

The Umrah Market in the KSA... Current Status and Aspirations

Saudi Umrah Companies and Foreign Umrah Agencies
The Road to Recovery from Impacts of COVID-19



Prepared by:

Safa  صفا

Technology for leaders in Umrah

تكنولوجيا لرواد الحج والعمرة



Table of Contents

Introduction	2
• The Importance of the Umrah Market	3
• Roles of Travel Companies and Agencies Globally	4
The Umrah Market: Current Status, Challenges, and Opportunities	5
• Number of Pilgrims	6
• Countries of Highest Arrival Rate	7
• Arrival Seasonality	9
• The impact of the Corona pandemic on the growth of the demand in the future	10
Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities	13
• Umrah Companies and Agencies Standing in the Umrah Journey Chain	14
• Challenges Facing Saudi Umrah Companies and Foreign Umrah Agencies	16
• The impact of Corona Pandemic on Umrah Companies and Agencies	30
Governments Support Programs for the Tourism Sector	33
• Kingdom of Saudi Arabia	34
• Indonesia	35
• Argentina	35
• Australia	35
• Egypt	36
• European Union	36
Recommendations	37
Appendix (1): Diagram Index	40
Appendix (2): Survey Analysis	41
Preparation Team	46
About Safa	47



Introduction





The Importance of the Umrah Market

The Kingdom's leadership was able to take many steps to strengthen the Umrah sector, starting with the continuous expansion of the infrastructure of the Two Holy Mosques and the airports to accommodate the increasing numbers. In 2015, the Holy Mosque's third expansion in Makkah Al-Mukarramah was completed to reach one million and 850 thousand worshipers. In 2019, the capacity of the worshipers reached 2.5 million. The government has also worked to develop services in the Holy Mosque in Makkah and Madinah. Based on these facilities, the Hajj and Umrah sector has achieved exponential growth over the past years. Hajj and Umrah Sector contributes an amount of (70) billion riyals of the Saudi GDP, which is equivalent to (2.65%) of the GDP and (11.63%) of the non-oil GDP for the year 2019, and it is expected to reach (300) billion riyals of the GDP in 2030.

The Umrah journey goes through multiple stages, starting with the pilgrim's country of residence, where he books the Umrah trip through the Umrah agencies located in his country. Then, the Umrah agency communicates with the Saudi Umrah company responsible for providing the government requirements for visas, hotel reservations, airline tickets, and completing the rest of the Saudi government requirements to ensure pilgrims' arrival and access to all the necessary services.

Those who follow the Umrah trip will find two basic elements: The Umrah companies and agencies. Those elements bear the most prominent role in facilitating the pilgrimage journey and ensuring that high-quality services are provided to pilgrims. Above all, their most significant role is to attract pilgrims and motivate them to visit the Kingdom of Saudi Arabia and perform Umrah through promotional and awareness campaigns and promotional offers.

However, there are still many challenges facing the Umrah sector in general and Umrah companies and agencies in particular. Overcoming these challenges requires concerted efforts by the government and the private sector. This report highlights two critical links in the Umrah journey series: The Saudi Umrah companies and the foreign Umrah agencies. These companies and agencies are suffering from challenges that limit their contribution to raising the sector's capabilities. They are also suffering from the weakness of developing the efficiency of the services system provided through them, and we are trying to find some solutions to upgrade their efforts and enhance their roles in developing the Umrah sector. This report will address the following topics:

- The Umrah market current status, challenges, and opportunities: We will analyze the number of foreign pilgrims who came to the Kingdom over the past seasons and their visits seasonality. The countries with the highest numbers of arrivals will be highlighted, in addition to explaining the impact of the Corona pandemic on future demand growth.
- Saudi Umrah companies and foreign Umrah agencies: current status, challenges, and opportunities: We will clarify Umrah companies and agencies' position in the Umrah journey, highlight Umrah companies and agencies' challenges, and discuss the Corona pandemic's impact.



Introduction

- Support programs provided by governments for the tourism sector: The spotlight will be on several international countries, the programs they have provided to help the tourism sector in them, and the programs that the Kingdom has provided to Saudi Umrah companies to confront the Corona pandemic's impact on them.
- Recommendations: We will present several recommendations to revive the sector again and attract more pilgrims to the Kingdom during the coming seasons.

Roles of Travel Companies and Agencies Globally

The primary role of travel companies and agencies, in general, is to assist clients in booking travel tickets and accommodation. However, these companies and agencies are developing their efforts and services to provide the best and compete in this field. They realize that it is necessary to pay attention to and assist clients in determining their intended destinations and assist them in building their flight schedules for the duration of their stay. This is in addition to securing ground services like the airport's reception, transportation to and from hotels, and other services.

It is also imperative for these companies and agencies to pay attention to the quality of the services provided from the moment the customer contacts them until he finishes his journey and returns to his country safely. It is worth noting the need to take into account the language spoken by the customer. This requires mastery of the company or agency's employees in several languages to facilitate communication with customers and provide services.

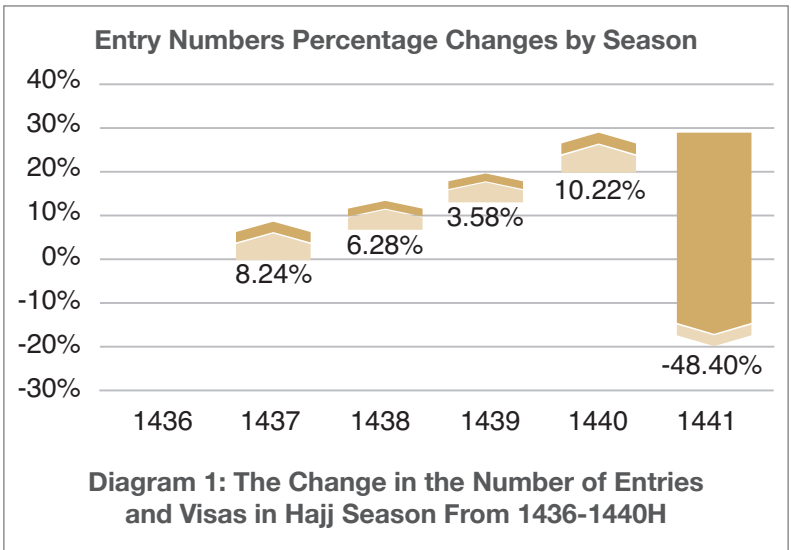
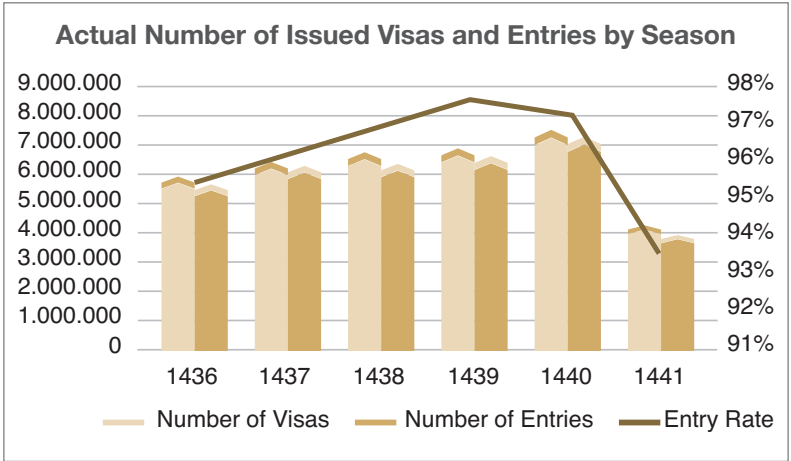
With the passage of time and the emergence of technological development, and the transformation of many sectors to provide their services via the Internet, it has become necessary for the tourism sector to keep pace with this development and provide some services through web pages and smart applications. This development will provide quick and easy service to customers, but on condition that this does not affect the quality of services provided and permanent follow-up with the customer to control the quality of services and customer satisfaction. Many tourism agencies and companies resort to creating loyalty programs for clients to encourage them to travel and book all services through them in exchange for many advantages that depend on the points accumulation system. All these developments have changed the current role of tourism companies from mere sites for booking tickets and accommodations to companies specialized in managing destinations that contribute to improving and enriching the guest experience from the beginning until returning to his home.



