THE COMPETITIVE ADVANTAGES OF SHARIA-COMPLIANT HOTEL CONCEPT IN MALAYSIA: SWOT ANALYSIS

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ABSTRACT

Halal is the fastest growing industry in Malaysia. Consumers nowadays not only wish to know the nature of what they eat, what they wear, what they put on their skin but they also looking for the type of travelling ease and hospitality that they receive. Awareness towards Halal Hotel industry not only need to get from Hotel provider but it must be develop from customers. This is clearly being defined by law of demand and supply which is producers must supply the goods and services that consumers want, then the market economy will be function. As Malaysia moving towards Halal Hub Country, it is very important to focus on Halal Hotel concept which is significant to Halal tourism industry in Malaysia. Therefore this study will identify the competitive advantages of Sharia-Compliant (Halal) Hotel concept in Malaysia by using SWOT analysis.

Keywords: Competitive Advantage; Sharia-Compliant Hotel Concept; SWOT Analysis

1. INTRODUCTION

Sharia-Compliant Hotel (SCH) has been the subject of interest to most of Muslim scholars. The prediction of the competitiveness of this industry derived based on increasing numbers of tourist arrival in Malaysia where the numbers has increase by 6% which is 25.72 million in 2013 to 27.44 million in 2014 (Ministry of Tourism, 2015). This factors has create positive view in our Hotel industry. Hotel industry is a very challenging market. To be sustain in this challenging and competitive market, Hotelier need to differentiate their business with others. Therefore by transforming their normal hotel to SCH, they will capture tourist attention especially Muslim tourist who really concerns on Halal. Not only that, this new concept also may attract tourist who looking for new experience in their vacation which is stay at SCH. This new experience will also becomes a good marketing for hotelier. According to (Schmitt, 1996), he identify that experience marketing is one of the best marketing approach in business. However, Involvement in this new concept is not easy. SCH need to follow certain standards which critically look to the food, beverage and facilities.

As mentioned earlier, SCH is a very competitive industry. In Malaysia, over 300 hotelier has taken initiative to comply with JAKIM Halal certificate scheme (ITC, 2015). This is only 7% where as at 2014, there are 4,072 Hotel in Malaysia (refer table 1.1). This shows that the other Hotelier still do not have confident to SCH concept. Business people always concern on their returns on investment. Apart from the guideline, hotelier still not clear in terms of advantages that they will gain when they
transform to SCH. There are numbers of studies, focus on SCH concept, for example, (Siti Mashitoh et.al, 2013), studied on relationship between awareness and Halal Certificate, (Nur Zafir Md Salleh et.al, 2014) studied on Sharia-Compliant Hotel in Malaysia, (Nor Haniza and Amran, 2013), studied on Halal Tourism for scaling up community, but there is still lack of discussion on competitive advantages of SCH concept. That is why the discussion on competitive advantages of SCH concept is significant. The objective of this study is to identify the SCH competitive advantages and challenge by using SWOT analysis.

