

Islamic Banks' Marketing and Communication Tactics: Towards a Better Reception and Perception

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Abstract

This paper explores the effectiveness of marketing and communication tactics used by Islamic banks in transmitting and conveying the essence of Islamic banking. Two banks are used as a case study, Bank A and Bank B, both located in Abu Dhabi. We use interviews, surveys, and a focus group to understand how different stakeholders perceive Islamic banks. The objective is to examine how communication is conducted from the emitters, namely Islamic banks in Abu Dhabi, and to assess the comprehension of the transmitted messages by receivers, namely the customers. Recommendations are made for improving communication and correcting inaccurate perceptions.

Key Words: *Islamic Banking, Islamic Finance, Communication, Marketing, Murabaha, Mudarabah*

I. Introduction

Western thinkers have advocated the separation of church and state in all aspects; in contrast Islam provides its followers with a thorough roadmap that covers the political, social, spiritual, moral, and economical aspects of human life (Kahf et al., 1998). Islam's teachings emphasize a good work ethic, an equitable distribution of wealth, social and economic justice and the role of the state in enhancing human life.

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Shari'ah (Islamic law) is divinely inspired and revealed, and therefore not given to changes by man (Rehman 2008). Shari'ah details economic guidelines for creating a successful and just economic system. Beck et al (2010) point out that Shari'ah-compliant finance relies on the idea of sharing profits, losses, and risks with their patrons.

The ultimate goal of an Islamic bank is making profits while protecting the social and economic welfare of society (Chammas 2006). The Islamic financial system if implemented properly could serve humanity by helping to alleviate poverty and promote sustainable living, leading to closer community ties and a better world in general (El Tigani, 2011).

During the 1970s interest in Islamic finance was limited to the high net worth market segment. By the late 1990's and early 2000's, Islamic finance began to capture international attention as more and more countries began to embrace the idea that a system without interest on debt is feasible. Throughout the period 2005-2007, there was another wave of interest in Islamic finance which has peaked since 2008 thanks to the global financial crisis and petrodollar surpluses. The number of Islamic banks around the world is 396 spread in 53 countries, according to a 2008 report by the General Council for Islamic Banks and Financial Institutions [GCIBFI] (Nasser 2008). The size of assets is about US\$1 trillion globally with an average annual growth rate of 15 percent; current growth is the result of demand by a much wider group, including small investors and retail consumers (Askari et al 2010).

There have been several studies of Islamic banks' marketing tactics and customers' perception of the value of this new banking system, as well as selection motivation.

Lee and Shakir Ullah(2011) studied customers' attitude toward Islamic banking in Pakistan and found that while Shari'ah-compliance is the most important factor, it is not the only satisfaction gauge; the customers reported convenience, technological advances and the security of their capital as being important. The authors advised Islamic banks to ensure competitiveness with conventional banks.

Okumus(2005) surveyed Turkish customers of Islamic banks 55% of whom reported that they deal with conventional as well as Islamic banks because the latter do not have a nationwide branch network and they lack some products such as short-term and fixed income investment opportunities. On the other hand, 77% of respondents reported that religious factors are key in their choice of an Islamic bank, whereas earning a high rate of return was ranked last among a list of 19 criteria

Amin et al(2009) conducted a cluster analysis of for customers' selection of Islamic mortgage banks in Eastern Malaysia and classified them into three clusters, the first

selects a mortgage bank based upon service provisions, those in the second cluster base their selection on “elements of Shariah and Islamic principles”, whereas customers in the third cluster base their selection on pricing.

Akbar et al (2012) used an online closed-ended structured questionnaire to investigate users' perceptions of Islamic banking practices in the United Kingdom. They report that respondents are unsure about the full benefits of the Islamic banking system due to the complex nature of Islamic banking products. The authors opine that research, effective marketing and generating more awareness in users about Islamic finance would facilitate achieving more from the Islamic banking model.

II. Purpose of the Study

There has been a recent transformation in the number and variety of customers who demand Islamic financial products, thus the consequent observed emergence of full-fledged Islamic banks in the GCC region and mainly in Abu Dhabi. This trend was the main motivation for exploring the marketing and communication tactics used by Islamic banks in Abu Dhabi; our objective is to determine banks' effectiveness in transmitting and conveying the essence of Islamic banking. We focus on two banks as a case study, which we refer to anonymously as **Bank A and Bank B for the sake of discretion**, both are located in Abu Dhabi, and each is striving to position itself as a potential solution provider to clients from different walks of life.

III. Methodology

Three questions are explored in what follows:

Q1: are Islamic banks operating as lenders or entrepreneurs?

This will help determine the effectiveness of Islamic banks in distinguishing themselves from their conventional counterparts

Q2: Are Islamic banks able to accurately communicate the Islamic banking concept to the public and how effective are their different communication tactics?

This will help determine whether Islamic banks are delivering the right message.

Q3: are there discrepancies between the objectives on one hand and the communication and marketing efforts of Islamic banks on the other hand? How are messages being received and interpreted by the public?

This will help determine whether Islamic banking is a concept which is being lost in transmission

Our objective is to understand how the essence of Islamic banking is being communicated and transmitted from the “emitters” namely Islamic banks and whether the “receivers” i.e. the target customers, comprehend the messages.