Umrah Market: Current Status, Challenges, and Opportunities



Number of Pilgrims



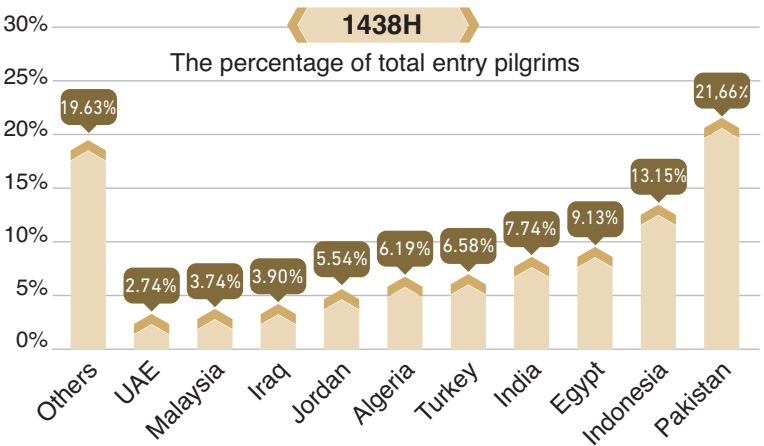
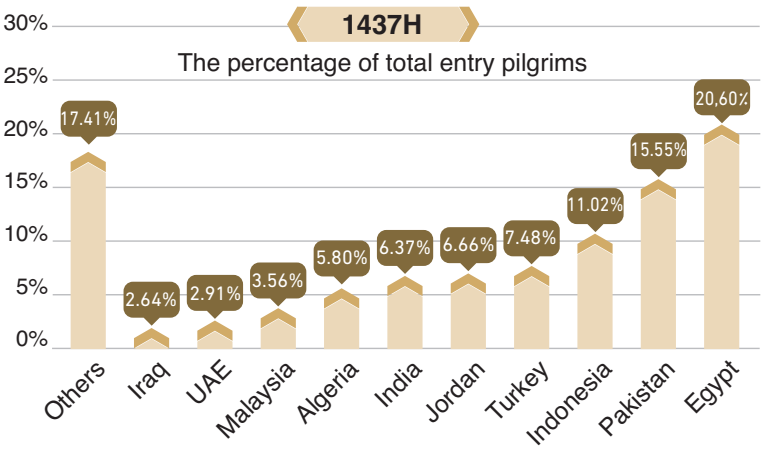
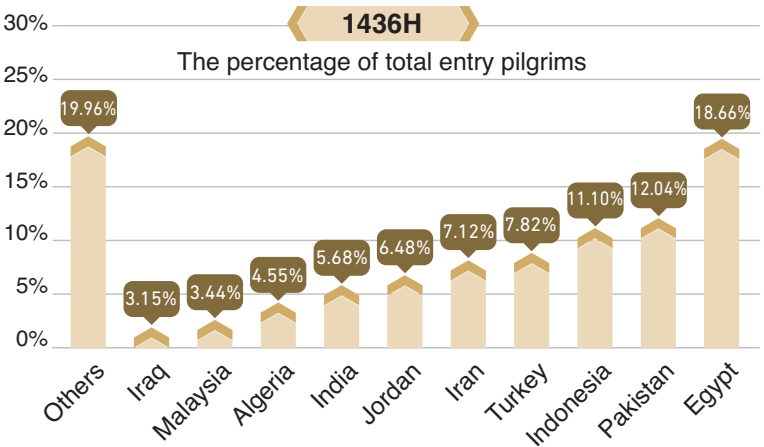
The Kingdom has achieved an average annual growth rate of (7.08%) during the past five years (1436-1440H). Outperforming the global average growth in the travel sector, which ranges between (4% - 5%), and the following chart shows the increase in the number of pilgrims abroad during the years (1436 - 1441H) as it increased in 1440H by (10.23%) compared to the year 1439H, also the number of visas issued for the same period increased by (10.63%). The Umrah season for the year 1441H suffered from global airport closures due to the Corona pandemic and the Saudi decision to stop Umrah temporarily until the epidemiological situation stabilizes to keep the guests safe, which led to a decrease in the number of pilgrims by (48.4%) compared to the previous season (1440H).



Countries of Highest Arrival Rate

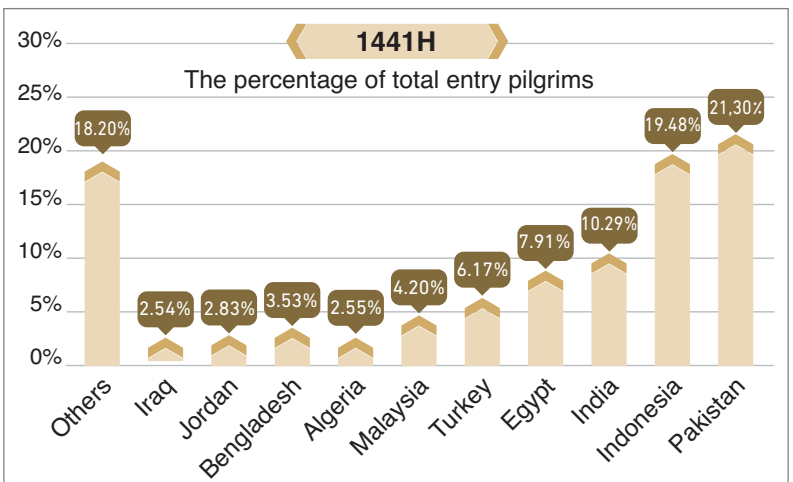
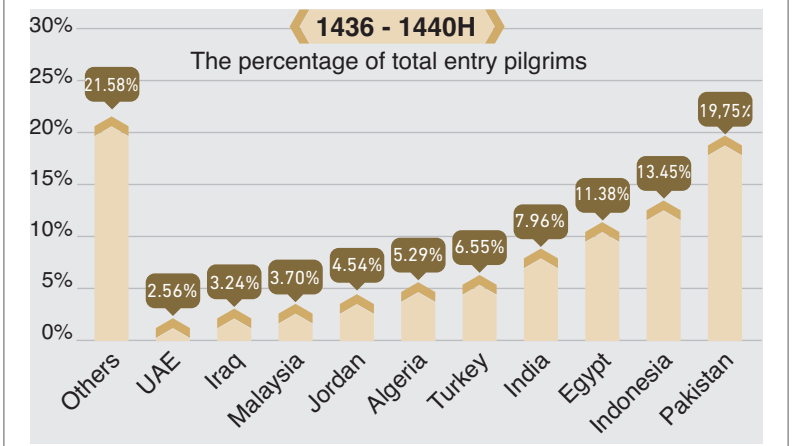
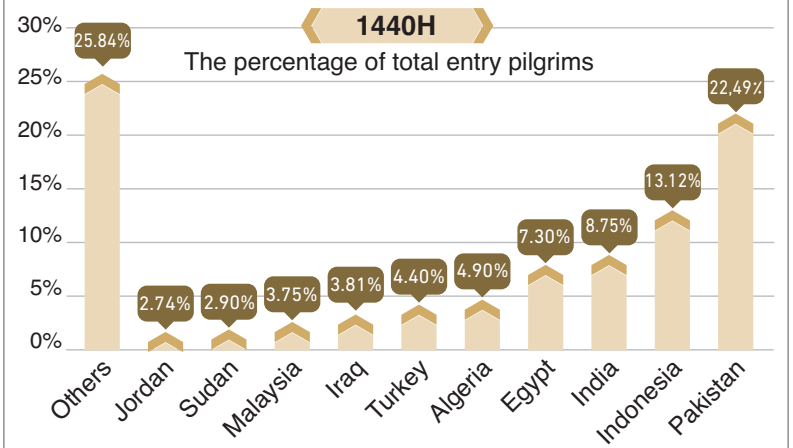
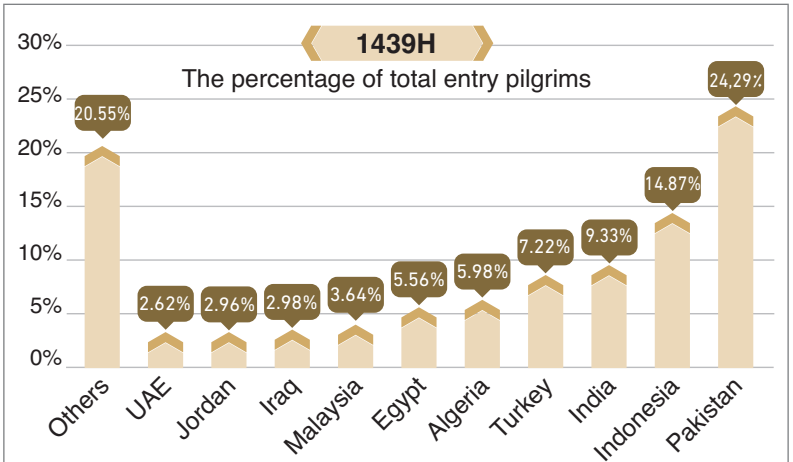
Pakistan tops the list of countries holding the highest number of pilgrims since the 1438H Hajj season, followed by Indonesia, India, Egypt, and Turkey. Together, for the 1440 season, they constitute (74.16%) of the total number of pilgrims.

Diagram 2: Countries with the highest arrival rates around the world for the seasons 1436-1441H





