Interacting with Muslim Customers for Developing New Shariah-Compliant Financial Services in a Multicultural Country

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Abstract

Offering successful new services to the market is a priority for many service firms worldwide because a firm's growth and prosperity depend on regularly introducing new services to a diverse group of customers. Additionally, developing successful new services requires firm-customer interaction because a customer can provide valuable insights into the design and content of many new services. This concept of customer interaction holds even greater significance in emerging countries with a sizable Muslim population, particularly when they are in the minority. Against this backdrop, our article examines the importance of customer interaction with Muslim customers in developing new Shariah-compliant financial services in the emerging market of India. Utilizing a multiple-case study methodology, we gathered data through in-depth interviews with service managers and Muslim customers. For data triangulation, we consulted several documents and archival records related to the new service development efforts by the participating financial service firms. By doing so, the article addresses two key research gaps in the literature. First, there is a lack of NSD (New Service Development) research within emerging markets, and second, there is a dearth of studies on the roles of Muslim customers in developing new services globally. Drawing from the case study data, we contend that developing new services that meet Muslim customer needs and comply with Shariah principles poses a challenge for many service firms. To meet this challenge, a firm must establish a system that integrates the requirements of Muslim customers into creating new services. To this end, we propose several modes and methods of customer interaction and analyze the problems involved in the interaction process with Muslim customers. Our findings suggest that contrary to the notion often found in the literature, Muslim customers are willing to collaborate with service firms to develop new services which can serve as a valuable source of information for generating service ideas. This article holds implications for financial service firms seeking to market new Shariah-compliant financial services to Muslim customers in emerging markets. Furthermore, this article has theoretical implications for literature related to the marketing of Islamic finance.

Keywords: Islamic Finance, Emerging Markets, Muslim Customers, Customer Interaction

1. Introduction

Given the significance of New Service Development (NSD) for the growth and prosperity of a firm, numerous studies have focused on NSD research over the past two decades (Carlborg et al., 2014; Mahavarpour et al. 2023; Ostrom et al., 2015). This expanding body of literature suggests that the failure rate for new services is rather high. A primary reason for such failures is that many service firms need to engage with their customers and solicit input from them while developing new services or products (Cooper, 2019). Consequently, firms must interact with their customers during NSD to comprehend their needs (e.g., Alam, 2002; Melton & Hartline, 2010; Morgan & Anokhin, 2023). Although abundant literature links customer interaction to the success of new products and services (Mathing et al., 2004; Alam, 2006, 2013; Cui & Wu, 2017), two significant research gaps are evident in the existing literature.

The first gap in the literature concerns NSD studies within emerging markets. Emerging markets have begun to play a key role in the global economy, presenting considerable opportunities for uncovering novel perspectives in marketing and NSD. As Seth (2011) contends, the vast consumer bases in countries like India and China have transitioned emerging markets from the periphery to the heart of global competition. However, the current literature needs to have more attention to the intricacies of customer interaction in NSD within these emerging markets (Chang & Taylor, 2016). The second major gap pertains to the role of minority customers, particularly Muslim customers, in the development of new services in emerging markets (Alam & Seifzadeh 2020). Many nations, whether developed or developing, are culturally diverse, housing significant Muslim populations (Hati et al., 2021; Grier & Deshpande, 2001; Oullet, 2007). Despite this, research on the consumption behaviors of Muslim customers in non-Muslim-majority emerging countries remains scant (Hall et al., 2023; Biancone & Radwan (2015). For instance, marketing Shariah-compliant financial services to Muslim minority customers has become a pressing managerial concern in India's emerging market. This shift originates from the Reserve Bank of India (RBI) contemplating the provision of interest-free banking services to the Muslim clientele (Alam & Bhatti, 2023). As a result, numerous firms are eager to leverage the growing openness of India's capital market. Yet, to our knowledge, there has been a limited focus on exploring customer interaction processes when developing new services tailored for Muslim minority customers in India.

