Presentation Overview

- Islamic Banking Development in Malaysia
- Islamic Principles in Marketing
- The 4p’s of Marketing
- The Uniqueness of Islamic Banking
- Tips in Marketing Islamic Banking Products
- The Do’s and Don’ts
- Challenges
- Q&A
Islamic Banking Development in Malaysia

- 1983 - the inception of Bank Islam as the first Islamic Bank in Malaysia - governed by both IBA and BAFia

- 1993 - Islamic banking window was introduced at conventional banks

- 1999 - the second Islamic bank, Bank Muamalat commenced operations

- Rapid development in terms of product innovation and branch/channel network - robust

- Currently – 3 foreign-based fully Islamic banking operating in Malaysia, namely KFH, Al Rajhi and The Asian Finance

- There are also local conventional banks having separate/independent Islamic Banking arm, ie Maybank, RHB, Hong Leong etc
Islam recognizes that one of the ways to satisfy man’s wants is through buying and selling, not through stealing, robbing and taking people’s properties by force.

Allah commands in the Qur’an, meaning:

“O ye who believe! Eat not up your property among yourselves in vanities; but let there be amongst your traffic and trade by mutual good will.....”

(Surah An-Nisaa’, ayat 29)
Muslims must also strictly avoid satisfying their wants through loans with interest, following Allah’s command, meaning:

“…..but Allah had permitted trade and forbidden usury.”

(Al-Qur’an, Surah Al-Baqarah, Ayat 275)
Philip Kotler writes, “The concept of exchange leads to the concept of a market. A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.”

With the establishment of Islamic banking, we now have in Malaysia the market for Islamic banking products.
From the perspective of Islamic banking the elements of a market for Islamic banking products are 5 tenets):

- The sellers: Islamic banks and banks participating in Islamic banking.
- The buyers: The customers of the banks.
- The relevant products/asset.
- The exchanges made according to the various Islamic civil contracts.
- Selling price.
Talking about Islamic principles of marketing we need to colour the above matters with Islamic “sibghah”
Products

Product Components

- Brand
- Features/ T&C
- Contract
- Benefits (USP)
**Product Development Stages**

- R&D/ feasibility study
- Prototype - brand, features & benefits
- System & testing
- Soft launch/ proper launch
Product Categories

- Consumer
- Commercial
- Corporate
- Cash Management
- Electronic Banking, etc
Product Positioning

- Entry products
- Complementary products
- Star products
- Product Packaging
- Product Bundling
Deposit Products – safe keeping & risk sharing

- Savings
- Current
- Investment

Main Contracts

- Wadiah
- Mudharabah

(cite examples for each)
**Financing Products** – trading & leasing, primary contracts, BBA, Ijarah, Musharakah, Mudharabah, Inah etc.

- Home and fixed assets (land, shop house)
- Personal (Cash & Non Cash – education, travel etc)
- Automobile
- Credit card

**Other Products**

- Wealth Management – Bancatakaful, Wills Writing, Financial Planning etc
- SMS/ Internet Banking
Prices

- Sellers are free to set prices for their products.
- But prices of Islamic banking products must be fair.
- Their prices must not be oppressive.
- Islam does not limit the margin of profit in any sale.
- In principle Islam does not like to control prices.
At one time in Madinah, the prices of goods went up so high that many of the sahabat requested the Prophet s.a.w. to control the prices but the Prophet s.a.w. declined, saying which means:

“Allah sets prices, withholds, extends and provides the means of living. I hope to meet Allah and I hope no one amongst you would sue me for any injustice in a criminal or civil matter.”
Prices - cont

- Overall industry such as trading, retailing, whole selling - odd
  or even strategies

- Banking - deposit, financing & fee-based (administration fee)

- Deposit - ROI, dividend, profit ratio, hibah (token)

- Financing - profit margin, rate (fixed/ variable (float), tier,
  step-up; selling price, zero moving cost, ibra’ etc
Promotion

- **A & P**
  - **Above-the-line** - TV, radio, press, magazine & billboard
  - **Below-the-line** - collaterals, literatures (leaflet, flyer), banner, bunting, hanging mobile & wobbler

- **Campaign/promotion** - short term, capitalize on the USP

- **Direct marketing** - personal sales executives & sales agents

- **Telemarketing/phone banking** - call center, outbound as well as inbound

- **Booth, trade, exhibition, road show, seminar & talk** - awareness as well as sales solicitation activities
Promotion - cont

