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INCOME DIVERSIFICATION FOR FUTURE STABLE ECONOMY IN SAUDI ARABIA: AN OVERVIEW OF THE TOURISM INDUSTRY

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Abstract

Since the fall of global oil price in 2014, OPEC leader countries start reducing their dependence on oil income. Saudi Arabia, as the world's largest oil exporter, recognize the need to diversify its income away from oil revenue. Tourism industry in the country is identified as a priority area for government income. Thus, the new leaders in Saudi authorities have begun a project in developing this industry targeting domestic and international visitors. This project required new marketing implementations and modern promotion strategies. Therefore, this conceptual paper will highlight the expected future of tourism industry in Saudi Arabia and the opportunities for

developers, operators and investors. In addition, the paper will provide implications for future research in different sectors; marketing strategies, services quality and tourist satisfaction. It will discuss the tourism industry development part of Saudi Arabia 2030 vision that announced on April 2016 and the significance of this market for the government. The paper will shed light on religious tourism destinations in the country as a part of tourism industry and common destination for international visitors. Finally, it will raise the expected issues that might challenge the government and business travel operators in developing this industry.

Keywords: Tourism industry, Saudi Vision 2030, income diversification, Saudi Arabia economy

INTRODUCTION

The Organization of the Petroleum Exporting Countries (OPEC) announced on 2014 the oil price trade below \$70, which will affect the economy of many OPEC members. Although gulf countries seem to be less concerned about the falling prices because their deep financial cushion, they will suffer of this price drop after few years. A dire report by the International Monetary Fund warned most of the OPEC leader; Saudi Arabia, Oman and Bahrain about this matter. Especially, a country like Saudi Arabia where is the petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP, and 90% of export earnings(Saudi Forbes, 2015).A report by CNN published on October 26, 2015 argued that Saudi Arabia to run out of cash in less than 5 years. Therefore, these countries should enhance the income from non-oil sectors in their countries, tourism industry could be one of them.

The purpose of the current study is to highlight the importance of tourism industry in Middle East, especially in Saudi Arabia. As the government has been suffering from the drop of oil price, it starts recognize the need to diversify its income away from oil revenue. Tourism industry in the country is identified as a priority area for government income. Therefore, the current study will highlight the expected development in tourism industry in Saudi Arabia and the opportunities for developers, operators and investors. In addition, the paper provides valuable comments and future research to improve the religious destinations in Saudi Arabia as a part of the tourism industry in the country.

Overview of Tourism industry

The tourism industry is one of the rapid developing sectors in the world. As the United Nations World Tourism Organization (UNWTO) reported that the number of international tourists started with 25 Million tourists in 1950 to reach 1087 Million by 2013 (UNWTO, 2014). With this figures,

individual investors and countries pay their attention to attract as many tourists as they can, keeping their eyes on the estimated number of the international visitors, which is 1.8 billion by 2030 as published in UNWTO report (2014). In addition, The World Travel & Tourism Council (WTTC) expected that the tourism industry will provide 126,257,000 jobs directly by 2024 (WTTC, 2014). According to UNWTO, the International Tourist Arrivals Demand in 2013 exceeded the expectations with growth by 5%. This phenomenon not only gains the attentions from investors, but also by research and scholars who are interested in understanding the tourist behavioural intentions.

There are different categories of tourism classified depending on the specific travel experiences that the visitors are seeking for. These categories including therapeutic tourism, cultural tourism, scientific tourism, safari or adventure tourism and lastly religious tourism(R. Daher, 2006). On the other hand, there are some scholars who consider religious tourism as a type of heritage tourism(Timothy & Olsen, 2006). Regardless of what is the category of tourism that religious tourism belongs to, scholars differentiate between religious tourism and Islamic tourism. While Islamic tourism is concerned of Halal hospitality and providing product and services under Islamic Shariah law(Battour, Ismail, & Battor, 2011), religious tourism is concerned about religious sites and tourists who motivated by religious reason or faith(Laderlah, Rahman, Awang, & Man, 2011).