Building upon the preceding discussions, this research aims to outline a process for customer interaction when developing new business-to-business (B2B) Shariah-compliant financial services tailored for Muslim customers in India. In doing so, our study addresses a pivotal yet underexplored question: How do Muslim customers interact with service firms to develop Shariah-compliant financial services within emerging markets like India? We have selected financial services as our research focus because they have garnered significant attention in the literature owing to deregulation and technological advancements (Alam, 2013; Lyons et al., 2007). While B2B transactions within the service industry are rising, most existing studies predominantly concentrate on business-to-customer (B2C) services (Homburg et al., 2014). Moreover, given the pivotal role of small businesses in GDP growth within emerging and developing economies, there is a pressing need for more comprehensive research on B2B services (Chowdhury, 2011; Karadag, 2016). Also, B2B services are inherently knowledge-intensive and necessitate significant customer input (Menguc et al., 2014). Therefore, we have chosen to focus on B2B services for this research. Our findings suggest that contrary to the notion often found in the literature, Muslim customers are willing to collaborate with service firms in developing new services and can serve as a valuable source of information for generating new service ideas. This article holds implications for financial service firms seeking to market new Shariah-compliant financial services to Muslim customers in emerging markets. Furthermore, our research has theoretical implications for literature related to the marketing of Islamic finance. First, our research responds to the call for more scholarly attention on the principles and practices underlying Islamic finance in emerging markets (e.g., Alam and Seifzadeh 2020). Second, by focusing on India, our research attempts to enrich the extant literature about the needs of Muslim customers for Islamic finance in a multicultural and non-Muslim majority country.

The rest of the article is organized as follows. First, we review the literature to assess the strength of Muslim customers in India and discuss the need for new services for them. Next, we review the literature related to NSD and customer interaction. Third, we present the methodology used in this research. Fourth, we discuss the implications for literature, practitioners, and policymakers. We conclude the article by discussing research limitations and future research directions.

2. Literature Review

Considering the multi-disciplinary nature of our research, we tap into the literature about marketing, finance, international business, and cultural studies to unearth key research issues related to interaction with Muslim customers for developing new B2B services in an emerging market.

2.1 Growing Needs for Muslim Customers in India

While numerous articles underscore the significance of minority customers globally, many predominantly focus on Muslim minorities in Europe (e.g., Antoniazzi, 2022; Biancone & Radwan, 2016; Bulmer & Solomons, 2010; Kamdzhalov 2022; Maliepaard et al., 2010) and Africa (Moosa & Kashiramka 2023; Tegambwage & Kasoga 2023). However, the emergence of multi-ethnic societies with influential minority groups is not just European or African, but a global trend (Andespa et al. 2024; Hilmi et al. 2023). India, characterized by its multireligious, multilingual, multiethnic composition and burgeoning economy, stands at the forefront of this growing trend (Holtbrugge & Friedman, 2016). Despite India's pivotal role, scholarly attention regarding the importance of Muslim customers within this emerging and multicultural nation remains limited. Notably, Muslims constitute the largest minority group in India, representing the second-largest ethno-religious community after Hindus. With a population exceeding 160 million, Muslims make up approximately 13.4 percent of India's total population. Remarkably, India hosts the largest concentration of Muslims outside the member countries of the Organization of the Islamic Conference (OIC) and ranks second globally, following Indonesia. However, despite their substantial numbers and political influence, the socio-economic conditions of this significant ethnic minority are notably impoverished (Fasih, 2012).

Due to growing demands from Muslim minority customers, there have been discussions and efforts to introduce Islamic banking principles into the existing banking system. Efforts have been made to increase awareness and understanding of Islamic finance principles among Muslims and non-Muslims in India (Yatoo & Muthu 2013). However, the development of Shariah-based services in India has faced challenges, and the progress has been relatively slow compared to some other countries with significant Muslim populations (Siddiqui et al., 2021). Regulatory issues, political reasons, concerns about legal frameworks, and the need for broader acceptance of Islamic finance principles among stakeholders have been some of the factors hindering the growth of Shariah-compliant services in India (Kurpad 2016). A comprehensive examination of the economic, social, and educational circumstances of minorities in India, conducted by a high-level prime ministerial committee chaired by Justice Rajinder Sachar, highlighted the alarmingly low penetration of banking and financial services within the Muslim minority community (Sachar Committee Report, 2006). Moreover, a recent report by the Reserve Bank of India (RBI) indicates that public sector banks have inadequately addressed the financial needs of the Muslim population.

