“The effectiveness of the promotional tools in creating awareness toward customers of Islamic banking in Malaysia”

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SECTION 2. Management in firms and organizations

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The effectiveness of the promotional tools in creating awareness toward customers of Islamic banking in Malaysia

Abstract

This research is aimed to study the effectiveness of the promotional tools, such as direct marketing, advertising, sales promotion, publicity and personal selling, towards customer awareness of Islamic banking. Analyses of 120 responses, using multiple regression, revealed that two promotional tools, such as sales promotion and publicity, gave little impact in creating customers awareness, while direct marketing, advertising and personal selling do not contribute at all in creating customer awareness toward Islamic banking.

Keywords: customer awareness, publicity, sales promotion personal selling and advertising.
JEL Classification: M10.

Introduction

The Islamic financial system is design to produce two important types of financing, such as debt (murabahah) and equity (mudarabah). These financings might create a new relationship between principal and agent. Islamic banking refers to a system of banking activity that is consistent with the principles of Islamic law (Shariah) and its practical application through the development of Islamic economics. Shariah prohibits the payment of fees for the lending of money (Riba) at specific terms, as well as investing in businesses that provide goods or services considered contrary to its principles (Haram, forbidden). While these principles were used as the basis to flourish the economy in the earlier days, it is only in the late 20th century that a number of Islamic banks were formed to apply these principles of private or semi-private commercial institutions within the Muslim community. The World Islamic Banking conference, held annually in Bahrain since 1994, is the unique platform internationally recognized as the largest and most significant gathering of Islamic banking and finance leaders in the world (http://www.en.wikepidea.org/wiki/Islamic_banking). In Malaysia, Islamic banking has successfully develope and operate with the conventional banking system. It is a unique system comprising not only banking and corporate advisory, but also include a fully functioning capital market, money market as well as the Islamic insurance (Takaful). The National Shariah Advisory Council, which was set up by the Central Bank of Malaysia, gave advice in regard of Islamic banking in Malaysia. The establishment of Bank Islam Malaysia Berhad (BIMB) in 1983 (govern under Islamic Banking Act 1983) has moved the conventional banking to reposition themselves to be able to respond to the forces of change that have dramatically redefined the Malaysian financial environment. In 1993, after 10 years BIMB operating, interest-free banking scheme was introduced by Central Bank of Malaysia.

The scope of this study is fundamentally covered the background of Islamic banking in Malaysia. This research also draws attention to the efficiency of promotional tools in creating awareness to the clients. This scope of study should be related to the strategy, practiced by Islamic banking. Furthermore, this research will be directed towards the respondent who consumed the services of Islamic banking.

Problem statement. Lack of public awareness on Islamic banking and finance is the main dilemma that arises in Islamic financial institution. Most of the people did not really know the privilege and benefits that they can achieve through Islamic banking. Through the effectiveness of promotional tools, organization relies too much on certain individual without having a comprehensive or a holistic structure in promoting their company to boost the awareness of their clients. Moreover, there is a lack of research on the effectiveness of promotional tools in creating awareness been carried out by the Islamic banking in Malaysia. Hopefully, this research can be a yardstick for all Islamic banking to pick up and put into practice the new promotion tools in creating awareness to their clients.

Research objective. This research is focus on the effectiveness of promotional tools in creating awareness to clients of Islamic banking in Malaysia. The specific aims of this study are:

1. To determine the impact of advertising towards customers awareness on the services offered by Islamic banking.
2. To determine the correlation between personal selling and the awareness of customers towards the services offered by Islamic banking.

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3. To ascertain whether mass publicity on the services will lead to customers awareness of Islamic banking.
4. To determine whether direct marketing influence the customers awareness toward the services provided by Islamic banking
5. To determine whether sales promotion activities create customers awareness of Islamic banking.