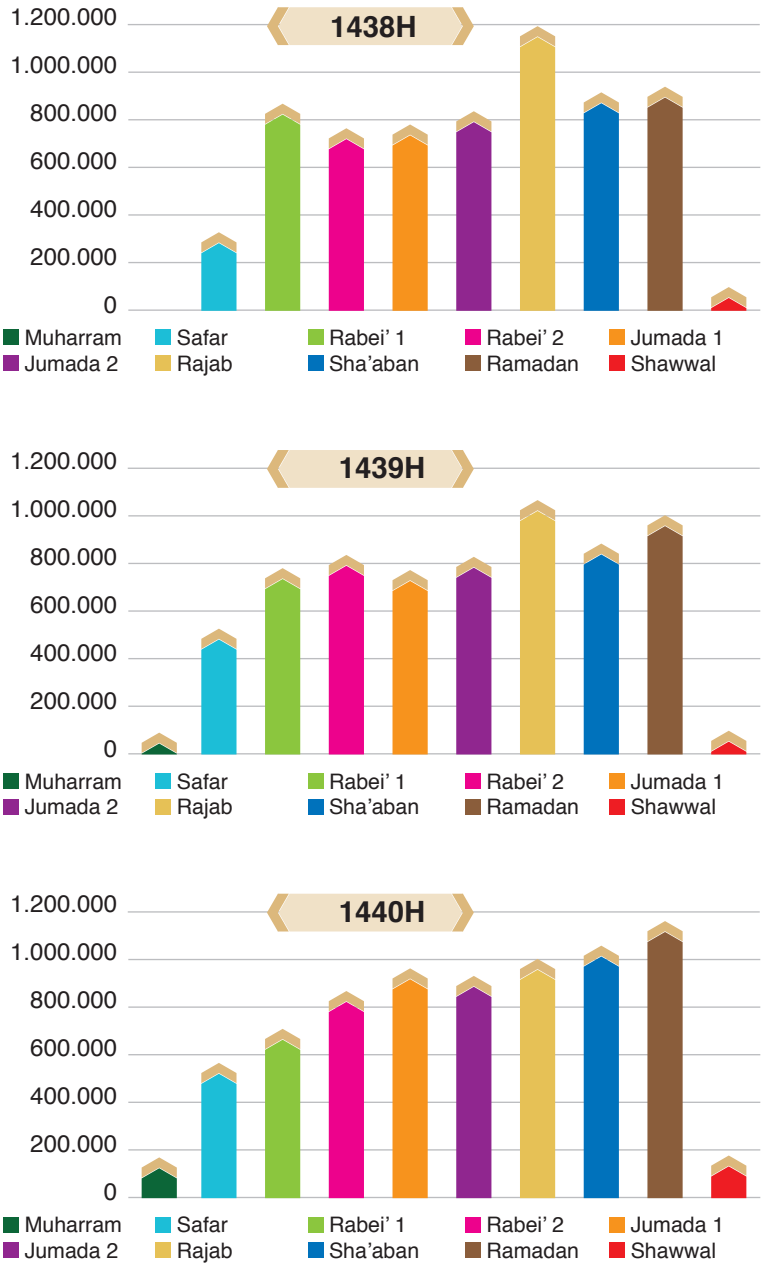
Umrah Market: Current Status, Challenges, and Opportunities





Seasonal Arrivals

Diagram 3: Entry Numbers According to Months for the Last Three Hajj Seasons 1438-1440H



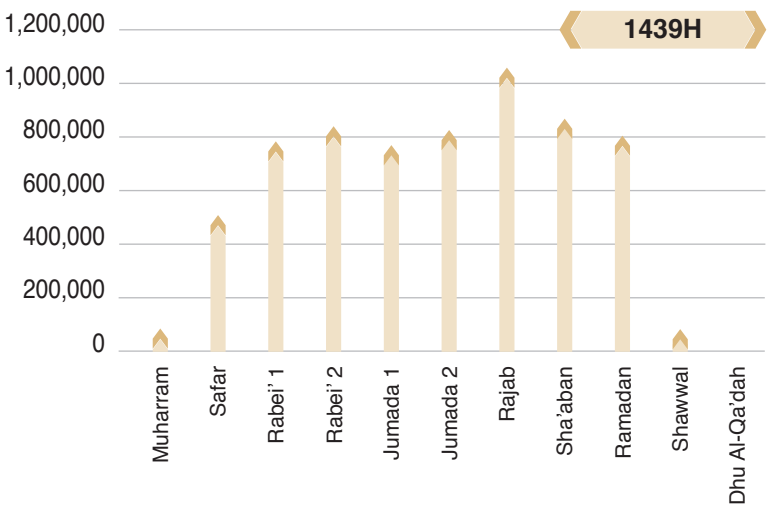
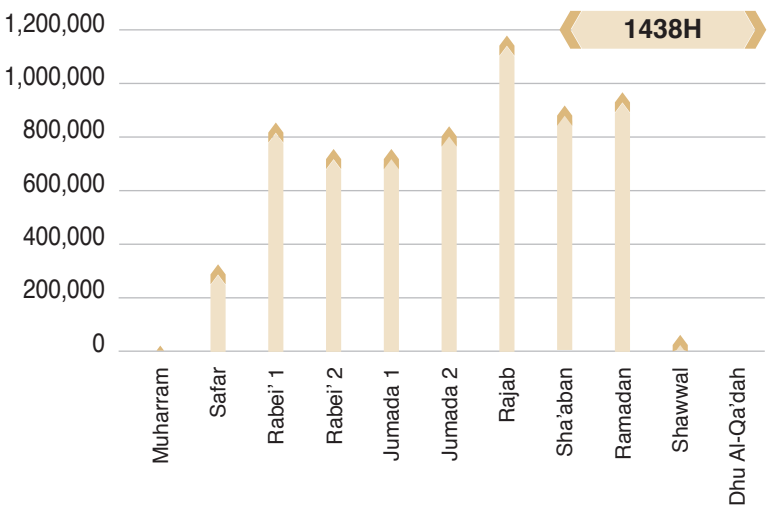
Umrah's demand is characterized by seasonality, as the number of pilgrims increases significantly in the months of Rajab, Sha'aban, and Ramadan. This growth varies from one year to another based on governmental policies, whether in the Kingdom or the source countries, as the numbers are minimal in the months of Shawwal, Dhu Al-Qa'dah, and Muharram. These months may be a perfect time for Umrah companies and agencies to highlight their role in reviving the Umrah market by attracting pilgrims and increasing their numbers. This increase can be achieved by focusing on low-income groups who wish to perform Umrah from different countries by introducing them to special offers at attractive prices.



The impact of the Corona pandemic on the growth of the demand in the future

The world was surprised by the rapid spread of the emerging new COVID-19 virus, which quickly spread in all countries, forcing states to take strict precautionary measures. For example, the Saudi government stopped the Umrah season completely and closed airports like most countries in the world. This has prevented receiving the numbers of pilgrims expected for the season of 1441H, as it was anticipated that approximately 10 million pilgrims would arrive. However, due to the pandemic, only 3.857 million pilgrims arrived from the beginning of the month of Muharram until the month of Rajab, and this undoubtedly led to considerable losses in many sectors related to Hajj and Umrah, including Saudi Umrah companies and foreign Hajj and Umrah agencies.

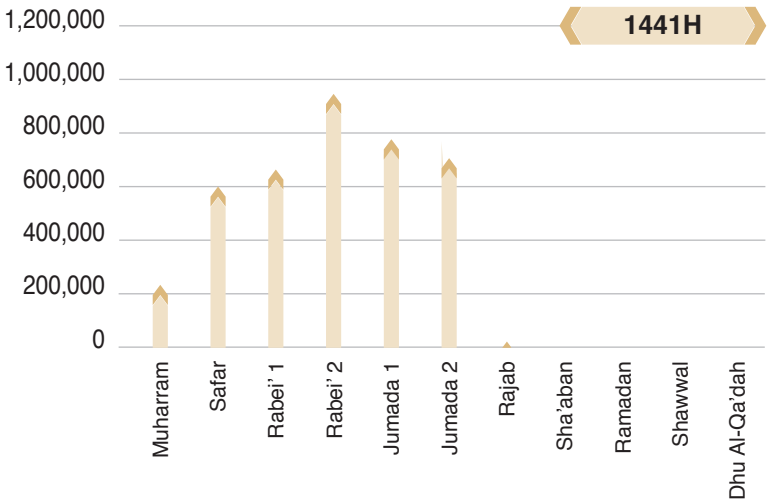
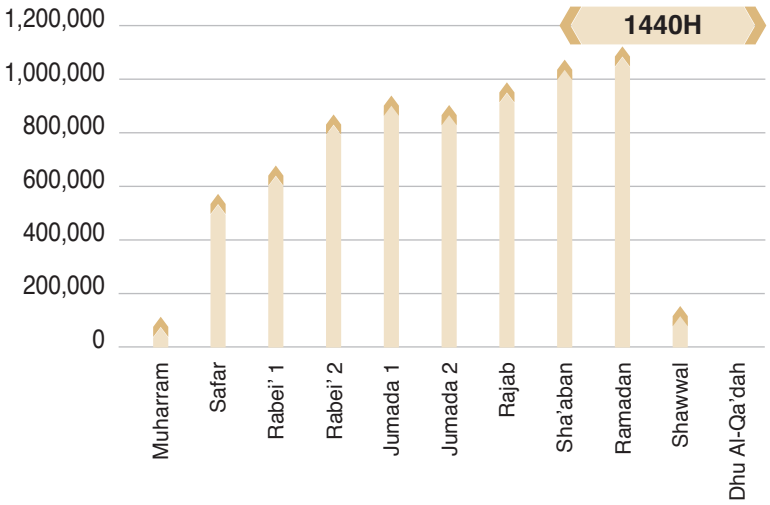
Diagram 4: Monthly Entry numbers for the last four seasons



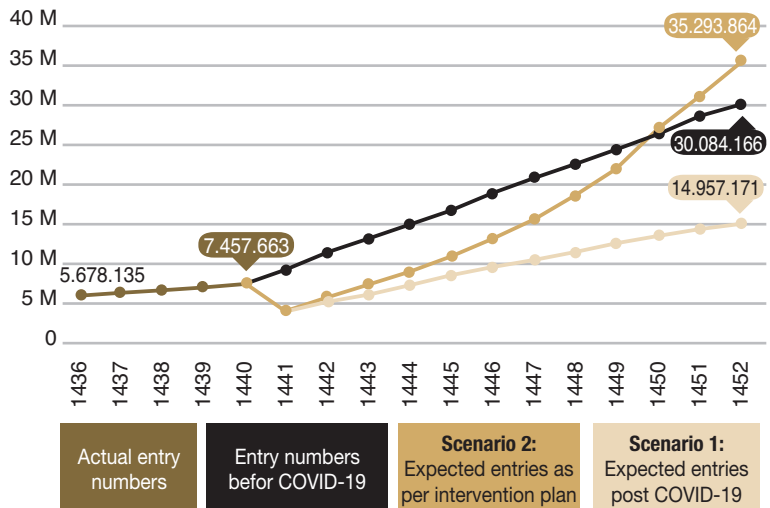


Umrah Market: Current Status, Challenges, and Opportunities

Diagram 4: Monthly Entry numbers for the last four seasons



Graph 1: Scenarios for expecting an increase in the number of entries until the 1452H season





Umrah Market: Current Status, Challenges, and Opportunities

The Kingdom was heading to achieve its goals for the 1441H season, as the number of pilgrims was continually increasing. However, the spread of the Corona Virus pandemic and the associated global decisions have decreased that number since the month of Jumada al-Awwal. This month corresponds to the beginning of the calendar year 2020. Then, welcoming pilgrims from abroad was suspended in March, which corresponds to the month of Rajab in the Hijri calendar.