In summary, the marginalization of Muslim minority customers has profound implications for their socio-economic progress and the broader nation. Recognizing the adverse effects of this marginalization, as evidenced in the literature (e.g., Lee et al., 2011; Russell & Russell, 2010), the RBI has initiated measures to alleviate barriers hindering credit access for the Muslim customers. Two primary obstacles contributing to the limited banking service penetration among Muslim customers include the community's educational gaps and the inadequacy of both public and private sector banks in offering products that suit their needs (Sachar Committee Report, 2006). Furthermore, many ethnic

minority groups express their beliefs and identity through specific product and service consumption patterns (Deshpande & Stayman, 1994). Consequently, they exhibit favorable responses to marketing strategies addressing their minority status (Grier & Deshpande, 2001). Such regulatory challenges and minority group behaviors give financial institutions opportunities to delve deeper into this market niche. In a recent study, Penaloza (2018) underscores the imperative to enrich ethnic minority literature by gaining a more profound and comprehensive understanding of ethnic minority customers across diverse global regions.

2.2 India's Financial Service Industry

In this study, we concentrate on India's growing financial service sector. Like other emerging markets, India is having a disruptive impact on marketing practice and theory (Pereira et al. 2024; Seth 2011; Bello et al. 2016). With its GDP expanding by over 9% annually, India has become the world's fifth-largest economy. Financial service firms have adeptly capitalized on the escalating demand for credit products, witnessing an annual growth rate that exceeds 40%. Yet, many firms exhibit reluctance in venturing into niche markets of ethnic minority customers due to regulatory complexities and several inherent risks. This reluctance prompts a crucial question: why should financial service firms devote resources for expanding economic opportunity in a developing country and enter the niche market of Islamic banking and finance? The answer to this question can be gleaned from earlier reports, such as those by Price Waterhouse Coopers (2007) and Jain (2013), suggesting that the large and growing population of ethnic and minority customers in emerging markets provides a large platform for using new services. Additionally, a more recent study by Dariyoush & Nazima (2016) underscores the expansive and growing ethnic customer base in emerging markets offers a substantial platform for introducing new services. Furthermore, Islamic banking and finance proliferation extends beyond national borders, representing a global trend (Chaudhury & Bhatti, 2017). Consequently, scholars advocate for a more aggressive development of this burgeoning market niche (Basov & Bhatti, 2016).

Given the growth rate in the financial service sector and the need for a large capital requirement, India has the potential to become the largest market for Islamic finance worldwide. With this phenomenon in mind, recently, a panel of economists recommended the introduction of interest-free banking in India, and the RBI, on principle, gave approval for developing new financial services exclusively for minority Muslim customers. These developments point towards the initial steps the Indian policymakers have adopted in allowing the banks to offer financial products specifically for minority customers to further boost the country's financial service sector. If financial institutions are searching for new ways to grow, reaching Muslim customers should be their priority (Alam & Seifzadeh 2020). They should assess the appeal of the Indian financial service sector and investigate the possibility of developing new financial services for Muslim customers. In addition, the cultural and social changes in India and its customers have led to an increased demand for a range of new services such as transportation, hospitality, and financial services (Davidson et. al 2018). In summary, industry trends, changing citizen expectations and government mandates promoting financial services to an underserved population present a worthwhile opportunity (Sutton & Jenkins 2007) that service firms can explore by developing new services. Therefore, in the next section, we review the literature on NSD and customer interaction.

2.3 Customer Interaction in New Service Development Process

Scholars have argued that a structured process should be followed to develop new services, and several studies have proposed models for developing new services (Bowers 1989; Scheuing & Johnson 1989). After over a decade, Alam & Perry (2002) proposed a model containing 10 development stages, including strategic planning, idea generation, idea screening, business analysis, formation of cross-functional team, product design and process/system design, personnel training, product testing and pilot run, test marketing, and commercialization. However, challenging the applicability of the above model in the current era of technological advancement and social media, Alam (2014)

proposed a simplified model containing only four phases of NSD: initiation phase, comprehension phase, corroboration phase and execution phase. He claims that these four phases are the better representation of the NSD process because they consider the influence of social media, digital technologies and emerging markets and their consumers on the marketability of the new services. This latest NSD model also considers the role of customers in NSD more seriously by identifying various customer activities in the four phases of the NSD model. Consequently, in this research, we use this model to analyze the customer interaction process.

