

Subjective Meaning of Strategic Pricing Decision Making Based on Islamic Values in the Muslim Business Community

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Abstract

Fierce competition in business often triggers companies to act unreasonably in their pricing strategies. Their orientation to maximize profit frequently trumps the ethical values derived from religious teachings. This study aims to find the meaning of strategic pricing decision-making of Muslim business people based on their awareness of Islamic values. Islamic values arise from the perception of business people as a reflection of knowledge about Islamic ethics that they understand. The research method employed is transcendental phenomenology. Transcendental phenomenology is an interpretive research approach that aims to describe the use of informants to a social concept that arises in consciousness based on their life experiences. The sampling was conducted on five business people members of the Indonesian Islamic Business Forum (IIBF). The findings show that Muslim business people interpret strategic pricing decision-making according to their awareness of Islamic values as a form of justice, namely fairness in pricing based on market segments and product value-added. This research provides knowledge to business people to consider ethics in the strategic pricing policy. Thus, business people not only take into account their economic benefits, but also the social impact of their business decision-making.

Keywords: *Strategic Pricing, Islamic Values, Phenomenology Study, Muslim Business Community*

INTRODUCTION

Pricing is an important aspect of business that commonly becomes a consideration in business decision-making. Business people need to improve prices according to the added value provided to strengthen customer loyalty (Rama, 2020). Business organizations with a competitive



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environment must cleverly create pricing strategies to win the competition and grab market attention.

Cost coupled with margin can potentially be the ideal formula in pricing. According to (Elder-Vass, 2019), cost plus margin may be appropriate for manufacturers of manufactured products but not for financial asset products. Various factors such as auction costs, stock licensing, negotiation costs, subsidy costs for large companies, and all inherent risks also need to be considered in pricing if the product is a financial asset (Uddin *et al.*, 2020). Each price reflects the typical nature of the price following the attributes given to the product (Elder-Vass, 2019; Gao *et al.*, 2021).

In the era of global competition, it is not enough for the company to merely use the calculation of the production cost in determining the price; it also has to consider various factors (Zuhroh & Pratiwi, 2014). One of the factors that affect the price is the strategic policy adopted by the business people or entrepreneurs in choosing the market segment. Business people with a broader market segment tend to create a low-price strategy to make their products affordable to the entire market segment. On the other hand, business people with certain market segments whose market niche is smaller prioritize differentiation in the form of value-added that can be enjoyed by buyers in that segment, so the specified selling price is higher according to the value of differentiation of products received.

Companies generally focus on maximizing their total profits in the pricing decision-making process without considering the strategic behavior of consumers (Zhou & Xu, 2020) in their market segment. For example, business owners may determine margins excessively in price determination when they know that consumers do not know the market price information of the product. In other cases, there is often dishonesty in explaining product features, so the price does not reflect the facilities enjoyed by consumers. According to Septiarini (2017), prices should reflect the benefits fairly for both buyers and sellers.

Furthermore, fierce competition in business often encourages people to act unreasonably in their pricing strategies. Competition in price wars in the form of efforts to gain the market share in unethical ways or efforts that could harm competitors is unethical (Aman, 2020). Ethical and moral considerations should not be eliminated when conducting promotional activities and pricing (Aman, 2020).

Generally, businesses have basic characteristics driven by the motivation of profit maximization (Breton & Caron, 2008), which sometimes trumps the ethical values that business actors believe. The term ethics refers to more manners, social justice, and virtue practiced by a community (Aldulaimi, 2016), while business is an interactive activity based on economic interests and material benefits. Triyuwono (2015) states that under the modern economic system, humans are assumed to be *homo economicus* who have a preference for economic rationality, self-interest, calculative, materialist, anti-social, and moral exclusion. Such conditions are systemically widespread, resulting in a high trade-off between the economic interests that want to be sought and the fulfillment of social-ethical values that need to be fought for.

Ethical values that are widely instilled in religious education become an essential theme to be integrated into business practices. Islam is the second-largest religion in the world and is very disciplined in inculcating virtue values in business and economic activities. In the concept of Islam, humans act as a caliph who has consequences for committing to obey the teachings of Islam (R. Rizk, 2014). As a result, humans have to be responsible for all their deeds because it will be judged in the afterlife according to the level of commitment to their mission on Earth (Aldulaimi, 2016; Ismaeel & Blaim, 2012).