In terms of the tourism in Middle East region, it has been considered as one of the fastest growing markets in the world over the past decade(Hamarneh, 2014). The area includes Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen (UNWTO, 2014). Although some of the Middle East countries are suffering from Arab Spring (revolutionary wave of demonstrations and protests, riots, and civil wars in the Arab world), UNWTO (2014) expected this region to grow more than double of its current annual international arrival from 50 million to be 134 million by 2030 reaching 8% of the global tourism share. This forecast encourages the Middle East countries to change their economic view and the diversity of national income sources in an attempt to reduce their reliance on natural resources like petrol and gas. These countries have invested in upgrading infrastructure in order to build a suitable environment for tourists to visit the country like United Arab Emirates, Qatar and Saudi Arabia. Consequently, the next section will discuss several definitions of the tourism meaning.

Tourism Definitions

The meaning of the tourism is basically about travelling to a place for pleasure and other purposes. The Académie internationale du tourisme (1969) defined tourism as set of measures

designed to assist tourists or a specialized company to organize a time-limited travel for pleasure or any other purposes. Furthermore, the World Tourism Organization (WTO) Conference in Ottawa (1991) redefined tourism in more details as refer the term of tourism to the activities undertaken by persons during travel to places outside their residential areas for more than 24 hours or at least one night and less than a year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.

It is also important to highlight the term “tourist”. It originally comes from Latin *torus*; the person who make circuitous journey mainly for pleasure and return to the starting place (Collins-Kreiner, 2010). These people escape from their daily routine and return to it after experiencing the extraordinary of non-routine life (Oh, Fiore, & Jeoung, 2007). This escape is just a temporary from someone centre to a par excellence leisure experience (McCabe, 2005). Indeed, tourists travel to a practice new experience attracted them in a particular time and place. In the current study tourists refer to Umrah pilgrims.

The Quality in Tourism

After the discussion about several definitions of tourism, it is important to explain the quality of tourism definitions. Referring to the sixth meeting of UNWTO Quality Support Committee (2003), which defined Quality in Tourism as the outcomes of process of all the legitimate products, services needed, requirements and expectations that satisfied the consumers at acceptable price in conformity with mutually accepted contractual conditions supported by underlying quality such as safety and security, hygiene, accessibility, transparency, authenticity and harmony of the tourism activity concerned with its human and natural environment. This definition raised an argument whether the quality in tourism combined with tourist satisfaction as psychological and emotional needs, the quality of the utilitarian component or with both of them. In fact, the studies in tourism research concentrated intemperately on both sides; emotional and experiential dimensions of tourism consumption (Frochot, 2004) to fulfil the essential of tourism quality definition. For further clarification, the next section explains the different categories of tourism industry.

Categories of Tourism Industry

There are many sectors of tourism category categorised according to the purpose of travelling. One of these categories is called cultural/heritage tourism, which concerns about the tourists motivated to visit destinations have culture and heritage theme. There are many studies conducted in this field (e.g. Poria, Butler, & Airey, 2003; Wu, Xie, & Tsai, 2015). Recently, this type of tourism has become one of the fastest growing segments because the trend towards

specialization among tourists has extended (Correia, Kozak, & Ferradeira, 2013). Later on, this type of tourism has sub-categorized depend on the unique heritage site theme, for example, Salt Heritage Tourism (Wu et al., 2015), Cultural Heritage Tourism (Lussetyowati, 2015; Teo, Khan, & Rahim, 2014), Industrial Heritage Tourism (Edwards & Coit, 1996; Lin, Lin, & Wu, 2006) and Urban Heritage Tourism (Chang, Milne, Fallon, & Pohlmann, 1996).

Another category discussed in the tourism industry is related to rural sites. Rural Tourism concern about activities for local communities and farming families in rural areas. This type of tourism has been widely studied (e.g. Alecu, 2010; Devesa, Laguna, & Palacios, 2010; Frochot, 2005). Since rural areas has unique characteristic in terms of the families live there, the tourists who interested in visiting these areas and the nature of land, researchers prefer to create a particular tourism type to study the rural sites. Local communities in this rural area benefit from the research in three dimensions; for the host community (economical and social aspects), for the land itself (environmental maintenance), and for the tourist (leisure in the countryside) (Del Barrio García, Moreno, & Jamilena, 2012). The rural tourism researches has been conducted in many countries and region, for example, in Malaysia (Amir, Ghapar, Jamal, & Ahmad, 2015), Romania (Cosma, Paun, Bota, & Fleseriu, 2014; Iorio & Corsale, 2010), Gambia (Rid, Ezeuduji, & Pröbstl-Haider, 2014), United Kingdom (Haven-Tang & Jones, 2012) and Spain (Yagüe Perales, 2002).