Another stream of research in the NSD area pertains to the success factors of new service that suggests that the new service failure rate is very high and customer interaction in NSD is a key success factor (Storey & Hughes, 2013; Storey et al., 2016). Also, there has been a growing recognition among scholars and practitioners that customer interaction during new product or service development represents a source of competitive advantage (Yoo et al. 2012; Cui & Wu 2017). Therefore, several empirical studies have investigated the benefits of customer interaction in both new product and service development and reported that customer input might lead to high-quality innovations (e.g., Alam 2002; 2006; Gruner & Homburg 2000). For instance, Alam (2002) suggested that the intensity of service producer-customer interactions during the idea generation stage should be higher than all other stages. He also noted that customer interaction results in important benefits such as reduced cycle time and superior service innovations. Extending his research on customer interaction, Alam (2006) further reports that customer interaction during the fuzzy front end, i.e. the first three stages of idea generation, idea screening, and concept development are more important than other later stages. Moving on to the issue of customer interaction in emerging markets, Chang & Taylor (2016) found that in emerging markets, many firms do not interact with their customers and thereby miss a significant opportunity to develop successful new products and services. They assert the need for more research on customer interaction in emerging countries.

Although there is increasing attention on the benefits of customer interaction, there is evidence that many customers are unable to provide workable input (Frankie et al. 2009), and therefore, there is a question on the value of customer interaction during the NSD process (Chatterjee & Fabrizio 2014; Heirati et al. 2016). Hoyer et al (2010) have also argued that reconciling customers' preferences and a firm's objectives is another key challenge in customer interaction. Yet, some scholars claim that customer interaction helps firms understand what customers appreciate most because customers' needs are sticky and transferring them to firms is rather complex (e.g. Perks et al. 2012). In conclusion, the above literature points to three key research issues that are the focus of this research: (1) What is the process of customer interactions for developing shariah-compliant services? (2) What is the overall approach to customer interaction? and (3) What risks are involved in customer interaction during developing a shariah compliant new service.

3. Methodology

Given the nascent literature on Muslim minority customers in India, our research is exploratory. This necessitates an inductive qualitative research approach, allowing existing theories to be extended. Recognizing that customer interaction in NSD is a complex social system, employing multiple theoretical lenses is appropriate. Consequently, we adopted the multiple case study method, examining various cases concerning the development process of new services targeted at Muslim customers by financial institutions in India. Authors such as Bonoma (1985), Eisenhardt (1989), Perry (1998), Yin (2002), and Miles et al. (2014) have advocated for the use of multiple case studies over a singular case to foster new knowledge and theory development. Additionally, Leonard-Barton (1990) contends that employing multiple case studies enhances the external validity of research. Our research methodology also aligns with the qualitative research design proposed by Pettigrew (1990) and used by Kravets & Sandikci (2014).

We conducted these case studies in Mumbai, India, during December 2022 to January 2023, which was the post-COVID period. We selected Mumbai as our research site for two primary reasons. First, Mumbai serves as the

financial capital of India Second, the city boasts a substantial population of business owners from the Muslim community. Employing a theoretical sampling method, we chose respondents who possessed intimate knowledge of the phenomenon under investigation. This sampling approach has been effectively utilized in recent studies, as demonstrated by Johnson & Sohi (2016). Utilizing the business directory Kompass, we identified 47 domestic Indian financial service firms active in NSD. After preliminary screening, we narrowed our focus to 21 financial service firms, examining one NSD project within each entity. These firms were specifically chosen because they were in the midst of developing new services for Muslim customers, leveraging recent alterations in the RBI's regulations as an opportunity. Furthermore, these firms had previously engaged with their customers to gather insights into their new services. Their offerings encompassed a range of services, including business loans, mutual funds, stock brokerage, investment services, mortgages, pension funds, business insurance, and cross-border payments, among others. A stipulation for a firm's participation in our research was confidentiality regarding the specifics of the new services and the identities of the participating organizations. Hence, in compliance with this condition, we have refrained from divulging extensive details about these new services within this article. The key informants' details are summarized in Table 1.

Table 1. Detail of Respondents (Company Managers)

No. of Service Firms	Respondents	Total experience (No. of years)	Experience in NSD (No. of years)
3	Product Managers	16	4
3	Client Relation Managers	9	6
3	Area Marketing Managers	10	3
2	Vice-president Marketing	4	4
3	New Product Managers	6	2
2	Customer Service Managers	13	12
2	Brand Product Managers	11	7
2	Assistant Product Managers	7	5
1	Managers- New Customer Acquisition	5	6
Total (21 firms)		**Average (9 years)**	**Average (5.4 years)**