1. Literature review

The rapid changing promotion element of the international marketing mix contains more than branding and advertising. The promotion element has constraints from the internal situation and the international environment (Claudio Vignali, 2001). Promotion is a form of corporate communication that uses various methods to reach a targeted audience with a certain message, in order to achieve specific organizational objectives. Nearly all organizations, whether for-profit or not-for-profit, in all types of industries, must engage in some form of promotion. Promotion is used by organizations to communicate with customers with respect to their product offerings. In this sense, promotion is one side of the communication process with customers. Ken Peattie and Sue Peattie (1994) stated that promotions, in general, have been shown to affect directly on consumers in variety of ways: leading to remitted purchasing (Doyle and Saunders, 1985), brand switching (Vicassim and Jain, 1991), increased volume of purchasing (Gupta, 1998).

Kotler and Keller (2006) defined direct marketing as the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen. It allows marketers a more direct response from consumers (generally an order), allows marketers to better target niche markets, and allows marketers to sell a product without the expensive and lengthy process of getting it into traditional channels. Mansoor and Ishaq (2006) stated variety tools of direct marketing which are through e-mail, mobile phone, internet, billboards, television, mail, radio, telephone, newspaper, and magazines. The use of mail, telephone or other non-personal contact tool was to communicate with or solicit a response from specific customers and prospects. Mail shots and leaflets, inserted in professional magazines, are used to promote information products.

According to George S. Low and Jakki Mohr (2000), advertising can be viewed as a relatively higher-risk or higher-return strategy. Jennifer Rowley (1998), George S. Low and Jakki J. Mohr (2000) defined advertising as any paid form of non-personal presentation and promotion of ideas, goods or services by any identified sponsor. The pages of professional newsletters and magazines are common avenues for advertising information products. Rosemary Burnley (1998) stated that publicity is a major tool of "proactive public relations". In other words, it is offensively rather than defensively-oriented and opportunity seeking rather than problem solving. Like advertising and personal selling, the fundamental purposes of marketing-oriented publicity are to create brand awareness, enhance attitudes towards a company and its brands, and possibly influence purchase behavior.

Companies obtain publicity using various forms of news releases, press conferences and other information dissemination. News releases, concerning new products, modifications in old products, and other newsworthy topics, are delivered to editors of newspapers, magazines and other media. Press conferences announce major news events of interest to the public. Photograghs, tapes and films are useful for illustrating product improvements, new products and advanced production techniques (Rosemary Burnley, 1998). Understandably, all forms of publicity are subject to the control and whims of the media, but by disseminating a large volume of publicity materials and by preparing materials that fit the media's needs, a company increases its chances of obtaining beneficial publicity. Program designed to promote and/or protect a company's image, or those of its products, including product literature, exhibitions and articles about organizations' products in professional or in-house newsletters.

Both practitioners and academicians recognized that personal selling effectiveness has become vital to the success of banking institutions. Marshall (2003) defined personal selling as the personal communication of information to persuade a prospective customer to buy something – a good, service, idea or something else, while Jennifer Rowley (1998) defined personal selling as face-to-face interactions with one or more prospective purchasers, for the purpose of making sales. This is common within the business-to-business marketing transactions in the information industry, where sales representatives, often also with a support function, are common.

Sales promotion is an increasingly important and integral part of marketing mix in most industries. Blattberg and Neslin (1990) describe sales promotion as an action-focused marketing event, whose purpose is to have a direct impact on the behavior of the firm's customers. According to Srini S. Srinivasan and Ralph E. Anderson (1998), sales

promotion designed to motivate consumers or the trade to purchase a product immediately and/or in larger quantities by lowering the price or adding value. Rebates, like coupons, offer value to purchasers typically by lowering the customer's final cost for acquiring the product. While rebates share some similarities with coupons, they differ in several keys aspects. First, rebates are generally handed or offered (e.g., accessible on the Internet) to customers after a purchase is made and cannot be used to obtain immediate savings in the way coupons are used (so-called "instant rebates", where customers receive price reductions at the time of purchase, have elements of both coupons and rebates, but for our purposes we will classify these as coupons due to the timing of the reward to the customer). Second, rebates often request the purchaser to submit personal data in order to obtain the rebate. For instance, customer identification, including name, address and contact information, is generally required to obtain a rebate. Also, the marketer may ask those seeking a rebate to provide additional data such as indicating the reason for making the purchase (Julian J. & R. Mullin, 2003.

