ISLAMIC MARKETING MIX: THE CRITICAL FACTORS

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ABSTRACT

Islamic marketing (IM) is gaining momentum in the development of marketing knowledge and its practical to business and customer is undeniably significant. Thus, it has attracted considerable attentions among scholar and practitioner of business towards Islamic marketing (IM). Nevertheless, this area still remains understudied with limited empirical evidence, particularly, marketing mix decisions or four Ps (product, price, promotion and place) in line with Islamic principles. Therefore, this study attempts to identify critical factors in conducting Islamic marketing mix activities and their relative importance. Using combination of both qualitative and quantitative research method, this study proposed a set of 23-item instrument that measures Islamic marketing mix which has been empirically tested for its unidimensionality, reliability and validity through factorial analyses. Findings suggest that Muslim customers consider five critical factors that must be emphasized by businesses in conducting their marketing mix. In their order of importance using multiple regression analysis, the factors are ‘Conformity’, ‘Character’, ‘Commitment’, ‘Conscience’ and ‘Customer Centrism’. Hence, it is proposed that businesses can adopt the 5 Cs framework in engaging with Muslim customers through their marketing mix activities by consistently conforming to syariah rules and regulations, exhibiting distinctive character, being committed in instilling assurance, embedding morality and conscience and lastly embracing customer oriented approach.

Field of Research: Marketing, Islamic Marketing Mix, Factorial analyses, Muslim Customer

1. Introduction

In spite of large Muslim populations and the prominence of Islam, there have been sparse literatures written and known about Islamic marketing (Temporal, 2011). In fact, it is still lacking in
 terms of publications and has been enormously dominated and outnumbered by conventional marketing. For instance, widely used database such as Emeraldinsight shown that currently only 99 articles that associated with keyword “Islamic marketing”, whereas “marketing” on the other hand resulted in 61,691 articles (Emeraldinsight, 2012). Whereas, commonly used search engine such Google Scholars: recorded 1,950,000 result on the keyword “marketing”, as for the keyword “Islamic marketing” only 340 articles to be found (Google Scholar, 2012). This area is currently unparallel to the development of Islamic banking and finance. Muqorob in (2004) have analyzed that only 0.61% of 4564 publications on Islamic economic ranging from 1994-2005 were scrutinized on marketing. Whereas, banking and finance theory were 20.75% and 19.28% respectively. At the present, there are only 155 literatures specifically focus on marketing exists in the Islamic economics (IIUM, 2012). Hence, it is crucial to level this field with these two fields as to holistically develop Islamic economics and indeed it is clear that this specific area worthwhile to be explored.

Furthermore, recent emergence of Halal market created vast opportunity for marketers both in western and Islamic countries, a clear indication that IM is crucial to the practitioner. Global market value for trade in halal food and non-food products is estimated at USD2.1 trillion annually, has created interest both in Muslim and non-Muslim countries. Nevertheless readiness of these practitioners to have their marketing mix or strategy in line with Islam and customer preferences is questionable, specifically in Malaysia. This is due to the fact that, Abdullah and Ahmad had found out that 87.3% customers perceived that only a few (less than 25 %) and some (25-50%) businessman in Malaysia observes the Islamic guidelines in their business activities [6]. Transformation in economic and Islamization of all spheres of life for the Muslim has driven the economic trend in the both Muslim and non-Muslim countries. As the matter of fact, understanding this untapped market has been a major phenomenon and these consumer segments have been targeted as the new emerging market waiting to be explored (A.T. Kerney, 2007). Nonetheless, customer requirement and expectation towards business has not been clearly understood. Baligh argued that, there are still gaps in the attempt to understand strategies that are Islamically rooted that is, those which give consideration to Muslim customer’s needs and requirements as well as to firms that comply to Islamic requirement, practices, guidelines, standard and principles (Zakaria & A. Talib., 2010).

