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Strategic Practices and Development of the Hotel Sector for Pilgrims in Makkah and Madinah

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Abstract:
The hotel industry for pilgrims in Makkah and Madinah is currently undergoing a rapid transformation as part of the general programme of expansion to increase the capacity to accommodate more pilgrims. This study investigated the strategic practices and strategic development of this industry by undertaking interviews with a broad selection of 24 hotels following the hajj of 1436 AH (2015) combined with document analysis of hotel literature and a survey of 54 hotels. The findings confirm some of the general perceptions of the industry identified beforehand, and identify similarities and differences in marketing and strategic practices. Recommendations are made for further research in this developing area.

Keywords: *Hospitality industry, Hotel development, Pilgrimage, Strategic practices, Makkah, Madinah.*

1. Introduction

For many pilgrims, the hajj/umrah is a once in a lifetime opportunity, and they spend their lifesavings to visit the holy cities, which is usually managed by a hajj agent. The rituals are a re-enactment of those performed by the prophets. The shared goals of pilgrims are to demonstrate sincerity to Allah, and have sins forgiven by Him. Although the focus of the pilgrimage is on the pilgrimage rites, an important component of the pilgrimage package is accommodation during the stay in Makkah/Madinah, whether in a hotel or elsewhere. This study investigated strategic planning in the hotel industry in the two holy cities of Makkah and Madinah focusing on the provision of hotel accommodation for pilgrims during umrah and hajj.

The city of Makkah in Saudi Arabia has long been a place of attraction for pilgrims due to the presence of the Baytullah (House of God) in the form of a Kaaba (cube shaped building). Every year during the month of Dhul-Hijjah, Muslims arrive from all over the world to participate in the Hajj (pilgrimage), which is incumbent upon every Muslim who can afford it at least once during their lifetime. It takes place from the 8th to the 13th of Dhul-Hijjah (the twelfth month of the Islamic calendar). However, this is the peak or high season for pilgrimage, as pilgrims also arrive to perform the lesser pilgrimage (*umrah*) during other times of the year. Makkah is therefore a very important place for the hospitality industry throughout the year, but especially during the hajj season. It is one of the main drivers for the tourism industry in the kingdom (Alpen Capital, 2012). The second holy city of Madinah is also important for the hospitality industry because many pilgrims of hajj or umrah also visit the prophet's mosque (masjid an-nabawwi) located therein. Makkah and Madinah are both eastern cities and provinces in the Saudi kingdom (Figure 1).

Figure 1: Provinces of Makkah and Madinah
Source: CI, 2014

2. The Hotel Industry in Makkah and Madinah: Survey & Strategic Planning

2.1. Expectations of Pilgrim Guests

Due to the spiritual purpose of the pilgrimage, pilgrims tend to be highly tolerant of any service quality issues they may encounter, which is reinforced by the Quranic prohibition of avoiding disputes during hajj. This has implications for all forms of service quality including hotel accommodation services. The high level of tolerance means that service providers are more easily able to take undue advantage by compromising with the quality of their services (Jabnoun, 2003). On the other hand, there is also evidence that this attitude is changing, at least for certain groups of pilgrims. For instance, among UK Muslims, it was noted at the 2013 World Hajj and Umrah Convention that there was a four-fold increase in the reporting of Hajj fraud from 2011 to 2012 (WHUC, 2013). This fraud includes mis-describing hotel accommodation, especially in terms of the number of rooms and other services. This indicates that some groups of pilgrims are now more willing to report issues, and it can therefore be assumed that they have greater expectations for a quality service. This may be particularly the case for relatively younger pilgrims compared to older pilgrims, and pilgrims from Western countries who may be more used to speaking out against any shortcomings in services.

2.2. Accommodation in Makkah

The Saudi government has been aggressively expanding the capacity for accommodating pilgrims since the beginning of this century, as well as retail and other related services (Henderson, 2011). This initiative has led to intense competition between multinational companies for Makkah's prime retail estate.

Since the major hotel fire incident in 2006 close to the Grand Mosque, it is now a requirement by the Ministry of Hajj for pilgrims to secure their accommodation through an approved tour operator. The purpose behind this ruling is to ensure the ministry knows the place of stay of every pilgrim. This is reinforced by requiring field service offices to ensure pilgrims arrive at their designated accommodation (MH, 2015). A list of approved housing and hotel service providers is maintained by the Ministry of Hajj's UEFIP (Umrah Establishment for Foreign and Internal Pilgrims) for foreign pilgrims.

Restrictions were also imposed on tour operators. They are required to arrange a minimum number of pilgrims (with an upper limit), and to arrange for the hajj and hotel accommodation months in advance (Woodward, 2004). Furthermore, it is now common for them to book an establishment or a part of it for a whole season. In the UK for instance, there are currently 80 or so such approved tour operators through which hajj visas and accommodation must be secured (McLoughlin, 2013). Their minimum requirement is to take 150 pilgrims with an upper limit of 450 although they can apply for a higher limit. The number of tour operators has also been reduced, as the Saudi government prefers to deal with fewer of them that are large and established companies. Consequently, many mergers have taken place over the past decade.

2.3. Number of Pilgrims

The number of pilgrims and other tourists generally increase every year in line with population trends. The peak seasons are during hajj and the month of Ramadan (the twelfth and ninth months of the Islamic calendar respectively). This century has witnessed a surge in numbers with the number of pilgrims having increased to 3.2 million over the period 2002-2012 (AC, 2015). Subsequently, the numbers fell to 2.1 million over the next couple of years due to the fear of a MERS (Middle East Respiratory Syndrome) outbreak and construction work at the two holy mosques, but the numbers have returned to the pre-expansion levels in recent years. The number of hajj pilgrims were since projected to increase from 3 to 7 million by 2040 (Crompton, 2014), and the total annual number of pilgrims, which includes those who come for umrah at other times of the year, are expected to increase to between 20 million and 30 million by then (Saudi Gazette, 2014) with around 25 million annual visitors being reached by around 2025. A more conservative estimate predicts 16-17 million by 2025 by a Compound Annual Growth Rate (CAGR) of 4% for Makkah (Figure 2), and 9-10 million by a CAGR of 3% for Madinah (Figure 3) (AC, 2015). Naturally, the surge in the number of pilgrims and the projected further increases require accommodation to be arranged for accordingly, and as necessary the expansion of pilgrim capacity and the construction of more hotels.