In Islamic ethics, profit is not the ultimate goal of a business, but it is merely a medium to achieve the ultimate goal (Abdul-Baki *et al.*, 2013). Saeed *et al.* (2001) said Islam encourages the approach to the welfare of society rather than decisions based on profit maximization. Similarly, in pricing, profit is only a means for sellers to get decent rights for their efforts to provide value to products and services. Pricing should reflect aspects of compensation fairness for sellers and buyers. According to Ibn Taymiyyah, the price should reflect the advantages and benefits that are fair to both sellers and buyers. Buyers get an equivalent value to the price paid, and the seller benefits from the average price in the market (Septiarini, 2017); one must not raise the price when the buyer does not know the average price in the market (Sidani & Al Ariss, 2015).

In Islamic teachings, prices are set according to market conditions. According to Prophet Muhammad (PBUH), Allah regulates the rise and fall of prices; thus, he refused to intervene in the market price when asked by one of his companions. Besides, he does not want to be prosecuted in the afterlife for his tyranny in determining prices through intervention (Ali & Al-Aali, 2015; Septiarini, 2017). Nevertheless, in classical literature, Imam Malik reported that Umar ibn Khattab intervened Hatib ibn Balta'ah's trade by

selling goods at meager prices. Umar bin Khattab asked him to raise the price or tell him to leave the market (Aman, 2020; Saeed *et al.*, 2001; Septiarini, 2017). Therefore, in Islam, it can be said that prices should be allowed to flow according to the strength of competition in the market unless there are individuals who deliberately commit violations that can affect market prices to be exorbitant. This is the right policy that makes everyone are able to enter the market and compete (Arham, 2010).

There are only a few pieces of research on the product price in Islam. Some previous studies, such as Septiarini (2017), Aman (2020), and (Ali *et al.*, 2013), only mentioned a little in the theory discussion. Many researchers have conducted Islamic pricing research for financial asset products (e.g., Ahroum *et al.*, 2020; Rama, 2020; Sabah & Hassan, 2019; Uddin *et al.*, 2020). However, there is almost no specific research examining Islamic pricing on products and services. Thus, this research has been conducted to fill the gap of existing literature.

The study aims to find the subjective meanings of strategic pricing decision-making of Muslim business people based on their awareness of Islamic values. Researchers want to understand directly from the perspective of Muslim business people. Awareness of Islamic values will provide a broader perspective as a basis for consideration of strategic pricing decision-making. Combining Islamic values with business values will influence wiser decisions by considering ethical values. The revealed meaning will be an interesting discussion to sharpen the attitude of business people in considering ethics for making strategic price decisions to run their business.

This paper consists of several parts, including first, the background of the research accompanied by the purpose and the importance of the research carried out, second, the research methodology used, third, the results of the research through the description of the research themes and the findings of the meaning construction of Muslim business people, fourth, the results of research to emphasize the contribution of meaning to practical implementation for strategic pricing decision-makers; and fifth, conclusion.

LITERATURE REVIEW

Strategic Pricing

Strategic pricing refers to the definition of Cadez dan Guilding (2008), namely pricing based on strategic business factors, such as competitors' price

reactions and price elasticity. Technically, strategic pricing decision-making considers the price of competitors and the price elasticity of the products being offered. The difference in the application of strategic pricing to low-cost and differentiation strategies lies in the market segments targeted by both of them. Low-cost strategies in general will focus on a larger market segment to gain market share (Zuhroh dan Pratiwi, 2014; Blocher *et al.*, 2010:16) because the advantages obtained from pricing are lower than competitors. In the differentiation strategy, the focus is no longer on low prices, but on the value-added of product uniqueness or product innovation (Blocher *et al.*, 2010). The main target is consumers in certain market segments who are not sensitive to price changes (Zuhroh dan Pratiwi, 2014), so prices are sometimes high according to the added value given to the product.

The Rationality of Decision Making Based on Islamic Values

The implementation of homo-economicus as a basic assumption in conceptualizing the theory of rational decision-making can be seen in the theory of riskless choices and the theory of risky choices. According to Edwards (1954), there are at least three characteristics inherent in homo-economicus, namely having perfect information, being very sensitive, and being rational. The rational character becomes the core character that represents homo-economicus behavior. One element of rationality postulates that the homo-economicus always tries to maximize something to fulfill his desires (Hidayat, 2016).