Table 1.1 : Hotel and Room Supply in Malaysia By State

<table>
<thead>
<tr>
<th>STATE / LOCALITY</th>
<th>HOTELS 2013</th>
<th>HOTELS 2014</th>
<th>HOTELS %</th>
<th>ROOMS 2013</th>
<th>ROOMS 2014</th>
<th>ROOMS %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Lumpur</td>
<td>226</td>
<td>255</td>
<td>12.8</td>
<td>34,700</td>
<td>38,916</td>
<td>12.1</td>
</tr>
<tr>
<td>Putrajaya</td>
<td>5</td>
<td>5</td>
<td>0.0</td>
<td>1,418</td>
<td>1,418</td>
<td>0.0</td>
</tr>
<tr>
<td>Selangor</td>
<td>202</td>
<td>336</td>
<td>66.3</td>
<td>14,830</td>
<td>24,203</td>
<td>63.2</td>
</tr>
<tr>
<td>Penang</td>
<td>162</td>
<td>206</td>
<td>27.2</td>
<td>16,137</td>
<td>18,011</td>
<td>11.6</td>
</tr>
<tr>
<td>Perak</td>
<td>253</td>
<td>288</td>
<td>13.8</td>
<td>11,293</td>
<td>14,333</td>
<td>26.9</td>
</tr>
<tr>
<td>Kedah</td>
<td>77</td>
<td>89</td>
<td>20.5</td>
<td>4,919</td>
<td>4,692</td>
<td>16.1</td>
</tr>
<tr>
<td>Langkawi</td>
<td>124</td>
<td>148</td>
<td>19.4</td>
<td>8,910</td>
<td>10,022</td>
<td>12.5</td>
</tr>
<tr>
<td>Perlis</td>
<td>38</td>
<td>39</td>
<td>26.6</td>
<td>1,934</td>
<td>1,940</td>
<td>0.8</td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>129</td>
<td>158</td>
<td>22.5</td>
<td>7,993</td>
<td>10,168</td>
<td>27.2</td>
</tr>
<tr>
<td>Malaka</td>
<td>175</td>
<td>256</td>
<td>46.3</td>
<td>11,077</td>
<td>14,730</td>
<td>33.0</td>
</tr>
<tr>
<td>Johor</td>
<td>349</td>
<td>509</td>
<td>45.8</td>
<td>20,537</td>
<td>29,021</td>
<td>41.3</td>
</tr>
<tr>
<td>Pahang</td>
<td>555</td>
<td>424</td>
<td>18.4</td>
<td>26,075</td>
<td>28,752</td>
<td>10.3</td>
</tr>
<tr>
<td>Terengganu</td>
<td>194</td>
<td>250</td>
<td>28.9</td>
<td>8,992</td>
<td>11,205</td>
<td>24.6</td>
</tr>
<tr>
<td>Kelantan</td>
<td>110</td>
<td>143</td>
<td>30.0</td>
<td>4,966</td>
<td>5,949</td>
<td>19.8</td>
</tr>
<tr>
<td>Sabah</td>
<td>313</td>
<td>533</td>
<td>70.3</td>
<td>17,903</td>
<td>26,456</td>
<td>47.6</td>
</tr>
<tr>
<td>Labuan</td>
<td>40</td>
<td>46</td>
<td>15.0</td>
<td>1,957</td>
<td>2,058</td>
<td>5.2</td>
</tr>
<tr>
<td>Sarawak</td>
<td>346</td>
<td>388</td>
<td>12.1</td>
<td>16,785</td>
<td>20,138</td>
<td>20.1</td>
</tr>
</tbody>
</table>

**GRAND TOTAL** 3,094 4,072 31.6 209,527 262,021 25.1

Source: Tourism Malaysia, 2015

2. LITERATURE REVIEW

2.1 Sharia-Compliant Concept

Sharia is derived from the Arabic word which means the path that should be followed by Muslims (Doi, 1984). Sharia also means the totality of Allah’s commands which regulate life for every Muslim in all aspect (Wan Sahida et al, 2011). The main objective of the shari‘ah is to promote the well-being of the people, which lies in safeguarding on their faith (deen), lives (nafs), intellect (‘aql), posterity (nasb) and wealth (mal) (Norain, 2015). As far as Sharia is concerned, in order for the said hotel to be considered as Sharia-compliant, the services provided by the hotel must comply to the need of the Sharia (Norzafir, 2014). The concept of halal refers to the manner of producing goods and services in the manner approved by Islamic law or sharia (Abdul Manaf, 2013).
2.2 Sharia-Compliant Hotel

In previous literatures, Islamic hotel or Sharia-Compliant hotel is used interchangeably. Since this concept is still new, fewer literatures explain on this (Mohd Rizal, 2012). Some say that the operation of the Islamic hotel is just the same with the existing hotel but the operational aspects of the Sharia-Compliant Hotel must be adjusted to comply with the Islamic principle of Sharia law (Zakiah & Fadilah, 2013)

Sharia-Compliant hotel can be defined as a hotel that provides services in accordance to the Sharia principles (Shamim Yusuf, 2009); to serve halal food and drink and to ensure the hotel is operating and managed in accordance with the Sharia principles (Zakiah & Fadilah, 2013; Mohd Rizal Razalli, 2012). According to Norain et al. (2015), Shariah compliance hotel defines as the hotel that is governed by Shariah standard which go beyond the concept of dry and Islamic hotels.