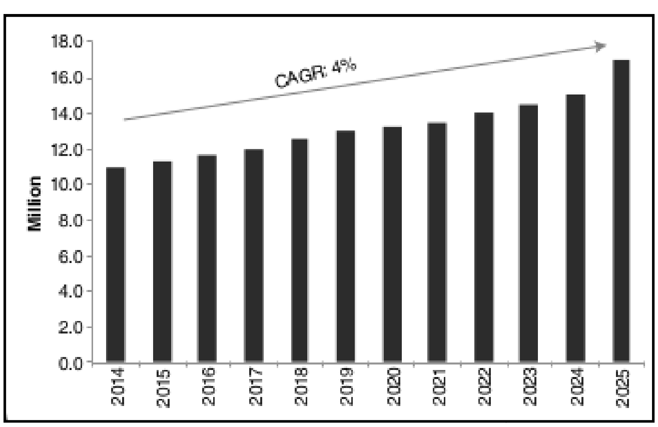

Figure 2: Projected visits to Makkah 2014-2025
Source: AC, 2015 (adapted)

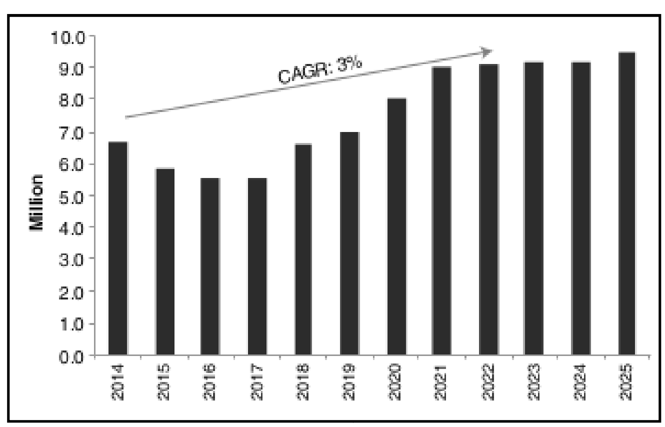

Figure 3: Projected visits to Madinah 2014-2025
Source: AC, 2015 (adapted)

2.4. Expansion Projects

In order to expand the capacity to allow more pilgrims, vast construction projects began in 2008, which will continue for three decades. These projects include expansion of the Masjid al-Haram itself, a new rail transit system between Makkah and Madinah, a Makkah metro service, and the construction of more hotels (Crompton, 2014). Prior to the current ongoing expansion of the central area of the Masjid al-Haram, the area occupied 0.4 million square meters and was able to accommodate 0.7 million worshippers. After completion of those projects that are expected to be completed by 2020, this area will double to 0.8 million square meters and will be able to allow 2.5 million worshippers to pray there (AC, 2015). These expansion projects for increasing pilgrim capacity also include the construction of new buildings, surrounding courtyards, walkways, tunnels, drinking water areas, toilet facilities, and spaces for electricity and air-conditioning. More recently in 2014, the Saudi government initiated a 25-year strategic plan to improve services for pilgrims, especially the efficiency of administrative and financial processes.

The completion of the expansion projects is expected to help religious tourism flourish further. On the other hand, some new constructions such as the construction of the Abraj al-Bayt (Makkah Clock Royal) Tower, have also raised concerns among many Muslims around the world that they are being made by demolishing sites of religious and historical significance. Moreover, it is felt by many that Makkah is losing its spiritual atmosphere to capitalism (Taylor, 2014). The followers of the Salafi school of thought that is dominant in the Saudi kingdom today justify these constructions as being necessary for increasing the capacity for future pilgrims to perform hajj/umrah. Although infrastructural development is desperately needed, it is apparent that cultural heritage is being lost in the process, and the developments are mostly in favour of wealthier pilgrims in spite of Islam's stress on brotherhood and equality during the pilgrimage.

2.5. Development and Number of Hotels

The hospitality industry in the two holy cities is dominated by hotels, which in Makkah account for 96% of the total supply with the other 4% being furnished apartments (CI, 2014). Hotels are popular due to pilgrims' typically short length of stay.

Over the past few years, many large hotel brands have been driving the development of new hotels in Saudi Arabia as part of their overall expansion strategies for the Middle East. Notable new hotels in the two cities under focus include the Makkah Hilton Towers, Sheraton Medina, and Four Points. Notably, these projects are mostly catering for relatively wealthier customers whereas there is a shortage of economy and budget hotels (Manley, 2013). Also, the foreign parties involved in the hotel business in the two holy cities have to establish their ventures jointly with local Saudi developers due to the prohibition on foreign parties owning land.

As of 2013, there were 450 classified hotels in Makkah with 16 new hotel projects being planned, and since then US $133 billion have been invested for the provision of first class and luxury hotels (HNR, 2013). The total number of available hotel rooms then were 61,000, which made Makkah home to the largest hotel market in the kingdom, and a further approximately 13,000 rooms were being planned for at the time. In contrast, Madinah had 7,800 rooms, and the capital Riyadh had 10,000 rooms. More recent figures, as of February 2014, state the total supply of rooms in Makkah as 107,209, and in Madinah as 46,536 (AC, 2015). The differences in the span of one recent year alone show that the provision of hotel accommodation is increasing rapidly. In terms of numbers of hotels and hotel investment, there has been a construction boom in recent years, which is continuing.

2.6. Location and Distribution of Hotels

In Makkah, the areas close to the Masjid al-Haram (Grand Mosque), referred to as the 'central area', is dominated by five star hotels. They typically charge higher than average rates during the peak seasons compared to hotels that are further away. The hotels outside of the central area are mostly unbranded hotels and furnished apartments.

The Saudi Hospitality Sector Report of 2015 identified 43% of the hotels in Makkah and 46% in Madinah as being of three-star quality or above (AC, 2015). This may suggest there is an abundance of premium hotels and an insufficient supply of economy hotels, which may explain the growing popularity of the latter in both cities. This pattern is also typical of hotels elsewhere in the Saudi kingdom. The breakdown of the 43% of three star and above hotels in Makkah is as follows: 19% are three-star, 11% are four-star, and 13% are five-star. A further 37% are unbranded hotels, and the remainder are unfurnished hotels. In Madinah, as at the end of February 2014, there were 17% five-star hotels, 6% four-star, and 23% three-star. Compared to Makkah, Madinah has a greater proportion of one and two star hotels, which together account for 45% of the total number of hotels in the city.