2. Research methodology

The researcher applied the descriptive research for this study. Participants in the study consisted of 120 customers of Islamic bank around Kuala Lumpur. The questionnaires were divided into three sections, which are section A, B and C. Section A is the respondent profile such as gender, age, and occupation, while section B is the questions on the customer awareness towards Islamic banking in Malaysia. While section C contained the independent variables that are the promotional tools which have been used by the Islamic banking in creating awareness in their customers.

H_{01}: Advertising will not influence in creating awareness to customers of Islamic banking.

H_{02}: Personal selling will not influence in creating awareness to customers of Islamic banking.

H_{03}: Publicity will not influence in creating awareness to customers of Islamic banking.

H_{04}: Direct marketing will not influence in creating awareness to customers of Islamic banking.

H_{05}: Sales promotion will not influence in creating awareness to customers of Islamic banking.

3. Method of analyses

3.1. Profile of respondents. As shown in Table 1, the majority of the sample were female (62.5%), aged between 26-35 years old (47.5%), their occupation was managerial level (35.0%), majority of them was married (32.5%), level of education was Bachelor Degree (47.5%) and their monthly income was between RM2001 to RM3000.

Table 1. Respondent characteristics (n = 784)

Gender (%)	Marital status (%)	Age (%)	Level of education(%)	Occupation (%)	Monthly income(%)
Male – 37.5	Single – 32.5	Less than 25 years old – 17.5	Certificate – 32.5	Non-executive – 12.5	Less than RM2000 – 20.0
Female – 62.5	Married – 67.5	26-35 years old – 47.5	Diploma – 20.0	Executive – 32.5	RM2001-3000 – 47.5
		36-45 years old – 27.5	Degree – 47.5	Managerial Level – 35.0	RM3001-4000 – 32.5
		45 and above – 7.5		Others – 20.0	

Table 2. Reliability coefficients of the instruments

Variables	Cronbach's alpha value
Direct marketing	0.87
Advertising	0.88
Sales promotion	0.89
Publicity	0.85
Personal selling	0.96
Customer awareness	0.92

As observed from Table 2, the instruments used in this study were reliable with coefficients ranging from 0.85 to 0.96, which exceeded the minimum acceptance level of 0.7 (Nunnally, 1978).

Table 3. Mean, standard deviation, minimum and maximum

	N	Minimum	Maximum	Mean	Std. deviation
Marketing	120	2.80	5.00	3.21	1.34
Advertising	120	2.80	5.00	3.22	1.35
Sales	120	2.50	5.00	3.12	1.33
Publicity	120	2.60	5.00	3.13	1.10
Personal	120	2.60	5.00	3.13	1.32
Awareness	120	1.90	5.00	2.03	.84

From Table 3 it can be seen that the mean value for each of the independent variables ranges from 2.50 to

2.80, with a standard deviation of 3.12 to 3.22. The mean score of customers awareness was 2.03 with standard deviation score of .840. The amount of customers awareness seems to be lower than average (2.03 on a 5 point scale), all the independent variables seems to be a little over the average, but not high level (3.12 to 3.22 on a 5 point scale).

While there is more variance in all the independent variables (1.10-1.35), the variance in customer's awareness is rather low (.84). This would indicate that there is greater dispersion in the independent variables, but most of the customer's awareness are just at the lower than the average level. We would, thus, describe the independent variables which are just at a little over the average, but not high level (3.12 to 3.22 on a 5 point scale), and the customers are experiencing at the lower than average level of awareness of the Islamic banking.

Table 4. Correlations between variable

	Marketing	Advertising	Sales	Publicity	Personal	Awareness
Marketing	1					
	.					
N	120					
Advertising	.996(**)	1				
	.000	.				
N	120	120				
Sales	.874(**)	.862(**)	1			
	.000	.000	.			
N	120	120	120			
Publicity	.881(**)	.868(**)	.910(**)	1		
	.000	.000	.000	.		
N	120	120	120	120		
Personal	.913(**)	.914(**)	.933(**)	.934(**)	1	
	.000	.000	.000	.000	.	
N	120	120	120	120	120	
Awareness	.208	.185	.372(*)	.332(*)	.296	1
	.197	.254	.018	.037	.064	.

