

## Strategies Employed by Umrah Business Owners to Survive the Covid-19

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### Abstract

The presence of Covid-19 has brought a number of negative consequences globally including economic disaster. In the context of Kingdom of Saudi Arabia, the Covid-19 has severely impacted the Umrah tourism, and this has led to many Umrah business operators to experience loss. In addition, many small and medium business operators have to stop operating due to financial difficulties. This study aims to identify the strategies that have been employed by the Umrah business operators to survive the downward of market due to Covid-19 pandemic. Specifically, the study attempts to understand the mechanisms that have been adopted by the affected Umrah business operators to maintain their business. As such, a total of three business operators in the Makkah region were selected to be interviewed. The interviews were later transcribed and thematically analyzed. The analysis of interview responses followed the Wenzel (2020)'s Crisis Response Strategies that has been the study's conceptual framework. Findings showed that the strategies that the business owners adopted can be grouped into two themes; first is retrenchment where the business owners will reduce the number of staff being employed and second is perseverance where the business owners will actively look for assistance mainly from the government. The findings have highlighted limited strategies employed by the business owners. This information can be helpful for training purposes where many strategies can be adopted by business owners when they are faced with economic difficulties.

**Keywords:** Covid-19, Umrah Tourism, Economic Strategies, Kingdom of Saudi Arabia

### Introduction

Business enterprises play a significant role for economic development of the country (Adam et al., 2021). In the context of Kingdom of Saudi Arabia (KSA) where Umrah tourism is one of the primary revenues (Sherbini et al., 2016), many businesses are being operated to support the overall Umrah tourism. This includes accommodation such as hotels, transportation (e.g., airlines, trains and buses) and catering. Other businesses include the small and medium enterprises (SMEs) that are operated within the areas where Umrah activities are found such as shops that sell souvenirs, clothes and other merchandises. In 2013, the Arab News reported that the revenue that the Kingdom has made through the Umrah as

well as Hajj tourism exceeded SAR62 billion or approximately USD16 billion. This strongly indicates that the Umrah tourism that takes place throughout the years for many Muslims around the world is a sustainable source of incomes for the Kingdom as contrast to petroleum (Bokhari, 2017).

However, the presence of Covid-19 that hit the world towards the end of 2019 and declared as a pandemic in the early 2020 has brought many negative consequences in many areas of living. In addition to education, social and health, the severe impact of Covid-19 can also be seen on the economic aspect when businesses and other economic activities cannot be operated as during the pre-pandemic period (Bartik et al., 2020). This is due to the restrictions such as lockdown that have been imposed by health organizations as well as governments as part of the effort to contain the spread of the virus. Hence, businesses as expected suffered great loss and according to ILO News (2020), the main challenge has been found in the insufficient cash flow to sustain the business operation (Ahmed et al., 2022c).

Considering Covid-19, the Kingdom, consistent with many other countries has taken several steps to contain the virus. The steps include limiting the entry of international travelers into the country as well as suspending the operations of Umrah and Hajj activities (Hashim et al., 2021). Even though the steps were meant to protect the life of people especially those with low immune system to fight the virus, the indirect consequence of these steps is seen on the businesses that have to operate without incomes. The absence of Umrah pilgrims especially the international travelers generally has contributed to the economic downfalls of Umrah-related businesses. Aishath and Zakariya (2021) reported that the Kingdom is expected to receive around 30 million pilgrims every year by 2030. Hence, not being able to reach the target due to the pandemic has certainly hit the economy. To further support, Rashad (2020) suggested that the Kingdom is expected to see around 35% to 40% decline through its tourism sector revenue due to measures taken to combat Covid-19.

Kaushal and Srivastava (2021) reported that, in 2019, 2,489,406 people visited KSA for Hajj and 19,158,031 for Umrah. The cost of Hajj and Umrah, ranging from “USD 5000 to USD 15,000 per pilgrim” (as proclaimed on several global online platforms, with the accessibility of costly Hajj products worth USD 27,000). Certainly, this has resulted in a loss of about USD 12 billion (Fatima & Elbanna, 2020). Considering Umrah, which expenditure averaging USD 3000 per believer, the shortfall from Umrah in a few months period was speculated to have an average of USD 6 billion. However, the loss is not only to be experienced by the government because the business owners who rely heavily on the pilgrims’ expenditures would similarly receive the consequence.

