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From Words to Wealth: Integrating Digital and Word-of-Mouth Marketing to Optimize *Rahn* Contracts in KS NURI JATIM

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ABSTRACT: This study explores the integration of digital marketing and word-of-mouth (WOM) strategies to optimize *rahn* (Islamic pawn) contracts at KS NURI JATIM, a sharia-based financial cooperative in East Java. Using a descriptive qualitative approach, the research investigates how digital platforms and personal recommendations can synergize to enhance customer engagement and increase the uptake of *rahn* products. Data were collected through interviews, observations, and document analysis involving key stakeholders, including management, employees, and customers. The findings reveal that the strategic combination of digital marketing tools—such as social media, websites, and messaging apps—with traditional word-of-mouth communication significantly improves outreach and trust among target communities. This integration not only strengthens the institution's marketing effectiveness but also aligns with the values and preferences of its sharia-compliant clientele. The study offers practical insights for Islamic financial institutions seeking to modernize their marketing efforts while preserving community-based trust mechanisms.

KEYWORDS: *Rahn* Contract, digital marketing, word of mouth, KS NURI JATIM

I. INTRODUCTION (SIZE 10 & BOLD)

In an era where digital disruption is reshaping the financial services landscape, Islamic microfinance institutions are confronted with the challenge—and opportunity—of adapting to evolving consumer behaviors. While conventional financial products aggressively leverage digital and social channels to increase market reach (Kunaifi, 2024), Islamic financial products such as *rahn* (Islamic collateral-based financing) remain underexplored in the context of modern marketing strategies. Despite its relevance for the unbanked and underbanked Muslim population, *rahn* services often suffer from low visibility, inadequate public understanding, and limited engagement—problems that are particularly critical in cooperative-based institutions like KS NURI JATIM.

The rise of digital marketing and word-of-mouth (WOM) influence presents a compelling pathway for financial cooperatives to enhance the reach and appeal of their services. Yet, little empirical research has been conducted to explore how these two strategies, when integrated, could optimize the marketing of Sharia-compliant contracts. This research takes KS NURI JATIM—a local Islamic microfinance cooperative in East Java—as a case study to examine the extent to which digital and WOM marketing approaches have been effective in promoting *rahn* contracts. More importantly, it investigates how these strategies can be refined to increase customer awareness, trust, and ultimately, participation in *rahn* financing.

Several prior studies have investigated the intersection of marketing strategies and Islamic microfinance, though few have specifically focused on the marketing of *rahn* products (Hidayat & Kunaifi, 2023). For instance, Syed et al. (2021) examined the role of digital marketing in enhancing customer engagement in Islamic banking, finding that social media content tailored to religious values significantly improves customer trust and product awareness. Their findings suggest that incorporating faith-based messaging within digital campaigns can be a strategic asset for Islamic financial institutions. However, the study did not delve into contract-specific promotion such as *rahn*, leaving a gap in practical marketing frameworks tailored to specific Islamic financial instruments.

Meanwhile, research by Ahmed and Saeed (2020) emphasized the enduring influence of word-of-mouth (WOM) in community-based Islamic financial services. They argued that interpersonal communication and trust within Muslim communities remain powerful tools in customer acquisition and retention, especially in rural and semi-urban areas. Their case study on Islamic cooperatives in Malaysia revealed that WOM recommendations, often driven by religious leaders or respected members of society, hold more sway than digital advertisements in influencing financial decisions. Nevertheless, the integration of WOM with digital platforms remains largely underutilized and conceptually unexplored.

Furthermore, a study conducted by Nasution et al. (2022) explored the challenges faced by Islamic cooperatives in promoting lesser-known financial products, including *rahn*, in Indonesia. They noted that lack of digital literacy, limited branding, and inconsistent communication strategies are key barriers to wider product adoption. Although the research recognized the potential of digital transformation in overcoming these barriers, it stopped short of providing actionable insights on how digital and WOM marketing can be harmonized to boost *rahn* utilization. This highlights the need for more focused research that offers practical, replicable strategies tailored to grassroots Islamic financial institutions such as KS NURI JATIM.

The objective of this study is twofold: first, to assess the effectiveness of KS NURI JATIM's current marketing strategies in promoting *rahn* products; and second, to propose a framework for optimizing *rahn* contract performance through the strategic integration of digital platforms and community-based word-of-mouth advocacy. By bridging traditional Islamic finance with contemporary marketing practices, this research aims to contribute both to the academic discourse and to practical solutions for Islamic financial institutions in emerging economies.