During the Corona Virus Pandemic, it is not easy to estimate the number of entering pilgrims anymore, due to the difficulty in predicting the number of travelers worldwide for many reasons. Most notably, people fear getting infected with COVID-19 and moving in airports and between countries. Moreover, the countries' laws have been changing rapidly between permitting and preventing the aviation movement and the actions taken regarding airports and airplanes. Furthermore, people and governments fear the re-spreads of the virus. There is also another essential factor, which is the withdrawal of some airlines from the market due to bankruptcy. Some companies have retired their airplanes because they are unable to afford their maintenance and renovation. This has led to a decrease in airplanes, significant airlines, and the number of seats available.

Under such circumstances, two scenarios are facing the Kingdom:

First scenario: It is expected that the number of pilgrims entering in season (2030) will reach (15) million pilgrims from outside the Kingdom, based on two determinants. First: Global aviation experts predict that traveling will not get back to normal until (2022) or (2023). This was confirmed by Benjamin Cany, Director of Airline Offer Optimization in Amadeus, the first Travel Technology Company globally.

Second: Pilgrims' growth rates continue in their average growth before the pandemic without any catalytic intervention from any related major party.

Second scenario: The Kingdom plans to put a plan of action where it will take several measures to facilitate the procedures, diversify Umrah programs' costs for those coming from outside the Kingdom, and promote plans to attract pilgrims from all over the world. This plan aims to achieve the Kingdom 2030 goals, reaching (30) million pilgrims by 2030. This requires rapid growth in the number of pilgrims in the coming years, as the growth rate will reach (30%) in some years. It is a high percentage that is hard to achieve, except by proper planning for this period, such as providing governmental facilities for companies and agencies through the combined governmental and private efforts. Another planning step is to allocate budgets to support aviation in agreement with airlines to grab the pilgrims' target number, significantly since the current airlines do not allocate enough planes and seats to transport these numbers. The concerned parties should also qualify Saudi Umrah companies and foreign agencies' capabilities to improve the added value, the quality of the services provided, and improving the attractive aspects.



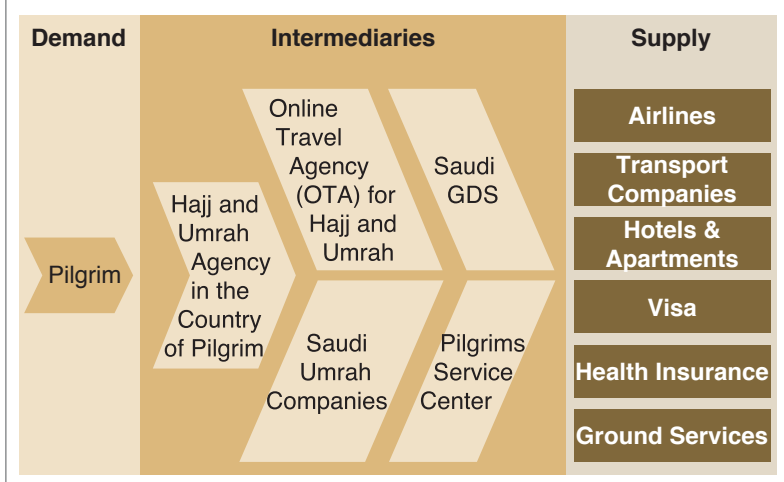
Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Umrah Companies and Agencies Standing in the Umrah Journey Chain

Diagram 5: Elements of Umrah Journey



The rise in the number of pilgrims will inevitably lead to an increase in the volume of investments allocated by the business sector in various services. There will be an increase in the aviation sector, the hospitality sector, the sector of Umrah companies and foreign Umrah agencies, and other parts of the chain that make up the Umrah journey.

Umrah companies and agencies are highly significant- if not the most important - in the series of the Umrah journey. Umrah companies and agencies are directly related to pilgrims and government bodies. The roles of such companies and agencies extend from preparing the teasers to attract pilgrims, securing Umrah visas from Saudi government agencies to providing airline and hotel reservations, airport reception services, and ground services. They work to ensure that all services are provided with high quality that guarantees an enjoyable trip and a unique pilgrims experience.

Saudi Umrah companies and foreign Umrah agencies differ from each other in the volume of their business and services provided. Later in this report, we will find that some Umrah companies and agencies take over the Umrah market’s most significant share annually. For this, we have decided to classify companies and agencies according to the volume of their work with Umrah. Accordingly, they were classified into three categories (A, B, and C), as explained later.

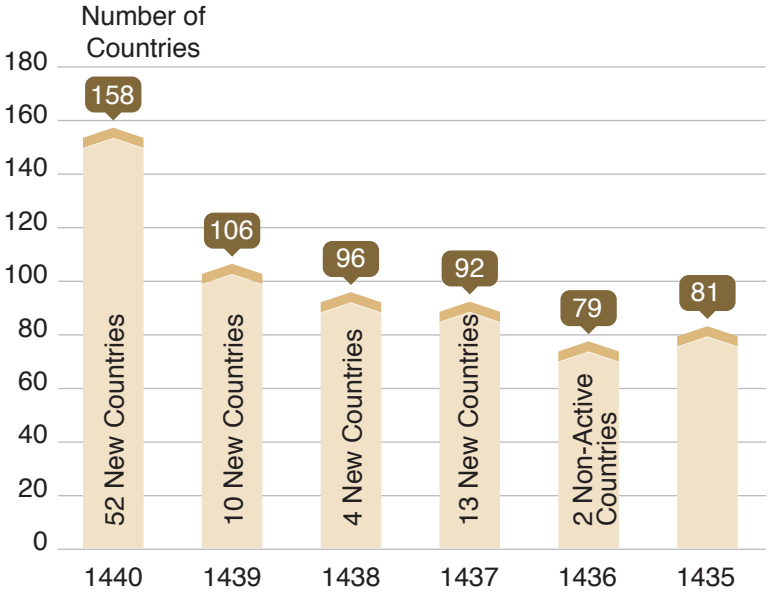
Table 1: Classification of Saudi Umrah companies and foreign Umrah agencies according to their business (For study purposes only)

Classification (For study purposes only)	Yearly issued visas by Saudi Umrah companies	Yearly Pilgrims entries by foreign Umrah agencies
Category A	95,000 and above	10,000 and above
Category B	10,000 to 94,999	From 1,000 to 9,999
Category C	Less than 10,000	Less than 1,000



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Diagram 6: Increase in the number of countries from which pilgrims come during the seasons



Facilitating the procedures for licensing foreign Umrah agencies through decreasing bank guarantee requirements, where a duly signed paper guarantee replaced depositing of guarantee in banks, has led to the emergence of new markets. Moreover, pilgrims flocked from new countries, where ten new countries joined the list of countries from which pilgrims come. This list increased to include (158) countries in 1440H, with an increase of (49%) from the previous season. This is considered an outstanding achievement done by the Saudi government. The Saudi government's procedures and reducing the burdens on agencies and pilgrims will ensure that the number of pilgrims will increase yearly, and new markets will open.



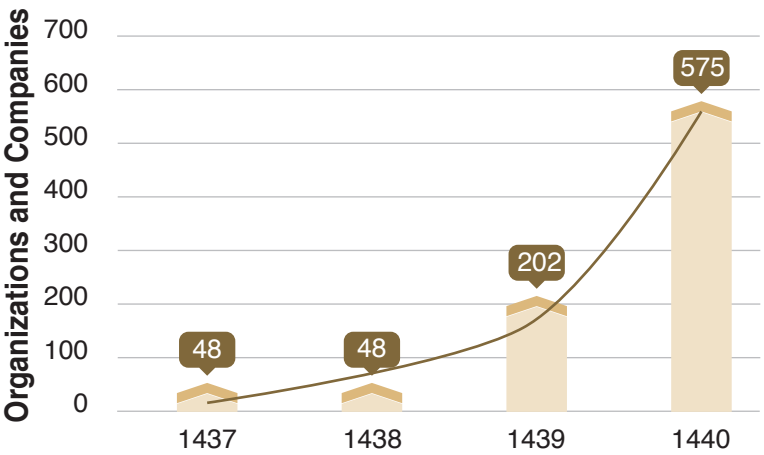
Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Challenges Facing Saudi Umrah Companies and Foreign Umrah Agencies

Those familiar with Saudi companies and foreign Umrah agencies notice some challenges in developing their performance. In addition to that, they face various problems that directly affect their performance and the prices imposed on pilgrims. Some problems are as follows:

- 1. The steady annual growth in the number of Saudi Umrah companies is not matched by a similar growth rate in the number of foreign Umrah agencies or the number of pilgrims.**

Diagram 7: The number of Umrah establishments and companies over the seasons 1437-1440H



