How to Run an Islamic Bank: Marketing, Branding and Leadership, part II

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Abstract: Islamic banking and finance has changed the financial systems creating an alternative to the conventional way of banking. Part 2 of How to run an Islamic bank will discuss the aspects that encourage the demand for Islamic finance and banking and explore the perspective of the consumer. In order to attract Muslims a connection between Islamic banking and religion can be made. The question remains what attracts non Muslims to Islamic finance? This article will outline the spreading of awareness in Islamic banking, marketing, promotional strategies, branding and the demand and need for Islamic banking and finance. The article will also cover topics such as Leadership within Islamic finance exploring the qualities of a leader and the Islamic work ethic. an Islamic institution.

Keywords: Brands, Islamic Banks, Leadership, Non-Muslims, Marketing
Spreading awareness of Islamic Banking

When spreading awareness of Islamic finance it is important to educate the customers. They will be more willing to emerge themselves into Islamic finance if they have the knowledge. It is vital to provide guidance on areas such as imagery, wording, symbolism and even colours when looking at branding and logos.

Educating the customers could also change the views of non-Muslims on topics such as Islamic banks, the principles of Islamic banking and finance and the different types of services and products available.

Shelina Janmohamed, Senior Strategist at Ogilvy Noor gives her views on the importance of education when establishing an Islamic bank in an area that is not familiar with Islamic finance. She says that it is key to engage in conversation with the consumer, but first Islamic banks must understand the key aspects of the Muslim consumer, the values they are looking for and the communications that fulfils their needs. She continues saying “The consumer is on a journey to find the product and brand that best suits their needs. First we need to understand, what are their internal starting points? What beliefs do they start their journey with which will provide the backdrop to their choices?”

Islamic banks also need to think about what influences the consumers externally? What are the outside influences that could change their decision making and change their views on brands and products? Shelina Janmohamed says that the external influences could consist of the materials the consumer reads from established banks or experts, any wider networks with Islamic banking and word of mouth from peers. She says “this is the area where new Islamic banks can make a real difference through education and the appropriate education techniques. Partnering with credible authorities and influencers can be effective methods”.

With developments in Islamic finance for example an increase in the number of financial institutions offering Islamic finance products and services, the industry is becoming a significant role in the financial system. We need to expand our understanding and awareness of Islamic finance in order to ensure strong regulatory frameworks and suitable jurisprudence.

A challenge that could arise with Islamic banking regarding the lending of products is far greater than transactional products. One of the big challenges is the isolation of the cash movement with Islamic banking divisions.

Shelina Janmohamed also mentions important aspects of establishing an Islamic bank saying, “If you wish to establish Islamic banking, these stages in the consumer’s journey need to be mapped, understood and built into awareness building strategies.”

She continues saying that the Islamic banking industry have overcome some challenges but when thinking about promoting Islamic banking to Muslims and the consumer’s internal starting points. There are two major challenges to face, such as the education of the consumers about Islamic banking and persuading the consumers with products and communications ensuring that it is Shariah-compliant.

Figure 1: Shariah-compliant company rules

| Setting up a Products’ Development Unit that creates the firms products and services targeting its audience that can both compete with rivals and adhere to Shariah principles. |
| Forming a Shariah Board to review and approve all products and services extended by the firm. The board function could be outsourced to specialised firms. The board should review all conceptual frameworks, processes, fees and related issues to any new product and modify if needed in coordination with the Business & IT sides of the firm, and consulting the legal department regarding any conflict with regulators. |
| Choose a proper IT system that serves the firms operations without compromising the Shariah principles. |
| Attract and train talents that mainly believe in the Islamic finance industry, and getting them through strict screening as most of the operational risks in Islamic banks are employee related. |
| Set up Shariah Audit office internally, and it’s also recommended to deal with External Audit firms specialised in Shariah Risk Audit. |
| Choose a top management team with strong belief & understanding of the Islamic banking industry. Many of the harm done to the industry are to top management crossing over from conventional to Islamic banks just for the sake of the lucrative compensation. |
| Plan all steps in full coordination and compliance with the regulator to build confidence. |
| Manage banks treasury cautiously to prevent any need to borrow from central bank or rival conventional banks in case of liquidity squeeze. |
Promotion and Marketing Strategy
Promotion consists of informing, persuading and influencing the customer’s decision process. There is wide range of ways to promote your Islamic bank such as:

- Website
- Television
- Radio
- Newspaper
- Leaflet
- Email
- Magazine
- Billboards
- Seminars
- Annual Reports
- Community Relations

