

The rise of Shariah hotels



With the increasing number of Arab and Muslim travelers and their growing purchasing power, **Youmna Maatouk**, consultant, Hodema Consulting Services, takes a look at how Shariah-compliant hotels are becoming more popular in the Middle East.

Targeting a specific niche market, Shariah-compliant hotels are run and operated based on certain Islamic laws called Shariah laws, a framework that Muslims abide and adapt their lifestyle to. Hence, these hotels serve halal food products and follow the Zakat principles by giving back to the community, usually in the form of a certain percentage of the overall profit. They do not serve alcohol and the architectural layouts, financial planning, and operational practices differ compared to full-service hotels.

According to a survey published by hotelier-middleeast.com, in which around 1,000 interviews were conducted with travelers from 9 countries in the Middle East, 88% of travelers said that they were more likely to stay in a Shariah-compliant hotel during their leisure trips. There is a world wide growing demand, and in turn, supply for such hotels. According to many experts in the field, Shariah-compliant hotels now represent almost 10% of the worldwide tourism market.

Tourists from the Gulf Cooperation Council (GCC), according to the World Tourism Organization (WTO), spend US\$12 billion annually. This is an average of US\$1,700 per vacation per person, which is US\$500 more than the average European spender and 10-50% more than other travelers. This kind of spending and demand has obviously attracted several international hotel companies to enter this segment of the market such as the Kempinski Hotels group with its Shariah brand Shaza, which plans to operate 30 five-star properties worldwide by 2015.

There are indeed signs of increasing demand and up-coming hotels in non-Muslim foreign countries, such as London and Paris, where Almula Hospitality, one of the predominant

Shariah hotel chains based in Dubai, is planning to open around 35 properties to cater to the high number of Muslim tourists who visit those cities.

It is also important to recognize that Shariah-compliant hotels are not solely targeted at the Muslim tourists. Many foreigners traveling to Middle Eastern countries want to experience the authentic Arab experience, thus prefer staying in Shariah-compliant properties. Some companies also prefer to have their meetings and conferences held in hotels where no alcohol is permitted, keeping the work atmosphere more focused and professional.

In spite of this optimistic environment, can Shariah hotels really survive against strongly established full service hotels that offer more flexibility on the operational, architectural and financial aspects? In fact, a Shariah or Islamic hotel imposes many constraints with regards to architecture and design, room size, amenities, financial arrangements. And Shariah hotels should be financed through Islamic banks, even at a human resource level. All of those aspects automatically increase overall costs. Employees at Shariah hotels, for example, should only serve guests from the same gender; it is also preferable that the staff is of the Muslim confession. In-house religious figures should be the ones hosting seminars and preaching sessions. In addition, a Shariah hotel should have separate entrances for women as well as women only function rooms. Thus larger function rooms are needed to accommodate males and females separately. The same applies to wellness centers where separate facilities are required for different sexes. All of these factors increase not only investment costs but also ongoing operational costs and makes the project less feasible.

Another feature that plays in the segment's disadvantage is the fact that revenues are less diversified; in fact, a Shariah hotel is believed to generate 80 to 85% of its revenue from room sales versus 40 to 60% in a full service hotel. Also a Shariah hotel does not benefit as much from outside visitors because of the absence of alcoholic beverages, the limited menu offering (no pork, only Halal food, etc), in addition to the lack of entertainment venues, such as night-clubs. This explains why revenue generated from F&B outlet could be as low as 10% of overall sales in a Shariah property while in a full service hotel the minimum is 30%.

Travelers who wish to stay in such establishments should be ready to match the higher prices charged, which are brought about by the extra costs incurred by being Shariah-compliant. As long as guests are willing to cover these extra costs and demand remains adequate, this new trend in the hospitality industry will boom.