The data collection occurred in two phases through an in-depth interview method. Initially, during the first phase, we gathered data from key informants who served as managers of the service firms. Subsequently, in the second phase, we conducted interviews with business customers engaged in the NSD process. After conducting preliminary interviews for screening purposes, in-depth interviews were executed with 46 managers at their respective offices across various locations in Mumbai. This sample size aligns with the recommendations for qualitative research, as outlined by McCracken (1988). Given that the informants were intricately involved in planning and designing the NSD process, they possessed substantial knowledge of the subject matter. Using the qualitative research approach of Alam (2005) and Perry (1998) we developed an interview protocol. The extant literature informed the interview protocol and provided us with several open-ended interview questions to be posed to both the managers and customers. More specifically, the recent review article of Islamic finance (Alam & Seifzadeh 2020), several studies of NSD (e.g., Stevens & Dimitriadis 2004; Carlborg et. al 2014; Storey & Hughes 2013) and the studies related to NSD, and customer interaction conducted in emerging markets (e.g., Alam 2002; Alam 2013; Bello et al. 2016) raised the key issues involved in developing and marketing shariah compliant financial services. These interview questions were formed based on the issues discussed in the foregoing literature base: (1) Why did you engage with Muslim customers

for your NSD projects? (2) During which of the four phases of NSD reported in the literature did you engage with the Muslim customers, and what prompted this engagement? (3) How did you determine which type of Muslim customers to interact with? (4) Describe your overall process and interaction methods, customer selections, and so forth?

Additionally, we incorporated several follow-up and probing questions to ensure thoroughness and prevent "active listening" (McCracken 1988). Beyond addressing the outlined questions, we provided the respondents ample opportunities to delve into other pertinent aspects they deemed crucial. On average, each interview spanned approximately two hours. To maintain accuracy, all interviews were recorded and subsequently transcribed.

During the second phase of our research, we interviewed 26 business customers to gather their insights on their involvement in the NSD process. A pivotal objective of this phase was to juxtapose the information provided by the firms with that from the participating customers. This approach aligns with the data triangulation method advocated by Yin (2002) and Leonard-Barton (1990). We sourced the names of these business owners and customers directly from the participating firms, as these managers had previously solicited input from them for their NSD initiatives. Initially, we approached all 49 customers recommended by the firms; however, only 26 consented to partake in our study. These customers, from the Muslim minority community, represented a diverse range of professions such as retail shop owners, garment exporters, carpenters, leather goods manufacturers, building contractors, and travel agents, among others. The combined sample of 42 managers and 26 customers aligns with recommendations by Pettigrew (1990) and Perry (1998). Notably, a recent qualitative study by Kravets & Sandikci (2014) also employed a comparable sample size. Detailed information regarding the customer respondents is presented in Table 2.

Table 2. Details of the Respondents (Muslim Customers)

Occupation of the customers	Number of participants
Convenience Store Owners	5
Small Factory Owners	4
Garment Exporters	2
Leather Goods Manufacturers	4
Carpenters	2
Travel Agents	3
Building Contractors	4
Vegetable and Fruits Warehouse Owners	2
Total	**26**

Since the author speaks native language of the Muslim customers, he conducted the interview in their native languages of Hindi and Urdu. All interviews were recorded and lasted about two hours. The recordings were transcribed in Urdu and Hindi and translated into English. Throughout the interviews, we took extensive field notes. The customer informants were in their 40s and 50s, and their education ranged from undergraduate to completing higher secondary standard (equivalent to high school in the US schools). All informants had been engaged in business for more than 5 years at the time of the interview.

For more data triangulation, we reviewed several documents and archival records to identify why, when and which type of customers were involved in NSD. These documents included office memos, brochures, meeting minutes, NSD checklists, etc. related to the NSD initiatives in the respective firms. The case study database contained 212 pages of

interview transcripts and 80 pages of archival records and documents. The data analysis was interpretive and involved reading the transcripts, observational notes, and archival documents to gain insights into how customers interacted with the managers. We used different levels of coding and an iterative back and forth process between the emerging themes and categories, literature, and archival records to make sense of data and emerging themes related to customer interaction. We used the Nvivo 14 qualitative research software to identify the key themes in the qualitative data. The themes that emerged from the data were grouped into several categories. The purpose of the theme categorization was to look for commonalties and distinct patterns in data. The Nvivo software also allowed us to examine relevant "quotes" from different respondents. After the completion of data analysis, we sent the data reports to the participating firms for respondent validation. Most of the respondents returned the data reports with minor modifications.

