



INTELLECT RESOURCES  
MANAGEMENT W.L.L.

# Islamic Banking Products Launch

February 2005

By Sabah Almoayyed

Intellect Resources Management WLL  
August 2020



## **Project Name: Develop Islamic Products/Service Launch February 2005**

### **1. How to Develop New Banking Product & Services**

**Project Sponsor:** Appoint Project Sponsor

**Project Task Force:** Appoint Product Task Force

#### **Objectives**

Tap into that market segment it is preferable to purchase Sharia approved financial services products but also wish to benefit from the delivery network and service levels offered by “conventional” banks.

Take pre-emptive action to counter existing Islamic banks (e.g. list all competing banks) who intend to compete on service with the conventional banks with their Islamic product range.

#### **Background**

Whilst there are a large number of Islamic banks operating in Bahrain there are only four Islamic Full commercial Banks incorporated in Bahrain, with only the first three presently offering branch network facilities (review each bank offering).

- Bank A –Incorporated 78
- Bank B –Incorporated 82
- Bank C –Incorporated 01
- Bank D –Incorporated 01

As of 2005, Islamic commercial banks in Bahrain offering branch networks are estimated to hold more than BD 313 million in sales receivables and more than BD 475 million in investment, savings and current accounts, primarily in unrestricted investment accounts. There is no indication of the split between personal and commercial balances with appropriate training and market positioning, the potential exists to have new players to attract 10%-20% of these balance within 2/3 years.

Following discussions we had with Sharia consultant there appear to be no significant legal, statutory, accounting or funding obstacles to commercial banks offering a parallel range of Islamic products. In order to satisfy Sharia requirements, it is proposed to set up a separate branch for accounting purposes we have helped our client to develop Legal & Accounting Framework to support the Islamic products launch through different Branch.

#### **Target Market**

The proposed product range targets a number of specific groups: -

- Individuals with existing relationships who feel more content knowing that the products offered have the comfort of a fatwa and may therefore consolidate their product holdings.
- Non Banks customers who have been content to take out products from conventional banks but prefer to benefit from Islamic products offered through a bank with a significant network and offering acceptable levels of service.
- Individuals who have relationships with Islamic banks who would be attracted to a conventional bank offering Islamic products with additional service quality and distribution channel benefits.

#### **Core Products Within Range**



We recommend to proposed to incrementally increase the number of products offered within the range over a period of 18-24 months rather than develop and launch a number of products at the same time. In the absence of a funding problem developing it is proposed to launch products in the following sequence:

- Consumer Finance – Murabaha (Buy & Sell) & Tawreq (cash) options)
- Home Finance – Murabaha
- Savings/Investment – Murabaha
- Current Account
- Installment Cards or leasing products
- Investments to Premium Customers

Timely introduction of the different products/services is required.

### **Product Range Branding**

#### **Operation processes**

- Setting separate accounts
- Compliance with Accounting, Auditing & Government Standard fir Islamic Institution
- Setting up Sharia Supervisory Board o
- Amending terms & conditions, application forms with help of Sharia Supervisory Board executive member
- Development of appropriate procedures
- Development of sharia compliant documentation
- Amendments to existing systems to cater for commission and profit rate vs. interest and interest rate related issues
- Possible system requirements to deal with Mudaraba commission/ payments
- Training of staff of Islamic products compared with conventional products. Training of “specialists” in key branches to whom customers can be referred if required.
- Creation knowledge in the are of Islamic banking to establish credibility amongst customers, the market and required authorities.
- Legal & Accounting Framework

### **Other Resources Required with Explanation**

Appointment of Islamic Banking manager in order to persuade authorities that the Bank can offer and manage Islamic product as per CBB & Sharia Supervisory Board requirement.

### **Marketing Strategy**

Given the Bank’s position as a conventional bank to introduce Islamic products the development of its positioning should be carefully considered and implemented. Press conference and release to announce that the Bank is committed to offering a comprehensive range of Islamic services over a period of time and the introduction of retail Islamic finance products. Benefits of Sharia compliance, service levels and size of branch network will be emphasized. We recommended to the bank development of tailormade branding to signify Islamic image to be used in brochures, posters and mass media. The plan is to create market awareness and test out the reaction of the market, customers and other stakeholders. Once the Bank is confident of general acceptance then it will broaden the product range and undertake campaigns for specific Islamic, products.



### **Projected Sales & Profit Projections**

Was drafted and supplied to the Client.

### **Proposed launch Timetable**

Was drafted and supplied to the Client.