Recently, researchers in the tourism industry have also covered a new segment of tourism called Sports Tourism. This type of tourism is generally focused on sport activities events on certain occasions. Hua & Chiu (2013) classified Sports Tourism as physically and psychologically demanding events that are typically participated in remote natural settings, like the sea, mountains, sky, space, and earth. This category of tourism has lately been discussed with related to various sport events, for example, Formula One F1 (Fairley, Tyler, Kellett, & D'Elia, 2011; Kim, Jun, Walker, & Drane, 2015), Rugby events (Kennelly & Toohey, 2014), Golf events (Tassiopoulos & Haydam, 2008) and football games (Gibson, Willming, & Holdnak, 2003).

Adventure Tourism is also another category in the tourism industry. According to the Adventure Tourism Market Study Report (2013) this niche segments in the tourism industry has become one of the fastest growing segments with 65% estimated average annual growth between 2009-2012. Adventure tourism is well known for its six major dimensions; activity, experience, performance, the environment, motivation and risk (Sung, Morrison, & O'Leary, 1996). It focuses on studying tourists who interested in involving in any of action activities. These activities consist of air, sea and land-based activities. Scuba Diving tourism could be one of the Adventure Tourism sea activities, and it has some researches in this area (e.g. Dimmock

& Musa, 2015; Smith, Scarpaci, Scarr, & Otway, 2014). Air activities have also been covered by some researchers (Cater, 2010; von der Dunk, 2013). Moreover, the land-based activities as a subcategory of adventure tourism has got some researchers attention (Beedie & Hudson, 2003; Deenihan & Caulfield, 2015; Tirasattayapitak, Chaiyasain, & Beeton, 2015). In order to clarify the tourism industry, the next part of the research will highlight the importance of the industry in the global market.

The Importance of Tourism Industry

Tourism is usually viewed as being multidimensional tasks including; physical possessing, social, cultural, economic and political characteristics(Mathieson & Wall, 1992). The academicians in management and hospitality schools start looking at the tourism industry in detail to categorize it and understand the tourist behaviours. Each group of academicians employ their theories and raise the essential characteristics for their field to focus on. For example, scholars in culture tourism and hospitality research field attempt to understand the tourist satisfaction (Correia et al., 2013) and enhance their experience quality. On the other hand, some authors make an effort to understand the travellers' characteristics and behaviours (Badaruddin & Yusnita, 2005).

Tourism offer a number of satisfactions for many people around the world. It gives them several elements of human needs such as; relaxation and cure, social acceptance, prestige, learning, feeling togetherness, self-realization in various forms, and esthetics impressions(Aho, 2001). On the other hand, tourism plays an important role in the economics of many countries. Indeed, the large percentage of several countries of Gross Domestic Product (GDP) depends on tourism income. For example, tourism sector represents 66% of Macau GDP and around 22% of Bahamas GDP(Dewda, 2015). In addition, for some countries, e.g. Saudi Arabia, religious tourism provides uniqueness for the country. Therefore, many countries pay attention to the tourism industry to enhance their GDP.

The Travel and Tourism industry has a direct and indirect impact on the state economy and on the Gross Domestic Product (GDP). According to WTTC (2014) the direct contribution of Travel and Tourism industry to GDP in 2013 was USD2,155.4bn (2.9% of GDP) and forecast to rise by 4.3% on 2014 with expectation to reach USD3,379.3bn (3.1% of GDP) by 2024. These contribute to the economy from several industries such as; hotels, travel agents, restaurants, airlines and transportation services. In addition, Travel and Tourism industry expected to create 126,257,000 direct jobs by 2024(WTTC, 2014). Indeed, tourism would be a part of the country infrastructure development in the airport, hospital, retail area and trading force. It also assists the flow of goods and services in import and export businesses.