There are some attributes of the Sharia-Compliant Hotel as explained by some scholars. Zakiah & Fadhilah (2013) quoted Henderson JC (2010); Marcus et al. (2010) Suhaiza et al. (2011) and explained that the Sharia-Compliant Hotel as not serving the non halal foods and no alcohol at the premises or hotels. Thus, no minibar is allowed in the premises (Wan Shahida et al., 2011). The Holy Book Quran must be put in the room and the room must be provided with prayer mat and an arrow that indicating the direction of qi blat. Furthermore, the beds and toilets positioned must not to face the qiblat. The prayer room must be available on the premises and hotels and no inappropriate entertainment is allowed.

The hotel must be predominantly with Muslim staffs with a proper Islamic code of dressing. The salon, recreational facilities and swimming pool must be separated for men and women. There must be a separate room and floor for unmarried couple between male and female. Furthermore, the tourists dressing code is also being taken into consideration. They probably must be covering the aurah and no gambling and alcohol drinks in the hotel lobby or restaurant as well as no prohibited foods and beverages in the hotel fridge (Henderson JC (2010); Marcus et al. (2010) and Suhaiza et al. (2011) & Zakiah & Fadhilah (2013). Zakiah & Norsalwati (2014) added that the funding operations of the hotel should adopt Sharia-compliant contracts and the owners of the premises or the hotelier must pay their zakat.

In fact, the design of the hotel (Wan Shahida et al., 2011) whereby the building and decoration of the hotel should not display any art depicting the human or display any form of jewels which does not reflect any sign or symbol of living being and layout of furniture must meet the Sharia principle (Zakiah & Fadilah, 2013). Besides that the facilities provided by the hotel such as spa, gym facilities, swimming pool, guest and function room must be separated for male and female (Rosenberg & Choufany, 2009).

Apart from that, Norzafir (2014) added the requirement of the the religious daily duties that a Muslim has to perform such as solat 5 times a day and fasting during Ramadhan month. Furthermore, Solat time schedule must be available for easy reference in the prayer room, Azan on the radio or speaker in the room and provide an imam for five obligatory prayers at prayer room. In the month of Ramadhan, the food must be available for Sahoor, the dates are provided for the breakfast and the hotel must host the congregational prayer of Taraweeh,
Furthermore, two Malaysia Standards such as MS1500:2009 (Malaysian Standard of Halal Food-Production, Preparation, Handling and Storage) and MS1900:2005 (Malaysian Standard for Quality Management System-Requirements from Islamic Perspectives) were adopted in order to implement Sharia-Compliant Hotel (Zakiah & Fadilah, 2013; Norzafir, 2014). These standards prescribe the practical guidelines for the food industry on the preparation and handling of Halal food, including nutrient supplement, and to serve as a basic requirement for a food product and food trade or business in Malaysia as well as management of the hotel.

2.3 Measuring Competitive Advantages through SWOT Analysis

Basically, the literatures show that the operation and development of Sharia-compliant Hotel do not have very big differences with the operation of the standard hotel (Zakiah & Fadilah, 2013). However, in developing the real concept of Sharia Compliant Hotel, there are several prospects and challenges.

One of the competitive advantages for the hotel is the demand on Islamic goods and services. The influx of Middle East tourists to Malaysia provides immense opportunities for Sharia Compliant hotels to be able to attract Muslim tourists to stay in their hotels. It leads to the increment of the profits of the said hotel (Norzafir, 2015). Malaysia as a perfect and convenient destination which enables to fulfill the needs of the Muslim tourist in term of halal foods, accommodation and good service quality (Zakiah & Fadilah (2013) and Suhaiza et al., (2011)). Middle East tourists for example are considered as are a lucrative market because they spend more than other tourists. (Norzafir, 2015). Besides that, hotel industry in Malaysia can be a major contribution to the socioeconomic of the nation. It is based on the religious similarities and the ability to understand the needs of the tourists from the Islamic countries especially Saudi Arabia who have huge potential purchasing power. Thus, Malaysia will come forward as a tourism hub among the Islamic countries (Suhaiza Zailani et al., 2011).