There are also different types of marketing which consist of campaigning, direct marketing, telemarketing or phone banking and booth, trade or exhibitions. Another important aspect of Islamic finance is having a strong marketing strategy, it is a way of developing and expanding Islamic banks as well as competition with other Islamic banks in the industry. Promoting and developing an Islamic bank in a non-Muslim dominated society can bring challenges. The majority of a non-Muslim society believes that service quality and financial returns are the main aspects when looking at the customer’s point of view. The changing customer views and competing with their conventional counterpart makes it very important for Islamic banks to focus on their marketing strategy. Marketing goals and plans should address matters such as product and service price, distribution, communication and the process of developing new products. The goals of Islamic banks within the marketing sector are to gain the interest of Muslims and non-Muslims within conventional banking, create competitive products and services and expand the share of existing customers.

Shelina Jammohamed expresses her views on the importance of keeping up-to-date with the target audience. She says her company focuses on Muslim consumers and their first job is to understand everything about them such as their driver, their attitudes, the role religion plays in their lives, the most effective brand strategies and how brands best deliver. By conducting qualitative and quantitative research as well as an extensive literature review, brands can really get the consumers point of view and respond to their needs. She says that brands need to be responsive both verbal acknowledgement as well as demonstrable action. Consumers will grow to love the brand and see them as a trusted friend.

She continues saying “Brands are fortunate today to have multiple channels to create such a dialogue. Social media is very powerful, but must be used with caution and wisdom. Research can garner useful and tailored insights into burgeoning trends. And employees who come into contact with staff

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Source: Islamic capital market face finding report

Figure 2: The development of Islamic financial services over the years
are an excellent resource for interacting with and understanding the cutting edge of consumer desire amongst the target audience. The main goals for Islamic banks when focusing on the Marketing aspects is to expand the share of existing customers, gain the attention of Muslims and non-Muslims within conventional banking and having the ability and resources to produce competitive products and services. Franchise value is another important aspect it determines the strength of a banks market with a geographical market or business niche. A strong franchise value gives banks the opportunity to generate and sustain recurring earnings, resulting in economic value which could improve the risk protections in the particular market.

The consumer’s perspective
Gaining customer feedback and working with your customers to improve your institution is very important. When thinking about the relation of the potential customers and your institution it is important to consider who the target audience is? What do they want? For example the use of automated services, personal services or a good value for money on their products and services. Lastly what does the bank or institutions want to achieve, which could be a regulatory compliance or being a profitable bank.

Maged Ezzeldin the executive director of Bridge Capital Limited expresses his views about the importance of education, being the first step to establishing an Islamic bank. With over 15 years experience in the services industry, focusing on Islamic banking and finance, He says “working according to Islamic Shariah is similar to socially responsible or ethical way of running a business”. He outlines the rules applying to Shariah-compliant companies within the banking and financial services sectors, shown in figure 1.

The institutions image is an important aspect because it gives the institution the chance to show the public how they are different from their competitors. The products and services available to the customers help and determine what the public think about the particular institution. The customer’s experiences also determine what the public think and confirm that image is very important. When considering product strategy the customers must be able to link a specific image with a specific product or service, since customers do purchase products and services to fulfill there needs and appreciate the benefits. Some of the key benefits that customer expect are a good value for money, novelty, availability of products and services and easy to use or access.

Banks must have a planned strategy, established policies and a constant monitoring of prices and cost when providing products. The seller can determine what the price of the products will be but it must be fair and not oppressive. Another important aspect that customers have complained about is the charge put on the customers when borrowing. They have complained that financing with Islamic banks are more expensive then loans given from conventional banks. This is a problem that will not help Islamic finance compete with conventional.

There are five points to consider when marketing within Islamic finance, which is the product, the prices, promotion, the location and the public. When establishing an Islamic bank there are 4 main points to apply, which are to offer new products in a rapidly growing market, develop credibility and spread awareness of products, educate the staff and keep up dated with the customers demands and strong infrastructure for operating smoothly.

Taking the Brand to a new height
It is important for brands to keep up to date with their target audience, in order to stand out from the crowd. People make the mistake of thinking that branding is all about advertising but it is not, branding is about the people because they are the only part of the business that can produce an advantage over the competitors in a constantly developing world. To achieve this, the organisation must educate their staff in understanding the roles involved when launching the brand. Certain aspects can bring the brand to life such as brand personality, values and inserting the brand within major corporate procedures. To be the best, brands must focus not just on the logo and marketing aspects but also about being a valuable and honest brand.