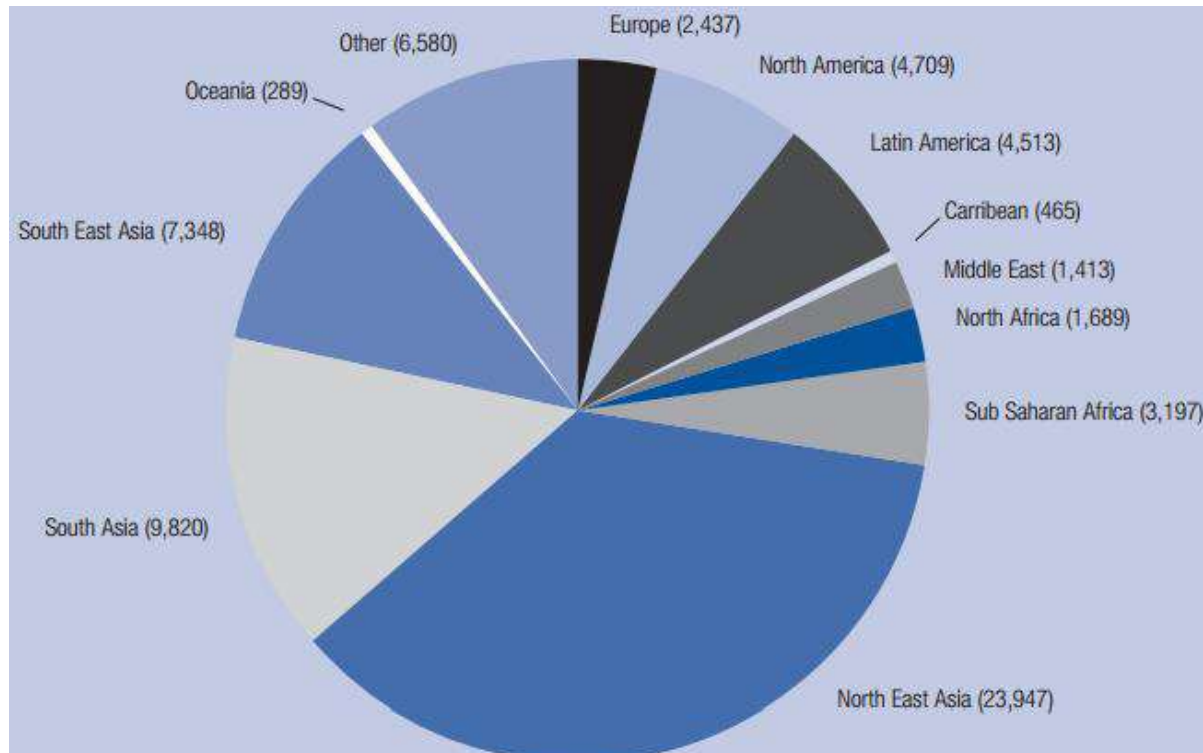
Beside the countries' economic which will benefit from tourism, there will be some advantages for host country local community. The locals would gain some social benefits when tourists bring their own identity, culture and characteristics. It is an advantage for locals to know others way of life. On the other hand, local may take this opportunity to display their history and culture. Exchange knowledge and information, making relationships with people from other countries are also some benefits of tourism(Driver, Brown, & Peterson, 1991)add other benefits for locals such as reciprocity, tolerance, wider sense of ethnic identity and community pride. For more specific details, the next section will explain the importance of this industry in Middle East region.

The Importance of Tourism in the Middle East

In Middle East countries, the tourism industry plays an important role in the economic development. Although 70% of the world population required traditional visa before departure to the Middle East Destinations(The Travel & Tourism Competitiveness Report, 2013) and with all political issues in this region, international tourist arrivals remained at 52 million on 2014 with annual average growth 7.1% between 2005-2013. For example, United Arab Emirates (UAE) has become one of the leaders in this region with attracting leisure and business travellers when it creates a suitable environment and infrastructure for international tourists. In addition, it provides several and growing international fairs and exhibitions and increasingly diverse creative industries and markets. It is competing with Saudi Arabia within the same region in regarding availability of Muslims friendly environment, which is the latter good at because it contains religious cities like Makkah and Medina.