II. RESEARCH METHOD

This study employs a qualitative descriptive research design to explore the effectiveness of integrated digital and word-of-mouth marketing strategies in promoting *rahn* contracts at KS NURI JATIM. The qualitative approach is chosen to gain a deep, contextual understanding of the marketing practices and perceptions surrounding *rahn* products within the institution and among its customer base (Kunaifi & Qomariyah, 2021). By focusing on detailed narratives and patterns, this methodology allows for a comprehensive exploration of both internal marketing strategies and external customer responses.

The key informants in this study include a diverse group of participants directly involved in or affected by the marketing and utilization of *rahn* contracts. Specifically, data were collected from three main categories: (1) management personnel who design and oversee marketing strategies, (2) front-line employees responsible for customer interaction and product promotion, and (3) active customers (nasabah) who have utilized *rahn* services. This multi-perspective approach enables the researcher to triangulate findings and understand the dynamics between institutional strategy and customer behavior.

Data collection was conducted through semi-structured interviews and participant observations, supplemented by document analysis of promotional materials and internal reports. The data were then analyzed using comparative methods, which involved identifying recurring themes and comparing perspectives across the different informant groups. This comparative analysis highlights not only the consistency or divergence between institutional strategies and customer experiences, but also sheds light on the areas where digital and WOM marketing efforts can be synergized to improve the reach and performance of *rahn* products.

III. RESULT AND DISCUSSION

This section presents and analyzes the findings obtained from interviews, observations, and document reviews conducted at KS NURI JATIM. The discussion is organized around the main themes that emerged from the field, focusing on the effectiveness of the current marketing strategies for rahn contracts and the potential for optimizing these strategies through the integration of digital and word-of-mouth (WOM) approaches. The insights from management, employees, and customers are compared to identify alignment or discrepancies in perception, implementation, and outcome. The discussion also connects the findings to relevant theories and previous research in Islamic microfinance marketing, highlighting both practical implications and conceptual contributions (Kunaifi & Syam, 2021).

A. Marketing Strategy on KS NURI JATIM

The research findings indicate that KS NURI JATIM employs a dual approach to marketing: traditional word-of-mouth (WOM) marketing and digital marketing. These two strategies function in parallel, each with its own strengths and limitations, and their integration is crucial for expanding outreach and enhancing customer engagement, especially in promoting the *rahn* (Islamic pawn) product.

Word-of-Mouth Marketing: Community Trust as a Strategic Asset. Traditional word-of-mouth remains a dominant and trusted channel for customer acquisition at KS NURI JATIM. The institution leverages strong interpersonal relationships within the local community, particularly through satisfied customers who voluntarily recommend *rahn* services to family, neighbors, and fellow congregants in mosques. This approach is rooted in social trust and shared religious values, which align well with the cooperative's Sharia-compliant identity. Informants noted that many new customers came to the institution not because of advertising, but because someone they trusted had already used and recommended the service. This aligns with prior research (Ahmed & Saeed, 2020), which emphasized the power of community advocacy in Islamic financial services.

However, while WOM marketing is highly effective in building trust, it is often informal, unstructured, and limited in geographic scope. The success of this strategy depends heavily on personal networks and the perceived credibility of the recommender, making it harder to scale in a systematic way.

Digital Marketing: Expanding Reach and Modernizing Communication. To complement WOM efforts, KS NURI JATIM has also adopted digital marketing techniques, primarily through social media platforms such as WhatsApp, Instagram, and Facebook. These channels are used to disseminate information about products, share testimonials, and post promotional content related to *rahn* services (Kunaifi et al., 2024). Digital marketing has enabled the cooperative to reach younger demographics and urban-based customers who rely more on digital platforms for financial decision-making.

Nonetheless, interviews revealed several limitations in the institution's digital marketing practices. Most of the digital content is not yet fully optimized in terms of branding, frequency, or audience targeting. Additionally, there is a lack of consistency in messaging and engagement, and the digital marketing is still handled informally by internal staff without a dedicated marketing team or professional content strategy. This observation is in line with Nasution et al. (2022), who found that many Islamic cooperatives struggle with digital content management due to limited technical capacity.