As a Muslim businessman, he should not only consider the economic benefits of his business, but also the social impact of making business decisions. The fear of committing injustice to stakeholders is a form of Islamic ethical rationality for Muslim businessmen. This awareness is important for Muslim businessmen as a form of obedience to carrying out Allah's orders and considering their welfare in the hereafter.

RESEARCH METHOD

This research is qualitative research with a transcendental phenomenological approach. Transcendental phenomenology is a qualitative research method used to explore individual awareness in interpreting social phenomena or concepts based on their life experiences (Creswell, 2013; Kuswarno, 2009; Roekhudin *et al.*, 2015). The phenomena in question include

what the makeup of consciousness produces. Phenomenological approaches were used in this study to find informants' most profound understanding of strategic pricing decision-making based on awareness of the Islamic values they understood. The result of transcendental phenomenological research is meaning. The transcendental phenomenology approach is employed because it is in line with the purpose of this research, which is to find the meaning of strategic pricing decision-making based on Islamic values awareness.

Types, Sources, and Methods of Data Collection

The type of data in this study is qualitative data, which is in the form of sentences delivered by informants about their understanding of interpreting strategic pricing decision-making based on awareness of their Islamic values. The phenomenological approach requires digging up information related to the phenomenon directly from the first person's point of view who experienced the phenomenon (Kuswarno, 2009). So, the main data source used falls into the primary data category.

Data collection is conducted through in-depth interviews. Technically, the interview is conducted by giving questions to the informant, then based on the informant's answer, the researchers do bracketing on one or more words that are assessed as textual descriptions (*noema*). The findings of the *noema* are further questioned to find a structural description (*noesis*). During the interview process, researchers used notebooks and recording devices to record all the data obtained.

Researchers chose the Indonesian Islamic Business Forum (IIBF) as the object of research with consideration among others (1) this community is a Muslim-based business community, (2) this community teaches Islamic values and Da'wah to each member, (3) this community has a vision that leads to character building as a Muslim business people. The three considerations came after researchers reviewed the IIBF website and interviewed its several members during the survey.

The selection of informants uses the Convenience Sampling strategy, based on the ease of meeting informants. Researchers choose informants who are lived in Kalimantan to make it easier for researchers to meet because they are closer to the researcher's domicile. The researchers selected five business people who were members of the IIBF. In phenomenology, research informants are advised to range from 3 to 10 people (Creswell, 2013). The phenomenological approach assumes that informants with the same

awareness of the social phenomenon or concept being explored will direct their consciousness to the exact meaning to emphasize more quality than quantity. Kamayanti (2020) stated that one awareness of peeled informants could produce many transcripts, much less with many informants. The list of research informants can be seen in table 2.1.

Table 2.1 List of Research Informants

No.	Name	Organization Position	Business Field / Product Name
1.	Didik Sukoco (DS)	IIBF Coordinator of East Kalimantan Region	Pure Health Drinking Water
2.	Alfa Malik (AM)	Chairman of IIBF Balikpapan	Snack Syakurafood
3.	Farid (F)	IIBF Members	Roti Gembong Kota Raja
4.	Abdul Rasyid (R)	IIBF Members	Sahabat Tour and Travel
5.	Taufik Muhammad(TM)	IIBF Members	Kaka Guru Driving School

Source: processed by researchers. Note: name mentioned with the consent of informants.

Data Analysis Methods

This research uses phenomenological data analysis methods developed by Moustakas (1994) with stages of data analysis including (1) horizontalizing important statements (Horizontalizing), (2) making units of meaning of these critical statements (Invariant Horizon) classified into Noema and Noesis, (3) categorizing units of meaning into themes, (4) developing existing themes and units of meaning into textual and structural descriptions, (5) integrating textual and structural descriptions into the construction of the meaning of the constructed phenomenon. In order to make it easier to analyze, the data analysis working paper can be seen in table 2.2.

