

Developing a Model for Islamic Hotels: Evaluating Opportunities and Challenges

Mohd Rizal Razalli, Suzzaini Abdullah and Mohamad Ghozali Hassan

Universiti Utara Malaysia

Abstract. Despite the increasing trend of international visitors from Islamic countries particularly from the Middle East to Malaysia, efforts by hotels to customize their products and services to these target customers are still insufficient. In fact, there is no established business model for Islamic hotel either in academic literature or even in practice. The current practices are merely focusing on Halal food certification while the other Islamic aspects of hotel operations still remain undiscovered. The increasing numbers of international visitors create a bright prospect for this industry, but these opportunities come with huge challenges. Therefore, this paper aims to discuss the opportunities, issue and challenges in the process of developing the model of Islamic hotels in Malaysia. Past and current literature is used to support our arguments. We found the growing number of Muslim population and Muslim travelers will continue to flourish this market segment. On the hand, these opportunities come with challenges. These challenges are related to the measurement of Islamic hotel, and the acceptance and the implementation of the concept among hoteliers and consumers.

Keywords: Islamic hotels model, issues, challenges, opportunities.

1. Introduction

Tourism industry is one of the world's largest and fastest growing economic sectors [1]. For Malaysia, tourism industry is expected to continue to be one of the top five contributors to the national economy. In fact, the industry worth was RM 36.9 billion of gross national income (GNI) in 2009 and is expected to increase. Malaysia aims to achieve the target of 38:168 that is tourists' arrivals of 38 million and receipts of RM168 billion by the year 2020 [2]. Due to the economic benefits of the tourism industry and the target of becoming a high-income developed nation, this industry has been selected as one of the National Key Economic Areas (NKEA) that needs to be continuously improved.

Malaysia has been branded as a tourist destination in Asia. Malaysia was one of the three countries in Asia (after Taiwan and Hong Kong) which achieved a double-digit growth in tourism receipts despite the adverse economic downturn of 2009 [3]. The theme of "Malaysia is truly Asia" seems to work for Malaysia. In 2010 the number of foreign visitors to Malaysia was 24.6 million with receipts of RM56.5 billion compared to only 5.50 million visitors and receipts of RM8.6 billion in 1998. That is a 347% increase in visitor arrivals and 557% increase in receipts within the 12 years period [4]. Kuala Lumpur, the capital city of Malaysia, was in the 5th place for most visited city with 8.9 million tourist arrivals in 2010 [2]. The increasing trend was also contributed from visitors from the Middle-East countries who choose to visit Malaysia after the historical September 11 event. The increasing trend of arrival of the Middle-East visitors from the year 1998 to 2009 is depicted in Figure 1. The significant increase in the number of visitors can be clearly seen from Iran and Saudi Arabia. Most of these visitors choose Malaysia as their destination because of the Islamic identity of Malaysia and Muslim friendly services offered by the country. This is known as Halal tourism [5] and it is one of the important aspects that significantly affects the Malaysia's economy.

The current paper focuses on the halal tourism. Halal tourism, as permissible under Islam, includes Halal activities, Halal airlines, Halal food, and Halal/Shariah-compliant hotels [6]. We narrow down our focus to the application of halal concept to the hotel industry which we call as Islamic hotel. Despite the potential and bright prospect of halal tourism to the economy and to the hotel industry in particular, this sector faces numerous issues and challenges. Hence, the aim of this article is to highlight the opportunities as well as the main issues and challenges that hotels would be facing in striving to achieve the Islamic hotel status. Our main question is that whether or not these opportunities outweigh the challenges to attract more hoteliers to provide Islamic services to these niche customers.

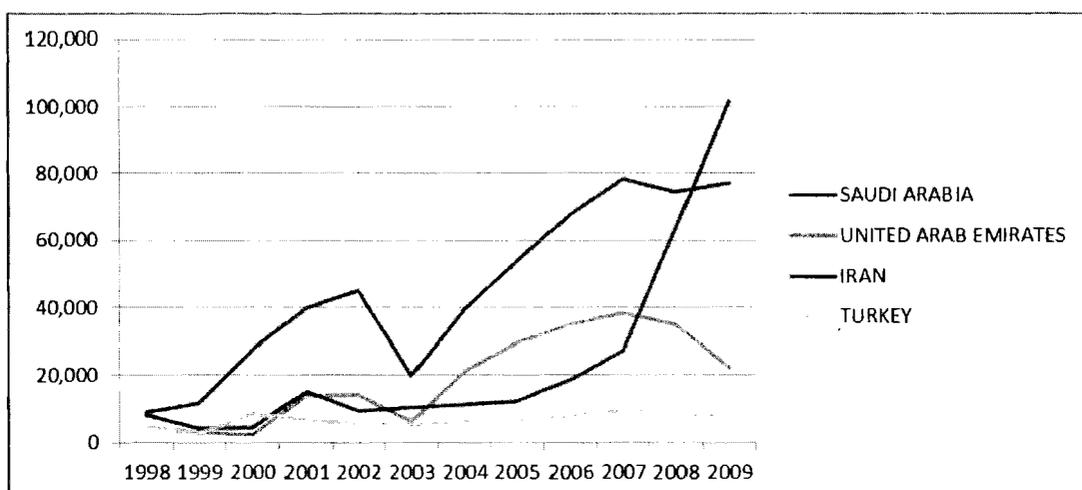


Fig 1: Number of tourist arrivals from Middle-East countries to Malaysia.

