

SEMINAR ON MARKETING OF ISLAMIC FINANCIAL PRODUCTS

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PAF-KIET organized this seminar on June 2005. Mr. Javed Jabbar former Senator, Federal Minister, eminent marketer and an intellectual inaugurated the Seminar.

Over a hundred businessmen, marketing specialists, industrialists and students attended it. Marketing of Islamic financial products is a relatively neglected area of research and this seminar was a pioneering attempt to focus attention on this issue.

Javed Jabbar, a core marketing man emphasized on the need for marketing research by the banking sector and the need for replacing conservatism by moderation.

The conference was organized around three technical sessions. The paper presented by Raza Kamal and Tariq Jalees of PAF KIET sought to measure brand images of Islamic banks, and to develop the profile of Islamic banking consumer

A closed ended questionnaire was administered to a sample of 100 Islamic banks' customers. Kamal & Jalees pointed out that, interestingly, most of the consumers in addition to transacting with Islamic banks also deal with conventional banks. The customers that are banking with Islamic banks were early adopters. Kamal & Jalees emphasized that according to research such early adopters account for only 2.5% of the total consumer population. The majority of the consumers were found to be neutral in their assessment of the brand image of the Islamic banks. This according to Kamal and Jalees indicates both opportunities and threat for the Islamic banks.

Kamal & Jalees also showed that the profile of the Islamic Banks customers was not that of a fundamentalist, who probably would pray five times a day in the mosque, and would wear "shalwar kameez" all the time. They found that the Islamic bank customers were a combination of the modern and the traditionalist.

Kamal & Jalees also carried out cross-sectional analysis by profile and demographics. Their finding was that the perception of the customers did not vary on demographic basis. They concluded that the Islamic banks do not require contrary to the belief of some of the experts.

Mr. Muhammad Imran of Standard Chartered Bank presented a paper on “Motivating Islamic Banking customers”. According to him the Islamic banking industry despite its remarkable growth during the last year was still at a formative phase hence careful nurturing and development is necessary.

Imran discussed the three commonly used tools for motivation fear, reward and money. He observed that fear of ALLAH and expectations of reward in the hereafter for customers. However the importance of monetary returns as motivating factors should not be ignored by Islamic banks which are cluttering mainly to corporate customers

He further emphasized that the target consumers of Islamic banking should be those customers who are motivated towards Islamic products/services due to fear of Allah. These customers, he observed would feel religiously obliged to prefer Islamic banking products and services

Imran was of the opinion that Islamic banking customers can be categorized into four lifestyle stages and could be targeted accordingly.

Dr. Imran Usmani, Shariah advisor to Mezan Bank, emphasized the need for the provision of Islamic banking services. According to him, the Islamic products must be Shariah compliant. On price, Mr. Usmani observed that the price must be competitive. He was also of the opinion that “Islam does not allow exploitation at any level and charging a very high price in the name of Islam is exploiting the emotion of the masses”. Mr. Usmani was also of the opinion that if the availability of the Islamic banks products increase then the prospect of the banks would also increase. On promotion Mr. Usmani’s observation was that the Islamic banks could use all the promotional activities that are

being used by the conventional banks. His only reservation was that prohibited elements like songs, inappropriately covered women etc. should be avoided whereas natural sounds, sceneries and children can be used in promotion schemes.

Mateaha Fatima of the College of Management Sciences, PAF KIET focused presentation on measuring consumer perception on the basis of advertising strategies of local and foreign banks. In this context Ms. Mateeha reviewed about 50 different Islamic banks advertisements and selected 19 advertisements of foreign and local Islamic banks for analyses. The selected advertisements were from Malaysia, Bahrain and Pakistan.

Mateeha Fatima pointed out the limitation of the study. According to her, the findings were based on whatever advertisements that was available on the Internet.

According to Madiha, the selected advertisements were shown to a focus group. The focus group was required to give their perceptions on the theme of the advertisements. According to her the themes as identified by the focus group were as follows:

- a) Bank for all.
- b) Modernization.
- c) Islamization.
- d) All facilities available.
- e) Convenience for customers.
- f) Fulfilling customer needs

She then told the audience that another focus groups discussion was held. In this the participants were again shown the selected advertisements. The respondents were then required to categorize the advertisements on the basis of the above themes.

Ms. Mateeha concluded that the basic difference between advertisements of Pakistan and foreign banks was that the foreign banks focused on dimensions such as banks for all, modernization, and all facilities available. The focus of the local Islamic bank was on Islamization only.

Mohammed Ayub of the State Bank gave a brief history of the Islamic banks. According to him Islamic banks achieved significant growth in the last decade. This sector has developed in terms of size and range of products. He was also of the opinion that global acceptance of the Islamic banking instruments is increasing. But, he observed that the growth of Islamic banks is relatively slow. The masses, bankers, Shariah, scholars and the elite lack clarity and awareness about the philosophy and concept of Islamic Banks.

The consumers are confused whether the instruments are shariah compliant or not. He therefore suggested that the promotion activities must be focused on clearing this misconception. The opinions of the scholars of all the major sects of Islamic fiqh must be obtained and conveyed to the consumers on two core issues. One Riba is completely prohibited, and two the prevailing Islamic banks are Riba free.