- **Marketing campaign/ promotion:**
  a) Theme/ name
  b) Duration
  c) Mechanics
  d) Communication strategy - ATL/BTL
  e) Reporting/ tracking

- **Launching**
  a) Logistic - venue, date, vip
  b) Program - itineraries
  c) Speech
  d) Gimmick/ gambit
  e) Gifts - vip, attendees
  f) Press conference
  g) Ambiance - deco, concept etc
Place/ Delivery channel

- **Traditional** - branch

- **Latest** - electronic banking center, internet banking, phone banking, sms banking etc

- **Personal or direct selling**

- **Combination of the above**
Sales Personnel (self preparation)

- **Knowledge** – product & company

- **Communication** & its related skills (soft & hard) – negotiation, discussion, objection handling, closing etc

- Appearance – project strong brand and credibility, have gut feeling

- Understand your **competitors** well – know what they are doing

- Work as a team

- Have sufficient tools

- Self motivated – internal motivational power is crucial
Customers

- Who are our target customers?
  Muslims/ Non-Muslims

- What do they want?
  • The value for money of products and services
  • Personalised service
  • Automated services

- What does the Bank want?
  • Profitable business
  • Regulatory compliance
  • Finding a win-win solution
Target Market/ Market segmentation

- Different products for different market needs, do research and customer profiling
- Normal segments – demographics (who), geography (where), behaviors (what) or combination
- Work more on captive market rather than mass market
- Market opportunity – analyze your SWOT and suit with the opportunity
- Differentiation – what can the bank do that is better than competitors? Why should customers go to you/ branch instead of going to competitors’?
Relationship Marketing

- Know customers by name not account numbers
- Transaction customers focus on tangible product, features and price. Relationship customers focus on intangibles like strong friendship, sharing etc
- Convert transaction customers to relationship customers for psychological not financial commitment to the bank – more powerful
- Aim for relationship & lasting returns, not fast business & quick return
- Establish “institutionalized” not “personalized” business relations
- Use “AIDA” as a strong sales guide
## The Uniqueness of Islamic Banking

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<th><strong>Conventional Banking</strong></th>
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<td>* Lender &amp; Borrower</td>
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**Islamic Banking - Profit**

- PROFIT distribution is calculated based on the income of Islamic banking activities
- Payment of PROFIT is based on pre-agreed sharing ratio between depositor and the bank
- PROFIT allocation is entirely based on the profitability of the investment. Profit or loss are to be shared between the depositors and the bank

**Conventional Banking - Interest**

- Payment of INTEREST is already fixed without consideration on the actual income of conventional banking activities
- Payment of INTEREST is made known upon placement
- Payment of INTEREST is fixed without considering whether the investments is profitable or at loss
Islamic Banking - Profit

- PROFIT payable is determined on the overall income of the investment activities
- Acceptance / allocation of PROFIT is permissible in Syariah

Conventional Banking - Interest

- INTEREST payable will not be revised even though overall income of the bank is higher
- Collection / payment of INTEREST is not permissible under Syariah
**Tips in Marketing Islamic Banking Products**

**M** - To **MOTIVATE** the interest to participate

**A** - Do **ACQUIRE** on what customers’ want

**R** - Do **RESEARCH** on the progress and development

**K** - Build up **KNOWLEDGE** in various products

**E** - Be **EFFECTIVE** in handling customers’ objections

**T** - Apply **TRADING** concepts in promoting financing products

**I** - Apply **INVESTMENT** concepts in promoting depository products

**N** - **NEVER** give up in promoting

**G** - **GOAL** is an achievement in marketing
The Do’s & Don’ts

- **DO** offer Islamic Banking products as alternative to Conventional Banking Products.
- **DO** convince that Islamic Banking products are different than Conventional Banking in terms of operational concepts and payment of dividend.
- **DO** explain that the depository products are based on profits sharing and in the past they have been paying attractive returns.
- **DO** inform that the financing products are trading and renting of assets at a fixed installment throughout the tenure.
DO explain clearly the **attractive benefits** of Islamic Banking products

**DON’T** intimidate the non-Muslims by saying “This is Islamic banking products”

**DON’T** try to explain too much on the concept used

**DON’T** say “We cannot promise any profit for Wadiah Account” instead, rephrase to “Based on last month’s profit, we have paid...........% p.a.”
Challenges

- Competition
- Ability to grow
- Globalization
- People’s attitude/ willingness to accept changes
- Creative products & services
Q&A
Thank you