Table 2.2. Data Analysis Working Paper

No.	Formulation of Units of Meaning		Themes	Essence and Meaning constituents
	Noema	Noesis		
1.	Take profit moderately and do not abuse	<ul style="list-style-type: none"> - Same goods, same quality, but higher prices are the wrongdoer - Let the profits not be too large, as long as the quantity is sold a lot - Everyone can feel it, so the multi-factor effect is big 	Sufficient benefits and no mistreatment	Informants Interpret strategic pricing decision-making according to their awareness of Islamic values as a form of justice, namely fairness in pricing based on market segments and product value-added.
2.	Determination of high prices to generate value-added perceptions	<ul style="list-style-type: none"> - The greater the value-added, the greater the selling value - Antibacterial is a plus for my water - Physical and emotional value-added - Consumers are ready for different prices when there is an added value-added - Training guarantee and moneyback guarantee 	The expensive price must be comparable to the value-added of the product	
3	There are no restrictions on pricing, as long as you are honest about the value-added to the product	<ul style="list-style-type: none"> - What was promised is the same as the fact - There is no benchmark in market prices 	There is no maximum price limit, as long as it is honest about the value of the product	

Source: adapted from Moustakas (1994)

RESULTS

From the results of the data analysis, researchers summarize three themes in each discussion: textual descriptions (noema) and structural descriptions (noesis). Noema is the primary statement response obtained from the informant. Then from the main statement, it was dug further to get Noesis which is the structural explanation of the main statement delivered by the informant. The final process of writing the results is integrating textual and structural descriptions into constructing the meaning of the constructed phenomenon. Here is an explanation of the three themes and the construction of the meaning.

Sufficient benefits and no mistreatment

Mr. AM's awareness of the pricing strategy was inspired by how the Prophet Muhammad (PBUH) determined the selling price of his products. The method used by Rasulullah SAW in trading is as follows: He would directly tell the buyer how much capital he needed to buy the product and then let the buyer appreciate his product. Even, according to Mr. AM, the Messenger of Allah allows anything that is done in *muamalah* practice as long as it does not abuse in general. Based on these principles, Mr. AM believes that the ethics of determining prices should be sufficiently profitable and not wrongful to others.

According to Mr. AM, the price determination was wrong when the seller took excessive profits from the cost of goods and the market price, such as making a profit of 100% of the goods basic cost, or setting the price unreasonably higher than the general market price. Even though the seller will face the risk of product failure, this can still be improper. The following is Mr. AM's statement:

For example, wrongdoers. The price in the market is for example 1300, that's 30% profit, right... it turns out that we are taking excessive profits. 100%, for example, 2000. This is called oppression. If it is allowed, the risk is that the goods will not sell. But it is wrong. With the same goods, the same quality, the price is more expensive. Unless the goods are the same but of different quality. (AM, interview, May 9, 2018)

Based on Mr. AM's statement, the price is appropriate to be set above the standard market price when there is an additional value-added to the

product, thus creating a superior quality compared to the same goods in the market. In practice, Mr. AM also acknowledges that the strategic pricing of his business is to follow market prices.

Mr. F also has the same awareness as Mr. AM, namely that he determines the price of goods to be not too high and is based on the targeted market segment. Mr. F focuses more on the quantity sold. Also, the target market segment is the middle to the lower class. Mr. F applied this strategy because Mr. F wanted his products to be popular, meaning that many people could enjoy them. Following is Mr. F's statement:

If we don't take it too big ... we prioritize quantity, let it be not too big, but the quantity we sell is a lot, so the price paid by consumers is not too expensive. Because also, the market segment that we take is from the middle to lower class.

Yes ... what is clear is that we wanted this insight to be evenly distributed ... all circles can feel ... all circles can feel the benefits of the existence of this bread. So as an alternative to the main meal. The hope is that with more people who feel it, the multiplier effect will promote it. (F, interview, May 9, 2018)

Mr. F realizes that his bread has been known as "people's bread", and many middle and lower-class groups have recognized the existence of his bread. When Mr. F raised the production level by modernizing production machines, he decided not to increase the price of his product. It is just that when he adds value to his products, such as contemporary jam, the product price is increased according to the value-added given to the product.

Cost The cost of goods is still considered the minimum limit for determining prices, but market prices are used as a benchmark for whether competitive prices are appropriate. Both Mr. AM and Mr. F recognize that prices should fall within the range of the market segments that have been targeted previously. Determining a price that is too high over the market price indicates the tyranny of the seller unless there is value-added given to the product so that it deserves a higher price.