The economic loss that has been reported in the context of Umrah tourism is in fact consistent with many studies that have reported the same in other context of tourisms. Bakar and Rosbi (2020) reported the effects of the virus on tourist economic sectors that many countries have suffered from worldwide. One of them is Diaz-Sanchez and Obaco (2020) that has assessed how COVID-19 has affected the traveling income for natural preservation in the Galapagos. It is reported the repercussions of the COVID-19 outburst on traveling businesses for Galapagos maintenance. It was explored that “trends and construct a seasonal index to estimate the expected number of visitors in the Galapagos National Park (GNP) explore the trends and construct a seasonal index to estimate the expected number of visitors in the Galapagos National Park (GNP)”. Findings showed that due to COVID-19, the losses are half of the incomes in 2020. This process has tremendously affected the income of the National Park preservation activities.

In a more specific context of KSA, Alhawal et al (2020) has reported a result of large-scale survey on the impact of Covid-19 on the SMEs in the country. A total of 918 micro, small and medium enterprises (MSMEs) from 13 regions including Riyadh, Makkah and Madinah were included in the survey. From the analysis, it has been revealed that close to 100% or specifically 99.5% of the total respondents have informed that they were negatively impacted by the Covid-19. The owners also reported that their average revenues and sales have been drastically reduced by 90%. As a result, almost 20% of the total respondents have decided to lay off more than 10 employees.

Parveen (2020) similarly reported the impact of Covid-19 on SMEs in KSA in addition to other industries that have received similar impact such as airline industry, education and tourism. In the context of hajj and umrah tourism, the study informed that the number of pilgrims is limited or has been reduced than the usual number in the previous years. In the case of SMEs in Saudi Arabia, the study showed that almost 80% of SMEs have decided to terminate all of their employees where the statistics showed the micro businesses is the highest in laying off their employees. On the other hand, medium-size business is the highest that laid off more than 10 employees.

Alam et al (2021) examined the impacts of Covid-19 on the economic sector of the Kingdom as well as the hajj policy. Document analysis has been utilized by the study to generate the data. It has been reported that the country has suffered a significant economic loss due to the changes in the global oil prices, which is the main revenue for the Kingdom. In addition, the country also has also been economically impacted when the religious tourism of hajj and umrah has to be suspended. Given that many countries have stopped the international travelling, it has made many religious tourism places in this country to be deserted.

Given the situation, the present study aims to investigate the strategies that have been employed by Umrah business operators in KSA. Specifically, this study attempts to understand the strategies that they have taken in order to minimize the economic loss that they experienced due to the pandemic.

## **Methodology**

### ***Research Design***

The present study is designed within the framework of qualitative research paradigm. Specifically, the study is set as an exploratory study where the idea lies in the attempts to understand a phenomenon that previously is understood with limitations (Stebbins, 2001). The elements of qualitative research design in this study are evident in its data collection process as well as data analysis technique. The choice of this design is deemed to be suitable as contrast to employing another research design due to the research objective that aims to understand how business operators deal with the pandemic that has affected their businesses.

### ***Participants***

The participants for this study are three business owners operating their business in the Makkah al-Mukarramah region. The site is chosen because Makkah is the primary location of the Umrah activities due to the Holy Mosque (Masjid al-Haram) is situated there. Hence, Makkah usually receives and hosts millions of pilgrims throughout the year and in certain period of the year such as during Ramadhan (the fasting month for Muslim), the number of pilgrims significantly increases.

The three participants were selected to participate through purposive sampling technique. Specifically, the participants were primarily selected because they are business owners in Makkah. In addition, they were selected based on the nature of their business that is linked to Umrah activities and such business includes accommodation, restaurants and transports. The participants also have operated their businesses for a number of years or at least, the businesses have begun before the pandemic hit. Following these criteria, a total of three business owners have been recruited. Table 1 shows the demographic profiles of the participants.