The data for proportion of hotels by type is summarised in Table 1 along with the total in terms of the number of rooms or keys. The supply in Makkah is expected to increase by a projected 6,000 in each of 2015 and 2016, and 12,000 in 2017 before stabilising (CI, 2014). The supply in Madinah is expected to increase by 500 in 2015 and by fewer amounts in the subsequent years.

Proportion /Number of hotels	**In Makkah**	**In Madinah**
Unclassified	37%	45%
2-star	20%	8%
3-star	19%	23%
4-star	11%	6%
5-star	13%	17%
Total	107, 209 keys	46, 536 keys

Table 1: Existing supply of hotels (as of Feb. 2014)
Source: SCTA (2014) (figures only)

Table 2 lists a selected number of major hotels operating in Makkah classified by three to five stars. Information on the number of rooms and distance from the Haram Sharif is also given. The table shows the prominence of 5-star hotels, many of which are either adjacent or within walking distance of the Haram Sharif. Also listed are some hotels in development, which shows that hotel development is currently being undertaken on a massive scale.
Some hotel brands have several properties in Makkah or they are constructing more. Hilton for instance, already has 3 properties in Makkah (Hilton Makkah, Hilton Towers, and Hilton Suites). The company now has plans to open five more hotels over the coming years that together will have the capacity of 5,000 rooms in the holy city. One of these new hotels is the Conrad Hotel, which will be part of the huge Jabal Omar development. Starwood Hotels, which currently has 2 properties n Makkah (LeMeridien and LeMeridien Towers), is developing three further properties by 2019 (Sheraton, Westin, and Four Points). The largest hotel being planned is the Abraj Kudai, which will have the 10,000 rooms to make it the largest hotel in the world surpassing The Palazzo with 7,000 rooms in Las Vegas. Notably, the thrust of the development is on expensive luxury hotels for the affluent rather than on affordable economy hotels for the masses.

Hotel	Number of rooms	Distance from Haram Sharif (km)
Existing Five Star Hotels		
Al Marwa Rayhaan	481	adjacent
Fairmont Clock Tower	858	7.7
Dar Al Ghufran	324	adjacent
Haraj Tower	1200	adjacent
Swissotel	1488	0.05
Safwa Royal Dar Al Eiman	810	adjacent
Moevenpick Hotel & Residence	1,036	4.8
Pullman ZamZam	1,315	7.8
Royal Dar Al Eiman Ajyad	810	0.2
Hilton Makkah	614	7.7
Hotel Al Shohada	494	0.6
Raffles Makkah Palace	214	adjacent
Makarem Umm AlQura	336	2
Intercontinental Dar Al Tawhid	600	7.7
New/Upcoming Five Star Hotels		
Hyatt Regency	628	
Intercontinental IHG	1,238	3.5
Best Western	650	-
Westin Makkah	512	-
Sheraton Makkah	532	-
Four Points	496 (will be 1,139)	-
Abraj Kudai (4/5Star)	10,000	2
Four Star Hotels		
JW Marriott	426 (will be 600)	5.7
Elaf Kinda	240	0.5
Olyan Hotel	200	0.2
Dar Al Eiman Ajyad	250	0.35
Saraya Eman	-	0.2
Three Star Hotels		
Al Mohgreen Khalil	433	0.35
Yamama Hotel	160	0.8
Dar Al Eiman Khalil	-	0.6
As Salah Ajyad	-	0.5

Table 2: Selected three to five star hotels
Source: Gates (2010) (adapted)

2.7. Seasonality and Occupancy
Although pilgrims arrive throughout the year, since umrah can be performed at any other time of the year, the sheer number of hajj pilgrims during a few days each year makes the hotel market in Makkah and Madinah subject to a very high degree of variable occupancy. Nonetheless, hotels in the central area tend to remain operational throughout the year whereas many of those outside of the central area usually have to close their doors during low seasons, which in the past few years has been during spring.
As of 2004, Woodward (2004) reported an average occupancy of around 60%, which drops to 20% outside of the busy hajj and Ramadan periods. More recent figures show that hotel occupancy in Makkah surges to above 90% around the central area of the Grand Mosque during the peak periods whilst some reach full capacity (Thomas, 2014). As expected, the rates of occupancy decreases gradually in line with the distance away from the Grand Mosque. The rates drop seasonally as well. Last year (2014), the rate

immediately after the end of Ramadan dropped to 70%.
During the whole year, around 25 million pilgrims as well as other visitor's travel to Makkah. The average stay of a hotel occupant is 5.1 nights (HNR, 2013). Over the past few years, the average occupancy of hotels in Makkah has been increasing by around 10% each year, and the number of overnight hotel stays has also been increasing steadily by around 6% each year.
Besides seasonality, the rate of occupancy is also sensitive to the external factor of global events, and changes in pilgrim visa quotas. As mentioned earlier, construction activity and the MERS outbreak were recent factors that dampened pilgrim numbers and thus occupancy rates. Other factors that affect occupancy are economic growth of the kingdom and Muslim countries generally, and the growing Muslim population globally.

2.8. Hotel Prices and Revenues
The average price of hotels in the central area ranges between SAR 700 and 1,000 per night. A room that overlooks the Grand Mosque typically costs around SAR 1,000 per night whereas others in the same area are between SAR 700 and 850. In other neighbourhoods not far from the Grand Mosque such as Al Aziza and Al Jin, the rate ranges between SAR 400 and 600 per night (AB, 2014). During a peak period, such as during the last 10 days of Ramadan, the rate of overlooking rooms can reach as high as SAR 40,000, and a very high figure of SAR 70,000 was reported for a room that is located in very close proximity (Al-Hamid, 2014). Location or proximity is clearly the main factor in determining the price of a hotel room.
The hotel industry in Makkah helps generate approximately US $8 billion in tourism revenue, as of 2013 (HNR, 2013). And, as of Ramadan during 2014, the revenues during the last 10 days of the holy month alone amounted to SAR 2 billion (Al-Hamid, 2014).