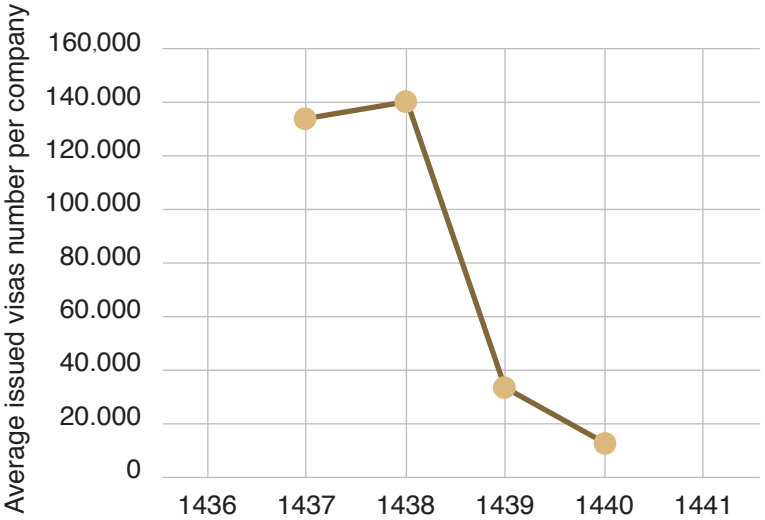
The laws and regulations of the Ministry of Hajj led to an increase in the number of Saudi Umrah establishments and companies by significant and rapid proportions. They increased from (48) companies in the season of 1438H to (202) companies in the season of 1439H, with an increase of (320%). The growth continued steadily in the season of 1440H to reach (575) companies, with an increase of (184.7%) more than the previous season.

However, this increase was not associated with similar growth in the new foreign Umrah agencies or the number of pilgrims. Moreover, these numbers did not have a new system of values or added services that would allow them to compete with companies operating in the market for a long time. When the number of companies was (48) companies, which is a small number, these companies had several roles, concentrating on hotel reservations and ground services. With this significant increase in the number of companies, the economic benefit decreased for everyone, and the foreign Umrah agencies are still used to the previous companies and trust them. Hence, these companies continued to provide all services. The new companies' role was to facilitate the visa procedures for foreign pilgrims and some companies that worked for ground security.



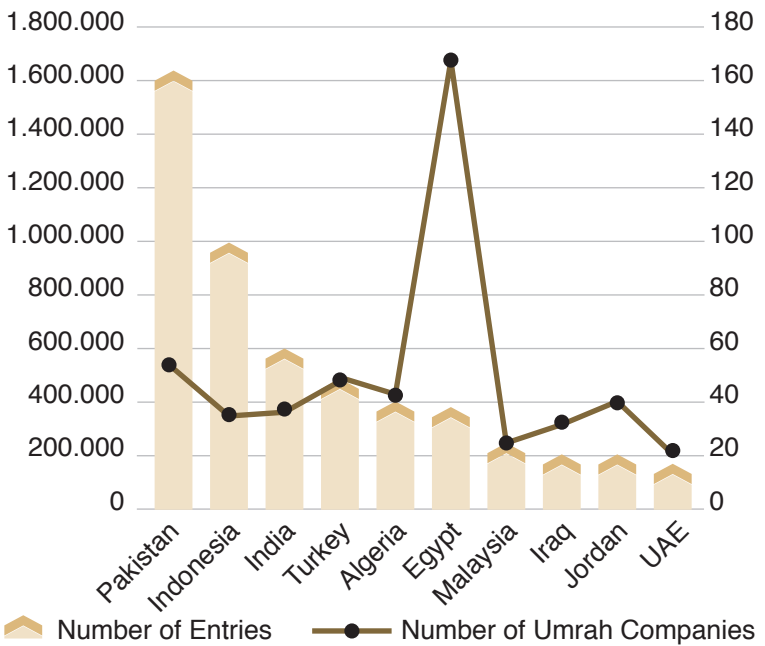
Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Graph 2: Average number of issued visas per company by Umrah companies over the last four seasons



The significant increase in the number of local Umrah companies led to a substantial reduction in one company's market share, as shown in the graph above.

Graph 3: Entry numbers Comparison of top ten countries compared to the number of polarizing Umrah companies



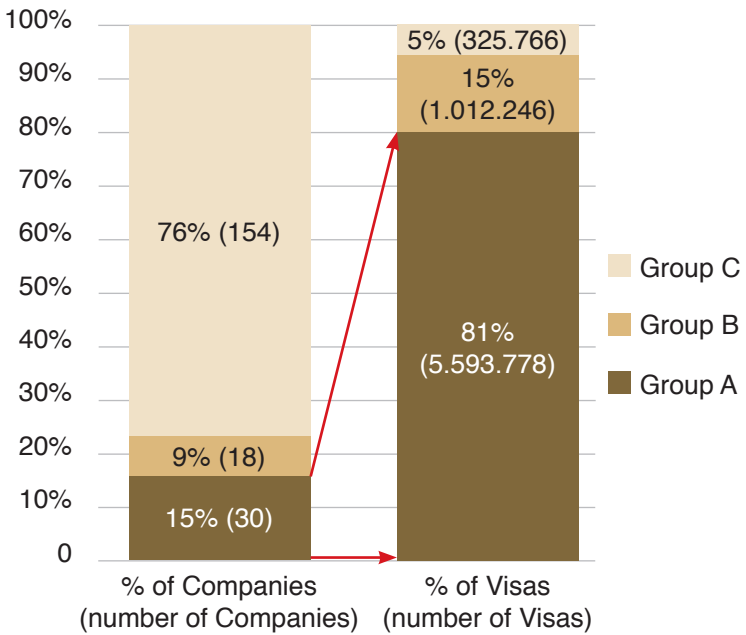
If we compare the number of companies with the numbers of pilgrims coming from outside, we do not find a correlation between the number of pilgrims and the number of companies that attract them. This indicates that the increase in the number of pilgrims entering the country is not based on increasing the number of companies.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

2. Limited value-added for Umrah companies in light of the existing market structure

Diagram 8: Distribution of visas percentages made by Saudi Umrah companies for the 1439H season



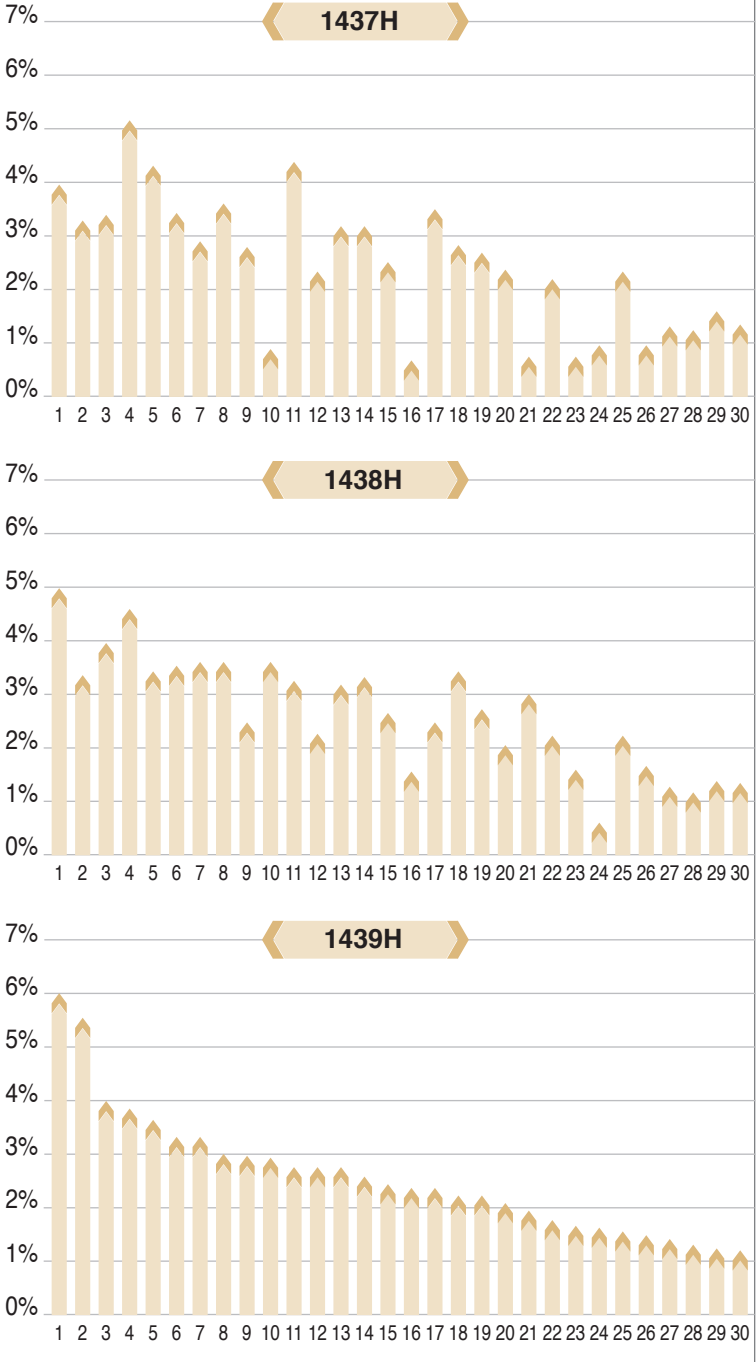
81% of the pilgrims' services are provided by 15% of active Saudi Umrah companies that are the category (A) companies with a high average number of pilgrims. However, category (C) shows the number of companies with a low average number of pilgrims; these companies represent (76%) of the total number of Saudi Umrah companies that facilitate the services of (5%) only from the total number of pilgrims.