On the other hand, Travel and Tourism industry in The Middle East generates high number of work opportunities in direct and indirect phases. It is one of leading employers providers with 1.8 million direct employees exceeding all competitive industries except education in the same area (The Travel & Tourism Competitiveness Report, 2013). For example, This industry employs at least 11% in Egypt and around 15% in Tunisia of the country population(Akhtar, 2011). The tourism sector remains one of the competitive industries attracting investors especially, in the religious tourism industry. Figure No.1 shows Middle East contribution to global Travel and Tourism (T&T) total employment growth. The figure shows the industry expected growth of job opportunity reach 1.4 million jobs only in Middle East countries. The next section will discuss the industry importance in Saudi Arabia as the scope of the current research.

Figure 1. Regional contribution to global T&T total employment growth 2012

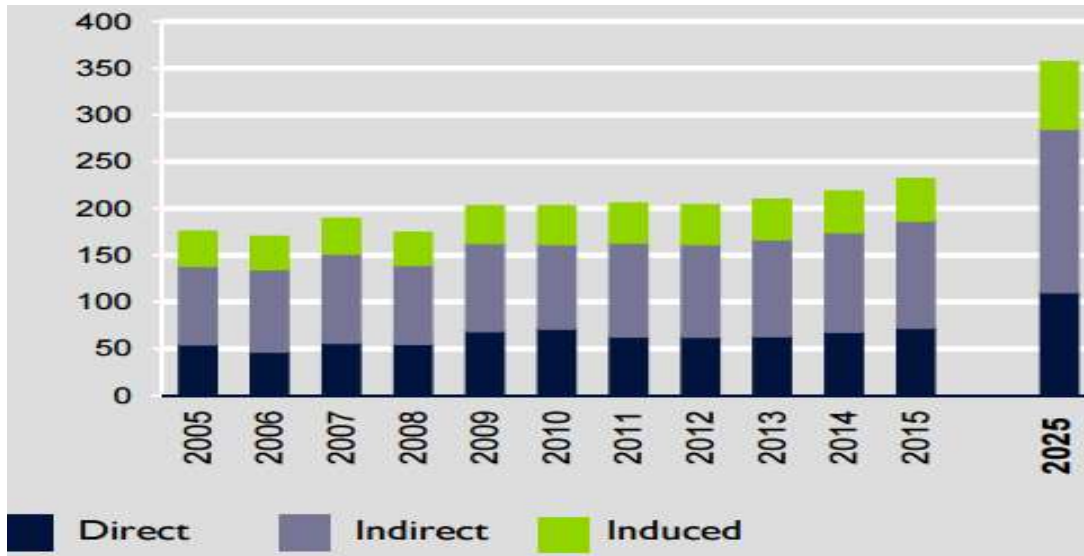


Source: Oxford Economics (mid-year update 2012 of annual economic impact figures)

The Importance of Tourism in Saudi Arabia

Tourism and hospitality industry is one valuable revenue source in non-oil income sector. Saudi Arabia government represented by Saudi Commission for Tourism and Antiquities (SCTA) starts taking action to develop the tourism industry in the country. According to the Travel & Tourism Economic Impact Report(2015) the direct contribution of Travel & Tourism industry to GDP in Saudi Arabia was SAR68.4bn (approx. 18.24bn US\$), which is (2.4% of total GDP) in 2014, and expected to rise to 4.3% per annum to reach 110.8bn (2.8% of total GDP) in 2025. However, the total contribution of this industry (include direct and indirect) to GDP was SAR218.0bn (58.13bn US\$) which is (7.7% of GDP) in 2014, and forecast to increase by 4.4% pa to reach SAR356.6bn (9.0% of GDP) in 2025 (see figure No. 2). In addition, this industry became the third high index surge in Saudi Stock Exchange (Saudi Tadawul) with an increase of +38.1% in the first months of 2014(Bank Audi, 2014).

Figure 2. Total Contribution of Travel & Tourism to GDP in Saudi Arabia



Source: The World Travel & Tourism Council WTTC, (2015)

The tourism industry in Saudi Arabia a significant source of employment. This industry contributes in generating jobs as it created 603000 working opportunities in 2014 in Saudi Arabia and the number expected to reach 942000 direct jobs by 2025 (WTTC, 2015). In addition, there is a new direction from the government to build international tourists drives cities. For example, King Abdullah Economic City (KAEC) predicted to create one million new jobs for young generation which will invest in the economic well-being of Saudi residences(Moser, Swain, & Alkhabbaz, 2015).