Notes: ** Pearson correlation is significant at the 0.01 level (2-tailed).
* Pearson correlation is significant at the 0.05 level (2-tailed).

Ten correlations in the above matrix are significant at least at the .0.01 level and two more are significant at least at 0.05 level. Only three of the fifteen correlations in the matrix are not significant.

The customers awareness are created through the practice of sales promotion and publicity (r = .37, p > 0.05 and r = .33, p > 0.05). The more sales promotion and publicity are being done, the more customers awareness will be created. We would say that neither marketing, advertising nor personal selling activities will create customer awareness. These three variables are not related to customer awareness (r = .208, r = 1.85 and .296, P > 0.05).

Objective 1. To determine the impact of advertising towards customer awareness on the services offered by Islamic banking.

H_{01}: Advertising does not influence in creating awareness to the customers of Islamic banking.

H1: Advertising will influence in creating awareness to the customers of Islamic banking.

Table 5. Results of oneway ANOVA: customer awareness in advertising

	Sum of squares	df	Mean square	F	Sig.
Between groups	.938	1	.938	1.341	.254
Within groups	26.563	119	.699		
Total	27.500	120			

Table 5 showed that the level of advertising does not have an influence in creating awareness to the customers of Islamic banking, there is no significant differences between advertising and customer awareness (r = 1.341, p > 0.05). As the conclusion: reject *H1* and retain H_{01}.

Objective 2. To determine the correlation between personal selling and the awareness of customer towards the services offered by Islamic banking.

0_{02}: Personal selling does not influence in creating awareness to the customers of Islamic banking.

H2: Personal selling will influence in creating awareness to the customers of Islamic banking.

Table 6. Results of oneway ANOVA: customer awareness in personal selling

	Sum of squares	df	Mean square	F	Sig.
Between groups	8.931	19	.992	1.603	.159
Within groups	18.569	110	.619		
Total	27.500	119			

Table 6 showed that the level of personal selling does not have an influence in creating awareness to the customers of Islamic banking, there is no significant differences between personal selling and customer awareness (r = 1.603, p > 0.05). As the conclusion reject *H1* and retain H_{01}.

Objective 3. To ascertain whether mass publicity on the services will lead to customer awareness of Islamic banking.

H_{03}: Publicity does not influence in creating awareness to the customers of Islamic banking.

H3: Publicity will influence in creating awareness to the customers of Islamic banking.

Table 7. Results of oneway ANOVA: customer awareness in publicity

	Sum of squares	df	Mean square	F	Sig.
Between groups	8.231	8	1.029	1.655	.044
Within groups	19.269	111	.622		
Total	27.500	119			

Table 7 showed that the level of publicity has an influence in creating awareness to the customers of Islamic banking. There are significant differences between publicity and customer awareness ($f = 1.655$, $p < 0.05$). As the conclusion: accept *H3* and reject H_{03}.

Objective 4. To determine whether direct marketing influence the customer awareness toward the services provided by Islamic banking.

H_{04}: Direct marketing does not influence in creating awareness to the customers of Islamic banking.

H4: Direct marketing will influence in creating awareness to the customers of Islamic banking.

Table 8. Results of oneway ANOVA: customer awareness in direct marketing

	Sum of squares	df	Mean square	F	Sig.
Between groups	2.910	2	1.455	2.190	.126
Within groups	24.590	117	.665		
Total	27.500	119			

Table 8 showed that there is no significant differences between direct marketing and customer awareness ($f = 2.190$, $p > 0.05$). As the conclusion: reject *H4* and accept H_{04}. Direct marketing have no influence in creating customer awareness.

Objective 5. To determine whether sales promotion activities made an impact on the customer awareness of Islamic banking.

H_{05}: Sales promotion does not influence in creating awareness to customers of Islamic banking.

H5: Sales promotion will influence in creating awareness to customers of Islamic banking.