The following techniques were used in this study:

1. Interview with Bank A’s corporate communications manager
2. A questionnaire, which consists of 16 questions, was distributed to a random sample of 100 members representing a cross section of Abu Dhabi’s society.
 - a. A focus group was conducted to hear the views of a cross-section of people who reside and work in Abu Dhabi (“the receivers”) concerning Islamic banking, particularly in Abu Dhabi.

IV. Are Islamic Banks Operating As Lenders or Entrepreneurs?

In this section we examine whether there is a discrepancy between the theory and the application of Islamic banking.

The conventional financial system focuses primarily on the profitability of transactions; in contrast, the Islamic financial system places equal emphasis on the ethical, social and religious dimensions, as well as the development of society as a whole.

Islamic banking emphasizes the sharing of risks, profits, and losses and the prohibition of *riba* (usury). Islamic banks are supposed to operate as entrepreneurs who share risk and return with customers, rather than as conventional lenders. **Proper application of Shari’ah would give Islamic banks a totally separate and distinct character that does not resemble conventional banks in any way.** Unfortunately that does not happen in reality because Islamic banks, which were supposed to operate as entrepreneurs, have “*manipulated the financing modes in ways that retained their identity as lenders rather than entrepreneurs*”, to borrow the words of Anwar (2000).

Consider the example of profit-loss-sharing “PLS” and not-for-profit-loss-sharing “NPLS” transactions used by banks to finance businesses. The proportion of financing under each mode can indicate the importance of each technique to the Islamic bank. The minimum and maximum proportions in bank financing under each mode, averaged for ten leading Islamic banks, are as follows according to Anwar (2000):

Financing mode	Type of Mode	Minimum Proportions	Maximum Proportions
Murabaha (Cost Plus Markup)	NPLS	45%	93%
Mudarabah (Profit-Sharing)	PLS	1%	17%
Musharakah (Joint Venture)	PLS	1%	20%

Table One: The minimum and maximum proportions in bank financing under PLS and NPLS modes, averaged for ten leading Islamic banks; source Anwar (2000)

On the other hand, looking into the Malaysian experience reveals that only 0.5% of Islamic bank financing is based on the PLS model of Mudaraba (profit-sharing) and Musharaka (joint venture) financing, thus Islamic bank financing in Malaysia in practice is still based largely on NPLS modes of financing that are permissible under the Shari'ah, but which ignore the spirit of the prohibition of usury (Chong and Liu, 2005). It is a common criticism of Islamic banking that the markup is determined by LIBOR.

The extensive reliance on NPLS modes of financing by Islamic banks “*although permissible, such NPLS modes of financing should be restricted or avoided to prevent them from being misused as a “back door” for interest based financing*” to quote Pakistan’s Council of Islamic Ideology Scholars (cited by Chong and Liu, 2005).

To conclude this section, currently there is a divergence between the spirit and the practice of Islamic banking. Most Islamic banks are currently unable to differentiate themselves from conventional banks possibly because the latter have secured a solid market share throughout the years. This fact diverts Islamic banking away from its right path to become in some instances a profit-focused system as much as the conventional system.

V. Islamic Banks' Communication Strategies

Next we explore our second question: Are Islamic banks able to accurately communicate the Islamic banking concept to the public and how effective are their different communication tactics?

The following methods were used to address this question:

- a) Interview with Bank A's corporate communications manager
- b) Analysis of annual reports
- c) Analysis of marketing publications (brochures and leaflets)
- d) Branch visits
- e) Website assessment.

5a. Interview with Bank A's Corporate Communications Manager

We explore Bank A's corporate communication strategies by listening to the people who are defining, implementing and reviewing such strategies, during an interview with Mr. M, Bank A's Corporate Communications Manager (Appendix I has the interview questions).

5a.1 The Structure of Bank A's Communications Department

Mr. M. disclosed that prior to 2007 Bank A's marketing approach focused extensively on advertising. Since 2007 the structure of the communications department consists of a marketing communications unit, a corporate communications unit, and a digital communications unit headed by the global director of marketing. This structure signals a serious desire at Bank A to communicate with the public. As for media relations, Bank A works with an external public relations (PR) agency, in addition to a market research company that provides qualitative and quantitative analyses.

5a.2 Employee Background in the Communications Department

The majority of the employees come from a conventional banking background and/or from conventional PR and communications agencies, a fact which affects the ability of the communications team to accurately transmit Islamic banking principles through the different channels.

5a.3 Setting General Communications and Marketing Guidelines

Mr. M. advised that general communications and marketing guidelines are based on qualitative and quantitative feedback, a 'strategy excellence performance' report, and as a result of different meetings between the CEO and employees to discuss strategy.

5a.4 Monitoring Proper Implementation of Communications and Marketing Strategies

Mr. M. made it clear that any communications activity is monitored by the corporate communications department, an astute tactic that helps to avoid conflicting messages.

