Marketing from Islamic Perspective, Tapping into the Halal Market

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\textbf{ABSTRACT}

Islamic economy is one of the fastest growing segments worldwide that estimated to be worth \$3 trillion in 2021 with an average CAGR growth of 8%. In this segment Halal food is the largest pillar, where Muslim spent \$1.17 trillion in 2015. The figures encourage many market players to enter to this market. However, Halal food market is fragmented and to some extend is different from other industries due to the Islamic culture and traditions.

Islam asked Muslims to follow guidelines advised in Quran and Hadith to conduct business. These two main references promote a set of fundamental principles to maximize value via effective marketing strategy. Marketing strategy from Islamic perspective is an emerging field and the concept is developing constantly to realize its immense potential. There are arguments from scholars that Islamic marketing should be included in the concept of marketing mix (4Ps). Therefore, this article aims to identify the needs in applying Islamic marketing attributes into firm’s marketing strategy and more specifically establish an understanding of 4Ps via providing an in-depth discussion on its different dimensions.

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1. Introduction

Food choice is influenced by many variables such as individual tastes, convictions, climate, culture and religion. Religions usually have most significant impact on individual choose for food as each religion requires its follower to adhere to the certain rule and law (Laudenberg, 2017). Islam as a religion that has influence on different aspects of its followers requires Muslims to follow the specific law, which is known as Shariah. According to the Shariah, Muslims should follow the specific procedure to prepare their daily meals in order to make it acceptable to eat or in Islamic terms to make it Halal. Halal food market expanding rapidly in recent decades, as the population of Muslims has reached around 1.8 billion. A conservative estimations show that the total market for Halal food will exceed US$ 1.6 trillion by 2018 (Reuters, 2017). This rapid expansion in market for Halal foods demand shows that there is an immense opportunity for players in industry players locally and internationally.

Even though the future of Halal food industry is very promising, to be involved in export activities and expanding the market internationally can be very challenging and requires firms to implement an effective and efficient marketing strategy. Company’s strategy to export Halal foods internationally should be mainly different compared to non-Halal goods, as the whole supply chain and logistics process of Halal foods should be Halal certified and follow Shariah law.

Adopting Islamic marketing strategy, enabling a firm to extend its core competencies in Muslim dominated markets (Abdullah and Ahmad, 2010). However, having different school of thoughts among Muslims and cultural differences rooted in language and tradition, make it important for companies to choose their strategy wisely in different markets. Bohari et al. (2013) highlighted that lack of understanding about social and cultural environment of destination markets by Halal exporters’ have significant impact of company’s performance.

Marketing strategy from the Islamic perspective is focused on value-maximization to encourage societal welfare approach, while conventional marketing practice objectives are based on profit maximization (Saeed et al., 2001, Alserhan et al., 2016). As a result, it is crucial for the players in this field to understand, different aspects of Islamic marketing and its impact on the implementation of marketing strategy (Hassan and Bojei, 2011). In fact halal exporters that have designed their marketing strategy based on Islamic values, beliefs, norms and practices have higher potential to enhance their export performance in Islamic markets (Tahir and Abdul, 2013).
Despite the fact that Halal market expanding rapidly, this area of marketing is mainly under research and there are few comprehensive studies that focused on evaluating the marketing strategy from Islamic perspective (Zakaria and Abdul-Talib, 2010). Thus, the primary aim of this paper is to provide a review of the current literature in this field and highlights the area that further research might focus mainly.

2. Literature Review

2.1 Marketing from Islamic perspective

Islam looks at commerce as an important source for a person to make a living and Muslims are encouraged to be involved in business activities as far as the generated income is legitimate and Islamic principles and ethics are considered in all aspects of the business (Luthfi and Salehudin, 2011). In this matter, Islamic values and laws should be incorporated to develop any Halal marketing strategy by creating, communicating and delivering Islamic values to customers (Hashim and Hamzah, 2014).

Halal is an Arabic word which means permitted or lawful under the Islamic law (Jump, 2002) (including the al-Quran, al-Hadith, Ijma’ (consensus) and Qiyas (deduction of analogy according to the Syafie or any one of the Hanafi, Maliki or Hambali School of Thought or Fatwa approved by the relevant Islamic Authority) (Bonne and Verbeke, 2008). The term explains goods or actions that are permissible and wholesome according Shariah laws and Islamic principles (Omar et al., 2013).

Generally, marketing from Islamic perspective can be defined as the promotion of products that would be in line with Islamic values. According to Quran verse “One who believe! Eat not up your property among yourselves unjustly expect it to be a trade amongst you, by mutual consent. And do not kill yourselves (nor kill one another). Surely, Allah is most merciful to you” (Quran 4:29).

