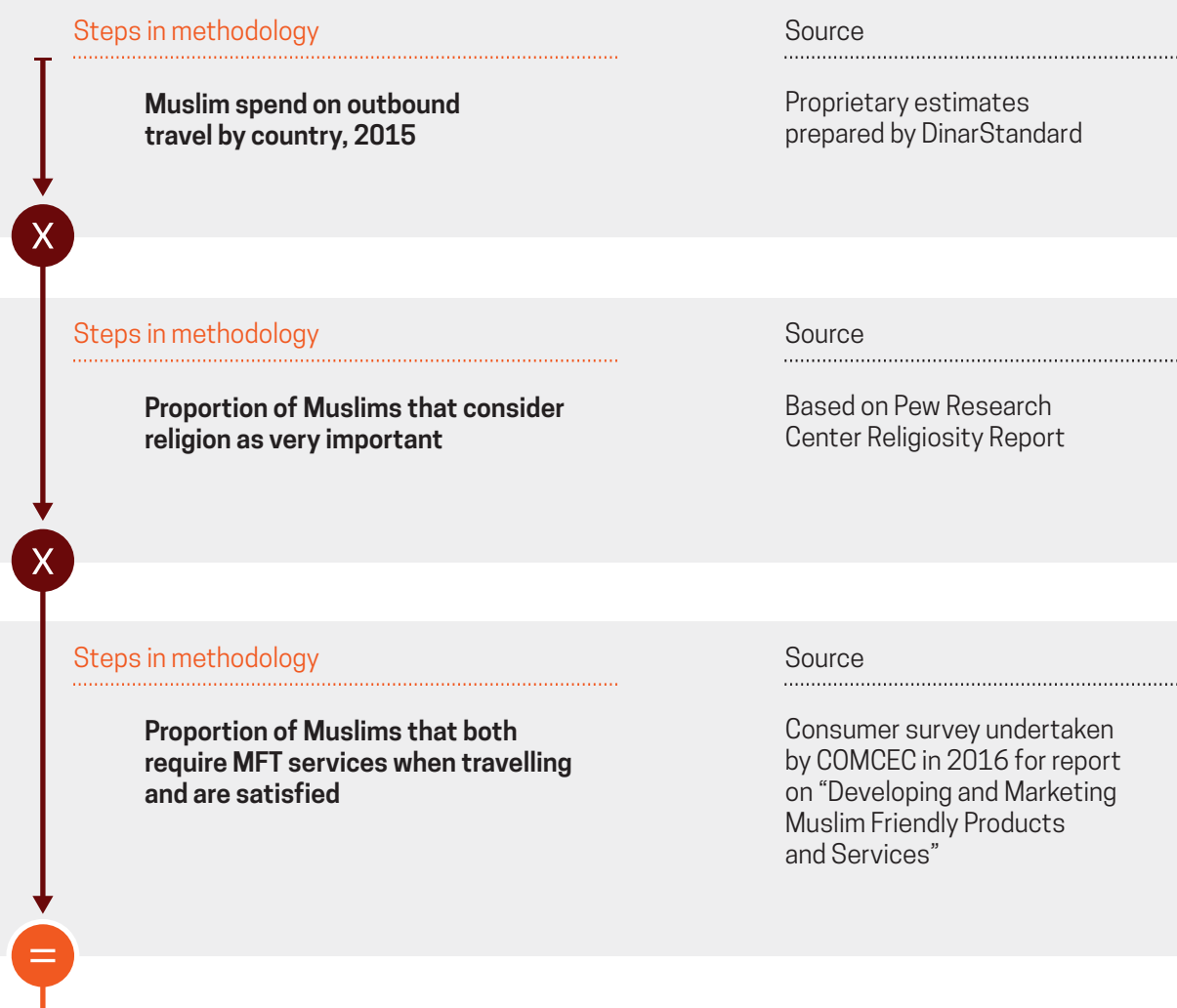
Source: Thomson Reuters and DinarStandard analysis

MUSLIM-FRIENDLY TOURISM (“MFT”)

Survey results and findings from a 2012 Pew Research Religiosity study were applied to Muslim outbound travel spend to estimate the total estimated revenues derived by MFT services in 2015.

- Pew Research Center’s religiosity study helped identify the proportion of Muslims that considered religion as very important, a key requirement for proactively seeking out MFT services.
- Survey results from a COMCEC study were used to determine the proportion of Muslims who valued MFT services across travel touchpoints including airports, restaurants and hotels, and that were satisfied with the services provided. There is a “passive” market for those who use MFT services without actively seeking them out, which is not captured in our estimates.

Muslim-friendly Tourism market sizing methodology



Total estimated revenues derived from Muslim Friendly Tourism services, 2015

MODEST FASHION

Estimates based on estimates of clothing spend by country, additionally accounting for Muslim share of spend, teenage and adult share, and female share of total population, and the proportion of Muslims adhering to the religion, based on Pew Research.