Therefore, from the previous literatures, it shows that it is a need to provide a proper and convenience Muslim friendly hotel with good service quality, hospitality and halal foods consumption (Zakiah & Norsalwati, 2014). Perhaps, non-Muslim hoteliers and developers will be attracted to follow this positive effort because Sharia rulings is suitable for both Muslims and non-Muslims.

3. METHODOLOGY

This study employed SWOT analysis and review on past literature. The literature obtained are from various databases such as Emerald, EBSCOHost, ScienceDirect, ProQuest that matches or related with keywords, namely, SWOT analysis, Halal Tourism, Sharia-Compliant Hotel and Competitive advantages.
4. DISCUSSION

SWOT analysis is the simplest and most easiest applied tool for evaluation of company’s overall situations. This analysis will examine company’s resources and competitive capabilities in terms of the degree to which they enable it to pursue its best market opportunities and defend against the external threats to its future well-being (Arthur A. Thompson, 2012). This study discussed on SCH competitive advantages by identify strength and weaknesses of the SCH concept and examine opportunities and threat of the tourism industry which may give either positive or negative impact to SCH concept.

a. Identifying Company’s Internal Strengths

Unique Concept

Sharia-Compliant Hotel has unique concept which is different from normal Hotel. The differences involve most of overall hotel operation which is include room concept, facilities offered, food and beverage, Kitchen, Housekeeping and workers dresscode. This different concept create tourist attention to gain new experience in their vacation. According to study conducted by Silvia and Marcus, 2012, on The role of customer relations for innovativeness and customer satisfaction, identify that companies who offer new or innovative service, may create customers awareness and concentration towards their companies and customers will give reward although the improvements is little (Wallenburg, 2012). This shows that with new SCH concept, hotelier will able to compete in hotel industry.

As mention above, new concept may create competitiveness. One of the concept is facilities. As we know, Muslim are very concern on prayer. Wherever they go (although in vacation) they need and must perform “solah”. Therefore one of the importance thing that SCH role is to provide information and facilities regarding this needs. By providing information on solah, Hotel visitors may plan their time and tour more efficiently. (Nor Hazarina Hashim et al., 2007), found that the Hotels in both Muslim and non-Muslim countries that target Muslim tourists should offer Islamic information such as the location of nearby mosques or prayer times on their websites and concierge desks, as well as add arrows pointing towards Mecca to their rooms’ ceilings (Noor Hazarina Hashim, 2007). Not only the Islamic information, According to Timothy and Iverson, 2006, SCH also could offer separate swimming pool and recreational facilities (Iverson D. J., 2006). The other interesting concept is Food and beverages. Tourist will face no difficulties in getting Halal food in SCH. Not only the Halal food in hotel restaurants, SCH also could provide information on nearby restaurant which provide halal food. Apart from food, workers dresscode also create tourist attention to SCH. This factor has differentiate SCH to conventional hotel. With this different concept, Muslim tourist can be confident in choosing SCH as their basic religious need has been understood and met.

High Margins due to High Demand and Low Supply

As mention above the different concept will differentiate SCH to conventional hotel. This differentiation will create unique factor which influence tourist to choose SCH compared to conventional hotel. Some hotelier still refuse to transform their hotel to
SCH due to afraid of losing profit especially in beverage. However this is not true because SCH hotelier may gain profit in food and beverage although they are not serve or provide alcohol in their premises. In Dubai, most of SCH gain profit from fresh juice which they identify as a best substitute drink to alcohol (Media, 2014). Apart from that, alcohol also should not be a barrier for hotelier to transform to SCH. This is because the drink itself does not have a strong link to our Malaysian food. Why we need to eat chicken curry, our best Nasi Lemak, fried noodle and chicken rice with alcohol? This shows that the hotel still can survive without having alcohol in their hotel. According to Al Jawhara Gardens Hotel Business Development manager UAE, their hotel has annual 10% increase in growth although they are serving non-alcoholic food and beverages in their hotel. The interesting part is 80% of their hotel guests are non-Muslim (Summit, 2015). This shows that SCH has receive positive acceptance among non-Muslim and has a positive potential to gain profit. Tourist always look for the cleanliness and friendly services. SCH has fulfill this kind of needs. When the hotel transform to SCH, they must make sure for example their food is Halal and get Halal certificate from JAKIM. The application of Halal is applied to all stages of processing which is “from farm to table”. In Halal food,cleanliness and hygiene is very closely related to food safety (Yusoff, 2004). This factor is allign with tourist needs therefore, SCH has a good potential to grow. World Muslim population is expected to increase from 1.6 billion to 2.2 billion by 2030. According to the MasterCard-Crescent Rating Global Muslim Travel Index (GMTI) 2015, the Halal tourism sector is expected to grow to 200 billion by 2020 (Healy, 2015). This is a signal of high demand for SCH and hotelier only have to wait for receiving high profit.