2. Issue on Islamic marketing

Study carried out by Abdullah and Ahmad had also uncovered that Muslims are aware of the regulation stipulated in the Al Quran and As Sunnah regarding such compliance towards business practices. Nonetheless, in academia, despite rising interest on Islamic marketing that strive to present the ideas on the subject such as (Saeed, Ahmed, Mukhtar, 2001; Haniff, 1994; Sula & Kertajaya, 2006; Arham, 2010; Nadeem, 2012; Abdullah, 2008; Damrichi & Shafai, 2011; Ishak & Abdullah,2012; Allah Pitchay, 2012; Abuznaid, 2012) it can be argued that works on Islamic marketing guidelines are in need of empirical proves. These guidelines are generally outlined in both main sources of Islamic teaching warrant more empirical research to be clearly developed and to be used viably in the current business setting, particularly in carrying out marketing mix. Gahein, argued “Islam defines only the philosophy and the objectives of marketing systems, not technique to be used, thus establishment of such
techniques has been left to the people who interpret how the philosophy should be implemented” (Gahein, 1986). Author further stressed that, only those techniques which aid and enhance the implementation of Islamic philosophy in marketing can be accepted in Islamic doctrine.

Theoretically, Al Buraey claimed that four basic marketing mixes are theoretically the same with conventional marketing but not in practices and behavior (Al Buraey, 1993). Whilst, A.Wahab (1987) viewed that marketing mixes is neutral by nature and it is up to Muslim to conduct their marketing activities in line with Islamic guidelines. Similarly with Gahein, Anwar and Saeed coined that promotional mix is Islamic as long as it is consistently in parallel with Islamic principles (Anwar & Saeed, 1996). Although several study had pointed out these guidelines and provided the theoretical foundation especially in carrying out marketing mix or 4Ps in line with Islamic teaching, nevertheless cogent constructs regarding such variables still have not empirically proven. In addition, customer point of view that has been the focal point of understanding marketing is indeed able to portray the right marketing mix variables that cater their needs and wants within the margin of Islamic teaching. Therefore, impetus to clarify these marketing mix variables is crucial to the practitioners and academician as to have suitable marketing mix targeted to specific customer segment, in this case Muslim customers.

3. Methodology

The main purpose of this paper was twofold. Firstly it was design to empirically identify marketing mix variables in line with Islamic teaching from the customer point of view. Secondly, it assessed the relationships between these variables with customer. Instrumentation in developing these variables was carried in line with (Churchill, 1979) and adopted from (Abdullah et al, 2011) as shown in figure 1. The questionnaire consisted of 3 major sections; Section A contained questions regarding demographic profile of the respondents. Section B contained 29 items randomly presented statements on Islamic marketing mix variables which has been develop using combination of Summative content analysis using in dept literature review and survey form to illicit initial items and further confirmed by draft questionnaire and pilot test. Whilst for section C it contained questions pertaining customer satisfaction and loyalty.
A total of 700 questionnaires were distributed to the Muslim customers in Kuching and Samarahan Division, out of which 502 were deemed usable (valid and completed), yielding a response rate of 44.9%. Kuching has the largest population with 681,901 and Samarahan has 248,782 make up about almost 1 million (Kerjcie & Morgan, 1970). The number of usable sample size of more than 384 for a population size of nearly 1 million customers, in this case population of both Kuching and Samarahan division was representatively adequate and in parallel with the generalised scientific guideline for sample size decisions as proposed by (Johnston and Wichern, 1992).

3.1 Multivariate Test of Normality

As a prerequisite to factorial analyses, multivariate test or normality was subjected as to avoid unreliable justification of data set used for statistical techniques such as factorial analyses. It is crucial to determine the normality of distribution of a well modeled data as to qualify for the factorial analyses. Two approaches were employed. First method was suggested by (Rencher, 2002) which to calculated Mahalanobis distance denoted by $D^2$ for each data and potting against the quantiles of $\chi^2$ (Chi-Square) distributions. Second method is by plotting $D^2$ (transformed) against $\beta$ (Beta) quantiles suggested in (Wothington & Whittaker, 2006) both method shown, Regression techniques shown that the fit for both methods were good with $R^2=0.933$ and $R^2=0.93$ respectively, linearity of the data from the pattern shown that the data is multivariate normal.
3.2 Factorial Analyses