High prices must be proportional to the added value of the product

Several informants explained that when a product is given value-added, then the product price is eligible to be increased. Mr. F, Mr. TM, and Mr. DS all agree on this. The value-added given to the product results from

entrepreneurial creativity possessed by business people. Consumers who choose products with higher value-added must be prepared to get a higher price. Likewise, for producers, the higher the value-added that can be given to a product, the higher the selling value of the product.

Furthermore, according to Mr. DS, the high price will create a perception of value. The consumer's expectation for a product with a high price is, of course, the value-added given to the product compared to similar products on the market. Mr. DS added that pricing starts from determining which segment the business is competing in, after which the businessman makes a strategy to create value-added, then determines a reasonable price for the product while comparing it with competitors' prices.

Mr. DS is a businessman who believes that the purpose of doing business is to create value. It is different from trading, which only sells goods by determining the margin without adding value to the product. According to Mr. DS, the pricing is proportional to the value-added given to the product. Mr. DS stated, "What is no less important is the value-added we create. How successful we are in making value-added, that much we can increase the selling value. (DS, interview, May 21, 2018)"

Mr. DS is a mineral water businessman with the "Purehealth Organic Drinking Water" brand. Mr. DS's mineral water is different from mineral water in general. The value-added that Mr. DS gives to his product is antibacterial mineral water. The distillation technology used by Mr. DS makes the water clean and fresh; even bacteria cannot live in the water. The following is a more detailed explanation of Mr. DS:

I have this water... if someone is given water, he doesn't want it. There is water everywhere. He doesn't need water. But when I distilled this water. So I only charge for the distillation. My refinery cost per gallon is, say 1000 silver. With the assumption of employee costs and so on, I consider overhead. I didn't enter the HPP. So my fee is just said only 1000, that refine. But after that process, the water becomes distilled water. Distilled water quality. Clean. So the water becomes distilled water. Water with quality that even bacteria cannot live there. Because there is no place. Because of this, he needs a place called a pollutant. It is in the minerals that are in the water. The pollutant is dust or soil that gets stuck there. It becomes a pollutant in which bacteria can live. Antibacterial is a plus for my water. These antibacterial agents make people pay a high price. (DS, interview, May 21, 2018)

Mr. DS is sure that consumers will appreciate his product at a higher price than the price of regular mineral water because of the value-added of anti-bacteria, which is the advantage of his product. On one occasion, Mr. DS once told researchers that there were consumers who felt uncomfortable on their tongue when they did not consume mineral water and that they rarely washed the dispenser because they used mineral water. This is what Mr. DS calls physical value-added, namely value-added, whose impact can be felt significantly. Also, he explained that there is a value-added to the emotion. Value-added increases consumer pride because they prefer drinking healthy water. According to Mr. DS, the two values-added, each have a price.

Agreeing with Mr. DS regarding value-added, Mr. F, who initially targeted the lower middle segment for his products, also stated that when a product is given value-added, and consumers choose to enjoy it, then the consumer is ready to accept the price increase at that time. The following is the statement of Mr. F:

Then we will give another value-added, value by providing contemporary jams such as chocolate jam, cheese, and so on. When consumers choose to get Kerininan jam, they are ready to get it for a different price compared to the market price. (F, interview, May 9, 2018)

Meanwhile, Mr. TM, who is in the service business of driving courses, openly told the researcher that the price he set was the highest of all his competitors. He implemented this strategy according to the target market: the middle to the upper class. Also, he provides value-added to his service products which are not found in all of his competitors. Several statements he made during the interview were recorded as follows:

We are the most expensive. So in Balikpapan, there are 11 competitors. 11 car driving courses for business people. Kaka driving school is the most expensive because we also pay people dearly. By the service. Service guarantee. So if people complain. I can't, really can't, even though it's already ... we've added it until we can. There is no other driving course like that. Who would dare to guarantee? Money-back guarantee. Refund. But usually, they are not money-back but add meetings. (TM, interview, May 17, 2018)

A service guarantee is one of the values-added given by Mr. TM to consumers who choose his services. No other competitor dares to provide a money-back guarantee, apart from Mr. TM.