Parent Company	Brand Names	Dry/Sharia*	# of Existing Properties	# of Upcoming Properties	Expected Opening Date	Location
Almula Hospitality	Cliftonwood, Adham, Wing Hotel	Sharia	N/A	35	2012	Worldwide
Al Jawhara Group	Jawhara	Sharia	3	TBC	N/A	Middle East
HHM (Hospitality Management Holdings)	Coral Hotels & Resorts, Corp Executive Hotels, ECOS and EWA Hotel Apartments	Dry	5	16	2010	Middle East
Landmark Hotel Group	N/A	Sharia	3	9	2010	UAE
Rotana	Rayhaan Hotels & Resorts	Dry	N/A	30-40	2012	Middle East
Samaya Hotels & Resorts	Samaya Hotels & Resorts	Dry	1	2	N/A	UAE
Seraili hospitality	Royal Seraili, Grand Seraili, Caravan Seraili, & Tijan by Royal Seraili	Sharia	N/A	15	N/A	MENA
Kempinski Hotels	Shaza	Dry	N/A	30	2015	Worldwide
KM Properties	Tamani Hotels & Resorts	Sharia	1	3	2010	UAE

* Many people confuse 'Dry' hotels with Sharia-compliant hotels although they only have one similarity: the lack of alcohol. Hence, all Sharia-compliant hotels are dry but the opposite does not apply.

Characteristics	Shariah-Compliant Hotel	Full Service Hotel
Target Market	Religious family-oriented and business visitors who demonstrate traditional and/or orthodox Islamic attitudes. Another niche market is business people, particularly women.	Catering to everyone depending on the hotel category.
Architecture / Design	Art should be conservative, toilets and beds should not be placed in the direction of the Mecca.	Except for the standard imposed by hotel operators, developers are free with regards to hotel design.
Room Size	Usually larger than the industry's average because of the particular needs of the target market. It is also very common to have Shariah-compliant hotel apartments.	A standard room ranges from 30 to 40 m ² , Junior suite from 55 to 65 m ² , presidential suite from 200 to 220 m ² .
Staffing	Staff should only serve guests from the same gender and it is also preferable if they are from the Muslim confession. Also should wear traditional uniform. In-house religious figures to host seminars and preaching sessions.	There are no staff requirements, as such.
Operating Revenue Breakdown	Revenue from rooms 80 to 85% Revenue from F&B is 10 to 20% Revenue from other departments 5 to 10%	Revenue from rooms 40 to 60% Revenue from F&B is 30 to 40% Revenue from other departments 5 to 10%.
F&B	No alcohol should be served. Food should be halal and no pork should be served. The hotel should not have any bar/nightclub. Loss of revenue because of the no-alcohol rule.	Nothing is imposed. Alcohol, which brings 80 – 90% gross profit, helps increase F&B revenue.
Amenities	All facilities such as gym and spa should be separated for men and women, as well as segregated prayer rooms. TV should be conservative. Markers pointing in the Mecca direction should be available in the hotels in addition to the Quran, prayer mats, and prayer beads in each room or at the front desk.	Usually has mixed facilities for men and women; however they usually include prayer rooms and markers showing the Mecca direction especially in the Middle East.
Hotel Size	The size of these hotels tends to be smaller due to lack of large demand. The most prestigious and largest 5-star has 250 rooms (Taj Palace, Dubai)	These hotels are usually larger due to the fact that they are international companies and have a higher demand. A typical 5-star would average with 350 rooms.

Spiritual Lodging

There are currently no written rules or classifications for Sharia-compliant hotels. However, by using insight and knowledge gained from speaking with industry experts a list of requirements for Sharia-compliant hotels has been drawn up. This list is by no means exhaustive; it merely gives the minimum requirements.

In order for a hotel to be considered Sharia-compliant most of the facilities such as floors, spa, gym, as well as guest and function rooms should be separate for males and females. Neither alcohol nor pork should be served in any of the food and beverage outlets, there should be no minibar in the rooms, and food products served have to be halal. Beds and toilets should not be placed in the direction of Mecca. And the hotel development and the hotel operations should be financed through Islamic financial arrangements.

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Requirements