As pointed out by Churchill, Exploratory factor analysis (EFA) indeed useful in the absence of sufficiently detailed theory about the relations of the indicators to the underlying constructs. Since, there were sparse empirical studies to understand the constructs of Islamic marketing mix variables and this statistical method is indeed viable and appropriate. Next stage involved close examination of the construct derived from EFA, thus confirmatory factor analysis (CFA) was employed as to verify the construct of the dimensions. In this study, confirmatory factor analysis was carried out by using Lisrel framework. Exploratory factor analysis was carried out in line with the best practices in EFA suggested by Worthington & Whittaker (Hair et al, 2006). Firstly, as to ensure adequate sampling for multivariate statistical analyses, according to Hair, sample size of (N=502) considered as (N=500) is good (Tabachnick & Fidell, 1989). Secondly, factorability of the data was also examined via significant of Bartlett test of sphericity and measuring the sampling adequacy using Kaiser-Meyer-Olkin (KMO). Both test were resulted in good outcome, with Bartlett test of sphericity was significant at p<0.00, \( \chi^2 \), (N=502) and further supported by KMO with the value of 0.927 was above the adequate sampling value of 0.6 as recommended by previous study.

3.3 Exploratory Factor Analysis

Structure of factor was further investigated by subjecting 29 items from section B of the questionnaire using factorial analysis. Maximum likelihood procedure was utilized together with varimax rotation in this stage. As suggested by Hair based on the range of aforementioned sample size in this study, (N=502) it was considerably acceptable to include a variable in a factor that has value of factor loading ±0.50. Other than that, based on (Ford, MacCallum and Tait, 2006), all factors whose eigenvalues greater than 1.0 were retained in the factor solution. This was in line with Kaiser Criterion (retaining factors whose with eigenvalues greater than one) as supported by several works that argued this was the most appropriate in factor retention (Suhr, 2006). As to ensure acceptable level of explanation for the factor, communalsities were assessed since it represent amount of variance accounted for by the factor. Communalsities were assessed together with close inspection of corrected item-total correlation as to justify sufficient explanation on the subject being studied. Based o that, no items were drop at this stage and left the questionnaire in section B with 29 item.

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Table 1: Result of Factor analysis (Factor loading)
3.4 Scree Plot and Parallel Analysis

The scree plot analysis and parallel analysis are another alternative criterion on how many factors to be retained (Ford et al, 1989). This test examined the pattern of eigenvalues for its breaks or discontinuity, which determine the cutoff point for the pattern. This cutoff point will determine number of optimum factors that can be extracted. Factor five was retained since parallel analysis shown it was only slightly under the intersection between factor analyses and was qualified for Kaiser Criterion and scree plot. Not to mention that, the items included in this factor were prominence in the literatures. On the other hand, factor six was dropped since it has insufficient item or factor loading per factor (at least three), although has common conceptual meaning, however it has been explained by other factor (Neter & Kutner, 1989). Five factors were retained and can be describe as the following:

1) Factor 1: Commitment- This factor emphasize on instilling assurance in business dealings via trustworthy marketing activities.

2) Factor 2: Characteristic- This factor describes the distinctive character of Islamic marketing. This uniqueness can be in terms of product design, specification and promotion that shall be reflecting and in line with Islamic values and characteristics.

3) Factor 3: Conformity- This factor scrutinizes on compliance in terms of process involved in creating and delivering the product and services involved in marketing Islamic product.

4) Factor 4: Conscience - This factor mainly relates to ethical dimensions of Islamic marketing. It mixed up combination of marketing mix that stressed on true sense of promoting and clarity in pricing a product in parallel with Islamic value.