5a.5 Bank A's Public Relations Agency

We understood that the PR professionals working on Bank A's account are not all familiar with the Islamic banking principles which could ultimately affect the way they communicate those principles throughout the media; however Bank A relies on them due to their English language proficiency and their ability to give it a "proper media exposure". This is a concern since it may hinder Bank A from delivering its messages effectively. When we inquired about the most important recent communication /marketing campaign at Bank A, Mr. M. discussed the full brand-reinvention process that Bank A underwent during 2009, along with introducing priority banking, and female banking during the same year. This again highlights Bank A's efforts to communicate with the public using different marketing activities.

5a.6 Efforts to Educate Consumers about Islamic Banking

Ahmad (2011) conducted a study of Islamic Finance in the Australian market and recommends making more effort to educate people since there is a high level of ignorance of the philosophy and nature of Islamic finance. He points out that many people do not know that the success and growth of Islamic finance was driven by "its value-orientated ethos that enables it to draw finances from both Muslims and non-Muslims alike".

In our study we asked whether Bank A is able to clarify misconceptions about the benefits of Islamic banking, Mr. M. acknowledged that this is a concern, adding that Bank A's communications department uses different channels such as the social media, television and radio advertising campaigns, as well as brochures to increase awareness about Islamic banks and to address different misconceptions. We asked whether being Shari'ah compliant limits Bank A from using common marketing and communications channels, the reply indicated a limitation does exist, especially in terms of how aggressive messages could be and the context in which they are transmitted. Such a limitation may hinder communication and limit awareness especially that Islamic banks, 'are in direct competition with conventional banks' according to Mr. M. The last question we asked was about the main challenges Islamic banks are facing in terms of presenting Islamic banking as an alternative

solution to conventional banking, Mr. M. pointed out three issues: “misconception, regulatory issues, and a shortage of human capital”.

To conclude this section, Bank A is making a remarkable effort to communicate and convey the essence of Islamic banking, which was reflected through different points raised during our interview with Mr. M., such as the brand-reinvention exercise, setting communications strategies, and expanding communication channels.

5b. Annual Reports: the Official Corporate Voice

We analyze another corporate communication channel which is the 2010 annual reports of Bank A and Bank B. We examine the reports' ability to convey the essence of Islamic banking. Corporate annual reports are helpful in assessing the communication identity of Islamic banks because they offer a snap shot of management's mindset in a particular period (Neimark, 1992), have a greater potential to influence due to widespread distribution (Adams and Harte, 1998), and are used by a number of stakeholders as the sole source of certain corporate information (Deegan and Rankin, 1977).

5b.1 Mission, Vision, and Values

While both banks endorsed the idea of being Islamic and providing Islamic financial solutions to a global market, Bank A stressed the fact that they are ‘**Shari’ah inspired**’ and Bank B highlighted creating value for all stakeholders, however, neither bank emphasized creating value through halal return instead of merely maximizing returns.

5b.2 Board of Directors and Top Management's Profiles

This is an important aspect for Islamic banks in terms of increasing their credibility and creating a sense of trust among the various stakeholders. Bank A presented a full photo gallery for their BOD, finance executive management, and branch management without any reference to their credentials, experience and ability to lead Islamic related financial institution. Bank B adopted another approach through presenting a brief biography for their board of directors, but did not highlight other senior management profiles. Thus there is a deficiency regarding presenting BOD and senior management, to enable readers to make an investment decision based on the leadership profile.

5b.3 Products and Services

There was no clear indication in the annual report that the products and services provided by each bank are halal, a fact that needs to be stressed as the main aspect that differentiates them from the conventional banking sector. On the other hand, since the majority of the services possess Arabic names, Bank A presented a glossary describing the meaning of different Islamic product names, while Bank B failed to do the same. Moreover; both banks didn't refer in their 2010 annual reports to any new products in the pipeline. It is interesting to note that Muhamat et al(2011) carried out an empirical study of bank clients' sensitivity towards the adoption of Arabic terminology amongst Islamic banks and reported that most of the respondents agree that Arabic terminology gives a competitive edge to the Islamic banks, on the other hand the participants brought up a difficulty in "gaining fast information about and comprehension of the product" due to the Arabic names.

5b.4 Zakat

There was no clear mention of the banks' Zakat payment. Bank A stated that Zakat is computed in accordance with the articles and memoranda of Emarati Bank's Association and is approved by the Fatwa and Shari'ah Supervisory Board, while there was no such mention in Bank B's annual report. We attribute this to the fact that UAE law makes the payment of Zakat a responsibility of the shareholders not the banks.

5b.5 Commitment towards Employees

This is a very important factor since the quality of employees and their expertise affect the implementation of strategic plans. We noticed that the focus is on the ability and success in attracting UAE nationals to the workforce, which reflects the labor force "Emiratization" effort. Although Bank B communicated the training efforts made to develop knowledgeable employees, there still remains a deficiency in communicating employees' compensation and benefits and efforts made in this regard, since employees' welfare is mandated by Islamic law.

5b.6 Social Corporate Responsibility (CSR)

CSR is a fundamental part of Islamic ethics; we tried to determine the level of social commitment communicated by each bank. Both banks communicated their social commitment through presenting different activities and sponsorship events conducted throughout the year.

5b.7 Shari'ah Supervisory Board (SSB)

SSB is entrusted to ensure that all operations are conducted according to Shari'ah. Each bank disclosed the names of its SSB members; Bank B provided a brief biography for every member, whereas Bank A did not. Both banks presented their SSB's report and fatawa and clarified that all operations were monitored, and that non-halal revenue had to be transferred to a charity account. In addition, both reports emphasized that the distribution of profits and losses were in conformity with Shari'ah.