Adnan (2013) formulated marketing strategy from Islamic perspective as follows: (Needs and Desire) + (Product or Service) + (Value, Satisfaction and Quality) + (Amendment, Transaction and Relationship) + Marketing = Maximizing Satisfaction. In the context of Halal products and service Zakaria and Abdul-Talib (2010) applied Islamic market oriented cultural model and suggested firms to formulate effective and efficient marketing strategies in a way that clearly reflect the Islamic way of doing business. However some researchers believe that whether products are Halal or non-Halal, the fundamental principles of marketing
strategies should apply (Jan, 2012). Therefore, the following sections tries to provide in depth review of literature in the area of Islamic marketing.

2.2 The 4P’s from Islamic perspective

2.2.1 Product, A Fundamental Element in Islamic Thought

It is clear that like any consumer worldwide, a Muslim would select products based on the quality, convenience and very importantly, assurance of verification of certain religious guidelines (Ireland and Rajabzadeh, 2011). Sulayman (1998) that reviewed the theory of economics of Islam, remarked product as a fundamental element in Islamic thoughts. Generally, from the Islamic perspective, any related process and function should be done within ethical boundaries set by Sharia. In this case, product can be considered as Halal (permissible or lawful, opposite of Haram) if it can provide core benefits and values to consumers.

Additionally, market players expected to operate in morally acceptable manner. Thus, producers and marketers use Halal certificate to reassure customers to convince consumer about integrity of production process.

Halal certificate grants assurance to all consumers since it fulfils the Shariah law. Preparing and consuming Halal products is a must for Muslims that is forecasted to be %29 of the world population by 2030 (Grim and Karim, 2011). Growing demands over Halal market on the one hand, have made the market more attractive for most of producers, suppliers and traders and on the other provoked Halal certificate as one of the fastest growing product certification. In other words, Halal market has targeted by many manufacturers and brands.

At the same time, an anxiety about legitimacy of products increased among consumers, subsequently, variety of standards and certification bodies around world involved to relieve the concerns (Ruževičius, 2012). Ireland and Rajabzadeh (2011) reported more than 95% of Halal products imported from USA to UAE were not really Halal, it is due to corruption among certifiers and manufacturers ignorance. The study showed most of Halal consumers in UAE did not believe the Halal status of imported products from non-Islamic countries or even countries with largely Muslim population such as Turkey and Indonesia due to the weak control system. Apparently, manufacturers that could reduce consumers perceived risk about the integrity of products have been able to create better competitive advantages and enhance their export performance.
Certification of Halal products however, has been a most challenging issue in this industry from the early days. There are some doubtful things between Halal and Non-Halal. Different opinions between cleric leaders based on different understandings about un-define areas, led to variety of practices and standard guidelines (HDC, 2013a). However, Codex Alimentarius Commission that is recognized by the WTO (World Trade Centre) as an international reference point for food safety and consumer protection accepted the minor differences in opinion in interpretation of Islamic law, according to different Islamic school of thought (van der Spiegel et al., 2012).

Generally, one of the most popular Halal certificates is the Malaysian Halal certificate -MS 1500:2004 and 2009. Since the country is distinguished in the world as the first country to develop a comprehensive Halal standard in the year 2000. Department of Islamic Development Malaysia is the competent authority has been tasked in issuing this certificate. The organization evaluate products based on the Halal (permissible) and Thayyiban (wholesome), the first issue examines products according to Shariah law, the other one related to safety, quality, cleanliness and authentic. This authority is an only non-profitable organization that manages to issue Halal certificate since 1994. Validity of the appointment is two years and the certificated plan will subject to routine inspections during the period.

Under Malaysian food laws, food safety referred to different matters from labelling, packaging, food and personal hygiene to food handling, transportation, even licensing and maintenance (HDC, 2013). Therefore, those producers that successfully received the certificate use it to build trust in customers and make them sure about quality of products.

It is also somehow argued that, Prophet Muhammad SAW avoided to mixing low and high quality products at the same place (Arham, 2010). Prophet Muhammad SAW not only considered positioning but also explained weak points of products for every customer. Notably, he never concealed any product weakness aspect from the customers. Therefore, following Prophet Muhammad SAW, information tag should attach and develop based on the content, ingredients including all aspects of product. Al-Buraey (2004) reviewed some insights of marketing mix management from Islamic perspective and concluded, based on Islamic approach, production process should be in accordance with the criteria of the value and impact of product upon the whole society.
2.2.2 Pricing Strategy and Islamic Perspective

According to Islamic context getting something simply without hard work is strictly prohibited. It is also not allowed to sell products at a price higher than the cost of inputs (Rosly, 2001). Following Islamic teaching, changing the price without changing the quality or quantity is considered as cheating (Al Serhan and Alobaitha, 2013). Saeed et al. (2001) studied international marketing ethics from an Islamic perspective and argued profit maximization should not consider as priority in marketing from Islamic practice. It should be indicated that Islam does not ban price controls and alteration to cover the market needs. It means that the Islamic ethics permits to ask for higher prices as a result of natural scarceness of supply chain or adjusting price ceilings to limit opportunistic behaviour in market (Hassan et al., 2008).