Table 1

*Demographic profiles of the participants*

Information	Business owner 1	Business owner 2	Business owner 3
Age	35	40	55
Origin	Makkah	Makkah	Makkah
Nature of business	Hotel	Hotel	Hotel
Location of business	500m from the sacred precincts of Makkah	300m from the sacred precincts of Makkah	450m from the sacred precincts of Makkah
Years of operating the business	10	12	15
Employing staff	Yes	Yes	Yes
Total number of staff being employed	125	133	155

From Table 1, it can be seen that the study has recruited three participants who are hotel owners or hotel business operators. All of the participants are from Makkah and are conducting the business in Makkah. In fact, the locations of the business are close to the Masjidil Haram which is the centre for pilgrims (Masjidil Haram is the primary location where many Hajj and Umrah rituals are performed). Hence, the hotels are usually to receive high preference due to close proximity to the Masjidil Haram. In terms of years of operating the business, all of them have been operating the business for more than 10 years. They also operate with a large number of staff which is within 120 to 160 staff.

**Data Collection Technique**

The study employs semi-structured interview to obtain the intended data from the participants. The first step has required the participants to be personally contacted for their consent to be interviewed is obtained. Once the participants agreed to participate, the researcher scheduled an appointment with them for a meeting as well as interview session. During the meeting, the participants were briefed on the research objectives, nature of the research and how it is conducted as well as the privacy and confidentiality of their personal information and responses. This is followed by the interview session where the participants were asked a number of questions.

The questions were designed as an open-ended question in order to avoid participants to be limited in their responses. The total number of question is 9 questions. The questions are listed in Appendix A. The interviews were conducted in Arabic language and were

recorded for analysis purposes. Once recordings completed, the recorded data were transcribed and translated into English language for the understanding of readers who are not Arabic-speaking individuals. The transcription was within the orthographic transcription only due to the aim is to look for information and not to perform a linguistic analysis.

### **Data Analysis**

The transcription of recording serves as the data to be analysed. To analyse the data, thematic analysis was performed whereby the information that is composed of responses by the participants were scanned thematically. To be more directive, Wenzel (2020)'s Crisis Response Strategies has been selected as the study's conceptual framework. The framework has listed four strategies which are retrenchment, persevering, innovating and exit. Figure 1 shows the model of Crisis Response Strategies by Wenzel (2020).

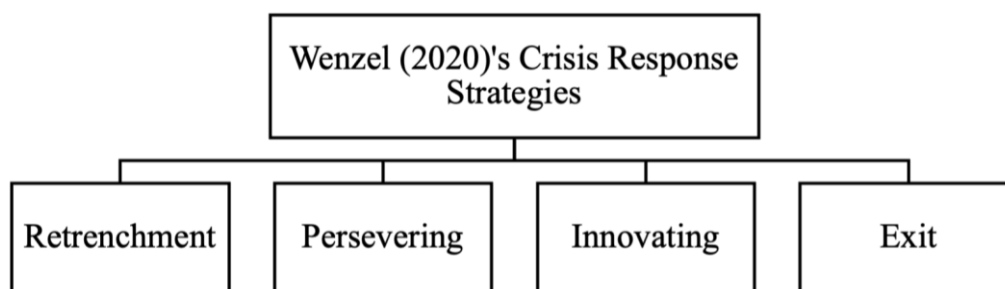


Figure 1: Wenzel (2020)'s Crisis Response Strategies

### **Research Ethics**

The consideration of ethics in this study concerns the participants' information and responses that are treated with strict confidentiality. The names of the business owners are not reported and they are replaced with a generic term of "business owner" with number such as 1, 2 and 3 is used to identify each one of them. The participants were also briefed before they agreed to participate and they were asked to sign a consent form to indicate their agreement. In addition, they are allowed to withdraw their participation should they feel uncomfortable at any period during the data collection.

### **Findings**

Before the study reports on the strategies, information on what the business owners think of the pandemic situation is given. Specifically, when they are asked on how their businesses have been impacted, all business owners responded that they have been affected badly and they also said that they have never experienced something like the pandemic before. Extract 62 from Business Owner 1 shows the first response.

Extract 1

*(I have been )100% affected and (probably before) facade from 10 years ago but not like the Corona pandemic*

In Extract 51, the Business Owner 1 said that the business has been completely affected and the participant also said this is not like what he has experienced before. Similarly, Business Owner 2 expressed the same view. The response is shown in the following Extract 63.

Extract 2

*The whole sector has been completely shut down. (I experienced) dengue fever before but not comparable to the corona pandemic*

According to the Business Owner 2, the whole business sector has been shut down and this has in fact affected the business completely. The business owner also said that the severity of the pandemic and experience that comes with it is nothing like before. Business Owner 3 also echoed similar message when being asked how the business has been affected. The response is shown in Extract 3.