2.9. Potential for the Hotel Industry in Makkah and Madinah
It has been shown above that there is huge scope for the economy segment of the hospitality markets in both Makkah and Madinah. Companies have the opportunity to take advantage by investing in this segment, which requires less expense and space than luxury hotels. According to the Saudi Hospitality Sector Report of 2015, the potential for further growth of branded economy hotels is vast due to their current low penetration. It was noted earlier that luxury hotels dominate the areas, which satisfies the needs of wealthier customers, but for those who cannot afford high prices, there are fewer options.
Particular areas have also been identified in the report that are not far from the Haramayn Sharifayn (holy precincts), and can accommodate more hotels. In Makkah, these are Ajyad Municipality, Aziziyah District, and Zahra District (Figure 4) (AC, 2015). At the end of 2013, only 577 rooms were available in branded economy hotels although development is already underway to increase this provision to 7,848 rooms by the end of 2018. In Madinah, this figure was a mere 80 at the end of 2013 although current development projects aim to increase this capacity to 986. The potential areas in Madinah for more economy hotels are the central area, Pilgrim City, and Knowledge Economic City (Figure 5). These are all ideal locations due not only to their distance from the Haramayn, but also to their traditional association with pilgrims. Around 25 hotels having over 6,000 rooms combined were demolished in the central area in order to pave the way for its redevelopment, so this has exacerbated the supply gap. The Pilgrim City is already under development, and is expected to accommodate approximately 200,000 pilgrims, but authorities have not made clear how many of the new hotels will cater to the economy segment.

Figure 4: Areas with potential for economy hotels in Makkah
Source: AC, 2015

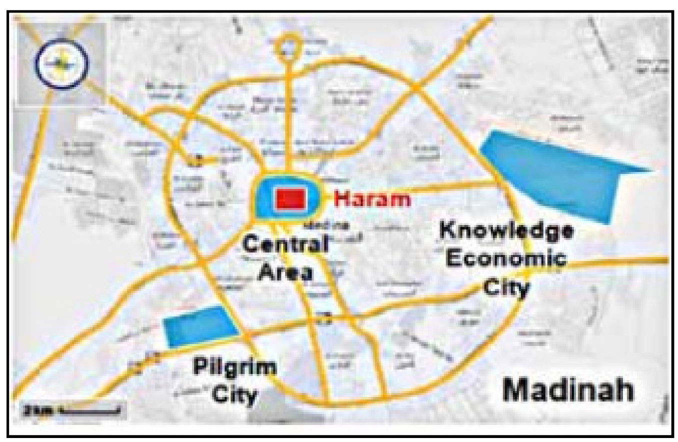

Figure 5: Areas with potential for economy hotels in Madinah
Source: AC, 2015

Besides the construction of more hotels to increase the number of available rooms for accommodation and pilgrim capacity, there is also great potential for related ancillary and support services in the two holy cities. This is especially the case for training institutes, as currently there is a lack of available courses that teach housekeeping, hospitality and laundering skills and ethics. Although some support is provided to youth who seek jobs in the hospitality industry, there is a conspicuous shortage of women working in hotels. Currently, the average employment of women in this sector stands at only 2%. There is potential therefore to train and employ a lot more women, and this is necessary given that women comprise an equally significant proportion of pilgrims and hotel guests as men. Women can be involved for instance in reception and administrative duties.

2.10. Obstacles in the Industry

In spite of the potential benefits, there are also several obstacles that are currently hindering progress in the hospitality sector. These obstacles pertain to laws, visa requirements, and domestic trends. The lack of training institutes mentioned above has resulted in quality of service issues, so hoteliers find it difficult to match global standards in providing their services due to shortage of trained personnel.

Compared to other countries in the GCC, such as UAE and Oman, many businesses find it difficult to get established and operate in Saudi Arabia. This is due to the extent of bureaucracy, and poor coordination. Efforts have been made by the Saudi Arabian General Investment Authority and other responsible agencies to improve the process and make it easier for businesses to enter the kingdom and run their businesses, but the ranking that indicates the ease of doing business has actually fallen during the past five years.

Another legal obstacle is posed by the Nitaqat law as a part of the kingdom's 'Saudization' policy. This law was enacted to provide employment to more Saudi nationals and to minimise the employment of foreign nationals. This is contrary to the situation in the past wherein the hospitality industry relied heavily on immigrant and expatriate workers (Sadi & Henderson, 2005). Quotas have now been imposed on companies with threats of punishment for not fulfilling those quotas, so many are having to replace immigrants and expatriates with local workers. This is a problem for both large and small hoteliers. The former find that Saudi nationals tend to be less productive and lack in technical skills or are otherwise unwilling to pursue jobs in such service industries as the hotel industry that involve dealing with customers directly. For the latter, there is an additional problem of expense, as employing Saudi nationals is also more expensive than employing non-Saudi workers.

Hajj and umrah visas are normally granted for less than a month, which may be seen as limiting the time pilgrims are able to stay in hotels. Also, the occupancy figures show the demand is highly seasonal, so many rooms remain vacant during non-peak periods. During that limited time granted by a pilgrimage visa, people do not have any time for leisure activities or to stay in neighbouring areas such as Jeddah.

Hotels in the two holy cities are also highly dependent on pilgrims for their business. The potential for business from domestic tourists is marginal in comparison. In fact, the number of domestic tourists in the kingdom as a whole decreased during 2004-2012 to 19 million at a CAGR of 7.4% (AC, 2015). Locals prefer to travel to foreign destinations over domestic destinations. Over the same period, outbound tourists increased at a CAGR of 22%.

2.11. Strategic Planning in the Hotel Sector

Strategic planning tends to be more common among larger hotels than it is among smaller hotels (Aldehayyat, 2011). That is, the nature and level of strategic engagement is determined by organisational size rather than by other factors such as type of ownership. The use of strategic planning techniques was found to be positively correlated with hotel size. Notably, hotel size has been shown in another study to be an influential factor in positively affecting hotel profitability (Aissa & Goaied, 2016). Managers' education and managerial efficiency were also found to be important factors. The importance of organisational size is due to its close association with the degree of formalisation. Strategic planning is more common in larger hotels relative to smaller hotels because of the greater organisational complexity which requires greater coordination through standardisation and control (Miller & Droge, 1986).