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**Figure 3: Six secrets pyramid: indispenslable management human relations practices of highly effective bosses**

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<tr>
<th>Flexing to different people styles</th>
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<tr>
<td>Advanced Rapport-Building</td>
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<td>Maintaining Proper Boundaries</td>
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<td>Practising Empathy</td>
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<td>Expanding Self-Awareness</td>
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<td>Following Golden Rule Principles</td>
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<td>Criticising Skilfully</td>
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<tr>
<td>Building judgment, perspective, diplomacy, and tact</td>
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<td>Basic Foundation Skills</td>
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**Figure 4: Islamic model of leadership**

- **Societal characteristics**
  - Personalism: Weak shared beliefs
  - Idealism: Deeply and widely shared beliefs

- **Culture**
  - Great expectation

- **State of society**
  - Content and positive involvement

- **Type of leaders**
  - Ordinary person
  - Great person

- **Leadership model**
  - Caliphal model
  - Prophetic model

- **Outcome**
  - Lack of institutionalism
  - Institutionalism

**Source:** Islamic Perspectives on Management and Organization by Abbas J. Ali
that is consistent in values and custom internally and externally. The strongest brands have their own value system which gives the brand the advantage of self-regulation and balance. The brands can also compare themselves to the competitor’s offers, creating customer loyalty enabling the brand to take more control over their promotions and distribution techniques. Brand loyalty along with a strong brand value could result in introducing protection against competitive brands. The four key points that banks should focus is guidance, values, behaviour and culture. Brand management is also important to those working in the marketing side because it is a way of communicating complex message to the public.

Maged Ezzeldin gives advice to those wanting to keep up-to-date with their target audience. He says that the continuous use of the mystery shopper method can be very useful and minimise the customer complaints. He continues saying “a research and development department that screens the world markets and choose the best practices to introduce to the local client base is essential.” Economic performance is not the only important thing when creating a strong brand but also attracting and building a relationship with the customer and having a memorable visual identity that is easy to recognise and consistent with strong advertising slogans.

Maged Ezzeldin also mentions the idea of think tanks which will include bank employees, local university professors and international experts developing solutions. He says that Islamic banks should all have a team in the research and development department focusing on businesses asking for advice to developing new products and services.

He ends by saying “finally, market research is important to find out audience requirements, for example, even if the Islamic bank doesn’t have an insurance subsidiary, if the bank’s business or individual clients require such service, the bank could be an agent for a local or international company providing such services in alliance with such firm.” There are three steps that banks should consider when creating a brand, the first step is to have a strong principles leadership, a clear view of the brand, what it means and a strong guardianship.

Shelina Janmohamed says that “brands are fortunate today to have multiple channels to create such a dialogue. Social media is very powerful, but must be used with caution and wisdom. Research can garner useful and tailored insights into burgeoning trends. And employees who come into contact with staff are an excellent resource for interacting with and understanding the cutting edge of consumer desire amongst the target audience.”

**Demand for Islamic banking**

There is a rapidly growing demand for Islamic finance all around the world. Shelina Janmohamed says that Muslims make up around 1.8 billion of the world population and with this brings traditions and different schools of thought. She continues saying that marketers should not be fearful of the vastly diverse Muslim population, but should embrace it and take the opportunity to tailor offers and communications. The first step for marketers within Islamic banking is to identify the Shariah values that relate most with the Muslim consumer. Shelina Janmohamed ends by saying “The key is to remember that whilst Muslims around the world share common values, the conversations that brands engage in with them must be through the language and sensitivities of their local cultures and contexts.”

Shelina Janmohamed focuses on the Muslim consumer, this article will also explore the views of the non-Muslim consumer. Do non-Muslim consumers know the difference between Islamic and conventional banking and finance? One of the reasons Muslims take part in Islamic banking and finance is because they may believe that

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**What sector within Islamic finance do you believe is most successful and why?**

In general, Islamic finance is ideal for traders and manufacturers. The most famous and customer friendly product is Murabaha finance which smoothly fulfills customer’s working capital requirements.

The reason is that in trading and manufacturing, customer’s deal with raw materials and commodities which fulfills the basis requirement of Islamic finance about delivery of goods with clear transfer of related risk and rewards to the other party.

The Islamic finance industry is trying to be innovative for the services sector but due to shariah issues, this sector is still untouched (in majority) so leaving manufacturing and trading to take the most of it.

**How high do you think the current demand for Shariah complaint investments are?**

Shariah compliant investment’s demand is very high. Shariah compliant Funds/ treasury and equity products provide good opportunities to rich businessmen/ investors who don’t want to deal with the interest based/ speculative investment options.