The informants' overall explanation of this theme culminates in the following conclusion. In addition to paying attention to market segments, price-fixing must be based on the value-added that has been successfully provided to products, both goods and services. The higher the value-added, the more worthy the product is valued higher. Even if the profit margin is far above the COGS, if consumers are willing to pay a high price for the value-added of a product, then this is legal and permissible.

There is no maximum price limit, as long as it is on average of the product's value. According to the informants' awareness of Islamic values that they understand, pricing does not have a maximum limit, provided it is through an honest market mechanism. However, two perspectives differentiate between trading and business pricing. In trading, prices tend to be based on market prices, while business prices refer to the value created by a product. This opinion appears in the awareness of Mr. DS and Mr. AM. When explaining to the researchers, Mr. DS continued the understanding of some of his colleagues who stated that the maximum profit limit was 20% of the COGS. He said the claim followed the hadith, but Mr. DS himself admitted that he had not researched it. According to Mr. DS, this claim may be appropriate to apply to commerce, not to business. Because in business, according to him, there are efforts to add value, in contrast to trading, which only sells and purchases and does not add value to products.

According to Mr. DS, there are no limits to business, as long as the seller is honest with his product and consumers are willing to buy his product at that price. Mr. DS said:

There are no limits to business. So, it becomes limit if they sells ... the important thing is they are honest with the product. He paid that much. The customer wants it. Just fine. There is no problem. (DS, interview, May 21, 2018)

According to Mr. DS, honest, the value promised on the product is following the facts, "Honestly. For example, like this, I said what physical evidence of my water is good. So what is promised must be the same. The price is agreed, OK." (DS, interview, May 21, 2018)

Mr. AM, who is engaged in trading, has the same understanding as Mr. DS that determining the maximum price is up to the seller. Even so, the market mechanism will continue. When a seller sets a high price above the market price, he runs the risk of not selling his goods. Buyers will switch to

other products that have prices according to average market prices. According to Mr. AM, the main determinant of whether the goods are sold or not is the market price. Mr. AM's awareness is recorded in his statement during the interview as follows:

Not really, the maximum limit is up to you. The only thing that determines whether people buy or not is the market price. Surely people see this in general, how come he sells so dearly. What is the difference? Oh, it doesn't make any difference. So people don't buy, people will buy in general, right? It turns out that once tried, oh, there is a difference in that. For example, the difference is that the chocolate is thicker, more pronounced, the taste is more delicious or the seasoning is more pronounced. Now that will be different. But if it's the same, people won't want to. (AM, interview, May 9, 2018)

Mr. AM and Mr. DS know that market prices and value-added are the leading measures in the pricing strategy. No matter how high the price is determined, if it is not relevant to the market price and value-added, it will cause the loss of product competitiveness in the market. In the end, the product is not bought by consumers. Besides that, honesty is also an essential element. According to Sharia, honesty in the product's value makes trade transactions valid, while a business strategy can create re-orders because consumers are satisfied to get the product as expected at the beginning.

Meaning Construction: Fairness in Pricing Based on Market Segments and Value Added Products

Based on the informants' awareness in interpreting strategic pricing, it can be found that strategic pricing must be fair by referring to the market segment chosen from the start and the value-added given to the product. All informants agreed that when choosing a certain market segment, the price had to be fair following that market's ability (purchasing power). For example, in theme 4.2, when Mr. F and Mr. AM chose the middle to lower market segment, determining the low price was considered fairer. Mr. F did not raise the price, even though Mr. F had modernized the production equipment at his factory. This is to keep the middle to lower market segment able to buy their products. Likewise, in theme 4.3, the high price determination was considered fairer for consumers in that market when Mr. DS and Mr. TM chose the middle to the upper market segment.

Pricing that is too high in the middle to lower segment will result in unsold products in the market unless the product is given value-added, creating a quality advantage over other products. It is unfair if producers increase prices without an increase in value-added to the product. Likewise, determining prices that are too low in the middle to upper segment will result in the product not being accepted by that segment due to consumer suspicion of product quality. The expectation of consumers in the upper-middle segment is product quality based on value-added. Based on this explanation, the pricing must be fair based on the selected market segment and the amount of value-added given to the product.