This percentages shows that many Saudi companies are threatened with closure due to the low numbers of pilgrims choosing them. Therefore, these companies' primary income comes from the follow-up and the facilitation of the visas procedures and preparing the journey from traveling, transportation, and residence. These companies have faced a severe blow to their cash flow during the Corona Virus pandemic.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Diagram 9: Comparing the percentage change in the number of entries for the 30 following companies



The previous figure shows that despite the increase in the number of Umrah companies, those providing services to the highest number of pilgrims maintained their market position, despite the changes in distributing the market shares. The market shares increased in some companies and decreased in others during the 1439H season. However, in general, they maintained high numbers of pilgrims, and the (30) companies are still controlling (81%) of the number of pilgrims.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

The average number of visas issued for each category for the season 1439H is calculated as follows:

Table 2: The average number of pilgrims for each category of companies:

Rank	Category	Number of companies/Category	Company's Average number of visas
1	Category A	30	186,459
2	Category B	18	56,236
3	Category C	154	2,115

The number of employees working in Umrah and Hajj companies according to the Ministry of Hajj and Umrah for the year 1440H¹ is as follows:

Table 3: Distribution of the number of Umrah company employees by gender

Section	Number	Percentage
Male employees	12,664	86.95%
Female employees	1,901	13.05%
Total number of employees	14,565	100.00%

The number of companies in the season 1440H was (575) company, and the average number of employees in one company would be around (25) employees. It is worth mentioning that Saudi laws require that the minimum number of employees in Umrah companies must be (20) employees. Thus, the average cost of office salaries is as follows:

Table 4: Calculation of the average cost of wages for Saudi Umrah offices

Section	Value (1440H)
The average monthly salary of an employee ²	7,584 SR
The average number of employees per company	25
Average monthly salary for each company	189,600 SR
Average annual salary expected per company (on the premise of adherence to policies)	2,275,200 SR

This means that Saudi Umrah companies cannot just continue working by facilitating visa procedures in their different categories. Therefore, some Saudi companies might resort to fake the employment of the required number of employees and pay them a small salary just for using their names in the company's record at social security. At the same time, they employ one or two persons to do the entire job.

1- Umrah Weekly Index published by the Ministry of Hajj and Umrah

2- General Authority for Statistics: <https://www.stats.gov.sa/ar/news/228>



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

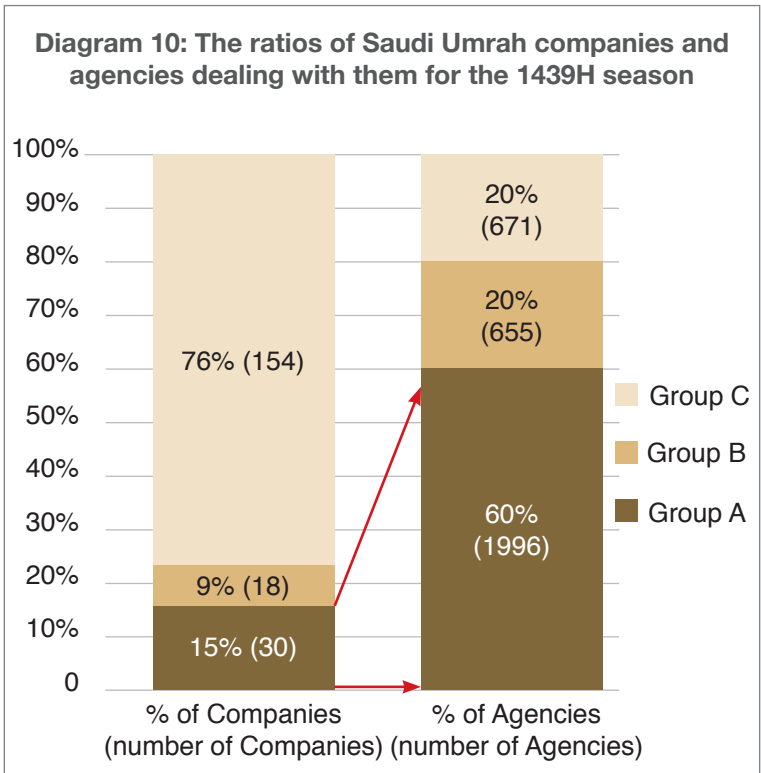
3. The high operating expenses on Umrah companies and a decline in the revenue model

There are many high operating expenses on Saudi Umrah companies (even before corona). Since 2018, the system has obliged them to open offices in Makkah and Madinah and employ 20 Saudis for each company as a minimum, which puts pressure on companies and increases their financial burdens with inaccurate calculations of the expected revenue by some companies compared with economic costs.

Also, although linking the Maqam portal's reservations with international Umrah agencies directly to the agents' financial portfolios helped the sector's transparency process, it reduced Umrah companies' roles. Foreign Umrah agencies took advantage of this and referred to Umrah agencies to facilitate visas procedures excluding other services. They also resorted to services providers directly to obtain services such as booking airline tickets, booking hotels, or other ground services.

4. The weak desire of foreign Umrah agencies in dealing with new Umrah companies

Diagram 10: The ratios of Saudi Umrah companies and agencies dealing with them for the 1439H season



(60%) of foreign agencies deal with Saudi Umrah companies of the category (A), which represent (15%) only of Saudi Umrah companies, while (20%) of those agencies deal with companies of the category (B) and (20%) of agencies deal with companies of the category (C), and this because companies in categories (B) and (C) lack the institutional elements, that are:

First: The mutual trust between the category (A) companies and the international agencies over the years.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Second: The category (A) companies are large companies that have adequate cash liquidity that increases their services' added value.

Third: Category (A) can overcome the obstacles that prevent it from obtaining bids from service providers that compete with the offers that a single foreign agency can get directly from service providers.

These companies deal with many agencies, and they can attract a large number of pilgrims exceeding the numbers attracted by agencies alone. Hence, they have the opportunity to get competitive prices compared to individual agencies. However, this rarely happens except with large Umrah companies that own service providers' companies.

5. Committing Violations while Providing Service

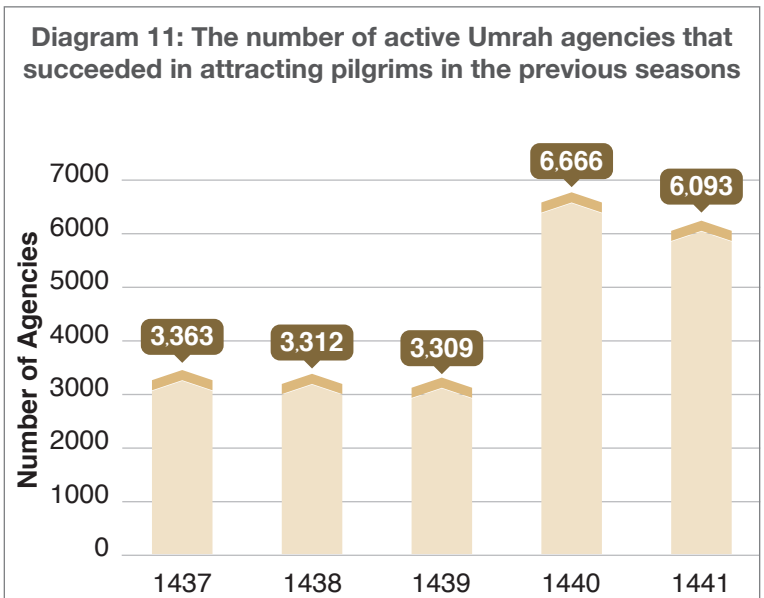
The Ministry of Hajj and Umrah has announced that (32,429) violations in the season of 1440H were committed while providing services for pilgrims. These violations are distributed into the following types:

Table 5: The violations committed during the 1440H season

Type of Violation	Violation rate
Visiting Umrah offices	2%
Reception violations	56%
Violations of housing and follow-up of pilgrims	8%
Departure violations	31%
Violations in guidance of pilgrims	4%

These violations will affect pilgrims' experience and will reduce its quality, as the previous violations affected 601,892 pilgrims in the season of 1440H.

6. The fluctuation of performance of agencies between different countries





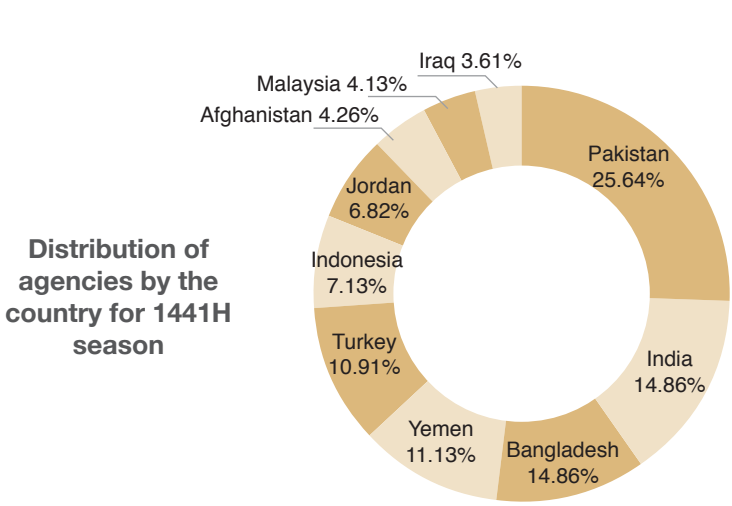
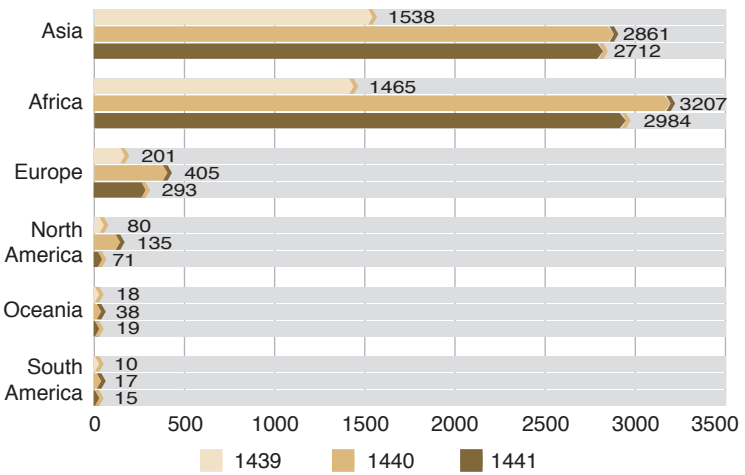
Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