**Muslim-Friendly Hospitality Services Standards**

Having the standard for SCH is significant because it will boost customer confidence that the practice of Hotel is Sharia-Compliant all the time whether in its product, instrument, operation, practice, management etc. (Sabtu, 2012). Looking to this factor, government had develop the Muslim Friendly Hospitality Services Requirements (MS2610:2015) in January 2015 (ITC, 2015). This standard give a guideline to all players in tourism industry. For hotelier who wish to transform their conventional hotel to SCH, there is a guideline interms of room concept, facilities, food and beverages, services, recreational activities, information on solah, “iftar” (The meal taken by Muslim at dusk to break their fast) and “sahur” (the meal consumed by Muslims before dawn when fasting). This guideline also stress on the hotel services during Ramadhan month (SIRIM, 2014). By having this standard Malaysia is one step ahead from other country ints of providing Halal hospitality which is known as the heart of Halal tourism sector.

b. **Identifying Company Weaknesses and Competitive Deficiencies**

**Lack of Enforcement of Standard Compliance**

As mention above, Malaysia had just come out with set of guideline of Muslim Friendly Hospitality Services. This is a good signal for development of SCH. By having this standard all SCH need to standardize their operations, management and practice. By doing that customers may identify the differences between conventional and SCH. However there is still no enforcemet for SCH to follow this guideline. They have an option whether to follow the guideline or continue with their practice which they call as Sharia-Compliant. The adoption of the standards is on voluntary basis. This is may be
because of marketing factor where government do not trying to force the hotelier since the numbers of SCH is still small and this issues should not look as a barrier to other conventional hotel to transform to SCH.

c. Identifying Company’s Market Opportunities

**Strong Government Support**

Malaysia is the leader in World’s Halal Industry where this country becomes a pioneer in issuing certification letters for products that met the Halal criteria. From time to time government give full effort in ensuring continuous development of this industry. Government had establish many agencies in Malaysia to support Halal industry. The main agencies is Halal Industry Development Corporation (HDC) which being establish in 18 September 2006, help in promoting and widen the opportunity of Malaysian companies to venture world’s Halal global market (HDC, 2013). This is a good opportunity for businesses because they are not promoting themselve alone. Beside the HDC, JAKIM also help in monitoring Halal practice and provide certificate of Halal to ensure the lifelong and the development of customer confidence towards our Halal products. The other agencies that support the development of the industry are Ministry of Domestic Trade, Cooperative & Consumerism (MTDCC), Ministry of Trade and Industry (MITI), Malaysian Industrial Development Authority (MIDA), Malaysian Productivity Corporation (MPC), Standards Malaysia and SME Corporation Malaysia. Starting with food, Malaysia has expanded the venture to cosmetics, logistics, pharmaceutical and tourism. Halal tourism is a new sector which become an attraction to government due to the increasing numbers of Muslim tourist to Malaysia. Therefore in 2012 Islamic Tourism Centre (ITC) had published Islamic Tourism Blueprint which outline a comprehensive and implementable strategic plan for the future development of Islamic tourism within the country via Islamic tourism standards and quality control draft in management, operations and implementation (ITC, 2015). Apart from that, halal industry including tourism also will get benefit from two of the most important annual events namely the Malaysia International Halal Showcase (MIHAS) and the World Halal Forum (WHF). This two events not only promoting Halal industry but it also create a network between global Halal player.