Especially after the recent global financial crises, investors are more convinced that current conventional banking/ investment systems promote speculation to forcefully increase the intrinsic value of the underlying instrument, resulting in greed and phony economies/markets.

Lack of speculation, stable intrinsic and market value, lucrative returns and the comfort that money generated through Islamic investments is being utilised in the real economy and are motivating investors to go for it.

**Do you believe Islamic finance is made accessible to both Muslims and non-Muslims?**

I don’t believe that Islamic finance is being available to non-Muslims as the majority of the Islamic finance industry lies in the developing nations having Muslims as majority. Pakistan saw tremendous growth in Islamic banking over the past ten years but India, neighboring country having Muslim population more than Pakistan, could not see that growth.

It shows that Islamic banking is still attracting customers on religion basis instead of its own features and simultaneously, it is being offered mainly to Muslims only.
it will enrich their religious needs. Looking at the non-Muslim point of view they may want to take part in Islamic finance and banking because it offers a different service to those that want advances and depositors. They may also see no big difference with Islamic and conventional banking and decide not to change. These views could bring challenges to Islamic banks especially in a conventional dominated market.

Mage Ezzeldin says why education is an important step when establishing an Islamic bank in an area that is not familiar with Islamic finance. He says that the pioneering institution will have a major job when educating the local individuals and businesses within societies that have no idea or misleading ideas about Islamic banking and finance.

He continues saying “Islamic banks penetrating new markets should start from day one a plan to educate the local society through sponsored seminars, lectures by bank employees or professional speakers, the bank should also extend free introductory training to the local community about the industry and compare and contrast with the conventional one.” Islamic banking could be viewed as the alternative to conventional banking and so, needs to be innovative with their products and services. If Islamic banks consider this, there is an opportunity to sustain the competitive advantage over the conventional banks.

Mage Ezzeldin ends by saying “The last financial institutions meltdown in 2008-2009 should be used as proof that Islamic banking is well positioned and does not game like conventional banks.” Islamic finance and banking need to educate their potential consumers, those that understand Islamic banking and finance have a more positive view. They see the alternative to conventional banking as a fair system that enables depositors to share in the banks profit. The positive side to Islamic banking and conventional competition is that the industries are encouraged to improve customer service which will benefit the consumers. Figure 2 proves that the demand for Islamic finance is growing by showing the development of Islamic financial services.

**Situations produce different Leadership Roles and Functions**

Leadership is essential in any institution, the Islamic banks need structure in order to run smoothly. The importance does not only come from organisational skills but also being able to motivate your staff, the strength to take responsibility, being able to confront people when needed and being able to predict the future goals and offer a strategy to achieve the goals. There are 6 vital points that must be considered to become a very effective boss, they are increasing self-awareness, sustain boundaries, criticising skilfully, adapting to different people styles of working, practising empathy and following certain principles. Figure 3 shows the vital points of leadership.

The golden rule principles mentioned in Figure 3 includes different ways of treating your staff. It is important to treat your staff with respect, be fair with everyone and show honesty in what is said and in actions. The person in charge should also adapt to different people and embrace the diversity within the workplace. Treating the staff with respect and being fair can bring results such as giving the staff members the confidence to solve work problems using skills such as creativity, imagination and ingenuity. Putting your staff first does have a positive outcome and takes some of the pressure of satisfying the high demanding customers. There is a long list of traits and skills for an Islamic leader such as being knowledgeable, courageous, keeping promises, humble, honesty, forgiving, flexibility, wisdom, following up on work and recognising achievers. Those are just some of the qualities leaders should have within the Islamic finance industry. Important points are also mentioned in the Islamic work ethic such as wealth must be earned, transparency, quality of work and generosity. Staff will work if they are committed to the goals of the institution they are working for. The staff will also commit if the job is satisfying and under suitable working conditions.

A common phrase “treating others the way you would like to be treated” should be considered within managerial practice because although it is said regularly it could be overlooked within the working place. The leadership role entitles the person to a level of authority and is based on a formal position within an organisation or institution. The role gives the person the rights to make important decisions, to take action and to distribute or limit resources. Figure 4 shows the model of leadership.

In order for Islamic banks to become successful in areas such as leadership, marketing and promotion, and spreading awareness they need to understand the needs, behaviour and choices of their target consumer. Islamic banks also need to be aware of the competition and be innovative and creative if they wish to get the competitive advantage.

**References and Further Reading:**