The Role of International Visitors in Saudi Arabia Economic

The international visitors play a significant role in Saudi Arabia economic. Only in 2014, the country generated SAR34.1bn (approx. 9.1B USD) from around 15 million foreign visitors, and it is forecast to achieve 22,057,000 international visitors making expenditure of SAR65.6bn (approx. 17.49B USD) (see Figure No.3) (WTTC, 2015). Most of these international visitors are religious tourists to the country. Only Umrah performers were around 7 Million on the same year(Hajj & Umrah Media News, 2015), and there were 1.389 Million international pilgrims came for Hajj(Hajj Statistics Report, 2014). However, the rest of international visitors could not be a tourist as there is now tourist visa to enter the country. They may enter it with business visa or a 'government visit' which requiring sponsorship and an official letter of invitation from a residence in the kingdom. These two visas categories visitors may perform Umrah during their staying in

Saudi Arabia, but they will not be detected as Umrah performers in the government e-Umrah system. The system counted kingdom's visitors those who come for performing Umrah only.

Figure 3. Visitor Exports and International Tourist Arrivals



Source: WTTC, (2015)

The religious tourism industry in Saudi Arabia generates most of the international visitors' revenue. Arab News(2013) announced that the estimated revenue from Hajj and Umrah services and products provided in 2012 exceeded SAR62 billion (approx.. 16.5 US\$ billion). This revenue plays a significant role in enhancing the country economically. However, the following two years 2013-2014 the kingdom decreased the number of pilgrims for Umrah and Hajj until it finish the new construction in Makkah. Later on, the number of visas provided will be increasing till reach the maximum capacity for visitors by 2020. Accommodation, transport and food services for Umrah season only is enhancing the local economic in Makkah by more than SAR6 billion a year(Saudi Gazette, 2014). These figures are the core of religious tourism in Saudi Arabia, especially for Makkah city.

Saudi Arabian government keep an eye on the number of visitors every year as it is important for country income. For example, on 2011 there were around 9.2 million trips in Saudi Arabia for religious purposes (*Hajj, Umrah, and Ziarah*) spent around \$10.7 billion (SR 40.1 billion)(Jafari & Scott, 2014). However, Saudi Arabia need to make more effort to improve the services provided in many fields. One of these field in training personnel. According to Chen et al.(2013) countries like Saudi Arabia and Yemen need to have trained personnel work as guide and couriers for tourists. The information in this industry is insufficient for high-quality design products and services that match the *Umrah* visitors' satisfaction.

There is work on Saudi government shoulders to improve service and products provided in *Umrah* journey as it is representing Muslims countries. The majority of tourists might perceive this holy city negatively when they treated unprofessionally thinking that this is the religious behaviour and it is all are Islamic codes (Chen et al., 2013). On the other hand, most of the religious sites need to invest in innovative products, the way how contact pilgrims and they should make introduction to new generation to enable themselves to access to new customer segments and categories (Rot, Mikinac, & Bogdan, 2014).

Not only Saudi Arabia concern about tourism industry, other Islamic countries like Indonesia, Malaysia, Turkey and Morocco, has offered international tourists unique multi-ethnic oriented cultural experiences in their countries (Battour et al., 2011; Zamani-farahani & Henderson, 2010). However, Saudi Arabia is one of the leading countries in the religious tourism industry as it has the two holy mosques. The Saudi government typically sources its tourists from Muslim countries to avoid the pitfalls of unbridled tourism activities. Thus, tourism in the kingdom is a combination of the two meaning of religious tourism; adhering the Islamic values and contains important sacred sites for Muslims. The pilgrims not just performing Hajj and Umrah rituals in Muslims friendly environment, it is performing them in Muslim only cities. Accordingly, the next section will highlight the Saudi 2030 vision and its objectives in all industries, especially tourism industry.

Saudi Arabia 2030 Vision

Saudi Arabian government announced on April 2016 the Saudi 2030 vision, which aims to diversifying the government fund resources. The vision goal is to increase the efficiency of the fund's management and improve its return on investment in order to have thriving economy and less dependent on oil income. Although the oil sector income is fundamental pillars of Saudi economy, the government seeks to invest in many other sector to sustainable economy. It will support the private sector and increase SME contribution to GDP from 20% to 35%. In addition, it will work on localize manufacturing of many products and industrial equipment sectors. The vision will maximize the investment capabilities by opening the opportunities for large international companies to emerge in the local market and emerging technologies from around the world.