4. Results and Discussion

We formulated several pivotal constructs concerning NSD and interactions with Muslim customers in an emerging market by leveraging interviews with managers, customers, company documents, and field notes. We conducted a cross-case analysis to discern emerging themes within the data, aligning with the approach outlined by Miles et al. (2014). The data pattern that emerged from the cross-case analysis is related to the interview questions discussed in the methodology section. These interview questions were related to three key constructs of (1) the process of customer interaction at four NSD phases, (2) customer interaction approaches, and (3) risks and challenges involved in interaction with Muslim customers. The discerned data patterns related to these research constructs are succinctly summarized in Table 3 and discussed in detail below.

4.1 Process of Customer Interaction at Four NSD Phases

Throughout the research, multiple respondents highlighted that a significant portion of their Muslim customers typically (a) refrain from investing in mutual funds and employee pension funds with a debt component, (b) avoid purchasing shares of companies associated with alcoholic products, (c) allocate interest earned on their business and other accounts to charitable donations, and (d) opt for zero-interest current accounts over high-yield, interest-bearing alternatives. These observations underscore that numerous Muslim entrepreneurs and business owners devise unique methods to address their diverse financial service requirements. Consequently, service managers should adopt a proactive approach, fostering collaboration with Muslim customers to better comprehend their needs and perspectives. The significance of Muslim customers is further emphasized by comments from a respondent: "We've contemplated the Muslim customer segment extensively. Evolving regulations from the Reserve Bank (RBI) and sustained growth within this market segment influenced our strategic direction. I'm pleased that our firm has chosen this trajectory."

To grasp customers' needs and perspectives, managers engage with them at various stages of NSD. However, they predominantly emphasize the early phases, given that idea generation and screening for Shariah-compliant services are pivotal activities during this period. The initiation phase is particularly crucial for gaining profound insights into the distinct requirements of Muslim minority customers, which significantly differ from those of mainstream customers. Consequently, service managers intensively engage with Muslim minority customers during the early stages of the NSD process, as highlighted by a respondent: "Good ideas serve as the cornerstone of successful innovations. We endeavor to source ideas for new Shariah-compliant services from our customers at the earliest opportunity and subsequently refine them based on their feedback throughout the process." Conversely, the later stages also warrant significant customer interaction, as firms must ascertain crucial information regarding the potential, feasibility, and other marketing aspects of the new services before their official launch. However, the intensity of interaction diminishes during the intermediate stages of the NSD, encompassing comprehension and corroboration phases. A respondent echoes this sentiment: "While every stage of NSD holds importance, we prioritize the initial

phases due to the criticality of discerning viable ideas for Shariah-compliant services early on. Delaying analysis until the concluding stages may prove detrimental."

Data gathered from customer interviews indicate that Muslim customers actively engage in many activities and offer valuable insights across various stages of the NSD process. These contributions encompass articulating their needs, highlighting challenges, proposing solutions, assessing existing services by voicing preferences and concerns, pinpointing market gaps, curating a wish list for new services, collaboratively devising service blueprints, engaging in simulated and mock service delivery processes, providing feedback on new service marketing plans, evaluating the market potential of new offerings, trialing new services, and disseminating word-of-mouth recommendations to potential users. A product manager succinctly conveyed his perspective on this interaction approach: "Initially, we had reservations about the tangible benefits of customer engagement in this project. However, our apprehensions proved unfounded. Customers imparted invaluable insights into their needs, elucidating potential solutions via innovative product ideas." Furthermore, the data underscores that while motivation and incentives remain pivotal considerations in customer interactions, many customers willingly contribute insights and collaborate with service firms. A respondent echoes this sentiment: "I am committed to assisting the company in any capacity, provided the resultant services address my concerns. I've collaborated with numerous firms in the past, facilitating their endeavors, and the experience was rewarding."

4.2 Customer Interaction Approaches

Our research identified support for various customer interaction approaches highlighted in existing literature (Alam 2002; Mathing et al. 2004). Specifically, these approaches encompass observations, management retreats, focus groups, brainstorming sessions, in-depth interviews, and team meetings. Notably, six customer interaction strategies emerge as paramount for formulating an effective interaction strategy: (1) Conducting initial face-to-face interviews and team meetings during the initiation phase of the NSD process; (2) Organizing innovation retreats, summits, and mini-conferences aimed at fostering new service concept development, potentially revealing customers' latent or unarticulated needs; (3) Amplifying communication and informal interactions between front-line employees or bank officers and Muslim customers; (4)
Cultivating close relationships with expert and innovative customers; (5) Hosting periodic progress update meetings to remain abreast of emerging developments and evolving needs. While the inaugural meeting lays the foundation for trust and rapport, sustained communication efforts reinforce and broaden these behaviors essential for effective NSD, and (6) Leveraging customer interaction strategies to educate customers about new services and cultivate long-term relationships. Service managers possess the flexibility to employ any combination of these approaches in their customer interactions for NSD projects, as highlighted by a respondent: "Diverse avenues exist for gathering insights from the Muslim customers. No singular approach proves universally effective. The efficacy largely hinges on individual circumstances. We experimented with multiple strategies, each yielding invaluable insights."