The number of Umrah agencies operating increased by 100% in the seasons of 1440H and 1441H, due to the measures taken at that time to facilitate the licensing of foreign Umrah agencies by omitting the condition of depositing bank guarantees directly in bank accounts and replacing them with the signed paper guarantees instead. Many unauthorized agencies (in market terms called sub-agencies) get their license in several countries and start operating directly with Saudi Umrah companies. However, this increase is not an indication of an increase in the number of international Umrah agencies. That's because the increase was for the agencies that were operating indirectly. Also, there is a substantial increase from the Arab Republic of Egypt after changing Egyptian market policies.

The following figures show the distribution of agencies according to continents, and their distribution by countries in Asia and Africa:

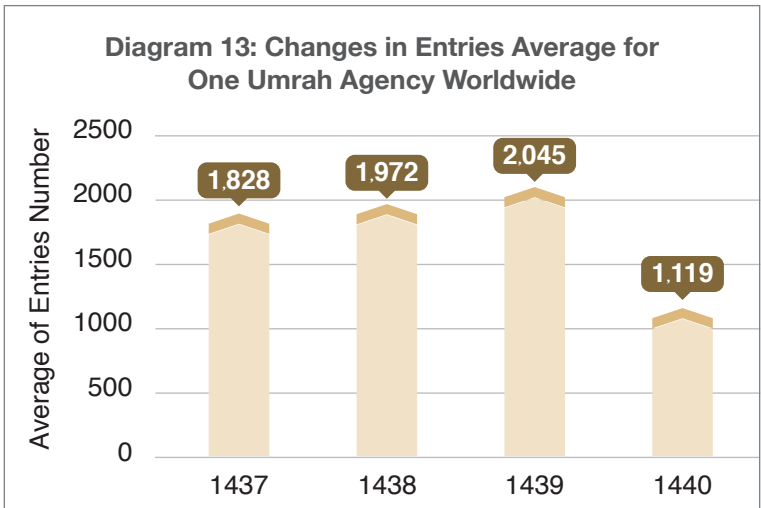
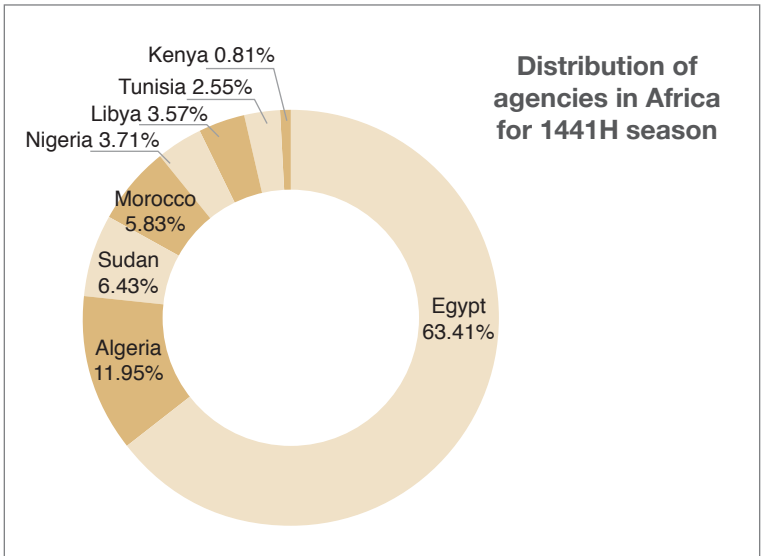
Diagram 12: Countries with the highest number of agencies in Asia and Africa

Distribution of agencies by continents





Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

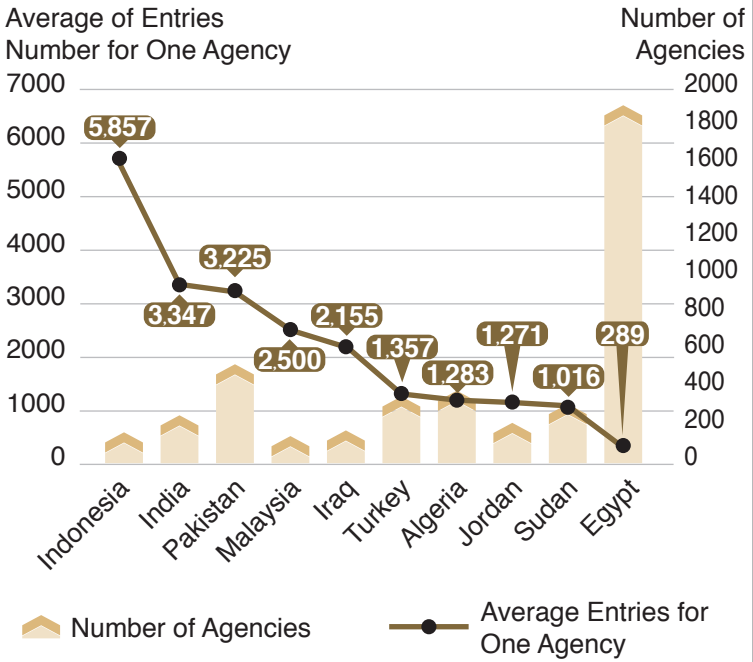


Umrah agencies play a significant role in attracting an increasing number of pilgrims every year from their countries to perform Umrah in the Kingdom. The number of pilgrims increased by (21.3%) between the seasons of 1437AH and 1440H. Yet, the increase in the number of agencies, which reached (98%) for the same period, contributed to a decrease in the average number of pilgrims coming through one agency by (38.8%). This raises an alert on the competition between these agencies, which may negatively affect medium and small agencies.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Diagram 14: Comparison between the number of agencies in ten major countries and the average number of arrivals in each agency for the 1440H season

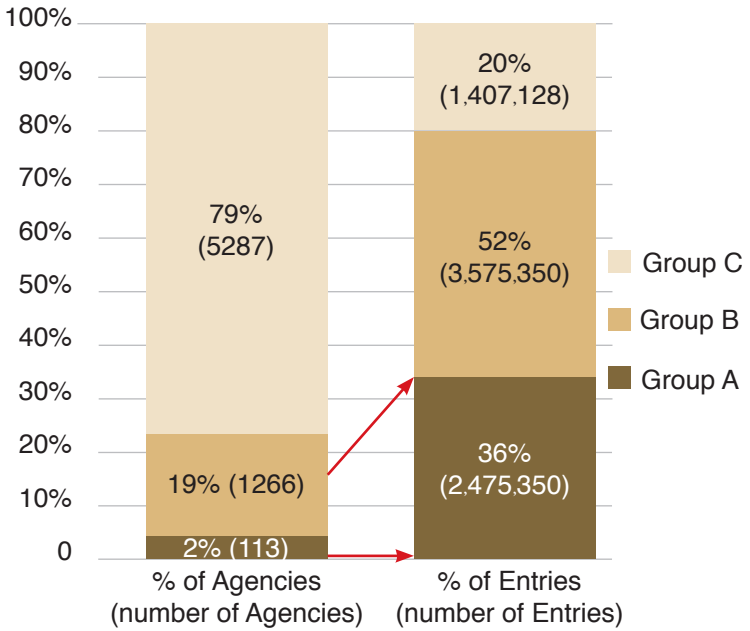


The previous figure (season 1440H) shows that the increase in agencies' number reduces each agency's market share at the state level. Indonesia – which has a relatively small number of agencies – brings an average of (5,857) pilgrims every year. On the other hand, Egypt has many agencies, and each of its agencies brings an average of (289) pilgrims every year.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Diagram 15: Percentages of Foreign Umrah Agencies and their Numbers of Entries for the 1440H season