**Halal Global Trade Potential**

The global Halal tourism industry is expected to grow from 140 billion in 2013 to 192 billion over the next 6 years (Markham, 2014). This is a great offer to all businesses especially those who offer Halal products or services. The growth of this industry is due to the increase in awareness of Muslim towards Halal tourism and the grow of World Muslim population. World Muslim population is expected to grow by about 35% over the next 20 years (Finance, 2015). This growing population makes the market becomes more attractive. On average, the global expenditure of Muslim consumers on food and lifestyle sectors reached USD2tln in 2013 and is expected to increase to USD3.7tln by 2019 at a compound annual growth rate of 10.8% while for travel sector it is expected to reach USD238bln by 2019 (Finance, 2015). This figure shows the positive ecosystem of global trade which becomes an opportunity factors for Halal players including hotelier who involve in SCH concept.
d. Identifying the Threat to a Company’s Future Profitability

**Competition from Other Islamic Countries**

Malaysia is not the only country who offer SCH. The other Islamic country such as UAE started to promoting SCH in their country. This is due to the increase of Muslim travelers. Based on research, travelers from Saudi Arabia, Kuwait, Qatar, UAE, Bahrain and Oman will spend 64 billion in travelling and this amount is expected to increase to 216 billion by 2030 and for travelling inside the Gulf, this travelers spend around $10,400 per trip (Batrawy, 2015). SCH in UAE promote themselves as Halal-Friendly. This is because they found that some visitors especially non-Muslim not looking for Halal Hotel but they choose the hotel based on hygiene, food and friendly services. Therefore by promoting themselves as Halal friendly they will able to captured more visitors. On average, 60% of this Halal-Friendly hotel client are non-Muslim (Haseeb, 2015). By looking to this challenge, SCH in Malaysia need to aggressively promoting and improving their services. More effort need to be done to ensure Malaysia still becomes an attraction among travelers.

5. **CHALLENGES AND CONCLUSION**

Sharia-Compliant Hotel concept is still at infant stage. Most of conventional hotelier refuse to transform to SCH due to lack of awareness and understanding on the concept. Most of them are very profit oriented and by transform to SCH they afraid of losing profit especially from alcoholic beverages while at the same time they have to incur cost in terms of capacity management, Halal certificates, training and etc. Capacity management is one of the main challenge for SCH. Capacity management of hotel refers to limits of room and facilities offered to customers which is consider as one of hotel resources. Hotel must properly manage the capacity of their room as this will effect their returns. For SCH, they need to provide separate swimming pool, Spa and saloon, recreational activities for male and female and different room or floor for unmarried couple (Sabtu, 2012). Based on study conducted by Zakiah & Norsalwati (2014), in developing purely Sharia-Compliant Hotel such as segregation and the separation of rooms and floors to male and female. It is argued to give effect for architectural and interior design whereby the room must be comfortable and spacious for prayer. Furthermore, the Hotel developer and hotelier will face problem on how to position the hotel and promote it to non-Muslim guests or tourists. (Rosenberg & Choufany, 2009). Apart from that, according to the guideline, hoteliers need to hire officer who have knowledge in SCH concept (SIRIM, 2014). This is a big challenge where it is not easy to find people who have that specific knowledge on the subject.

Mohd Rizal (2011) explained that the other challenge that will be facing in the Sharia-Compliant hotel is when the level of acceptance of the Islamic hotel concept among Muslim travelers depends on the service provider’s initiative in integrating the existing hospitality concept and the Sharia rules. It might require more understanding of the concept among hoteliers and this will be even more challenging to the conventional hotel chains. The composition of hotel’s target market should determine whether the hotel should apply full services Sharia-Compliant Hotel as discussed earlier or merely friendly halal hotel since Malaysia is a multiracial country (Norzafir, 2015).
As a conclusion, the development of SCH in Malaysia is strongly influenced by the effort, awareness and understanding as well as acceptance of tourism industry players and government. With the encouraging growth of Muslim tourists, it is an opportunity for hotelier to transform to SCH concept. The special attributes and characteristics of SCH is a competitive advantage which differentiate it from conventional hotel. To ensure the continuous development, SCH need to improve their services and facilities offered and keep their hotel at highest rating. There is a need for further study on this issue and in order to get more clear picture and findings, the analysis conducted should be more than one.

REFERENCES