In conclusion, Bank A and Bank B are both exerting serious efforts to explain their business model and to align their operations with Shari'ah.

For enhancing the annual reports we recommend more transparency in presenting the profiles of BOD and management and a highlight of efforts exerted concerning the Islamic pillars of zakat and charity.

5c. Marketing Brochures

Next we analyze the different brochures provided by Bank A and Bank B in order to assess the key messages conveyed through such brochures. We start with Bank B which provides customers with six main descriptive brochures presenting different products and services.

5c.1 Service Financing Brochure

This is divided into three main categories: home finance, personal finance, and vehicle finance. In the home finance section, there are two services: the standard Ijarah and the Ijarah-Mowsufa fi Al Dhimmah which are mainly other forms of leasing with a slight twist where the bank actually buys the home and then leases it to the customer. Such a service is typical at Islamic banks it applies the concept of risk sharing. On the other hand, personal finance and vehicle finance is done through the Murabaha concept where again the bank buys the product of interest, then sells it back to the customer after adding a profit margin. Both services do not apply the profit-loss-sharing Islamic concept and involve a markup which is indexed to LIBOR which is forbidden as the conventional banking interest benchmark.

5c.2 Bank Accounts' Brochure

Three options are offered: current accounts, saving accounts, and term deposits. In this brochure although there is a clear indication that saving accounts are governed by the Mudarabah concept, there is no explanation of why such services are Shari'ah-

compliant. The focus is on presenting benefits which is a marketing effort to attract customers with one main message stating that the services are Shari'ah-complaint.

5c.3 Credit Card Brochure

Bank B offers its customers two types of credit cards: the classic credit card, and the gold credit card. This brochure states the benefits of holding a credit card from Bank B. We couldn't detect any distinction from the conventional credit cards, and although there is a mention that the available credit cards are Shari'ah-complaint, it is not clear why.

5c.4 Co-Branded Credit Card

This is a card that Bank B offers in partnership with a leading Sports Association. The leaflet is a marketing tool which pinpoints the benefits that holders will reap when using the card **without mentioning its Islamic characteristics**.

Finally, we went through two brochures; a leaflet and a brochure presenting Bank B Internet banking, and Bank B SMS service which we found interesting in terms of reinventing the image of Bank B as a technology savvy and customer oriented Islamic bank.

5c.5 Brochures Available at Bank A

Similarly, we gathered brochures available at Bank A for the sake of building a better understanding of Islamic banks' use of different brochures, and analyzed our findings.

We gathered sixteen different Bank A brochures and leaflets encompassing a wide range of products and services that cater to a wide range of customers.

Twelve major brochures were assessed. Among the brochures that we found interesting is the smart money brochure, where Bank A plays the role of an educator by offering a step by step guide to a balanced financial life. The brochure provides information about budgeting, taking calculated risks, in addition to supplying an Islamic banking dictionary.

Another set of brochures deals with saving and financing options that Bank A presents, where we noticed that the messages are emotionally oriented, highlighting benefits, and prizes "bonus program and 1 million prize" with a passing reference to the Islamic nature of such products in small fonts in the margins, while again the two main products used are Murabaha and Mudarabah.

Bank A's credit card variety includes 'Bank A guest visa card', 'Children card', and 'Bank A instant finance card'. The only mention of an Islamic finance concept could be found in Bank A's instant finance card, it is pointed out that card holders could go for different financing options for their purchases through Murabaha.

Bank A's Exclusive Service, a nine-page fancy brochure (the English part) has only one reference to an Islamic financing mode, through the mention of the word "Mudarabah".

To conclude the discussion of brochures as a communication tool, it is clear that there is a determination by the two Islamic banks under consideration to offer a wide range of products and services, through an extensive use of brochures, but this offer is still limited to two basic products i.e. Murabaha and Mudarabah. On the other hand, the information presented highlights the products' commercial benefits with a shy reference to the Islamic nature of the offer, through the use of three main words: Murabaha, Mudarabah and Shari'ah-compliance. Moreover we raise a question about the credit card business that Islamic banks are offering, since it is not obvious how credit cards are complying with Shari'ah and what are the measures taken to ensure that such cards are used to purchase Shari'ah-compliant products and services, which is a controversial issue.

5d. The Findings of a Mystery Shopping Visit

We conducted two mystery shopping visits to one branch per bank and noted the following observations:

5d.1 Branch Visit to Bank A

The branch is divided into two separate entrances, one for males and the other for female banking. Visitors easily realize that they are in an Islamic bank through different messages scattered all over the place, and obviously because of the bank's name includes the word 'Islamic'. Also talking with one of the employees about the possibility of financing a car, he was well trained in relaying messages and using Islamic banking jargon. The impression we received from the mystery shopping visits is that when it comes to structuring the branches and training people, Islamic banks are keen on creating their own distinct identity that separates them from conventional banks.