2. Golden Opportunities

The halal economy, which is rapidly expanding, offers opportunities not only to Malaysia but also to other Muslim countries worldwide. With nearly 1.57 billion Muslims, in over 100 countries, making up over 23% of the total global population [7]. This will ensure that the halal concept can be applied to more than just the food sector. In addition to the manufacture, processing and distribution of products, additives and food ingredients, halal economy also applies to medicines, cosmetics and personal care products, clothes and services that include banking, finance, hotels, restaurants and even logistics. This statistics of the significant population of Muslims stress the enormous potential waiting to be tapped in the halal economy.

With regards to the tourism sector, in Malaysia, it is recognized as a major economic and social significance that contributes to the creation of wealth. As reported in the 9th Malaysian Plan, the tourism sector has been identified as a driver of economic activity that will contribute towards the growth and development of the economy. Due to this reason the Malaysian government has granted various facilities to tourism agencies to develop other potential areas in the tourism industry such as Eco-tourism, Edu-tourism, Islamic tourism, Homestay and many more. As a result, the hotel sector has continued to grow [8].

Moreover, the adverse effect of September 11, 2001 attacks is significant to the world tourism [9] and this is also true to Malaysia. After the event, the Arab and Muslim tourists are avoiding European and North American as their destination and switching it to a more Muslim-friendly countries such as Malaysia [5]. In addition, tourism is also closely linked to religion, which can motivate travelers to visit spiritual places [10]. Malaysia is considered as a safe destination for Muslim travelers that can cater their special needs. These special needs include the abundance of prayer facilities throughout the country, Halal food and beverages and even the Islamic banking for business transactions. The increased visitors coming from these Arab countries, as shown in Figure 1, indirectly imply a huge potential demand for Islamic tourism especially in the accommodation sector. These special needs have been largely ignored before [11]. The concept of Islamic hotel is an example of how these needs can be fulfilled.

3. Issues and Challenges

3.1. What is an Islamic hotel?

The fact that the concept of Islamic hotel is a relatively new concept has resulted in less knowledge and confusion on the subject matter. Currently, the literature that discusses the concept of Islamic hotel is scanty. The Islamic hotel is also known as shariah-compliant hotels [7, 12, 13], but the term has not been widely acceptable either in the academic world or in the industry.

Shariah is an Arabic word which means the path that should be followed by Muslims [14]. Therefore, Shariah-compliant hotel can be defined as a hotel that provides services in accordance to the Shariah principles [15]. The Shariah-compliant hotel or Islamic hotel is not only limited to serve halal food and drink but the operation throughout the hotel would also be managed based on Shariah principles. However,

there are no formal criteria for this concept even in the Middle East, but only scrutiny of statements made by industry practitioners and analysts reveal broad agreement about a set of attributes that are suggested by Henderson [7]. These attributes include:

- No alcohol
- Halal food only
- Quran and prayer mats available in each room
- Beds and toilet positioned so as not to face the direction of Mecca
- Bidets in the bathrooms
- Prayer rooms
- Appropriate entertainment
- Predominantly Muslim staff
- Conservative staff dress
- Separate recreational facilities for men and women
- All female floors
- Guest dress code
- Islamic funding

The operation of Islamic hotel generally is similar to the other conventional hotels. The only different is that the operational aspects of the hotels are adjusted to comply with the Islamic principle of Shariah law. For instance, in addition to halal kitchen serving halal food and beverages, conceptually an Islamic hotel should also be free of alcohol drinks, discos, pub and any form of entertainment that are against the Islamic principles. Moreover, Islamic hotels should have a signage of direction pointing to Mecca for Muslim to perform their prayer, separate swimming pools and spa facilities for men and women and staff who are able to answer questions from Muslim guests about their particular needs. In other words, it is simply about creating the right themes, ambiances, architecture, and any contingent support that would make the Muslim customers feel at ease during their stay.

However, the lack of consensus about these facets of Islamic hotel indicates that there are ambiguities [7]. The process of Halal food certification is more established thus reduces some of these ambiguities. However, other aspects of hotels such as finance and human resource still need to be further unveiled, especially when the existing hotel establishments are practicing the conventional method. The application of Islamic hotel concept may require them to reengineer the existing business process or standard operating procedures (SOP) to comply with Islamic principles. Hence, the real understanding of the Islamic concept at the grassroots is still required rather than adjustments to already existing concepts [16]. This would lead to the issue of measuring the degree of compliance of Islamic hotel. The challenge now is that how do we measure the level of compliance of hotel to the shariah law?