Price however, should be adjusted to reflect benefit for buyers and in a way that not to harm sellers. In addition, Islam also prohibited price discrimination between customers, since base on Islamic teaching all people are spiritually equal before God.

2.2.3 Promotion

Promotion is one of the major components of marketing mix from Islamic view. Zakaria and Abdul-Talib (2010) that studied marketing strategy by applying Islamic market-oriented cultural model, suggested establishing promotional campaigns that are ethically sensitive to the different cultural preferences. Hr and Ratnasari (2012) also discussed matching advertising to Islamic values could build better trust in higher Islamic knowledge costumers. With respect to that, Rahim (2009) remarked” Islamic advertising is not much different from the conventional but it could only manifested, should there be a deep commitment of Islamic faith that is absent in the non-Muslims”. However, there are some other important rules central to marketing from Islamic concepts such as explaining truth (Saeed et al., 2001). Abdullah and Ahmad (2010) studied compliance to Islamic practices among businesses in Malaysia and highly recommended to avoid unethical and misleading behaviours or using women as objects to attract customers. In fact, adopting such marketing strategy that is commonly used in other non-Halal industry is not are not compliant with Islamic law. Karimova (2012) that investigated branding and advertising in an Islamic concept, also argued Islamic principles had strictly forbidden the use of sexual and emotional appeal that contributes to the dullness of mind. In Shariah principles, they can be identified as one aspect of Ikrah (coercion).
One of the other most significant arguments linked to Islamic promotion is the need to disclose the truth and avoids hiding the facts about products. According to Prophet SAW, “One who cheats (Ghassh) is not one of us” (An Nawawi, 1989, p. 2:770). In other words, sellers have to clarify all related information including defects through their marketing campaign (Niazi, 1991). In addition, marketers should avoid over pushing in a way that customers do not feel deceived. Saeed et al. (2001) discussed, it is strictly prohibited to make unproven claims, false oaths or testimonies and unfair speech to facilitate selling goods. Moreover, product should communicate within honest and ethical boundaries and seller should not employ manipulative promotional behaviour to manipulate the basic instincts of consumer (Shaw et al., 2010).

2.2.4 Place / Distribution

The last dimension is place or distribution, which is another important element of marketing mix from ethical view. According to Islamic ethics, distribution channels are not allowed to generate a burden for the final customer, in terms of higher prices and delays (Hassan et al., 2008). According to the Islamic ethical perspective the key purpose of distribution channels should be to generate value and improve the standard of living by delivering ethically satisfactory services. Arham (2010) argued based on Islamic principles sellers could not interrupt or manipulate product distribution in order to gain more profits.

Studies such as Arham (2010), Kamaruddin et al. (2012) and Saeed et al. (2001) highlighted some important aspects of distribution from Islamic point of view such as selection of an appropriate distribution channel, timely delivery and avoiding mixing Halal with non-Halal products in terms of storage and distribution. According to Halal standard, logistic service is pivotal to secure the Halal standard along supply chain (Rajagopal et al., 2011). Tieman (2013) that conducted an exploratory research to define the scope of Halal logistic defined logistic activities as wide range of service from transporting, warehousing, material handling, where all process should comply with criteria set in Halal standard.

As a matter of fact, there are only few study available concerning Halal logistic (Zulfakar et al., 2012). Available literatures such as Zhang et al. (2012) and Shifii and Khadijah (2012) mainly focused on integration of IT on supply chains to create tracking capability for consumers however, currently there is an emerging interest toward Halal logistic topic. Particularly, how a Shariah-compliant logistics services might create value in Halal industry (Syazwan Ab Talib and Bakar Abdul Hamid, 2014). For instance, Malaysia introduced new
Halal logistic certificate. This standard is called Halalan-Toyyiban Assurance Pipeline Management system requirements, which covers all processes related to transportation of goods and/or cargo chain services (HDC, 2013). In some countries, government realized the bright future and started to invest on this sector during last few years. Malaysia is among those and the country logistic industry is appreciated the growth of at average rate of %12 per year (Kamaruddin et al. 2012). Kamaruddin et al. (2012) also concluded demand and cost associated affected consumer decision toward using Halal logistic service. This growing rate shows Muslim willingness to use this service.

3. Conclusion

The aim of this paper was to review the available scholars to find in what extend Islamic rooted marketing practices are pivotal within internationalization. According to above discussion, it is quite obvious that the Islamic principles towards 4Ps of marketing should not be underestimated, when a firm targeting Halal market. In fact, a firm should formulate its marketing practice in a way to employ Islamic values and contemporary marketing mix together. Particularly, 4P’s of marketing mix from Islamic perspective are highly consistent with the rapidly changing environment of people living in Islamic societies.

Apart from that, it is important to understand in what extent a firm has to localize their marketing strategy to meet the demands in destination with considering various Islamic school of thoughts, cultural values and tastes. Finding from this review study suggest that exporters that implement marketing practices as outlined in the Quran and Sunnah, and customized the product according to the market preference has better chance to sustainably growth in the Halal market.

Reference


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