5d.2 Branch Visit to Bank B

Nothing in the branch gave us an indication that we are in an Islamic bank or an institution dealing with Islamic finance. We conversed with the employee responsible for the car financing department, who was surrounded by fancy luxurious cars; the intimacy that Islamic banks are supposed to offer was missing. The employee was well-trained in using the Islamic banking terminology, he gave the right names to the service presented, but disclosed details only when asked.

5e. Digital Media: Reflections about a Website

There has been a rapid development during the past decade in terms of introducing new digital media tools that support corporations in their attempt to better communicate with the public, which was the case also for Islamic banks. In an effort to analyze different communication bridges that Islamic banks have built, we analyze the website content of Bank A and Bank B in order to highlight their strengths and weaknesses.

5e.1 Bank A's Website Strengths

The website offers a choice between two languages, English and Arabic, the two main languages spoken in UAE, in general, and Abu Dhabi in particular, which gives it a wider appeal to the targeted population.

1. There is a clear drive to present Bank A as a source of information when it comes to educating potential clients and interested people about the basics of Islamic banking through the "understanding Islamic banking" tab located on Bank A's homepage.
2. A very useful communication platform is the 24-hour banking system that introduces e-Bank A Internet banking, telephone banking and SMS updates; it supplements the clear drive at Bank A to diversify its communication channels. It provides clients with more banking options and allows Bank A to appeal to a wider population, thus making Islamic banking more accessible.
3. Through the website we learned that Bank A enjoys an extensive presence in UAE through a network of seventy branches, available in all major Emirates in the UAE.
4. The intimate customer relation Bank A is building is clearly reflected through their motto: "Here for you 24 hours a day".
5. The awareness Bank A has when it comes to a constant rejuvenation of their Islamic brand image.

5e.2 Bank A's Website Weaknesses

1. There are a limited number of Islamic products presented by Bank A; we found a mention of three products only: Mudarabah, Murabaha and Qard Al-Hassan.
2. The inability of Bank A to develop new products and services that are demanded by Muslim clients, which impedes the efforts exerted by Islamic banks to reinvent their image and to present themselves as a major provider of Shari'ah-compliant financial solutions.
3. All Bank A products are presented using conventional banking terms and lack explanation, for example, when explaining the 'Business Covered Card' product, which is based on Murabaha, there is no explanation of what Murabaha means.
4. Throughout Bank A's website there are multiple and different messages crammed in one place which may confuse the receiver and distort communication reception.

5e.3 Bank B's Website Strengths

1. The use of dual languages, English and Arabic, which gives Bank B a wider appeal to the diverse population present in the UAE in general and in Abu Dhabi in particular.
2. Publicizing efforts made to expand Bank B overseas

5e.4 Bank B's Website Weaknesses

1. The feel of the website, on the main page in the English part, the subtitles are blurred and cannot be read easily. There is no clear indication that the website represents an Islamic bank, instead it is more typical of a conventional financial mall concept, where the public can have access to different services that are not necessarily Islamic
2. The site reveals that Bank B has a limited physical presence with only 10 branches in the UAE, and no coverage of all the major Emirates.
3. Another website weakness is the lack of a description of the kind of Islamic product used for every service, with only a passing mention that the service is Shari'ah compliant. Moreover, we found that the two star products used are Murabaha and Mudarabah which is another indication of Islamic banks' shortfall in publicizing different Islamic products.

To conclude the section about websites, we believe that a serious effort is being made by Bank A and Bank B to appeal to the public through the digital media and mainly through the use of their websites, but more effort should be made to diversify the product offerings and to highlight the uniqueness of the services in an Islamic context. On the other hand, while one of the main objectives of Islamic finance is to support society and cater to its needs, we found a lack of community-focused efforts and social corporate responsibility activities highlighted in both websites.

As an answer to our second question, we have found that Islamic banks have developed a genuine determination to communicate the essence of Islamic banking to the public and huge efforts are being made on a daily basis to accomplish that goal, but more work is recommended concerning the proper use of communication mechanisms in order to reach the desired outcome.

It is worth pointing out that the above comments are based on observations made between February 2012 and March 2012

VI. The Receiver of Islamic Banking Communications: between Reality and Misconception

6a. A Survey of Islamic Banking Concept Reception and Perception: an Ambiguous Message

We explore whether the effort made by the marketing and communications department of Islamic Banks in Abu Dhabi is effective and fulfills its purpose. We use a questionnaire of 16 questions presented to a representative sample of 100 people residing and working in Abu Dhabi (Appendix II), the response rate was 100%. We present the major questionnaire findings and analyze the results in an effort to develop insights that will answer our third question: are there discrepancies between the objectives on one hand and the communication and marketing efforts of Islamic banks on the other hand? How are messages being received and interpreted by the public?

We found that it is essential to include the next four questions and their respective results to gain an insight into the results we derived from our questionnaire and to pave the way for our in-depth analysis:

Q1- Do you have an account with an Islamic bank in UAE?

8% of respondents had an Islamic account, and 92% had a conventional account.

Q2- Do you think there is a difference between the conventional banks and Islamic banks operating in UAE? 90% answered yes there is a difference and 10% no.

Q3- In your opinion what kind of banking will cater to your needs?

87% conventional and 13% Islami

Q4- How do you rate the efforts Islamic banks are making to explain the basics of Islamic banking in UAE? 2% excellent, 8% good, 43% average, and 47% poor.