Total Quality Management (TQM) for instance, has been shown to impact on hotel performance positively, as has market orientation (Wang et al., 2012). The latter along with other external environmental factors play as a mediating role between TQM and performance. These findings are based on a survey sample size of 588, and the use of structural equation modelling and discriminate analysis. However, an analysis of data gathered from 175 four and five star hotels in the GCC (Gulf Cooperation Council) (Elbanna, 2016) revealed that the effectiveness of strategic planning is offset by 'organisational tensions' created by high levels of autonomy but low levels of control.

According to Aldehayyat (2011), the most important and common dimensions, based on various empirical studies, for studying strategic planning in the hospitality industry, which may also be applicable to other contexts, are participation and involvement, planning time horizon, internal and external environmental scanning, functional coverage, and planning techniques. Similar dimensions were identified by Gkliatis & Koufopoulos (2013) in a study on Greek five-star hotels. However, the latter study also identified planning formality and centralisation as important factors, and described the environmental domain as internal and external orientation.

The involvement of the CEO and board of directors has been found to be positively related to financial performance (Kaissi et al., 2008), and that of middle management by way of improving the quality of strategic decisions (Wooldridge & Floyd, 1990). Typical time horizons range from 12 months to 10 years, and are affected by such factors as present value, product and organisational life cycles, technological change, views of the top management, etc. (Koufopoulos et al., 2005). Environmental scanning refers to the manner in which information from the internal and external environments is monitored, evaluated and disseminated to relevant people within the organisation (Wheelen & Hunger, 2006). Both contexts are important in shaping the organisation's future, the internal environment for assessing the organisation's history and current situation, and the external environment for assessing demands and other pressures. Functional coverage is the term given to the degree of emphasis made on various functional areas, which may be differ for different organisations. This dimension is considered to be very important for hotels with respect to the effectiveness of the strategic planning conducted (Phillips & Moutinho, 1999).

Many hotels use benchmarking to guide their strategic planning practices. Nassar (2012) investigated this practice of benchmarking in the Egyptian hotel sector by conducting a survey of 128 two to five star hotels. Their findings showed a positive attitude towards the practice in general, and the perception of benchmarking as a tool for enhancing quality in order to improve their services. Most respondents considered it as a useful and inexpensive strategic tool for connecting with other businesses. It was also seen as enabling senior management to play an important role in quality management. On the other hand, some hotels find that the process involves too much data collection, and some hoteliers may be unwilling to share their data with others.

3. Methodology

There is a lack of studies on the hotel industry in Makkah/Madinah or on accommodation for hajj/umrah pilgrims. One study in this sector investigated service quality in general (Jabnoun, 2003), but it is a decade old study. Since then the industry has been and continues to be changing rapidly, and therefore deserves to be examined. Most studies have instead focused on aspects of pilgrimage such as health issues (Rashid et al., 2008), treatment facilities (Deris et al., 2009), crowd monitoring and control (Muaremi et al., 2013; Yamin & Albugami, 2014), pilgrim identification and tracking (Mohandes, 2010), impact on urban growth (Ascoura, 2013), and experiences of the pilgrimage itself (Haq & Jackson, 2009).

In this study, a mixed methods research was carried out involving document analysis, interviews and a short survey. Data was gathered from a selection of 24 hotels in Makkah following the end of the peak hajj season of 2015 (1436 AH). The hotels ranged from 2-star to 5-star in an equal proportion, which included small, large, local, international, non-chain and chain hotels. The areas examined were pricing and occupancy, hotel workers, perceived quality of service, marketing practices in the industry, strategic differentiation, issues of concern to hoteliers, and further strategies employed by the hotels. These areas were selected so as to provide a detailed picture of the hotel industry in the two holy cities as well as some insight into the practice of strategic planning therein.

4. Findings

4.1. Pricing and Occupancy

A price comparison of the hotels confirmed that the centrally located hotels have much higher prices, and that the prices generally decline in proportion with the distance away from the Haram Sharif. Location is clearly the critical factor in determining room pricing. The occupancy rates also confirmed the general observation of hajj and Ramadan being the peak or high seasons. During these periods, many of the hotels reach their capacity.

Proximity is also a very important consideration for pilgrims because they seek to be as close as possible to the Haram Sharif in order to minimise travel times. As one interview respondent, a hotel manager pointed out, the greatest demand of pilgrims is to have quick and easy access to the Haram Sharif, as it saves them time by shortening the time spent travelling and enables them to spend more time within the precincts of the Haram Sharif. The hotels privileged to have rooms overlooking the Ka'ba are particularly attractive to those pilgrims who are both wealthy and elderly. Older guests prefer these rooms because they are able to perform certain rites from inside their rooms. For hoteliers, these rooms have very high occupancy rates.

The hoteliers not located in the central area pointed out that their room rates and occupancy were much less than the more expensive hotels. However, they feel they are unable to raise prices so easily, so their profit margins tend to be smaller. One interview respondent expressed a little dismay over not having the flexibility to raise prices due to the location of the hotel being far, which in this case was over 5km away from the Haram Sharif. Instead, they are compelled to lower their prices by up to around 50-60% of the more expensive and closer hotels. A comparison of rooms with roughly similar features showed that in some cases, booking a hotel just a few kilometres away from the central area can get you rooms at a prices half those of rooms in nearby hotels.

Although the lower prices affected some of them negatively, they still competed with the more centrally located hotels in other ways. The main strategies they employed in order to compete with the more expensive and closer luxury hotels were offering more attractive pricing, giving special offers, and providing pilgrims free transportation to the Grand Mosque at prayer times. In addition, many claimed having a more highly skilled sales team, and to have differentiated their services to better suit the needs of different guests.

4.2. Hotel Workers

The workforce at the hotels showed that a large proportion of them are still foreigners, especially in the larger and luxury hotels. The foreigners are from various countries including the sub-continent and European countries, but most are from other countries in the Middle East, especially from Egypt.

4.3. Perceived Quality of Service

Based on the limited feedback from pilgrims and personal observations, it was found that the best hotels in terms of high quality of service were not necessarily those located in the central area. Some three and four star hotels located a little further away compared more favourably for pilgrims than the five star hotels adjacent to the Grand Mosque, which only excelled superlatively for the fact that they were in very close proximity.

A hotelier of a three-star hotel located at a distance away from the central area pointed out that a free bus service to transport guests to the Grand Mosque helped them to compete with the other hotels that did not need to provide such as service due to their closeness. Although this creates an additional cost, the lower prices are more attractive to customers who seek more economical rates.