Extract 3

*I was affected very greatly as the owner pays all costs from his own income. (Before) dengue fever front but not comparable to the corona pandemic*

As evident in Extract 3, the business owner said the business has been affected greatly which mostly on the financial aspects. The business owner has to pay the costs from the income (or saving) since the operation has been halted during the pandemic. Hence, it has placed a great burden to them.

Given the concerns expressed by them, the business owners have opted to economic strategies that can assist their business to go through the period of pandemic. From the analysis, it is found that there are two strategies which are retrenchment and persevering.

**Retrenchment**

The first strategy that the business owners have adopted is retrenchment (as terminology used by Wenzel). Retrenchment refers to the staff being laid off due to business operations that have stopped. This seems to be the quickest economic strategy as reported by the participants. According to Business Owner 1, since the business relies 100% on Umrah activities, the business cannot survive economically and as a consequence, the employees have to be laid off. Extract 4 shows the response.

Extract 4

*Makkah hotels are totally dependent on Umrah tourism, and the hotels are operating at 100%. The first policy that was followed is to reduce the number of workers and also reduce salaries at the same time*

As evident in Extract 4, Business Owner 1 said that the hotels in Makkah are completely dependent on the Umrah tourism. Therefore, the business operations are definitely interrupted when Umrah activities are suspended due to the Covid-19. Due to the loss of income, the business owners have to first reduce the number of workers which means some staff have been terminated in their services. At the same time, the staff who remained with the business will experience a salary deduction. This strategy as mentioned before seems to be the quickest and logical one since the business does not make any profit and no income is generated.

Similarly, Business Owner 2 said that the Umrah activities are the main source of income for hotels in the Makkah. Hence, it is not a surprise that many hotels have been closed due to the suspension of Umrah activities (Extract 5).

Extract 5:

*Makkah hotels are completely dependent on Umrah tourism from domestic and foreign pilgrims*

The business owner further said as shown in Extract 5:

Extract 5

*In the first year of the pandemic, some hotels were closed and completely suspended from work*

According to Business Owner 2, the difficulties were greater in the first year of the pandemic when some hotels were closed and suspended from operating. Hence, it has contributed to staff being laid off. Business Owner 3 on the other hand said, even the hotels do not fully depend on Umrah activities, but they are fully operational during the Umrah season hence contributing to greater incomes. Extract 6 captures the response

Extract 6

*The activity does not depend only on Umrah tourism, but is fully operational during the Umrah season*

Therefore, one of the immediate strategies is to reduce the labour wages and reduce the number of staff. This is evident in Extract 7.

Extract 7

*One of the strategies used in the first year of the pandemic is to reduce labour wages and also reduce the number of workers*

In summary, the first strategy that the business owners adopted when they first dealt with the Covid-19 is retrenchment that can refer to either reducing the number of staff (staff being terminated from service) or reducing the salary where the staff will experience salary reduction. This strategy seems to be the common strategy that business owners employed especially when their businesses are suspended from the operations.

***Persevering***

The second economic strategy that the business owners have employed is persevering. This particular strategy describes the business owners' determination and persistence to continue with their businesses despite they face many challenges that come as a result of Covid-19. It describes their hopes and motivation by looking for various assistance during the period of the pandemic.

According to Business Owner 1, seeking assistance from the government as well as requesting for business to operate is the strategy. Extract 8 shows the response.

Extract 8:

*Support by the government to restart, speed recovery and relative return to work*

As shown in Extract 70, the business owner said that they looked for the support from the government to resume the business operations. This is important in order for them to recover from the loss quickly as well as to allow the staff returning to work. This view is also shared by Business Owner 3. On the other hand, Business Owner 2 said in Extract 9:

Extract 9

*(I request) extending employee stays for 6 months*

For Business Owner 3, the request that is made to the government is for the employee to be extended in their stay in the Kingdom for six months.

However, all business owners are in agreement to say that the most assistance that they need is the financial assistance. This is evident in the following Extract 10.