We deduce the following from the above responses:

1. The large penetration (100%) of the banking system in the day to day lives of people working and residing in the UAE in general and Abu Dhabi in particular, as per our sample.
2. The weak market penetration of Islamic banks, only 8% of the total sample deal with Islamic banks.
3. Although 90% stated that there is a difference between Islamic banking and conventional banking, only 80% mentioned that the difference is abiding with Islamic teachings and the prohibition of riba. This indicates a possible communication problem on the part of Islamic banks.
4. Another number that is worth looking into is that 40% of the sample stated that they will not consider using the Islamic banking service. Unfortunately we did not find out what percentage of the sample is non-Muslim, at the time we focused more on selecting a sample with a diverse social background.
5. We detected a weakness in communication by the banks as far as people's unfamiliarity with the concept of Islamic banking and their concerns about limited branch networks. Moreover there is still some ambiguity about who can use Islamic banking services since 30% of the sample stated it is not possible for them to use Islamic banking and when we went deeper, 28% of the 30% related that to their different religion. In contrast, 100% of the sample understood that everybody can open an account with a conventional bank and benefit from the offered services.
6. 90% stated that they are interested in opening an account with a conventional bank whereas 10% are not interested due to religious beliefs.
7. We detected a low level of trust, only 13% expressed confidence in Islamic banks' ability to cater to clients' needs.

8. When the group was asked to name services that an Islamic bank provides to its clients the results were mixed between what is a service such as a “car loan” or a “home loan” and what is an Islamic financing mechanism such as Murabaha. This reveals a lack of familiarity with the services presented and the instruments used.
9. 39% of respondents believe that the presence of Islamic banks in the local media is either average or poor. In addition 90% of the respondents believe that Islamic banks in UAE are exerting either an average or a poor effort in terms of explaining the basics and the reality of Islamic banking to the UAE client base. These findings present a striking demonstration of the ineffective communication and marketing efforts of Islamic banks, and they raise doubts about banks' success in dialoguing with their client base, and the level of success of the efforts made to promote the use of Islamic banking services.

6b. Is Islamic Banking Misunderstood? Reflections of a Focus Group

The focus group was formed for the following objectives:

1. Understanding how a group of people resembling a cross section of the population perceive Islamic banking versus conventional banking,
2. Addressing misconceptions about Islamic banking and analyzing them
3. Assessing their perception of Islamic banking and discussing the level of their media exposure.

The focus group aided us in answering our third question and gave us insights that were not possible through the survey and interviews alone.

The focus group consisted of 10 people (6 males and 4 females), who work and reside in Abu Dhabi, ages ranged from 35 to 45 years, average annual income is 360,000 AED per person per year (about 100,000 USD). Seven are clients of conventional banks and three are clients of Islamic banks. At the beginning of the session, we briefed the group members about our research and explained the purpose of organizing the focus group in order to avoid any inconvenience as the work progresses. While administering the focus group, we noted the following points:

1. Arab group members were more relaxed in giving their input and discussing Islamic banking issues compared to the conservative attitude the non-Arabic members adopted. This could be attributed to the feeling of cultural belonging that the Arab members possess, which gives them an ability to discuss “Islamic” related topics without the fear of being ‘politically incorrect’, whereas non-Arabs have the tendency to avoid such debates.

2. Non-Arab members seemed to have a limited knowledge of Islamic banking or a low interest in giving their feedback.
3. UAE Nationals in the group were defensive in their views about Islamic banking and related their position to a pure religious belonging. Such behavior is due to the fact that some group members were unable to differentiate between discussing Islamic banking as a commercial concept and discussing Islam as a religion; this is beyond the scope of our research and it was made clear in our presentation.
4. All group members were open to learning more about Islamic banks, and noted that they may consider doing business with them and using their services once they have a better understanding. This confirms that unclear communication costs lost opportunities.
5. We asked questions that probe the group's ability to describe some of the major Islamic financial products. The results were as follows: One person gave a description of Murabaha, two explained the meaning of Mudarabah, and no one was able to explain the meaning of Muzara'ah and Bai Al Salam. This reveals the low level of awareness and knowledge that a cross section of society has about Islamic financial products, and it raises questions about the clarity of communication messages and the extent of message distortion.
6. At the time of this focus group there were six Islamic banks in Abu Dhabi. When asked to name Islamic banks in Abu Dhabi, 20% of the group named three banks, whereas 80% named one or two only. Thus people are taking notice of Islamic banks but more effort should be made to create a better awareness and to **select the brand name carefully**, everyone was able to mention banks whose name contains the word "Islamic" whereas other words such as **crescent**, an Islamic symbol, is not as obvious to foreigners.
7. Only one person was involved in an event organized by an Islamic bank in Abu Dhabi, this raises concern about proper targeting by Islamic banks and their ability to attract new customers.
8. Everyone reported that they are not aware of all the services that Islamic banks offer, however, 8 people knew that some conventional banks offer Islamic services and 3 people gave them the right name (Islamic windows), this indicates a better penetration for conventional banks exercising Islamic banking compared to full-fledged Islamic banks.

