Comparative Pricing Analysis of Mecca’s Religious Tourism

Said M. Ladki, Ph.D.
Rayan A. Mazeh
Lebanese American University
Adnan Kassar School of Business
Table of Content:

• Introduction
• Background
• Results & Discussion
• Conclusion and Recommendations
The study compares the cost of Mecca’s visitation among three groups:

1. Indonesia and India
2. Dubai and Qatar
3. Lebanon and Tunisia
Justification

**Group 1:**
Represents the most populated Islamic countries.

**Group 2:**
Represents the richest Arab Islamic countries.

**Group 3:**
Represents two of the less affluent Arab States.
Religious tourism is a major topic of investigation. (Badone & Roseman, 2004); (Jewell, 2007); (Terzidou et al., 2018).
Global Pilgrimage Destinations:

- Mecca
- Bait Lahem
- Jerusalem
- Saint Peter’s Basilica in Vatican
- Lumbini in Nepal
- Varanasi in India

(Jafari & Scott, 2014)
H&T Revenue to KSA GDP

Hospitality and tourism revenue account for:

• 7.7% GDP = $58.13 billion (WTTC, 2015)
• 9% GDP = $65.2 billion (WTTC, 2018)
KSA Tourism

• Hajj or Umrah.
• In 2018, the Saudi tourism industry generated 1.1 million jobs.
• Hajj pilgrims are expected to reach 17 million by the year 2025.
HAJJ
Where do the pilgrims come from?

Some 2 million Muslims from around the world gather in Mecca every year for the Hajj pilgrimage. Here are the top 10 countries sending pilgrims.

- **Indonesia**: 221,000
- **Turkey**: 79,000
- **Pakistan**: 179,210
- **Nigeria**: 79,000
- **India**: 170,000
- **Algeria**: 36,000
- **Bangladesh**: 127,198
- **Morocco**: 31,000
- **Egypt**: 108,000
- **Iran**: 86,500
- **Saudi Arabia (Domestic)**: 600,108
- **Others**: 635,106

*Numbers from 2017

Source: Al Jazeera @AJLabs ALJAZEERA
Economic Importance of Mecca

Hajj provides income.

“… People will not stop coming to hajj. They cannot do hajj anywhere else.” (The Guardian, 2010).
Economic Investment

- Total expansion about $100 billion.
- Metro project $16.5 billion.

(Reuters, Osama bin Fadl Al-Bar)
<table>
<thead>
<tr>
<th>Package Tours</th>
<th>Fully Independent Travel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Whole Packages:</strong></td>
<td><strong>Fully independent travel:</strong></td>
</tr>
<tr>
<td>Predefined tourist’s products and services that are offered to all tourists going through the same tourism agency.</td>
<td>Individuals independently set all their travel plans and arrangements.</td>
</tr>
<tr>
<td><strong>Dynamic Packages:</strong></td>
<td></td>
</tr>
<tr>
<td>Allow the tourists to compose their own packages by choosing their own hotels, car rentals, and flights.</td>
<td></td>
</tr>
</tbody>
</table>
Hajj Package Costs

Includes:
• Visa
• Airfare
• Airport Services
• Hotel
• Ground Transportation
• Guide Fees
<table>
<thead>
<tr>
<th>Direct Determinants</th>
<th>Indirect Determinants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation quality</td>
<td>Currency Fluctuation</td>
</tr>
<tr>
<td>Accommodation proximity</td>
<td>License and Fees</td>
</tr>
<tr>
<td>Room occupancy</td>
<td>Employee services and training</td>
</tr>
</tbody>
</table>
Results

Group 1 attributes:

**Indonesia:**
- 240,000 applied 168,000 awarded visas. (Suroyo and Owen, 2015)
- Cost of $3,200 up to $8,000

**India:**
- 126,020 awarded visas
- Cost $4,234
- Average stay of 35 to 38 days.
Group 2 attributes:

Qatar:

- 19,000 applied 9,000 visas awarded
- Cost $3,296 to $10,165
- Maximum stay 2 weeks.

Dubai:

- Costs $20,419, VIP package costs $68,073.
Group 3 attributes:

Lebanon:
• 20,000 applied 7,200 awarded visas.
• $2,500 for basic economic packages to $15,000 for deluxe packages.
• Maximum stay 2 weeks.