## Extract 10

*Hotels need financial assistance and also permission to resume business*

According to all participants, the hotel needs financial assistance from the government since they do not make any income due to the suspension of business. They also request from the government to resume the business. The same opinion is recorded in the following response as well (Extract 11):

## Extract 11

*Hotels need financial assistance, as well as permission to resume business to restore activity and continuity*

Hence, it can be concluded that the business owners attempted to survive the pandemic by looking for assistance that mainly lies in the financial support as well as permission from the authority for them to operate or resume the business. This indicates their perseverance to maintain the business in addition to other strategies that they have adopted (i.e., retrenchment). The perseverance is in fact a quality that any business owners should have due to the uncertainty of the business world.

**Discussion**

The main purpose of this study was to understand the strategies that have been employed by the business owners in Makkah when the Umrah activities were impacted by the Covid-19 pandemic. Using the framework of Wenzel (2020)'s Crisis Response Strategies, this study found out that the business owners only adopted two strategies which are retrenchment and persevering. Figure 2 shows the strategies.

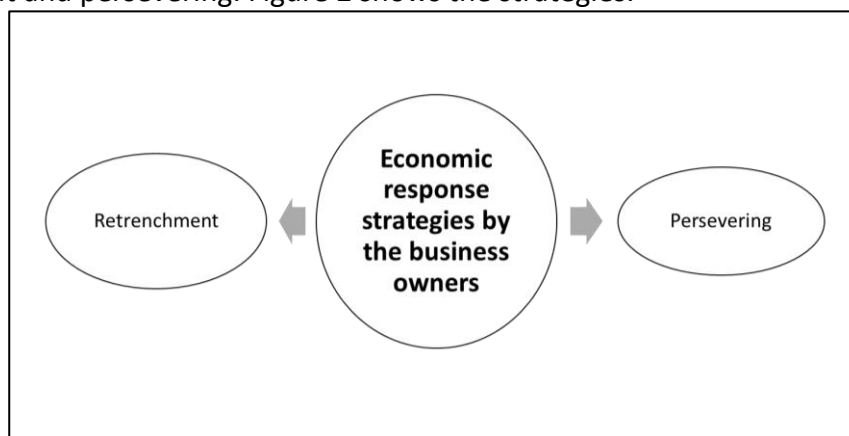


Figure 2: Strategies employed by the business owners

Retrenchment seems to be the global strategy during the Covid-19 pandemic; according to Azilah et al (2021), the management has to reduce the number of employees to minimize the economic loss. Similarly, the business owners in this study opted to reduce the number of workers due to limited incomes which consequently causes the company to be unable to pay the salary. Hence, retrenchment is one of the quick strategies to be employed by the business owners. Klyver and Nielsen (2021) said that retrenchment is viewed to be ineffective for SMEs that experienced growth during the crisis. In addition, retrenchment is said to bring a negative effect. In addition, it can use neuroscientific tools to study the individuals' responses toward external environment (e.g., pandemics cases, marketing, and economic) (Alsharif et al., 2022a; 2022b).



On the other hand, another strategy that this study has reported is the persevering. Persevering is when the business owners determine to survive the crisis by doing what they possibly can such as looking for assistance from relevance authorities. This is especially evident in many financial assistance packages that are offered by the Kingdom to business owners through various schemes (Khan et al., 2021). However, Klyver and Nielsen (2021) further mentioned that even though persevering seems to work when implemented broadly, but the strategy is ineffective when only certain focused measures are implemented.

### **Conclusion and Future Agenda**

This study has been set out to identify the strategies that have been employed by the Umrah business owners during the Covid-19 pandemic. Obtaining its data from three business owners through a semi-structured interview protocol, this study has revealed that the strategies are limited to two which are retrenchment and persevering. On the other hand, Wenzel (2020) has listed four strategies through the Crisis Response Strategies. The findings of the study have revealed that the limited knowledge that the business owners have in terms of the limited strategies they have adopted when the crisis took place. In addition, the strategies that they have employed are deemed to be ineffective. In addition, the business owners should diversify the source of income in order to avoid financial difficulties during crisis. It also found that the relevant authorities can help to design a training module for any business owners on how to best manage their business during crisis by identifying and adopting a more effective strategy.

As recommendations, this study suggests future works to expanding the number of participants given the current study only obtained its data from three participants. The participants should also be diversified in the types of businesses. Employing other methodological approach such as document analysis whereby their financial statements to be analysed can also possibly yield new perspective.

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