5) Factor 5: Customer Centric - This factors describes an approach towards the customers, this combination mainly deals with basic marketing concept

![Figure 2: Eigenvalue plot for scree test criterion](image1)

![Figure 3: Eigenvalues plot for parallel analysis](image2)
3.5 Confirmatory Factor Analysis

Confirmatory factor analysis was carried out by using lisrel framework (Joreskog & Sorbom, 1978). Since, this statistical approach useful to purify the measure via several tests, for instance unidimensionality, validity and reliability of the measurement instrument (Steekamp & Trijp, 1991). Based on LISREL 9.1 (Scientific Software International, Inc. Copyright, 2012), a five- dimension measurement model was developed for each of the constructs within parameters estimated using aforementioned software. Based on the figure 4, lisrel was used as to further confirm the five factors from EFA namely Commitment, Character, Conformity, Conscience and Customer centric as to find out whether there were good fit as a model. Findings shown that the model fit reasonable well using multivariate goodness-of-fit indices as shown in Table 4.3 which is in line with a set of rules of thumb has been adopted as recommended by (Schermelleh-Engel Moosbrugger & Muller, 2003).

![Fig. 4: Path Diagram of the five constructs of Islamic marketing mix variables](image_url)
3.6 Reliability Test

In this case, internal consistency was assessed via Cronbach coefficient alpha suggested by (Cronbach, 1951). Internal consistency estimates of reliability was computed and five constructs of Islamic marketing indicated that all of these constructs were internally consistent with alpha value of more than 0.70 based on cutoff point suggested by (Nunally, 1978).

<table>
<thead>
<tr>
<th>No.</th>
<th>Dimensions</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Commitment</td>
<td>0.770</td>
</tr>
<tr>
<td>2</td>
<td>Character</td>
<td>0.810</td>
</tr>
<tr>
<td>3</td>
<td>Conformity</td>
<td>0.775</td>
</tr>
<tr>
<td>4</td>
<td>Conscience</td>
<td>0.752</td>
</tr>
<tr>
<td>5</td>
<td>Customer Centric</td>
<td>0.738</td>
</tr>
</tbody>
</table>

Table 3: Reliability test of five critical factors in Islamic marketing mix

3.7 Validity test

According to Messick, Validity is an overall evaluative judgment of the degree to which empirical evidence and theoretical rationales and appropriateness of interpretation actions on the basis of test, score or other modes of assessment (Messick, 1995). Several validity tests were used in this study for
the purpose of assessing validity of the measurement, namely face validity, content validity, convergent validity, discriminant validity and criterion-related validity.

3.8 Face and Content Validity

In this study, face validity was assessed by qualitatively operationalized construct as to present unambiguous meaning of the subject being studied. Whereas, content validity emphasized on the relevancy of the content domains exist in the literature against the constructs of measurement. In depth search of relevant underpinning constructs of the theory being studied and ought to be measured shall qualified for such validity. In this paper, questionnaire was developed via in depth review of relevant literature and the construct has clear meaning to the respondents which clearly portrayed the subject to be measured (Bohrnstedt, 1983; Kaplan & Saccuzzo, 1993).

3.9 Construct Validity

Construct validity is concerned with a measure’s correspondence with other constructs. Churchill suggests that convergent and discriminate validity should be assessed in investigating construct validity. Table 3 illustrates the correlations coefficient among the five factors affecting Islamic marketing mix values range from 0.447 to 0.612. Convergent validity can be portrayed by strong correlation between the constructs or components (Narver and Slatter, 1990). Whilst, moderate positive relationship between the five constructs, indicating evidence of convergent validity and the absence of multicollinearity since correlation value is less than 0.8 (Kline, 1989). Therefore, convergent validity was achieved.

Subsequently, Discriminant validity can be determined by verifying those dimensions are differentiated or form the same factor (Byrne, 1989). This can be assessed by subjecting the dimensions to a Chi-Square difference to examine the scale for discriminant validity. All the dimensions were assessed and found out to have statistically significant result at the p<0.01 level. Therefore indicated distinctive constructs exited among all the five factors affecting Islamic marketing mix and the discriminant validity prevails.