Tunisia:
• 10,000 applied 8,300 awarded visas.
• Cost $5000
• Average stay 26 days.
# Hajj Revenue

<table>
<thead>
<tr>
<th>Countries</th>
<th>Lower cost ($)</th>
<th>Maximum cost ($)</th>
<th>Range</th>
<th>Average</th>
<th>Number of pilgrims</th>
<th>Overall hajj Revenue (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>3,200</td>
<td>8,000</td>
<td>4,800</td>
<td>5,600</td>
<td>168,000</td>
<td>940</td>
</tr>
<tr>
<td>India</td>
<td>4,234</td>
<td>7,400</td>
<td>3,166</td>
<td>5,817</td>
<td>126,020</td>
<td>733</td>
</tr>
<tr>
<td>Qatar</td>
<td>3,296</td>
<td>10,165</td>
<td>6,869</td>
<td>6,731</td>
<td>1,200</td>
<td>8.1</td>
</tr>
<tr>
<td>Dubai</td>
<td>20,419</td>
<td>68,073</td>
<td>47,654</td>
<td>44,246</td>
<td>4,982</td>
<td>220.4</td>
</tr>
<tr>
<td>Lebanon</td>
<td>2,500</td>
<td>15,000</td>
<td>12,500</td>
<td>8,750</td>
<td>7,200</td>
<td>63</td>
</tr>
<tr>
<td>Tunis</td>
<td>5,000</td>
<td>10,000</td>
<td>5,000</td>
<td>7,500</td>
<td>8,300</td>
<td>62</td>
</tr>
</tbody>
</table>
## Allocation of Costs ($)

<table>
<thead>
<tr>
<th></th>
<th>Indonesia</th>
<th>India</th>
<th>Qatar</th>
<th>Dubai</th>
<th>Lebanon</th>
<th>Tunisia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Prices</strong></td>
<td>%</td>
<td>5,600</td>
<td>5,817</td>
<td>6,731</td>
<td>44,246</td>
<td>8,750</td>
</tr>
<tr>
<td><strong>Lodging &amp; Food</strong></td>
<td></td>
<td>1,400</td>
<td>1,454</td>
<td>1,683</td>
<td>11,062</td>
<td>2,188</td>
</tr>
<tr>
<td><strong>Airline Tickets</strong></td>
<td></td>
<td>1,120</td>
<td>1,163</td>
<td>1,346</td>
<td>8,849</td>
<td>1,750</td>
</tr>
<tr>
<td><strong>Agent Commission</strong></td>
<td>10</td>
<td>560</td>
<td>582</td>
<td>673</td>
<td>4,425</td>
<td>875</td>
</tr>
<tr>
<td><strong>Transfer, Sightings</strong></td>
<td></td>
<td>840</td>
<td>873</td>
<td>1,010</td>
<td>6,637</td>
<td>1,313</td>
</tr>
<tr>
<td><strong>General Expenses</strong></td>
<td>9</td>
<td>504</td>
<td>524</td>
<td>606</td>
<td>3,982</td>
<td>788</td>
</tr>
<tr>
<td><strong>Marketing &amp; sales</strong></td>
<td></td>
<td>336</td>
<td>349</td>
<td>404</td>
<td>2,655</td>
<td>525</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>15</td>
<td>840</td>
<td>873</td>
<td>1,010</td>
<td>6,637</td>
<td>1,313</td>
</tr>
</tbody>
</table>
Discussion

Pricing Strategies

**Group 1: Indonesia and India**

**Competition-based Pricing:**

A form of competition compete only on the aspect of pricing.
Group 2: Lebanon and Tunisia

Consumer-based Pricing:

Firm determines how much customer is willing to pay then charges the price customer is willing to bear.
Group 3: Dubai and Qatar

Cost-based Pricing:

The average cost of the product plus the desired markup to obtain the agreed-upon profit.
Conclusion

Though Hajj is a required activity, it may not be possible for all Muslims:

- Entry barrier
- Cost of Hajj
- Site carrying capacity
Thanks to the leadership of KSA for:

• Safe (health, environment, hazard free)
• Clean
• Hygienic (germ free)
• Organized (crowed movement, sings, languages, etc.)
• Ultra modern
Thank you!