The third speaker of the third session Mr. Osman Aurakzai also from the State Bank focused on strategic marketing and planning. Aurakzai was of the opinion that Islamic products are not for the masses but for a selected few and hence Islamic finance should be classified as a niche market. He was of the opinion that the existing Islamic banks and branches are sound and generating positive returns. He also observed that the media that could be used for Islamic banks effectively and efficiently are those which are intensely used by commercial banks

He was of the opinion that the marketing mix used by Islamic banks/branches lacks innovation. All of them are targeting very small segments that Large size conventional banks such as HBL and MCB are not marketing their Islamic finance products and services in accordance to their resources. They have opened a few Islamic branches as per advice of the SBP. These Islamic branches have not done any deliberate marketing. They have identified the large size customers of the conventional banks with Islamic inclination and advised them to switch over from conventional to Islamic branches. Bank Al Habib and Metropolitan Bank Limited mainly concentrate on community financing. Meezan and Albaraka banks focus on corporate customers mostly, while Bank Al Falah and Habib Bank AG Zurich have some diversity in their limited portfolios.

Mr. Mehdi Raza from PICIC spoke on “Media Campaigns and Advertising Strategy .He gave an overview of advertising in Pakistan. Then he shared some basic statistics about the advertising industries

The most frequently used media for banks and financial institutions in Pakistan are newspapers and hoardings. The choice of advertising media and the decision to launch an advertising campaign is not an easy task, especially in an economy where more than half of the population cannot read and write, and more than a quarter is leading a life of severe deprivation.. He concluded by stating that the factors that could be successful in Islamic banking advertising strategies are:

- a) Emotional PR.
- b) Service Augmentation
- c) Highlighting Product Different ion.
- d) Triggering customer needs

Mr.Aabdul Jabbar Karimi from Metrapolitan Bank spoke on “Marketing Islamic Financial Products” He started his presentation by giving the potential market size of Islamic banks which according to him constitute 4% of the world population.

He was of the opinion that because of this large potential the interest based banks are also opening Islamic branches. He was also of the opinion that interest free banking has prospered in view of the governmental efforts of countries such as Malaysia, Bahrain and Pakistan.

He observed that there is a huge market for Islamic financial products. What is missing is the awareness of the products and the trust of the Muslim population that the products offered by Islamic financial institutions are genuinely Shariah compliant. He lamented the fact that a lay-Muslim is unable to realize the difference between the products offered by conventional banks and Islamic institutions.

He also observed that Islamic banking needs a lot of commitment both from the financiers of these institutions, governments and professionals who have exhibit comittment and patience to take the system forward. People can make their contributions at different levels; governments at regulation, professionals at making careers in Islamic banking and consumers at preferring products offered by Islamic banks.

Faisal Sheikh pointed out that according to a report by the International Organization of Securities Commissions the Islamic financial market comprises of 265 banks with total assets of more than \$262 billion and financial investments of more than \$400 billion. The report estimated that Islamic banking, insurance and capital markets, although still only a small part of the global industry, had been growing at 10 percent to 20 percent a year for a decade.

He observed that many analysts feel that the above mentioned figures are very encouraging, still there are critics who claim that keeping in view the amount of wealth held by the world's 1.3 billion Muslims, the Islamic financial market is not growing sufficiently fast.

He said that Islamic banking has grown rapidly in Pakistan during the last four years. However, according to him the growth is not satisfactory considering the population of Pakistan. He also observed that the total bank deposits in Pakistan have risen to over Rs. 2 trillion (as of June 30, 2004) out of which only Rs. 30 billion is deposited with Islamic banks (a market share is less than 1.5 percent).

He observed that the most important factor in the growth of any business is marketing. In order to accelerate the growth of Islamic banking, Islamic banks need to focus their attention on marketing of their products. He further added that the essence of marketing is communication. Unless the message is communicated to the customer properly, demand for the product cannot be satisfied.

He was of the opinion that while preparing message/marketing campaign for customers the marketing team should consider the following points:

1. Selection of the language, content, and media both from the point of view of customers and opinion leaders and
2. Training of the customer services staff.

Ovais Ahmed, a student of PAF-KIET. He spoke on “Public attitude & perception towards Islamic banking in Pakistan” . Ovaiz pointed out that today, Islamic financial institutions are operating in more than 75 countries of the world including Pakistan

He observed that prior to the launch of any product in the market, the perception, attitude and the mindset of customers must be analyzed to determine whether the public is ready to accept that product or not. Such research would also help to measure whether there are still some prerequisites to be fulfilled before the launch. If the product is not fulfilling the need of the people then the product would not be successful. He was of the opinion that in Pakistan Islamic financial product have been developed without analyzing customer needs . He agreed that awareness of Islamic financing was low and that people cannot differentiate between the Islamic banks and conventional banks.

Dr.Irfan Haider ,Dean and Vice President PAF Karachi institute of Economics and Technology outlined the work done by KIET in the area of Islamic finance during 2004 – 2005. He said that research was continuing in this area and a focus group including academics and Islamic finance had been established