DISCUSSION

Muslim business people define strategic pricing decision-making as a form of fairness in price determination based on market segments and added value in products. Specifically, this fairness can be achieved when the pricing is done precisely following the selected market segment from the beginning. It should also be done precisely according to the added value given to the product. The findings of this meaning support the theory of Islamic pricing by Septiarini (2017), which suggests that a reasonable price is a price that does not cause oppression or exploitation that only results in harm or profit to one party. Moreover, prices should reflect a fair stretch for buyers and sellers (Rahim, 2016). Products with high prices should reflect equal added value, and sellers must be transparent about the products' quality (Zain *et al.*, 2015).

A fair pricing strategy will ensure social equality, as justice is the main target of all commercial transactions (Aman, 2020). Fairness of pricing based on market segments and the quality of value-added given to products represents the rationality of Islamic ethics because of the awareness to consider proper behavior towards consumers as buyers. It is also in line with the principles of justice taught by Islam, as stated in the *surah* Al-Maidah, verse 8 of the Qur'an, "Be fair, because fair is closer to piety." Therefore, building an ethical environment and social responsibility are obligatory tasks for every Muslim business people (Hassan *et al.*, 2019).

Muslim business people at the time of pricing are not worth considering only economic rationality through maximum profit generation or long-term competitive advantage in targeted market segments. Maximizing profit is only one of the objectives in achieving Islamic socio-economic goals,

namely, Falah (Abdul-Baki *et al.*, 2013). Muslim business people should also consider ethical aspects, such as fairness in price determination both from the manufacturer and consumer side (Harahap *et al.*, 2015). Business people and entrepreneurs, who do not care about the aspect of price determination fairness based on market prices and added value on products, might fall into prohibited trade such as *bai' an-najasy*. It is an effort to raise prices through designated demand and take advantage of consumer ignorance of market prices. Another prohibited trade is *bai' al-ghasysyi*, a trade containing product quality fraud (E. Hidayat, 2015). It is appropriate to determine the price based on the value of attributes given to the product (Elder-Vass, 2019; Gao *et al.*, 2021). Unfair pricing in Islamic teachings is a deceptive and illegal act by sellers and buyers entitled to sue (Aman, 2020).

The integration between economic and Islamic ethical rationality analogizes rationality that considers both the dimensions of the world and the afterlife because the considerations between economic awareness and ethics arise simultaneously for Muslim business people. Muslim business people consider not only the economic benefits of their business, but also the social impact of their business decision-making (Ali *et al.*, 2013). According to Aldulaimi (2016), the world of work has a social and meaningful dimension that needs to be directed to provide benefits to others following the hadith, "the best among people are those who can provide benefits to others." Thus, the Islamic work ethic encourages its adherents to positively consider intrinsic aspects of work, such as the benefits of working for the community (Vargahernández *et al.*, 2010).

CONCLUSION

This research aims to find the meaning of strategic pricing decision-making from Muslim business people based on their awareness of Islamic values. The results show that Muslim business people interpret strategic pricing decision-making as an expression of fairness, namely the price determination that must be fair based on the market segment chosen at the beginning and the amount of added value given to the product. Fair pricing based on market segments and the quality of value-added given to the product represents the rationality of Islamic ethics. It can be occurred because there is an ethical awareness to consider proper behavior towards consumers as buyers, which is in line with the principles of justice taught by Islamic values.

Decision-making is a central feature of business analysis (Gaffikin, 2007). One of the crucial activities in business decision-making is strategic pricing. In this case, the decision-maker needs to consider the aspects of profit and ethics. Both aspects are equally valuable to achieving equitable equality in commercial activities. It includes fairness between the price received by the seller and the product features received by the buyer so that the welfare is evenly received by both sellers and buyers. Equality also includes equalization of welfare between competitors in the same market segment, as no unethical action is taken by any of the businesses in the segment. This research will inform business people to consider ethics in the strategic policy of price management. Business people should consider not only the economic benefits, but also the social impact of their business.

LIMITATION

The limitation of this research is that the object of research is limited to only one Muslim business community. Therefore, the conclusions obtained are a reflection of the Islamic values believed by Muslim business people in the IIBF community. However, the research results can still be transferred to a wider business context as an ethical consideration in strategic costing decision-making.

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