### **Islamic Commercial Banks: Deposits & Loans (Bahraini Dinars)**

(Report prepared in January 2005 for the Client-based on 2001/2002 Banks reports)

	Unrestricted Investment Accounts	Restricted Investment Accounts	Current & Savings Accounts		Sales Receivable
<b>Bank A</b>	50,871,600		15,644,027		66,844,968
<b>Bank B</b>	135,957,915		15,018,477		152,765,665
<b>Bank C</b>	226,234,000	12,730,400	19,638,400		93,540,800
<b>Total</b>	413,063,515	12,730,400	50,300,904		313,151,433



## ZODIAC BANKING CORPORATION Report published February 2004

**Name of Product:** “Premium/Private Package”  
**Product Sponsor:** Appoint project Sponsor/Division  
**Product Task Force:** Appoint Product Task Force

### **Background & Rationale**

#### **Target Market**

The total country population is estimated at 650K – Bahrainis and 405K and Expatriates 244K (2001). The population is steadily increasing by approximately 5% annually and is expected to reach 1MM by year 2010. The Labor force is estimated at 308K-Bahrainis and 127K and Expatriates 181K (2001).

The premium & Private Banking target market is estimated at 10,000. Analyzing the available data from GOSI & Civil Bureau for employees earnings BD 1,000 and above, it resulted 6,210 employees in private Sector and 1,839 employees in public Sector. Moreover, about 2,100 self-employed would be ranked within the target market.

Apart from local population, given Bahrain’s long standing reputation as the regional financial center and the economical growth being experienced in the Kingdom, customers from neighboring countries such as Saudi Arabia, Kuwait would be interested to maintain local accounts with Bahraini Banks.

#### **Primary Target Market**

The target market for the Premium & Private Banking is defined at two levels:

- **Premium Banking:** This includes all customers who maintain a relationship of US\$ 100,000 – US\$ 990,000. An upgrade level is identified at US\$ 80,000 under which relationship manager would enhance balances to US\$ 100,000.
- **Private Banking:** Under this services, private service is offered to customers who maintain US\$ 1 million and above and potential customers whom acquisition would result in relationship maintenance of US\$ 1 million and more.

The Institutional Sales would target:

- Institutional Depository and Investment Relationship
- Commercial clients (Companies) with Investment Relationship

#### **Analysis of Primary Target Market**

The affluent customer base of the Banking system can be segregated into the followings:

##### **Premium banking (Individuals):**

- Upgrade Level of US\$ 80,000 – US\$ 99,000: 108 customers with portfolio holding of US\$ 1 million.
- Customers with balance of US\$ 100,000 – US\$ 999,000: 407 customers with portfolio holding of US\$ 118 million.

##### **Private Banking (Individuals):**

- Customers with balances of US\$ 1 million and above the bank had 70 customers with portfolio holding of US\$ 200 million. This number was expected to increase to more than 200 customers with total portfolio exceeding US dlr 300 millions



**Consolidated Relationship:**

We suggested the consolidation of relationship including Depository and Investment customers, to create the followings:

- Premium Banking:
- Private Banking:
- Commercial banking Investment (Companies)
- Government Investment Clients

**Analysis of Competition**

The major competitors are foreign banks and two local banks.

<b>Banks</b>	<b>Distribution</b>	<b>Customer Base</b>	<b>Product Mix</b>	<b>Service/Sales Process</b>
SCB	1 Priority Centre	600 Priority clients	3 <sup>rd</sup> Party Mutual Funds Propriety Funds Preferential Lending & Rates Higher charges for Gold Cards than classic Preferential Depository Rates Meeter/Greeter @ airport (UAE) Preferential Discounts for shopping	Dedicated RMS Branch Managers involvement Dedicated Investment Team
Citibank	2 Citigold Clients	400 Citigold clients	Range of 3 <sup>rd</sup> Party & Propriety funds Preferential Lending & Rates Preferential Depository Rates Higher charges for Gold Cards than classic Meeter/Greeter @ airport (UAE) Preferential Discounts for shopping	Sales effort focus Certified and trained staff
HSBC	2 Premier Centre	N/A	Mutual funds – Propriety Preferential Lending & rates Preferential Depository Rates	Has offerings once in a while Small burst of activity in investments
BBK	1 Investment Centre	N/A	Guaranteed products 3 <sup>rd</sup> Party Mutual Funds – Limited Offering	Small investment unit

**Strategy**

**Product & Service Package**

<b>Retail Banking</b>	<b>Private/Investment Banking</b>
<ul style="list-style-type: none"> <li>• design for recognition card, cheque book, ATM, &amp; credit cards offered in presentation box by Bank representative</li> </ul>	<ul style="list-style-type: none"> <li>• Bahrain, regional &amp; global share trading services</li> </ul>