3.10 Criterion Validity

Criterion validity concerns the correspondence of a measure with a criterion measure, a known and preferably standard measure of the same concept (Ping, 2004). In this study, criterion-related validity was established. Table 4 indicates that all the dimensions have a significant positive correlation with
customer satisfaction. All correlation were significant at \( p=0.01 \) level range ranged from 0.269 to 0.407. Cohen suggests that those ranges can be considered as medium validity coefficient (Cohen, 1988). Hence, criterion-related validity is established.
4.0 Assessing relationship between critical factors of Islamic marketing mix and customer satisfaction

4.1 Multiple Regression

Multiple regression was used in this study to determine the overall effect of the factors of Islamic marketing mix on customer satisfaction and to assess the relative importance of the individual dimensions. However, the presence of high correlations of 0.90 and above between independent variables may influence regression results and interpretations (Tabachnick & Fidell, 1996; Kline, 1998). Analysis on multicollinearity also observed VIF values were ranged from 1.694 to 2.029 indicated that the absence of harmful multicollinearitry. Linear combination of the five dimensions related to customer satisfaction, with $R^2=0.205$, adjusted $R^2=0.197$, $F (5, 496) = 25.641$, $p=0.01$. The sample multiple correlation coefficient was 0.205, indicating that approximately only 20.5% of the variance of customer satisfaction level in the sample can be accounted for by the linear combination of the five. It yielded only three factors contributing significantly towards explaining the variance in the overall customer satisfaction level. „Conformity“ is found to be the most important factors affecting Islamic marketing mix, secondly „Character“, thirdly „Commitment“, followed by „Conscience“ and „Customer centric“ were found to be not significant to customer satisfaction ($p<0.05$)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>0.109</td>
<td>0.044</td>
<td>3</td>
</tr>
<tr>
<td>Character</td>
<td>0.178</td>
<td>0.001</td>
<td>2</td>
</tr>
<tr>
<td>Conformity</td>
<td>0.229</td>
<td>0.000</td>
<td>1</td>
</tr>
<tr>
<td>Conscience</td>
<td>0.045</td>
<td>0.399</td>
<td>Not significant</td>
</tr>
<tr>
<td>Customer Centric</td>
<td>0.017</td>
<td>0.743</td>
<td>Not significant</td>
</tr>
</tbody>
</table>

Table 5: The relative importance of Five factors affecting Islamic Marketing mix

5. Conclusion and Recommendations

Primary contribution of this study is an insight about the factor affecting Islamic marketing mix from the customer point of view. These factors derived from 23 items instrument on marketing mix that have been developed and empirically tested via factorial analyses. This paper gives insight on how marketing activities should conducted and offers important clue on what is ‘Islamic’ approach when marketing a product to the customer, specifically to the Muslim. Islamic marketing mix should consist of the following factors, namely ‘Commitment’, ‘Character’, ‘Conformity’, ‘Conscience’ and ‘Customer centric’. These factors found out to be moderately correlated with customer satisfaction. Multiple regression further indicated that Conformity, Character and Commitment significantly explain the variance of customer
satisfaction. Therefore, it suggests important factors affecting Islamic marketing mix that cater with Muslim customer needs and wants within Islamic doctrine.

Based on the findings in this paper, a business should consider five factors affecting Islamic marketing mix or the five Cs. Firstly a business should emphasize on their ‘Commitment’ to instill assurance and faithfulness in marketing to the customers. Secondly, it must have its own distinctive ‘Character’ to differentiate itself from the other business in line with Islamic marketing. Thirdly, it must stress on ‘Conformity’ by having stringent and prudent process in congruence with Islamic rules and regulation. Fourthly, it should be full of ethical consideration or ‘Conscience’ in carrying out their marketing mix activities. Last but not least, it should be developing ‘Customer centric’ marketing mix that appeal to the needs and wants of the customers.