4.3 Risks Involved in Interaction with Muslim Customers

Key respondents highlighted several risks associated with developing new Shariah compliant services based on input from Muslim minority customers, reinforcing concerns articulated in existing literature (Hoyer et al. 2010). Firstly, there's a risk of over-customizing services when too closely aligned with customer feedback. Emerging market trends should be juxtaposed against individual customer suggestions to mitigate this risk. Consequently, new service concepts necessitate validation with a broader customer base representative of the Muslim population. Secondly, identifying suitable Muslim customers for interaction presents challenges, necessitating in-depth market knowledge and customer connectivity. Thirdly, potential discrepancies between managerial objectives, primarily profit maximization, and customer objectives, focusing on tailored service delivery, can lead to customer reluctance, as expressed by a

respondent, "Securing customer cooperation posed significant challenges. However, emphasizing mutual benefits associated with new services and innovations facilitated collaboration." Fourthly, certain Muslim customers may require added motivation for active participation. Respondents indicated the efficacy of both monetary and non-monetary incentives in fostering collaboration: "Augmenting incentives can amplify customer engagement and enhance the quality of insights shared." Managers deploy incentives, such as reduced interest rates and promotional offers, to incentivize business customers. Selecting customers with pre-existing strong relationships further mitigates these challenges as affirmed by a respondent, "Discernible disparities in attitudes and behaviors were evident between familiar and unfamiliar customer groups."

Table 3. Data Pattern for Interaction with Muslim Minority Customers

Research Issues	Key Findings
Process of Customer Interaction	• Muslim customers create their own methods to satisfy their needs. • Customer collaboration is a key strategy to gain insight into customer needs. • Managers are unaware of the stepwise process of NSD, yet a structured process containing 4 phases of initiation, comprehension, corroboration, and execution is needed. • Interaction with customers during all the 4 phases of NSD is important. • "Initiation phase" of the process is most important phase because idea generation and idea screening are the key activities in NSD. • The intensity of interaction is low at the two middle phases of comprehension and corroboration. • Muslim customers are willing partners in NSD • Muslim customers can perform these activities: describing the needs, problems and solutions, evaluating existing services, identifying gaps in the market, providing a new service wish list, jointly developing service blueprints, participating in a simulated service delivery process, providing feedback on various aspects of marketing of the new services, examining the overall sale-ability of a new service, adopting the service as a trial and recommending to other potential users.
Customer Interaction Approaches	Six customer interaction approaches are: 1. Conducting several initial face-to-face interviews and team meetings during the initiation phase of the NSD process. 2. Conducting innovation retreats and summits to assess customers' needs. 3. Increasing the amount of communication and informal interactions among the front-line employees and the ethnic customers. 4. Developing a close relationship with innovative and expert customers. 5. Holding periodic progress update meetings to remain up to date on new developments and emerging trends. 6. Using customer interaction strategy to educate customers about the new services or to develop a long-term relationship.
Risks in Customer Interaction	• Listening to customers too closely may create a risk of over-customization of new services. • Locating appropriate Muslim customers for interaction is rather challenging.

	• Customers may be disinclined to cooperate because of the conflicting objectives and intents of managers versus customers. • Some ethnic customers may need extra motivation for their cooperation.

Source: Authors' elaboration

In conclusion, the insights delineated above and summarized in Table 3, underscore the pivotal role of customer interaction and manager-customer relationships. Echoing this sentiment, a respondent articulated, "Sustaining and fostering customer relationships remains paramount for upcoming projects. The journey has just commenced, and we remain optimistic about harnessing customer insights for innovative product ideation."

5. Research Implications and Conclusions

Our study delves into three key business issues: (a) the role of Muslim customers within a multiethnic country, (b) the significance of India's burgeoning market, and (c) the dynamics of interaction with Muslim customers in the NSD process adopted by financial service firms. Drawing from the analysis of these research issues, we present important implications for marketing scholars, practitioners, and policymakers. In doing so, our study offers two primary contributions.