Modest Fashion market sizing methodology

Steps in methodology

Spend on clothing by country

Source

ICP 2011 data, supplemented by national estimates, with growth determined by national estimates and a regression of sector growth on GDP growth between 2011 and 2015

X

Steps in methodology

Proportion of population that is female and above the age of 12

Source

Based on Pew Research Center Religiosity Report

X

Steps in methodology

Proportion of Muslims that consider the religion as very important

Source

Based on Pew Research Center Religiosity Report

=

Total estimated revenues from Modest Fashion clothing purchased by Muslim women, 2015

Source: Thomson Reuters and DinarStandard analysis

3. There are several other considerations regarding our methodology.

- **Sector briefs:** Refer separately to the Healthcare, Education and Islamic Arts sections for an explanation of how market sizing estimates were developed for those sectors.
- **Trade data:** DinarStandard's industry value-chain segmentation has been applied to analyze related industry trade data from the UN Comtrade Database 2015.

Note: all figures in the Report prefixed with a '\$' (e.g. \$141 million) represents USD currency, unless otherwise stated.



Appendix

The Global Islamic Economy sectors operate within a business and financial environment that demands them to adapt to constant change, but there is limited reliable information and data on these sectors to evaluate their development. The Global Islamic Economy Indicator (GIEI) is meant to be a true barometer of the state of the Islamic economic sectors across their fundamentals. The indicator aims to introduce a new way of measuring development by combining data from the various key elements of the sectors into a singular composite indicator. This quantified information will help facilitate further comprehension of how the different parts of the market are developing over time.

The Global Islamic Economy Indicator

The Global Islamic Economy Indicator is a composite weighted index that measures the overall development of the Global Islamic Economy sectors by assessing the performance of its parts in line with its broader social obligations. It is a global level composite indicator with selected national and industry component level indicators.

Objectives

GLOBAL INDICATOR LEVEL

- Present one single indicator to provide a pulse of the Global Islamic Economy's health and development
- Provide an indicator that is reliable and unbiased
- Provide a global view of the Islamic economic landscape
- Inform current and potential Islamic Economy stakeholders/investors about the industry's performance

COUNTRY INDICATOR LEVEL

- Assess the current state of the Islamic Economy in each country
- Track changes over time and make comparisons across regions and countries

SPECIFIC SECTOR LEVEL

- Measure the sector's health and development from various perspectives
- Enhance the sector's market transparency and efficiency
- Track changes over time and make comparisons across regions and countries

GIEI is a single measure that captures a holistic assessment of the Global Islamic Economy industry across all sectors. It is a product of a number of key sub-indicators underlining the industry. Disaggregation of data helps expose the disparities, differences and movements that may not exclusively be covered in wide-ranging aggregate terms.

The different components that make up the indicator were selected based on an outline of the key constituents of the industry as a whole and are based on key contemporary issues covering financial, governance, awareness and social aspects. All are fundamentally important for the development of the industry as a global business.

Data collection

The data employed in the Global Islamic Economy indicator when aggregating data and computing indicator values includes information that is publicly disclosed only. The employment of disclosed information ensures reliability and consistency of the results.

Universe

All OIC countries are included along with all non-OIC countries with a strong presence of Halal industry.

Country list (73 countries distributed among main regions in our universe)

| GCC (GULF CORPORATION COUNCIL) | South East Asia | South Asia | Sub-Saharan Africa | Other MENA (MIDDLE EAST AND NORTH AFRICA EXCLUDING GCC) | Europe | Others |
|--|------------------------|-------------------|---------------------------|---|----------------|---------------|
| Bahrain | Brunei | Afghanistan | Benin | Algeria | Albania | Australia |
| Kuwait | Darussalam | Turkmenistan | Burkina Faso | Egypt | France | Azerbaijan |
| Oman | Indonesia | Bangladesh | Cameroon | Iran | Germany | Brazil |
| Qatar | Malaysia | India | Chad | Iraq | Italy | Canada |
| Saudi Arabia | Singapore | Maldives | Comoros | Jordan | Switzerland | China |
| United Arab Emirates | Thailand | Pakistan | Djibouti | Lebanon | Turkey | Guyana |
| | | Sri Lanka | Gabon | Libya | United Kingdom | Kazakhstan |
| | | | Gambia | Mauritania | | Kyrgyzstan |
| | | | Guinea | Morocco | | Russia |
| | | | Guinea-Bissau | Palestine | | Suriname |
| | | | Ivory Coast | Sudan | | Tajikistan |
| | | | Kenya | Syria | | United States |
| | | | Mali | Tunisia | | Uzbekistan |
| | | | Mozambique | Yemen | | |
| | | | Niger | | | |
| | | | Nigeria | | | |
| | | | Senegal | | | |
| | | | Sierra Leone | | | |
| | | | Somalia | | | |
| | | | South Africa | | | |
| | | | Togo | | | |
| | | | Uganda | | | |

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