3.2. Acceptance and Implementation

The significant size of Muslim consumers and the growing demand by the Muslim travelers around the world would make the concept of Islamic hotel to be welcomed. However, the real challenge is to provide services to these customers that are rich enough to allow competitive comfort and luxury but at the same time maintaining standard of spiritual quality that is demanded by Muslims [16]. In other words, the level of acceptance of the Islamic hotel concept among Muslim travelers depends on the level of service provider's initiative in integrating the existing hospitality concept and the Shariah rules and regulations as permitted by Islam. Again, this requires more understanding of the concept among hoteliers and this might be even more challenging to the western hotel chains.

The development of Islamic hotel has brought options to Muslim travelers. The emergence of Islamic financing has also raised the number of Islamic hotels in the market as the banks often insist that the hotels they financed to be in line with the Islamic principles. However, these hotels would face potential challenge down the road as they try to compete with the mainstream establishment. One of the problems may come from banning an alcohol in their food and beverage operations. Alcohol sales are immensely profitable and constitute a sizeable portion of revenue for many hotels [17]. International hotel management companies are reluctant to operate Islamic hotels as they are unwilling to accept the loss of revenue because they perceive

the availability of the alcohol to be the expectation of their guests. Serving alcohol has a direct impact on the bottom line in terms of loss of alcohol revenues and it also has indirect impact by reducing the number of people who will want to dine at the hotel restaurant and limiting the number of people who may want to stay at the hotel.

In the meantime, another question may arise. Is it really true that serving alcohol is the main attraction to hotel's customers? The Almulla Hospitality in Dubai is one of the many examples that position its hotel as the Syariah compliant hotel. The alcohol free is associated with a healthy living style which would be more appealing to everyone. The hotel is expanding their operations by investing Dh7.34 billion for building Shariah-compliant hotels in the Middle East, North Africa, Southeast Asia and Europe [18]. The Almulla is targeting what so-called the "conscious lifestyle" customers who respect the environment, culture, heritage, wellness, and the ecology of the destinations they visit [19]. As a matter of fact, this is the niche market for Islamic hotel. The niche market actually tends to do even better than the standard hotels [20] that provide standardized services to all customers. For Muslims, Islamic values are important and hotels that incorporate these values would be best suiting their needs. Hence, we can argue here that the issue of serving alcoholic drinks to the customers is still debatable.

Furthermore, a few differences in terms of operations of Islamic hotel have to be carefully noted in the planning and the implementation stage. Capacity management is a challenge imposed by the requirements of gender segregation in the Islamic hotel. Hotels with floors dedicated to a particular type of guest (family, single man, single woman) may of occasion lose revenue and turn away demand because that demand does not match the type of rooms available. In addition, the constraints placed by the staffing of women-only floors by women and men-only floors by men could make staffing schedules more difficult and might result in the need to increase the number of employees. These considerations could lead to extra costs to the hoteliers [13].

Travelers who are demanding Islamic hotels are going to have to prove that there are enough of them who are willing to pay a premium to make up for the extra cost of providing Islamic hotel facilities and services. Further, one might argue why do we need to customize to the Muslim needs as many Muslim guests stay at the existing hotel chains have become their repeat customers? To this group, Muslim can have their 'Islamic stay' at the existing hotels by using their common sense in avoiding the impermissible. On the other hand, hotel industry experts say that providing Islamic concept hotel facilities to Muslim travelers is a good move and this is a big sector that has not been fully tapped into so far. Sahida et al. [12] has indicated that the existence of Shariah compliance environment and Muslim-friendly services offer in the hotel would cater the needs of Muslim travelers in Malaysia and this will further stipulates the tourism industry of the country. The implementation of this concept, however, require development through an indigenous-led workforce, Islamic styles of leadership, and intrinsic forms of service delivery that follow Islamic principles [21].

Moreover, the issue of acceptance of the concept among existing hoteliers and the western visitors need also be further studied. Are the existing hotels would take the risk to implement this concept? How to position themselves in the market? Would the existing brand be damaged? Are the non-Muslim customers would also be comfortable to the Islamic hotel concept? Would they stay in the Islamic hotels? All of these questions cannot be ignored if the concept of Islamic hotel to be successfully implemented.

3.3. Conclusion

There are big opportunities in the implementation of Islamic hotel concept. With the growing number of Muslim population and Muslim travelers, this market segment is expected to grow fast. On the hand, these opportunities come with big challenges. These challenges include the measurement of Islamic hotel, and the acceptance and the implementation of the concept among hoteliers and consumers. In Malaysia, this concept is not totally new but the degree of compliance to the Islamic hotel need to further upgraded. Further studies should be carried out about the concept as we can clearly see from our discussion that many questions still remain unanswered.

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