4.4. Issues of Concern to Hoteliers

The overriding concern of hoteliers was to find ways of increasing the rate of occupancy in their hotels, and to have their room rates at levels that are optimal to achieving the highest potential revenue. Generally, larger hotels were more concerned about revenue whereas smaller hotels were more concerned about occupancy. As many of the larger hotels were located close the Haram Sharif, it could be that they did not face as much a problem with occupancy as did smaller hotels located further away, but due to greater expenses, revenue was therefore a greater issue. As one hotelier explained, revenue is more important when demand exceeds supply, and occupancy is more important when supply exceeds demand.

Competition however, was seen as the biggest threat, and this was perceived by all types of hotels; both large and small hotels, hotels that were close to the Haram Sharif and those that were distant. Moreover, there was a prevalent feeling of the competition having increased and become more intensive over the past few years. One hotelier remarked, "There has been a noticeable reduction in our revenues during the past couple of years due to the competition. We now have to give similar offers to our competitors or match them in other ways."

Besides the above-mentioned concerns, a few other concerns were also found to be common among the Makkan hoteliers. Some of them expressed difficulty in recruiting experienced or competent staff, and so are having to spend more on their training than they would otherwise have to. Maintenance related issues were a problem for some, especially the smaller hotels with tight profit margins, as they were unable to allocate sufficient funds to some maintenance tasks. Finally, many hoteliers pointed out that their room ratings and prices were sometimes affected by factors beyond their control, such as political events in Arab countries. A favourable environment for hotels was created during times of relative stability whereas unstable periods, such as during uprisings impacted them negatively. The same is the case over the past few years due to the large-scale construction activity that has been taking place, and consequently lower number of pilgrims than normal although this is a temporary inconvenience.

4.5. Marketing Practices

It was apparent from the advertisements, as expected, that the closest hotels all emphasised the convenience to guests of enjoying close proximity and accessibility to the Haram Sharif. Those that are able to offer direct views of the Ka'ba or Grand Mosque highlight the fact prominently in spite of the higher prices. In contrast are the advertisements of hotels further away. Many of them focus on the additional benefits provided to guests, especially free travel services to/from the Haram Sharif. The advertisements appeared in a range of places; newspapers, magazines, media stations, and websites. The two latter places were far more common among the larger luxury four and five-star hotels, especially those with an international presence.

4.6. Strategic Differentiation

From a strategic point of view, an important distinguishing feature of the higher class hotels is that they all make use of special software to help them in making managerial decisions, especially pertaining to pricing by taking into account different factors such as time of year and occupancy. This is besides the database software used for managing regular operations such as handling reservations, which was commonly used by all the hotels except some smaller two and three-star hotels that relied on a manual system.

A similar pattern was noticeable in the way hotels are involved in gathering important data of strategic significance, which includes market research, maintaining records of demand patterns and room prices, keeping informed of local and industry news and events, and also gathering information on competitors. Gathering such information, as well as the practice of attending meetings and conferences, is more prevalent among the larger hotels, and less sophisticated or common among the smaller hotels.

The document analysis showed a clear distinction also exists between the two categories of hotels with respect to the extent to which strategic plan elements are defined. Elements such as vision, mission, goals and objectives, were not specified by all the hotels. This was only defined by the more expensive hotels, which typically had a website and published a brochure. Strategic planning in this way is characteristic of organisations that seek to compete successfully and achieve their desired performance and outcomes (Alotaibi, 2015).

4.7. Further Strategies Employed by Hotels

Although there are exceptions, the hotels can generally be divided into two categories: (1) Large/Luxury hotels that are close to the Haram Sharif, and (2) Small hotels that are further away from the Haram Sharif. The differences are apparent on the basis of the most prevalent strategies and practices adopted by each of the two types of hotels (Table 3),

Strategies mostly employed by larger/closer hotels	**Strategies mostly employed by smaller/more distant hotels**
-Heavy advertising -Website -Database software -Market research -Gathering statistics -Meetings and conferences -Provision of a variety of rooms -Contracts with external agencies	-Giving special offers -Free night offers -Free breakfast -Segmentation

Table 3: Differences in strategies employed by two categories of hotels

Besides a strong attention to advertising and marketing strategies by the larger hotels, and as mentioned earlier, the gathering of statistics, use of database software, meetings and conferences, and market research, the larger hotels are also in a position to adopt two further strategies. These additional strategies are providing greater variety in terms of rooms styles so as to cater to a wider variety of customers, and making contracts with external groups, namely travel agents, other companies, and government institutions. The latter strategy enables them to gain long term commitments and to deal with low occupancy issues.

The distant hotels also used a number of strategies to support their businesses. For instance, the issue of low occupancy was dealt with by such strategies as giving special offers for extending the length of stay, free night offers, and free breakfast. Some hotels were found to favour particular types of community thereby implementing a segmentation strategy. For instance, there was a hotel in which Egyptian guests were more common, another for Jordanians, and one for the Iranian community. From a strategic point of view, the hoteliers decided to specialise so that they could better understand the needs of that community and serve them more uniquely. On the other hand, the few cases may be explained by the natural affinity of the hotel managers to that particular community.

5. Survey Results

The population researched comprised of hoteliers from the two holy cities of Makkah and Madinah. The data was obtained through a self-administered questionnaire that was sent to the general manager of each participating hotel. The survey questionnaire consisted of two parts. The first part was designed to gather general demographic information about the hotels, and the second part was an inquiry into their strategic planning practices. With respect to the latter, statistics were gathered on the extent of engagement in strategic planning, the time horizon of planning, degree of emphasis on particular aspects of planning, and the use of particular strategic techniques.

A total of 70 questionnaires were distributed, out of which 54 were returned with valid responses giving a response rate of 77.1%. Of these 54 questionnaires, 31 were from returned from Makkah and 23 from hotels in Madinah. One more returned questionnaire had to be rejected because the responses were incomplete. In order to test for representativeness, a chi-square test was performed, which showed no evidence of a significant difference between respondents to the survey and non-respondents in terms of hotel size (χ^2 = 2.631, p = 210), star rating (χ^2 = 2.594, p = 260), and proximity (χ^2 = 2.865, p = 235). The sample is therefore representative of the target population, and the results can be generalised.