9. We tried to check the level of awareness group members have when it comes to identifying major Islamic banks in Abu Dhabi and mainly Bank A and Bank B, when presenting the home page of Bank A and Bank B's websites and after taking out the names and the logos, we noticed that only 4 people could identify the banks. On the other hand, we circulated pictures of some of the advertising campaigns that Bank A and Bank B conducted recently, along with different pictures for different conventional banks, and upon asking the groups to identify which campaigns are Islamic and which are not, 3 people could identify the campaigns and the others gave mixed answers. This finding solidifies our conclusion about the ineffective use of marketing strategies and the weak brand recognition that plagues Islamic banks.
10. Four people communicated that there is no difference between the Islamic and conventional banking or that they are not sure if a difference really exists.
11. There was a prevailing perception among the members that Islamic banking is interest-free banking, a perception that communication professionals could emphasize in promotion campaigns as a distinguishing point.

6c. Reflections of the Focus Group

We facilitated a discussion to identify Islamic banks' weaknesses in reaching a broad client base, perceived reasons for ambiguity of banks' benefits, as well as suggestions for a better positioning and enhanced public perception of Islamic banks.

6c.1 Weaknesses in Islamic Banks' Communication Efforts

The focus group members pointed out ten weaknesses:

1. Islamic banking is still new in general and fairly new in Abu Dhabi. This fact gives conventional banks an advantage when it comes to understanding the market and communicating with their clients.
2. There seems to be a shortage of marketing and communications professionals who understand Islamic banking in Abu Dhabi.
3. Inaccessibility of comprehensible information about Islamic banking
4. The inability of Islamic banks to differentiate themselves through a unique identity and the fact that they are a 'copycat' of the conventional banking model (this weakness emerged after the group navigated through different websites). This fact has been the subject of a lot of criticism in the literature(Ghoul 2011)

5. The prevailing perception about Islamic banking that revolves around the “no interest concept” and the “halal” concept which is giving a shallow impression of Islamic banks and ignores other features such as the sharing of risk, profits, and losses.
6. Islamic banks’ limited reach in Abu Dhabi is caused by the limited number of branches.
7. Negative publicity that revolves around Islamic banking and alleged relation to financing terrorism.
8. The focus on Arabic as the main communication language for Islamic banks ignores non-Arabic speakers
9. The perception that Islamic banking is only for Muslims misses out on a significant potential market segment.
10. The low media presence of Islamic banks compared to conventional banks.

6c.2 Recommendations of the Focus Group

1. Islamic banks need to re-evaluate their communication strategies to ultimately increase their market share.
2. Increase efforts to educate the community about the essence of Islamic banking
3. Recognize the diversity of people in UAE by creating a dialogue in English and Arabic.
4. Realize that it is not enough to adapt processes and products from conventional banking, packaging them in an Islamic wrapper and marketing them to the public. People are prudent when it comes to scrutinizing the performance of Islamic banks and are not satisfied by their current appeal.
5. A stronger presence in the social media, especially on Face Book and Twitter, in order to have a direct contact with their client base. This would pave the way for Islamic banks to come closer to their target market, get instant feedback and transmit messages in a fast and efficient manner.
6. Create interactive awareness campaigns to clarify misconceptions and stereotypes that Islamic banking is only for Muslims and there is no real difference between the Islamic and the conventional offerings.
7. Education about the different services offered by Islamic banks.
8. Extensive training is needed for Islamic banks’ employees since they are the banks’ ambassadors.

9. Communicate in the local language as well as in English.
10. Highlight the fact that Islamic banking and finance is open and available for people of any religious or ethnic background, this can be done through TV and newspaper interviews, as well as highlighting the similarities between ethical finance and Islamic finance.

In a nutshell, communications and marketing professionals who deal with Islamic banking need to create and maintain clear communication channels that take feedback into consideration and adjust accordingly.

VII. Conclusion: Islamic Banking is a Concept which is Lost “in Transmission”

Using various research methods we have detected an imperfection in the ability of marketing and communication tactics of two Islamic banks in Abu Dhabi to accurately convey the essence of Islamic banking. This was reflected by a low awareness level of the essence of Islamic banking and its unique products and services. There is also a lack of comprehension of Islamic banks' efforts to promote their business model. We have also noticed that religion is one of the main reasons that motivate Muslim clients to deal with an Islamic bank; this is a double-edged sword since it could prove to be a threat to the future of Islamic banks if they are unable to highlight core benefits other than being Islamic, especially in the eyes of non-Muslims. It is worth mentioning a study by Orisankoko(2012) who analyzed Islamic banking in Nigeria where some non-Muslims view the introduction of the new system as a “part of the ground plan to Islamize Nigeria”. He emphasized that education and mass enlightenment are very important to clarify that Islamic banking aims to benefit Muslims and non-Muslims alike.

We can conclude that **Islamic banking is a concept which is lost “in transmission”**, furthermore, there is a lot to be done by Islamic banks' communications and marketing departments in order to correct this situation and to enable a clearer dialogue that would increase their appeal and market penetration.

Having presented recommendations of the focus group members, we re-emphasize the importance of educating the public about the history, essence and benefits of Islamic banking. This is possible through better training of employees together with the allocation of resources to research and development to create unique Shari'ah-based rather than Shari'ah-compliant products (Ghoul 2011).