The Need for Integration and Optimization. The parallel use of WOM and digital marketing at KS NURI JATIM suggests a promising opportunity: integrating both strategies into a cohesive and mutually reinforcing system. For instance, WOM testimonials can be documented and amplified through digital platforms, while digital marketing content can be designed to encourage community sharing and referrals. This hybrid strategy could not only improve customer reach but also maintain the core values of trust and community orientation that define Islamic microfinance.

By strategically combining the authenticity of WOM with the scalability of digital platforms, KS NURI JATIM can position itself as a modern yet value-driven Islamic financial institution. This aligns with Syed et al. (2021), who noted that faith-based institutions must bridge traditional values with digital innovation to remain relevant and competitive in a fast-changing financial landscape.

B. Rahn Financing Strategy at KS NURI JATIM

The study reveals that KS NURI JATIM strategically drives profitability by optimizing its *rahn* financing through three intertwined approaches: enhancing the product offering, simplifying application processes, and improving service accessibility. Below is a detailed examination of each strategy.

Product Optimization: Clear Pricing & Accessible Collateral Management. KS NURI JATIM positions its *rahn* product as a competitive and Sharia-compliant financing alternative. The cooperative applies transparent fees—custody, appraisal, and safekeeping—mirroring best practices in Islamic pawnbroking by avoiding compound interest (riba) (journal.uii.ac.id). This clarity enhances customer trust and aligns with findings by Azman et al. (2020) in Malaysia, where competitive pricing and reduced procedures significantly improved client satisfaction and revenue . Furthermore, KS NURI JATIM's flexible collateral valuation and storage options reduce barriers, echoing Yusuf et al.'s (2024) findings that speedy, well-structured rahn services foster client welfare in rural settings .

Application Simplification: Reducing Friction in Customer Onboarding. Interviews with staff and customers highlighted the cooperative's efforts to streamline the rahn application process—less paperwork, fewer visits, and shorter approval times. This reflects best practices from BMT and Islamic pawnshop studies in Indonesia, where applicants prioritized ease of access and rapid disbursement (journalsocialsciences.com). In Malaysia, Ar-Rahnu users similarly appreciated minimal procedural steps and swift financing arrangements . These streamlined processes are crucial for improving throughput and profitability, as operational efficiency lowers processing costs and accelerates client acquisition.

Service Accessibility: Expanding Reach through Ease of Access. KS NURI JATIM leverages branch-level availability and mobile outreach to reach both urban and rural clients. This aligns with Tripalupi et al.'s (2022) emphasis on service accessibility and digital-inclusive features as drivers of institutional growth and financial inclusion (ijair.id). By situating *rahn* services near customers and integrating digital inquiry tools, the cooperative ensures consistent demand flow while maintaining personalized guidance—a combination recognized by Azman et al. as essential for optimizing *rahn* offerings .

These three strategies collectively enhance KS NURI JATIM's financial performance in several ways: Increased Volume & Revenue: Simplified access and processing lead to more customers, generating higher fee income without resorting to interest-based charges. Cost Efficiency: Leaner procedures and clear product design reduce administrative overhead. Customer Retention: Transparency, quick service, and reliability foster repeat usage and positive WOM referrals.

This mirrors Yusuf et al. (2024), who noted that fast, structured *rahn* financing improves welfare and fosters loyalty , and aligns with Ar-Rahnu studies in Malaysia showing competitive service enhances profitability . Additionally, broader fintech adoption—though still developing—is recognized as a future lever to further enhance reach and efficiency .

To further optimize profitability, KS NURI JATIM could: Introduce Digital Application Tools: Implementing online loan calculators and submission portals can reduce friction, support digital literacy, and draw in younger clients. Enhance Staff Training & Standard Operating Procedures: Consistency in product delivery not only strengthens trust but also encourages repeat business, reinforcing observations by Amranah & Kassim. Digitize Pricing & Collateral Transparency: Publishing a fee schedule and collateral guidelines online will further differentiate the product and support operational efficiency. By embedding these improvements, KS NURI JATIM stands to elevate its *rahn* portfolio—boosting profitability, scaling its reach, and reinforcing its role as a community-centered Islamic microfinance provider.