Table 9. Results of oneway ANOVA: customer awareness in sales promotion

	Sum of squares	df	Mean square	F	Sig.
Between groups	9.631	9	1.070	1.797	.011
Within groups	17.869	110	.596		
Total	27.500	119			

Table 9 showed that the level of sales promotion does have an influence in creating awareness to the customers of Islamic banking. There is significant difference between sales promotion and customer awareness ($f = 1.655$, $p < 0.05$). As the conclusion: accept *H5* and reject H_{05}.

Table 10. Result of regression analysis

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.65924	.43459	.35225	.41173

Note: Predictors (constant): personal, marketing, sales, publicity, advertising.

Table 10 showed that the promotional tools together (direct marketing, advertising, sales promotion, publicity and personal selling) explain 43 percent of the variance in customer awareness of the Islamic banking.

Table 11. ANOVA(b)

Model	Sum of squares	df	Mean square	F	Sig.
Regression	50.711	2	12.71	5.278	.000
Residual	501.823	117	3.52		
Total	552.545	119			

Notes: Predictors (constant): personal, marketing, sales, publicity, advertising; dependent variable: awareness.

Table 11 showed that the independent variable (direct marketing, advertising, sales promotion, publicity and personal selling) have the significant differences in creating customers awareness ($f = 5.278$, $p = 0.05$).

Table 12. Coefficients (a)

Variables	Beta	t	Sig
Marketing	.091	.970	.467
Advertising	.123	1.201	.089
Sales	.284	2.768	.010
Publicity	.472	4.544	.020
Personal	.132	1.301	.893

Note: Dependent variable: awareness.

Table 12 indicated that publicity seems to have the greatest influences in the customers awareness, judged by the Beta of .47 (which is the highest), followed by the number of sale promotions (Beta of .28). The direct marketing, advertising and personal selling do not individually explain the variance in creating customers awareness. So, if customers awareness is to be created spending more on sales promotions and publicity would help.

3. Findings

Based on the findings, it showed that sales promotion and publicity has the influence in creating customer awareness but their correlation is very small. It showed that elements of sales promotions, using various methods to reach the targeted audiences with a certain messages in order to achieve specific organizational objectives, create customers awareness on Islamic banking. This finding is supported by Sue Peattie (1994) stating that promotions, in

general, have been shown to affect directly on consumers in variety of ways. Ken Peattie and Sue Peattie (1994) also agreed that sales promotion encourage direct responses from consumers through the additional benefits offered and Gupta (1998) stated that promotion increased volume of purchasing. This research also showed that publicity have influence in creating customers awareness. This finding is supported by Rosemary Burnley (1998), she mentioned that publicity now become a major tool of proactive public relations.

Recommendation

In respect of restructuring of the promotional tools, awareness from client is very important. It influenced heavily on management approaches in achieving organization goals. In order to ensure client awareness with the promotional tools, it is suggested:

1. *Creative and informational advertising.* Advertisements should be creative in delivering message to customers. Islamic banking should produce advertisements that can attract people to watch and listen to the advertisement until the end. It will make the consumer understand the message of the advertisement.
2. *Personal selling with maintaining good relationship with clients.* Islamic banking should maintain a good relationship with their existing clients as one of the personal selling approach. It is important because a good relationship will create client awareness about the new services or products of Islamic banking.
3. *Provide program of direct marketing for clients.* The programs shall meet the need and, thus, effectively help clients and also the employees themselves. One such program, that they can conduct, is to inform all participant about the new products or services. During this program, the clients will be participating together with the sales persons to complete tasks involving new products or services of Islamic banking.
4. *Increase and maintain a sales promotion and publicity activity.* Sales promotion and publicity are the effectiveness promotional tools in creating customer awareness towards Islamic banking in Malaysia. Islamic banking should increase and maintain a good level of activities on sales promotion and publicity, i.e., in television and newspaper, in order to increase client's awareness about the new products or services provided by Islamic banking.

Conclusion

This research study will help Islamic banking to determine and focus on enhancing the element of promotional tools that are most effective, in order to increase clients awareness. It is also hopes that this research could help other organizations to improve their promotion efforts in creating clients awareness based on the given suggestions or recommendations.

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