In terms of the tourism and leisure sectors, the vision will guide the government steps to create the highest international standards attractions in Saudi Arabia. The government will also work on improve visa issuance procedures for tourists to visit the country for other reason not just Hajj and Umrah. In the same time the Saudi government will pay attention to develop historical and heritage sites around the country attempt to double the number of Saudi heritage

sites registered with UNESCO by 2030 (Alarabiya New, 2016). There will be more museums, new tourist and historical sites, and more cultural venues. The government plans to build more retail and entertainment centres as well as building tourist projects in large areas along the country coasts.

Umrah and Hajj events have also mentioned in 2030 vision and considered as alternative source for the economy. The government will serve all Muslims wish to visit the two holy Mosques in Islam. In the last decade, over eight million pilgrims have visited the country to perform Umrah and this number increasing gradually (AlarabiyaNew, 2016). This noble responsibility requires efforts from the government to fulfil the visitors' needs and provide good hospitality. In order to reach satisfied level, the government starts the third expansion of the Two Holy Mosques to increase the capacity. In addition, a metro project has launched in Makkah to complement the railroad and train projects for greater ease and convenience transportation. All of these projects will improve the service quality in Makkah and could affect the visitors' satisfaction level.

The 2030 Saudi vision aims to increase the country visitors for the purpose of performing Umrah to reach 15 million foreign Muslims per year. The government is looking to these pilgrims as tourists and it seeks to satisfy their pilgrimage experience. In order to reach this figure improving visa application procedures is required. Improving the Umrah system to make electronic and smooth has recently been discussed in academic research (Hashim, 2014). By 2030, the capacity of Umrah visitors accepted in Saudi Arabia will be 30 million every year (Alarabiya News, 2016). This development will attract investors and academician to work in this industry, the next section will discuss these opportunities in details.

Opportunities in Saudi Arabian Tourism Industry

As the Saudi government plans to develop this industry, there will be many opportunities for investors to involve and for researchers to discover. The investors in many categories can contribute in building the infrastructure of this modern tourism. Many of museums will be launched around the country, and the existing museums will be developed as the 2030 vision highlighted. This type of works required contractors in many level to involved. In addition, as the government aim to open opportunities for foreign companies to involve in this development, this will attract foreign minds with modern attractions and entertainments centres. Saudi Arabia will be one of the leading investment capabilities country in the region, which will give it sustainable economy in the future. This development will improve the business environment in the country and it will attract the finest talent and the best investments in the global. Moreover, the vision

intends to enhance the role of government funds, which will not only attract local and international investors, it will create partnerships with international entertainment corporations. On the other hand, researchers will have many research gaps to study in tourism industry of Saudi Arabia. The industry requires research in understand the tourist satisfaction as well as providing some comments in improving the quality of services provided in Saudi tourism destinations. These visitors' satisfaction will be necessary for the government to achieve the Saudi 2030 vision objectives. Saudi Commission for Tourism and National Heritage (SCTH) encourage all researchers to analyse the Saudi industry to discover entertainment possibilities suits tourist tastes and preferences. Indeed, this commission form a Tourism Information and Research (MAS) work on develop the studies in this industry by providing information and financial support. The centre mainly responsible about collecting tourism data and conducting research and related studies in Saudi Arabia. The Saudi Land will be suitable for cultural and entertainment projects which will provide favourable environment for talented writers, authors and directors to work.

Although there are many of researches studied the service quality impact on the customer satisfaction (e.g. Brady et al., 2005; Hui, Wan, & Ho, 2007), there are some tourism fields still need more attentions. Religious tourism is one of these fields where it is important to understand this influence. According to Achyar & Oktora,(2014), there is a lack of study in understanding the Umrah participants' experience, satisfaction and value of purchased travel package. This lack of information about pilgrims performing Umrah is visible in terms of their expectations and perceptions of services delivered during their journey and its impacts on their satisfaction. Thus, understand the impact of the service quality on the pilgrim's future behavioural intentions is an important task to consider. This will a new area to discover in Saudi Arabia tourism industry.

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