Table1: Comparative Analysis of Marketing and Rahn Optimization Strategies

Aspects	KS NURI JATIM (Indonesia)	Other Islamic Microfinance Institutions	Remarks
Marketing Strategy: Word of Mouth (WOM)	Strong reliance on community trust; referrals from local members and religious leaders.	Similar use in rural cooperatives (e.g., BMTs in Indonesia, Koperasi Shariah Malaysia).	WOM remains a core trust-building strategy across institutions.
Marketing Strategy: Digital Platforms	Active use of WhatsApp, Instagram, Facebook; informal content strategy.	Some MFIs (e.g., Ar-Rahnu Malaysia) integrate apps, online ads, and chatbot-based services.	KS NURI shows potential but lacks structured digital marketing operations.
Product Clarity and Transparency	Transparent fee structure, simplified contract terms for rahn.	Ar-Rahnu Malaysia offers standardized fee disclosures and real-time appraisal calculators.	KS NURI aligns well in transparency; digitalization can enhance further.
Application Process Simplification	Minimal paperwork; fast approvals; no complex documentation.	Common in Ar-Rahnu and BMTs; some offer online pre-approval or mobile verification.	KS NURI is competitive; opportunity for digital onboarding remains.
Service Accessibility	Branch-based service, occasional mobile outreach; responsive to community needs.	Some have 24/7 kiosks or integrated e-finance tools (e.g., QRIS-based micro-pawning).	Accessibility is strong locally; scalable access via tech remains limited.
Staff Involvement and Capacity	Internal staff handle marketing and customer education without specialized training.	Some MFIs provide digital marketing training or hire dedicated promotion officers.	Human resource capacity is a key differentiator for growth.
Profitability Focus	Strategies aimed at fee-based income via volume; emphasize trust & efficiency.	Similar approach; some use cross-selling of financing products (e.g., Murabahah + Rahn).	KS NURI's pure rahn focus is effective, but diversification can be explored.

Source: Data derived from findings of this study and comparative review of existing research (e.g., Azman et al., 2020;

Nasution et al., 2022; Yusuf et al., 2024). Ar-Rahnu institutions in Malaysia are often considered more digitized and standardized, but cooperative values are shared. KS NURI JATIM excels in grassroots trust and procedural efficiency but still has room for improvement in digital integration and institutional scalability.

The comparative on table 1 illustrates the dual strategy adopted by KS NURI JATIM in marketing and optimizing *rahn* financing, benchmarked against practices from other Islamic microfinance institutions (MFIs). KS NURI relies heavily on word-of-mouth marketing rooted in community trust and religious networks—an approach commonly found in BMTs and cooperatives across Indonesia and Malaysia. While the institution has embraced digital platforms like WhatsApp and Instagram, its digital strategy remains informal and lacks professional content planning, in contrast to more structured digital outreach seen in some Malaysian *Ar-Rahnu* providers. Despite this, KS NURI's transparency in pricing and simplified application procedures places it among the more accessible and trustable MFIs in terms of customer experience.

In terms of *rahn* product optimization, KS NURI stands out for its streamlined loan application, fast approval process, and service accessibility through local branches. However, the institution still depends on conventional branch-based service models, while other MFIs have started adopting 24/7 kiosks, online submission tools, or QR-based transactions. The table also highlights that while KS NURI has focused its profitability on volume and trust-based engagement, other MFIs have diversified income through bundling *rahn* with other Shariah-compliant contracts. Overall, the comparison indicates that KS NURI performs strongly in trust-building and operational simplicity, but could enhance its competitiveness through digital integration, capacity building, and product diversification.

CONCLUSIONS

1. Based on the findings and comparative analysis, it can be concluded that KS NURI JATIM implements a dual marketing strategy that effectively combines traditional word-of-mouth (WOM) with emerging digital platforms. This hybrid approach strengthens community trust while gradually expanding outreach through social media. However, while WOM remains a strong asset rooted in religious and social networks, the institution's digital marketing efforts require further structuring and professionalization to match the practices of more digitally mature Islamic microfinance institutions. Strengthening this integration will be key to increasing brand visibility and customer acquisition, especially among younger and tech-savvy demographics.
2. In optimizing *rahn* financing, KS NURI JATIM has successfully streamlined its operational processes—simplifying application procedures, ensuring transparent fee structures, and improving access to services. These efforts have contributed to enhanced customer satisfaction and growing profitability. Nonetheless, to remain competitive in the evolving microfinance landscape, the institution must consider adopting digital tools for service delivery, expanding staff capacity in marketing and technology, and exploring opportunities to bundle *rahn* with other Sharia-compliant financial products. Such enhancements will allow KS NURI JATIM to sustain its community-centered identity while pursuing institutional scalability and innovation.

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