Firstly, we address the growing demand for research on emerging markets, as advocated by both scholars and practitioners (e.g., Banerjee et al., 2015; Seth, 2011). Secondly, the extant literature on Muslim customers in India's emerging market predominantly remains conceptual or anecdotal. Furthermore, the intricate mechanisms governing service firms' interactions with Muslim customers across India and other emerging economies remain largely unexplored. To the best of our knowledge, this study is the first to analyze the dynamics of interaction with Muslim customers for NSD, thereby addressing the gap in existing research.

All firms encounter uncertainties in NSD, particularly when introducing a novel service tailored for specific demographics, such as new offerings for Muslim customers. A structured 4-phase NSD model, as proposed by Alam (2014), can substantially mitigate these uncertainties. However, even with a structured NSD model, questions may arise concerning the precise formulation and characteristics of the new services. Engaging Muslim customers and incorporating their insights into service development can address these uncertainties effectively. Customers can play a pivotal role in refining service concepts, critically assessing service delivery blueprints, and shaping final offerings tailored to their unique requirements, as delineated in Table 3.

Service managers can leverage this customer engagement framework as a comprehensive checklist for their NSD initiatives. Engaging with Muslim customers offers dual benefits: (1) it fosters customer relationships, as minority customers exhibit heightened receptivity to the offerings tailored explicitly for them (Grier & Deshpandé, 2001), and (2) it mitigates the perceptions of exclusion and marginalization, which is prevalent among Muslims and other ethnic minorities globally (Knight et al., 2009; Wilson & Liu, 2011). Consequently, we advocate for a systematic approach to properly engage minority customers in NSD. As the demographic and economic influence of minority customers grows, firms must proactively address their unique service requirements. Successful development of services catering exclusively to minority groups engenders mutual benefits for businesses and customers.

Our findings should interest Indian policymakers as well, underscoring the need to liberalize regulatory frameworks and incentivize service firms to develop offerings exclusively for Muslim minority customers. Such initiatives would facilitate enhanced inclusion of economically marginalized minority communities. Additionally, given the global proliferation of Muslim customer segments, our research insights hold relevance for other parts of world with sizeable Muslim population.

In conclusion, our findings, coupled with existing literature, underscore the critical importance for managers to recognize and address the needs of Muslim customers through cstomized service offerings. Overlooking this demographic and marginalizing minority groups can result in missed opportunities, given that minority customers represent a significant and expanding market segment (e.g., Burton 2002; Jamal 2003; Knight et al. 2009; Lee et al. 2011). Moreover, scholars and industry practitioners increasingly acknowledge the influence of previously overlooked ethnic minority customer groups. This heightened influence stems from the rapid demographic growth of these populations across diverse global regions (Basov & Bhatti 2016; Pires et al. 2011; Pires & Stenton 2015; Penaloza 2018). Consequently, firms aspiring for growth and sustained prosperity must proactively target and engage this burgeoning market segment. Our research endeavors to promote this key strategic imperative.

6. Limitations and Future Research Agenda

Several limitations to our study highlight opportunities for further research. First, our data are derived from practices of purposefully selected financial service firms within a single emerging market. We opted for this singular national context to mitigate the variability in macroeconomic conditions across countries. While many emerging markets share cultural similarities, distinct findings might emerge in countries with a significant Muslim customer base. Therefore, expanding research to other nations is imperative to enrich the literature on customer interaction for developing Shariah compliant new services. Regarding the generalizability of our results, although India presents a unique scenario where religion and ethnicity intertwine, we posit that our research findings can be generalized to countries with comparable socioeconomic backgrounds. Second, our study focused on the services sector, characterized by intangibility, perishability, heterogeneity, and variability. Consequently, there's a need for research examining how marketers of tangible products can engage with Muslim customers. Third, as our study adopts a B2B perspective, future research might explore customer interactions within a business-to-consumer market framework. Fourth, it's essential to exercise caution when generalizing the findings of our study due to its limited sample size. Subsequent research endeavors could employ a large-scale empirical quantitative research design to validate our study's conclusions. Lastly, the cross-sectional nature of our study limits its insight into the dynamic processes of customer interaction for developing Shariah compliant new services compared to what a longitudinal design could offer. Therefore, employing a longitudinal research design in future studies could significantly enhance our comprehension of this key research domain. Scholars like Papastathopoulou & Hultink (2012) have also advocated for more longitudinal NSD research in global markets.

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