What would also help is enhancing the relationship with the regulatory bodies, such as the UAE Central Bank, to ensure compliance with regulations thus gaining the public's confidence,

We believe that Islamic banks need to reinvent themselves on all levels to be able to alleviate a currently distorted image; they need to expand their customer base by appealing to a local and international crowd through the wise use of different social media tools. **Islamic banks should position themselves as entrepreneurs, who share risks, profits and losses with stakeholders rather than being perceived as profit-obsessed organizations.**

VIII. Limitations of the Study

We did face difficulties in setting up interviews with key figures who manage communications in different Islamic banks in Abu Dhabi; we were only successful in conducting an interview with Bank A's communications manager.

We failed to set up meetings with two important stakeholders: a religious figure who would have given us feedback on our research findings to add a new dimension to our study, and a public relations agency that supports an Islamic bank. It was extremely difficult to locate such figures and to convince them to be interviewed. In addition, assembling an interactive focus group was not straightforward; we had to exert considerable effort to educate the group about the purpose, mechanism, and modes of engagement of a focus group.

IX. Future Research Questions

It would be interesting to study a conventional bank that has a dedicated Islamic window, in order to compare its communication strategies with full-fledged Islamic banks. Studying Islamic banking communication practices in leading countries such as Malaysia, Iran and Pakistan would be informative. Future research could also cover a wider geographical area, such as comparing and contrasting Islamic banks' communications efforts in UAE, Bahrain, and Saudi Arabia, the three countries in the Arab Gulf that have a prominent Islamic banking presence. An analysis of the impact of the global financial crisis on Islamic banks' market share in UAE would be interesting.

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Appendix I: Questions for Interview with Bank A's Corporate Communications Manager

- 1) give a brief history of your bank
- 2) Describe the structure of the Marketing/Communications Department
- 3) What is the professional/ educational background of the employees?
- 4) What is the process of formalizing key messages to address to the public?
- 5) Who sets the general communications and marketing guidelines in the bank?
- 6) Describe the basis upon which you chose your communications and PR agencies and to what extent do you believe that they are equipped to expose your brand to consumers?
- 7) Describe the most important communications /marketing campaign your bank communicated recently
- 8) What are the most important mediums and channels you use to disseminate your messages?
- 9) What are the efforts exerted to educate consumers about Islamic banking in UAE?
- 10) How are you able to clarify misconceptions that are created around the benefits of Islamic banking?
- 11) How do you see yourself in terms of market penetration and awareness creation versus conventional banking in UAE?
- 12) What are the efforts made when it comes to secure a pleasant customer service experience for your clients?
- 13) Do you have an internal program to educate employees on the essence of Islamic banking?
- 14) To what extent does being Shari'ah compliant limit your ability to use available marketing and communications channels?
- 15) What are the main challenges that you are facing in terms of presenting Islamic Banking as an alternative solution to conventional banking?
- 16) How do you measure the impact of your campaigns?

Appendix II: Survey Questions and Some Responses

- 1) Do you have a bank account in UAE? **100 percent answered yes**
- 2) Can you name the bank you deal with in the UAE?

- 3) Name the Islamic banks you know in UAE
- 4) Do you have an account with an Islamic bank in UAE?

8% of respondents had an Islamic account, and 92% had a conventional account.

- 5) If you do have an account with an Islamic bank in UAE state some of the reasons that made you take this decision

The two top answers were:

- A) **Abiding by Islamic teaching**
- B) **My company deals with IB in UAE**
- 6) Name some of the services that Islamic Banks offer in UAE

The four top answers were: car loan, home loan, credit cards, Murabaha

- 7) Do you think there is a difference between the conventional banks and Islamic banks operating in UAE? **90% answered yes there is a difference and 10% no.**
- 8) In your opinion what kind of banking will cater to your needs? **Answers were 87% conventional and 13% Islamic**
- 9) If you don't have an account with an Islamic bank will you consider opening an account?

60% Yes; 40% No

- 10) If you consider opening an account with an Islamic bank state why

The top three answers were:

- A) **Follow Islamic Principles 25%**
- B) **Less greedy 20%**
- C) **Proximity to home 15%**
- 11) If you will not consider opening an account with Islamic bank state why

The top four answers were:

- a) **Don't understand what IB is all about 32%**
- b) **Only for Muslims 30%**
- c) **Company don't deal with IB 12%**

- d) Not available in home country 10%**
- 12) In your opinion is it possible for non-Muslims residing in the UAE to open an account in an Islamic Bank? **70% Possible, 30% Not Possible**
- 13) If you think that it is not possible for non Muslims to open an Islamic bank account can you state why? **The top answer at 28% was: because of belonging to a different religious group**
- 14) In your opinion is it possible for non-Muslims residing in the UAE to open an account in a conventional Bank? **Yes: 100%**
- 15) How do you rate the presence for Islamic Banking in the local UAE media?
- a) Excellent 24%**
- b) Good 34%**
- c) Average 30%**
- d) Poor 12%**
- 16) Rate the efforts UAE Islamic banks are making to explain the basics of Islamic banking?
- a) Excellent 2%**
- b) Good 8%**
- c) Average 43%**
- d) Poor 47%**