5.1. Demographics of the Sample

Sixty-two percent of the respondents were below 40 years of age, and 100% were male (Table 4). Forty-five percent of them had less than five years of working experience, and 38% had experience exceeding 10 years. With respect to hotel size, the hotels were classified into small, medium and large. 43% of the hotels were small, 31% were medium, and 26% were large. In terms of ownership, roughly two thirds (65.3%) were local hotels, and the remainder (34.7%) were of foreign origin. Notably, there was a greater proportion of large and foreign hotels in Makkah compared to Madinah. Of the 26% of hotels classified as large, 63% were located in Makkah and 37% were in Madinah, and of the 34.7% of foreign hotels, 72% were located in Makkah and 28% in Madinah.

Demographic	**Breakdown**
Gender	Male: 100%, Female: 0%
Age	Below 40: 62%, 40-60: 21% Above 60: 17%
Experience	Less than 5: 45%, 5-10: 17% More than 10: 38%
Hotel size	Small: 43%, Medium: 31%, Large: 26%
Ownership	Local: 65.3%, Foreign: 34.7%

Table 4: Summary of demographics

5.2. Extent of Engagement in Strategic Planning

The results show that the greatest extent of participation in strategic planning is undertaken by the general manager (Table 5). This is the case for hotels in both Makkah and Madinah. In Makkah, the mean value for the general manager was found to be 3.72, which compares with 3.91 in Madinah. The second greatest extent of participation is by the planning committee among hotels in Madinah (mean=3.28) followed by the sub-manager (mean=2.93), and among Makkan hotels by the sub-manager (mean=3.19) followed by the planning committee (mean=3.15). Participation by external consultants was found to be the least for both groups of hotels.

With the exception of the general manager, the participation of all other strategic planners have a positive relationship with hotel size (Spearman's rho=0.416, 0.392, 0.435 respectively, for p<0.05, two-tailed). Participation of the general manager is negatively related with hotel size (Spearman's rho=-0.355, p<0.05, two-tailed).

Strategic planner	**Makkah (31)**		**Madinah (23)**	
	Mean*	St. Dev.	Mean*	St. Dev.
General manager	3.72	1.11	3.91	1.28
Sub-manager**	3.19	1.25	2.93	1.12
Planning committee	3.15	1.33	3.28	1.41
External consultant	2.67	1.08	2.26	1.19

Table 5: Involvement of planners in strategic planning

*The mean is an average on the scale of 0 (none) to 4 (a great extent); **e.g. night, office, security, rooms, revenue, assistant, etc.

5.3. Time Horizon of Strategic Planning

The greater majority of hotels have time horizons for their strategic planning of less than two years. This proportion is higher in Madinah (76%) compared to Makkah (67%). Of the remainder hotels, 24% of hotels in Makkah, and 17% of hotels in Madinah, have time horizons spanning between 2 and 5 years. Very few hotels have time horizons that exceed 5 years (Table 6).

The mean time horizon was found to be 2.73 years for hotels in Makkah, and 2.46 for those in Madinah. The time horizon for strategic planning was also tested for possible correlation with hotel size. The Spearman's rho test was applied, and the values obtained were

0.861 (<0.01, two-tailed) for Makkah, and 0.849 (<0.01, two-tailed) for Madinah. The correlation test showed the relationship to be positive.

Strategic planner	Makkah (31)		Madinah (23)	
Years	Frequency	%	Frequency	%
Less than 2	36	67	41	76
2-5 years	13	24	9	17
6-9 years	5	9.3	3	5.6
More than 10	0	0	1	1.9
Total	54	100	54	100

Table 6: Time horizon for strategic planning

5.4. *Degree of Emphasis on Particular Planning Aspects*

The strategic plans of the hotels cover most of the seven aspects with a mode of at least 3 (Table 7). The greatest emphasis was on personnel related aspects followed equally by finance and marketing. Emphasis on the rest is as indicated in the table with the least being on information technology, which includes the management information system. Hotel size was found to be correlated positively with all of the aspects with the exception of purchasing (Spearman's rho=0.214, p>0.05, two tailed).

Aspect	Mode
Personnel	9
Finance	8
Marketing	8
Purchasing	5
Operations	5
Research & Development	4
Information technology	3

Table 7: Emphasis on particular aspects of planning

5.5. *Use of Particular Strategic Techniques*

Table 8 lists a selection of 16 specific techniques or tools used in strategic planning, and the mean values of the indications given for which of them are used. For hotels in both cities, the most commonly used technique is financial analysis of the own hotel (item 9) (mean=3.831 Makkah; 3.913 Madinah). Only three other techniques (items 1-3) were also indicated by a mean greater than 3, namely SWOT analysis (3.450 Makkah; 3.393 Madinah), Porter's Five Forces analysis (3.010 Makkah; 3.119 Madinah), and PEST analysis (3.153 Makkah; 3.269 Madinah). In both cases, these four techniques are the ones most commonly used, in the order: (1) Financial analysis (own), (2) SWOT analysis, (3) PEST analysis, and (4) Porter's Five Forces analysis.

All other strategic planning techniques were indicated with a mean of less than 3, as indicated in the table. The next most common techniques are items 4-6, 10-11, and 14-16, most of which have a mean above 2. The least common techniques are 7-8, and 12-13, the least of all being the use of strategic planning software (mean=1.351 Makkah; 1.046 Madinah).

The correlation between the use of strategic planning techniques and hotel size was found to be statistically significant for several of the items. The exceptions were three of the four most commonly used techniques (own financial analysis, SWOT analysis, and PEST analysis), and additionally, item 4 (stakeholder analysis), 6 (organisational culture), and 11 (critical success factors).