Firstly, a business organization should emphasize on their ‘commitment’ in instilling assurance and faithfulness. As to build up this sense of commitment, ensuring justice is a must. Justice is based on mutual consent in making transactions which is heart of business activities especially in carrying out their marketing mix. Transaction between marketers and the customers must be in line with the muammalat principles. In addition, it is an obligation to convey information adequately and clearly as to avoid elements of uncertainty or ‘Gharar’ which has been stressed in muammalat principles. Thus, disseminating truthful information to the customer must go through screening process as to avoid incorrect and misleading information. It must be equally highlighting both benefits and defects of the product. Commitment is also a promise, a business must fulfill their promises made or as claimed in their promotional activities. Translation of this commitment is by looking at the first impression on the personnel involve in such activities must depict high akhlak (highly ethical conduct) in carrying out marketing activities as in instilling customer trust and to assure that the business is dedicated to ethically carried out their business dealings.

Secondly, business organization shall have its own ‘Character’ or differentiation approach in line with Islamic teaching. Unique and distinctive character of Islamic marketing mix variables can be portrayed by only offering Syariah permissible product in parallel to Islamic teaching. Its specification must be in line with Islamic values and this includes the design of such product shall be attractively reflects Islamic characteristic. Besides that, priority shall be given to suppliers that meet the Syariah rules and regulation. As truly to adhere to Islamic teaching and Syariah, ensuring all aspects of business activities shall be distinguishable from other aspects that depict ‘un-Islamic’ character. Distinctive character of Islamic marketing mix emphasized on bringing out the universal Islamic values in marketing strategy via permissible product, design, suppliers (materials), and even promotions.

Thirdly, ‘conformity’, stringent and prudent process in congruence with Syariah rules has been as one the most important factors of Islamic marketing mix. Production process must observe Syariah guidelines and product must be pure from the beginning to the end in ensuring quality of the product, from non-permissible elements or cross contamination that might affect the status of product. In addition, distribution of these products shall be carefully and hygienically handled in congruent with Syariah rules and regulation. Therefore, having certified distributors that comply with Syariah is a must. Not to mention, one of fundamental aspects of distribution is to observe the measurement as it symbolized justice, right amount of quantity shall be delivered to the customer in line with the price. In short, assurance of stringent quality and standard in processing and delivering product and services to the final user is the most important to the customer.
Fourthly, ‘Conscience’ is definitely one of the factors in Islamic marketing mix which emphasize on the ethical dimensions that of paramount importance to businesses. This factor emphasized on two important marketing mixes which are on promotion and pricing. Promotional activities must be full of ethical consideration, in promoting the product marketers shall avoid to over praise their offering as to deviate the customer expectation. This is to avoid fraud in offering the product since the expectation must be in line with the performance of the offering in terms of product or services. In advertising the offering, promotional appeal shall be without any sexual, emotional or false research appeal. In terms of price, price and quality of the product shall be in par and match up with each other. A reasonable price shall depict a reasonable quality of product and services. In case of combination of these two techniques, promotional strategy that offers discounted price shall be without elements of tatfif. Discounted price that offered shall be appropriately altered with the quality and/or quantity of the product. Ethical consideration in pricing a product must emphasize on transparency. A marketer must unambiguously state the price for their product to the extent presenting the details structure of pricing charged to the customer.

Fifthly, a business shall be ‘Customer centric’ in their marketing mixes. Given the customer as the focal point of marketing theory, fulfillment of customer needs and wants is in fact the center of marketing thought. Nevertheless, according to Islamic teaching these needs and wants must be satisfied by offering beneficial product and services in line with Al Quran and Ass-Sunnah. Thus, marketers shall understand these fulfillments must be within the margin of permissible and Syariah compliant product and services. It must be of high quality product as to ensure the product perform what it is supposed to, and to avoid dissatisfaction for the customer. Besides that, a business must have branding that able to instill confidence to consume or buy the product and services. Lastly, a business shall have good distribution services as to offer convenience for the customers.

References