<ul style="list-style-type: none"> <li>• Platinum or Diners Club card with no annual charge – reception facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Access to a range of investment portfolio to suit investment requirements/profiling</li> </ul>
<ul style="list-style-type: none"> <li>• Reduced charges for a dealing in stocks (within Bahrain initially but regionally and globally once strategic alliance are in place)</li> </ul>	<ul style="list-style-type: none"> <li>• Access to investment management expertise and advice through the investment services within wealth management</li> </ul>
<ul style="list-style-type: none"> <li>• Preferential FX rates/charges</li> </ul>	<ul style="list-style-type: none"> <li>• Access to offshore &amp; London banking facilities for Premium &amp; Private Banking</li> </ul>
<ul style="list-style-type: none"> <li>• 24 hours national/international helpline to deal with general enquiries and routine transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Internet access to company offering investment research information and dealing online</li> </ul>
<ul style="list-style-type: none"> <li>• Consolidated statement of accounts/products held with Bank</li> </ul>	<ul style="list-style-type: none"> <li>• On going training for investments and private banking services</li> </ul>
<ul style="list-style-type: none"> <li>• Regular gatherings to listen to prominent individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Preferential arrangement fee for Premium/Private Banking customers</li> </ul>
<ul style="list-style-type: none"> <li>• Annual Gift</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Portfolio Update</li> </ul>

### Premises

We recommended to the bank to develop Private/Premium Banking suits within the Bank's.

### Remuneration

- An incentive scheme to be introduced for the Private/Premium team to spearhead the sale strategy of the busines. This is already competitors' practice in the market. The proposed structure would consider a number of factors: i.e., Monthly Net Sales and Customer acquisition number to determine the monthly incentive to each team member.
- An incentive scheme would be introduced for the Branch managers/commercial banking officers for the referral of new clients and Investment Sales

### Sales & Distribution

Sales and distribution strategies were drafted for each market sectors which focused on the organizational structure of each sector, salesforce strategies, customers acquisitions and distributions strategies

### Operational Requirements

- Customer database to allow for detailed analysis and management of customer base
- Development of consolidated statement
- Introduction of regional and global brokerage services
- Alliance with company to offer online investment research and access through international network.
- Introduction of call centers and helpline.
- Personalized design for the cheque book and cards
- Referral & revenue allocation agreements with Private Banking
- System based 'Know Your Customer" to be developed which will support Premium Officers in proposition appropriate investment portfolio to individual customers.
- Certification of Premium Officers
- Training: investment Basics, Certification, and ZBC UK Products & Services, Customer Focused Sales Training
- Further automation



## Marketing & Sales Strategy

- Initial press conference/release promoting our focus on affluent and projecting private banking, investment management, and brokerage services expertise and consolidated statement.
- Promotion in specific media for this customer segment.
- Direct mail to existing customer base inviting them to apply.
- Initial gathering of Premium customers with key opinion formers as guest speakers.
- Premium Manager & Officers to be set product balance and cross sales targets.
- Regular assessment of success in penetration from regular customer satisfaction surveys.
- Call visits to private Banking Profile introducing the package.
- Management by objectives for sales and placement teams
- Measurement on a daily basis for activity and productivity.
- Develop an ongoing process to monitor key performance indicators and report results to the management

### Other Costs:

- Indirect cost would be finalized with Finance
- Marketing cost includes: ATM cards, Brochures, Cheque books, Cheque/Card holders, Press Ads, Launch events and Gifts.
- Non-Recurring Cost includes the premises cost for Exhibition Branch and Manama Branch

### Financial Mapping

- Under this segment, a branch code would be allocated to the business. The mapping would be for the various market segments. Expenses (Direct & Indirect) and Revenues are mapped accordingly. For the relative sub-business Sales, a separate report could be generated for performance measurement purposes.
- The beginning balances allocated to the business would be identified across the different products. Incremental growth is measured on a regular basis by comparison to the periodical ending balances and the sales performance.
- Customers relationships identified for the subsegments would be allocated to them for Budget/Performance measurement purposes.

### Fee/Revenue Sharing

- Banking would be supporting the other businesses in their Investment acquisition through calls and presentations. In such situation, Private/Premium would be entitled for a fee sharing in the upfront and management fee which would be equally distributed between Private/Premium and the other business channel.

### Regional Referral Arrangement (Proposal)

Under the regional umbrella, customers would be referral within subsidiaries of Bahrain, and other GCC to encourage working towards the Group objective to streamline the service offering, referral agreement is proposed:

- For Investment/Loan transactions, the upfront fee would be allocated to the referee
- For the Depository transactions, a fixed referral fee would be allocated to the referee as follow:
  - US\$ 100 thousand for referring Premium customer and
  - US\$ 350 thousand for referring a private Banking customer

We prepared for the customer A detailed Business plan to include the Budgets, Referral process and Relationship Management Process for the group customers.





### **Proposed Launch Timetable**

- Approval in principle by ZBC Management & PB
- Presentation to management
- Development of Platinum Card
- Introduction of call centre
- Introduction of Consolidated Statement
- Renovation of branches to accommodate Private banking suites
- Direct mail-visits to existing affluent & HNW customers
- Team acquisition and training
- Customers gathering comprising existing & potential Premium/Private customers
- Conversion of existing affluent & HNW customers to Premium/Private package
- Press conference/release & promotion in appropriate journals

The client submitted the proposal to the board and got approval to proceed.