	Technique/Tool	Makkah (31)		Madinah (23)	
		Mean	St. Dev.	Mean	St. Dev.
1	SWOT	3.450	1.231	3.393	1.258
2	Porter's Five Forces	3.010	1.112	3.119	1.217
3	PEST	3.153	1.214	3.269	1.325
4	Stakeholder	2.855	1.356	2.484	1.267
5	Human Resource	2.274	1.408	2.546	1.388
6	Organisational Culture	2.156	1.361	2.016	1.531
7	Portfolio	1.899	1.617	1.667	1.568
8	Value Chain	1.677	1.732	1.727	1.668
9	Financial (own)	3.831	1.125	3.913	1.255
10	Financial (competitors)	2.275	1.493	1.983	1.774
11	Critical Success Factors	2.345	1.676	2.125	1.846
12	Core Capability	1.733	1.762	1.387	1.852
13	SP Software*	1.351	1.878	1.046	1.737
14	Scenario Construction	2.664	1.699	2.134	1.554
15	Experience Curve	2.105	1.835	1.938	1.735
16	What if (spreadsheet)	2.227	1.434	1.982	1.614

Table 8: Involvement of planners in strategic planning

**The mean is an average on the scale of 0 (none) to 4 (a great extent); **Strategic planning software*

6. Concluding Discussion

This study investigated the strategic practices and strategic development of the hotel industry in Makkah and Madinah. It makes a leading examination of this industry in the context of accommodation arrangements for pilgrims during a time when the industry is developing rapidly and the Haramayn Sharifyn are being transformed to accommodate many more pilgrims; up to 7 million hajis by 2040 from the current capacity of 3 million. A detailed survey was made of the existing situation, developments and trends.

Traditionally, pilgrim guests have been highly tolerant, but there may be indications that times are changing, and therefore hotels can no longer get away with lapses in service quality or mis-describing their offerings. The extra capacity is being provided by expanding the precincts of the Masjid al-Haram, and constructing more hotels, but it appears that the economy hotel sector will remain deprived. The market is being shaped by a dominance of expensive 5-star luxury hotels, many of which are located close to the central area. Room prices reflect not only the star rating and expected quality of service, but also proximity to the Haram Sharif and occupancy or seasonal factors. The price of a room normally ranges from SAR 400-1,000, but the upper limit is exceeded during the peak season.

There is potential for further growth in the areas of Aziziyah, Ajyad and Zahra in Makkah, and in Pilgrim City, Knowledge Economic City and the central area in Madinah. There is also scope for more women to be employed in the industry, and although foreign labour tends to be more skilled for providing hospitality services, the nitaqat law imposes restrictions on how many can be employed and the provision for local training is inadequate. Further restrictive factors are visa quotas for pilgrims, and the temporary issue of construction activity.

The primary research involved carrying out interviews with a broad selection of 24 hotels in Makkah during the post-hajj season, as well as a few pilgrims and document analysis. The interviews confirmed the impact of location on pricing of accommodation, the seasonal nature of the industry, difficulties in recruiting experienced and competent staff locally and in training them, and also the impact of political events on pilgrim numbers.

On the other hand, the restrictions imposed by the nitaqat law have not had a major effect, as foreigners still account for a large proportion of the workforce. Also, proximity or high star rating of a hotel was not necessarily indicative of quality of service, since many two and three star hotels located further away were also impressive. Besides, the distant hotels make up for the relative disadvantage of being further away by offering free transportation to/from the Haram Sharif. Although this adds to travel time for the pilgrims, they benefit from the significantly lower room rates.

The marketing practices of both aforementioned types of hotels, i.e. distinguished on the basis of location, reflect this distinction. Whereas the closest hotels emphasise the close proximity and accessibility to the Haram Sharif in their marketing literature in spite of their much higher prices, distant hotels highlight additional benefits for their guests including free transportation services. Another distinction is that the former category of hotels is more concerned with revenue generation whereas the latter are more concerned by occupancy related issues.

All the five star hotels, regardless of distance, rely heavily on special software for aiding in decision making, that is, besides the regular software for handling reservations. Certain practices are also more common among the larger hotels compared to others, namely conducting market research, maintaining strategic information, keeping informed of local and industry news and events, and gathering information on competitors. All hotels are mindful of the competition, perceive it as a threat to their business, and feel that it is increasing. The competition pressures them to make offers similar to those being given by competitors.

Besides the criteria of proximity affecting differences in marketing practices, a distinction is also apparent in terms of further strategies employed by the hotels. These were listed above in Table 3. Strategies most commonly employed by larger or closer hotels, include heavier spending on advertising, the presence of a website, use of database software, statistics gathering, conduction of meetings and conferences, greater differentiation of rooms and services, and contracts with external agencies. The strategies found to be more common among smaller or more distant hotels were giving special offers such as free night offers and free breakfast, and segmentation strategies to offer personalised services for particular communities of guests.

The survey results for time horizon of the strategic planning (2.73 years for Makkah, and 2.46 for Madinah) are lower than those reported, for instance by Aldehayyat (2011) for Jordanian hotels. Their study found a mean of 3.1 years, and mentioned another study in which the time horizon was longer at 3.7 years. This may suggest that currently the time horizon is short for many hotels in the two holy cities. In contrast, the administration's planning for the region takes a much longer perspective. The positive correlation with hotel size is consistent with the study of Aldehayyat (2011), which similarly found a positive relationship for hotels in Jordan. The fact that general managers have the strongest participation in strategic planning followed by other managers, and external consultants the least, is also a similar situation as found in the aforementioned study. Moreover, the importance of the general manager was found to be accepted by the hotels irrespective of their size, whereas the role of others was positively correlated with hotel size. This may indicate that larger hotels are more willing and see more value in involving others in their planning compared to smaller hotels. This may also reflect the existence of barriers among smaller hotels to involve more decision makers, a situation that is also reflected in their emphasis on particular aspects of planning and adoption of specific strategic planning techniques.

The greatest reliance on own financial analysis is a common practice among organisations around the world (Aldehayyat, 2011; Aldehayyat & Anchor, 2008; Elbanna, 2007). Also popular are the use of tools such as SWOT (Shabanova et al., 2015; Helms &Nixon, 2010; Wijngaarden et al., 2010), PEST (Ho, 2014), and Porter's Five Forces (Meissner & Wulf, 2013). Moreover, the finding that the use of certain strategic planning techniques and tools is more common among larger hotels concurs with results obtained by Aldehayyat (2011) and Elbanna (2007).

7. Further Research

Since the expansion and constructions are ongoing for at least the next few years, and this study has only provided a brief survey of the hotel industry for pilgrims in the two holy cities and insight into the marketing and strategic practices of some of the hotels therein, there is scope for further research in this area. A survey among hoteliers for instance, could provide valuable quantitative data on strategic planning practices in the industry, and among pilgrims could provide more insight into such aspects as perceived quality of service, and the impact, if any, of marketing and other strategic initiatives. It is also recommended to carry out observations in order to make fairer and impartial useful comparisons between the competing hotels.

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