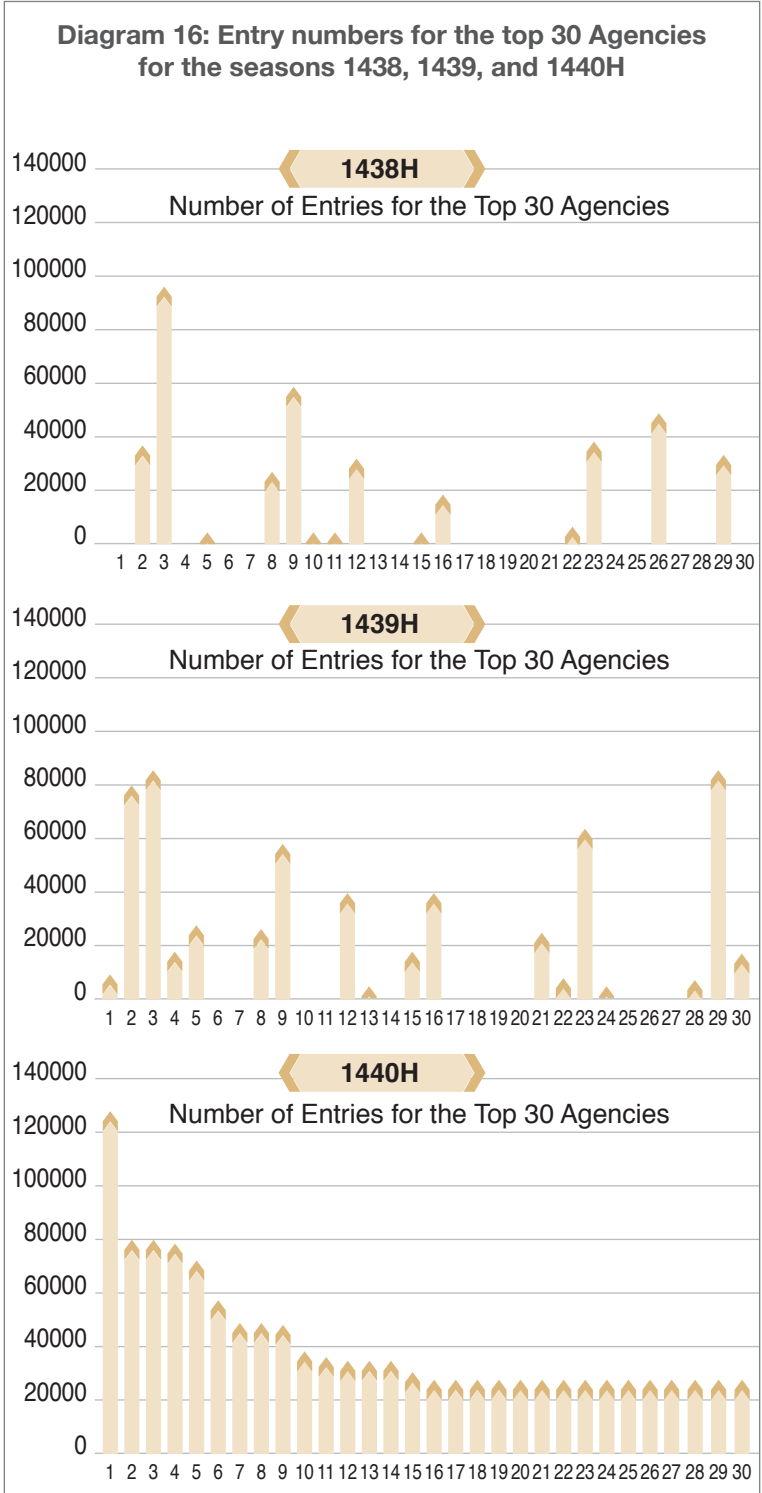


It is evident from the above diagram that (88%) of the foreign pilgrims around the world came through (21%) of the active agencies. This means that (79%) of foreign Umrah agencies have competed for the market's remaining (12%).



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

7. Annual Performance Fluctuation of the top 30 Agencies from Season to Another



The previous figure shows a considerable variation in the number of pilgrims from the agencies that recorded the highest numbers of coming pilgrims from year to year during the last three seasons. This indicates that their work is unstable in their countries. All these 30 agencies belong to the Asian continent, where (63%) operate in Pakistan.



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

8. The weak effectiveness of Umrah agencies in attracting pilgrims

The average number of pilgrims entering varies across agencies, as shown in the following table:

Table 6: Number of agencies by category, average number of entries for each category, and each agency's income from the entries

Rank	Category	Number of agencies/ Category	Total number of entry / Category	Average entry number per agency ¹
1	Category A	113	2,475,185	21,904
2	Category B	1266	3,575,350	2,824
3	Category C	5,287	1,407,128	266

Pilgrims prefer to deal with reputable and reliable Umrah agencies that provide several services with added value, reach people through different exciting channels, and offer seasonal offers. It seems that most of these agencies fall under category (A) from the classification used in this report for study purposes. It is evident from the previous information that many foreign agencies from categories (B) and (C) need support to improve their attractive capabilities to grab and attract many pilgrims. Approximately (92%) of the foreign agencies are classified as small establishments with modest credit capabilities. For this reason, about (30%) of them purchase some travel services from other agencies – classified as medium or large companies with high credit capabilities – such as hotel reservations and airline tickets. However, this will raise the costs on pilgrims or reduce the profit margin of the agency. Also, it increases the risks in the whole market due to the diversity of intermediaries.

9. The difficulty of making large financial transfers through Umrah platforms due to the presence of financial restrictions for each country

Safa Company conducted a survey during the season of 1441H about the impact of the Corona pandemic on the foreign Umrah agencies, and (372) agency participated in it from (22) country. One of the most important survey results was the difficulty of making large financial transfers due to the restrictions imposed by each state and the high commissions on reservations platforms. These high commissions have led to the appearance of fake programs that aim to finish the procedures with low price reservations to avoid high fees.

1- Average Revenue of Foreign Umrah Agency from One Pilgrim is (832) SR



Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

10. Non-standard services provided by foreign Umrah agencies and Saudi Umrah companies

Saudi Umrah companies and foreign Umrah agencies provide their services according to their standards without following a specific regime or common standards. The lack of a precise and approved classification for these companies and agencies indicates their performance and services, leading to a variation between the levels of services provided. For this reason, some pilgrims insist on dealing with certain agencies and agencies insisting on dealing with certain Saudi Umrah companies.



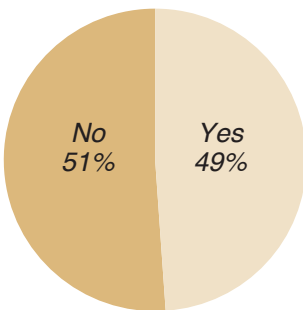
Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

The impact of Corona pandemic on Umrah companies and agencies

The Umrah companies and agencies sector and all economic sectors have been affected by the Corona pandemic that ruled the world and disabled all the economic activities. As a result of this epidemic, the Saudi government stopped the Umrah season completely. It also limited the Hajj season to a specific number of people from all nationalities living in the Kingdom. Undoubtedly, Umrah companies and agencies were affected by this decision since their work has stopped.

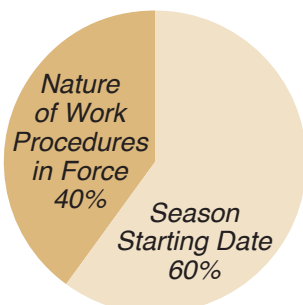
Moreover, Safa Company conducted a survey to know foreign Umrah agencies' opinions about the current situation and the effects of the Corona pandemic on their businesses. This survey clearly shows that the agents have been affected by the Corona pandemic. (49%) of agents are thinking of merging into alliances to work in the field. (60%) of agents believe that the beginning of the next season will significantly impact their work in the next season. Also, (40%) of them find that their decision will be affected by the adopted mechanism.

Diagram 17: Percentage of agencies that consider merging in the next season



Are you looking to merge or form alliances with other agencies to improve business economics?

Diagram 18: Factors that influence agencies' decision to continue working for the next season



What are the Factors that affect your decision to continue working for the 1442H Season?

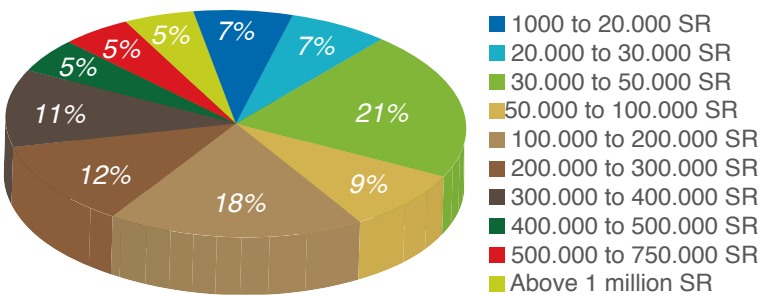


Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

Some of the most significant impacts are:

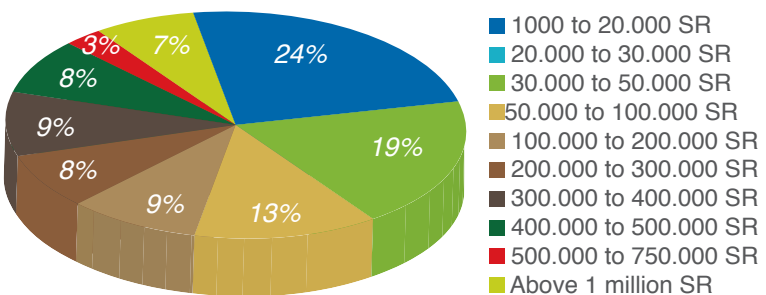
- Airline and hotel reservations submitted by agencies were canceled. The results of the survey showed that (45%) of these agencies had been exposed to cancellation of airline reservation through them with a value of (one thousand riyals to 100 thousand riyals), and 44% of agencies suffered from cancellation of reservations with a value (of 100 thousand riyals to 500 thousand riyals).

Diagram 19: An illustration of the financial cancellations values of airline reservations for agencies



- As for hotel reservations, the survey indicated that (42%) of these agencies suffered from cancellation with a value (of one thousand riyals to 100 thousand riyals), and (44%) of them suffered from the cancelation of reservations with a value (of 100 thousand riyals to 500 thousand riyals).

Diagram 20: An illustration of the financial cancellations values for hotel reservations for agencies

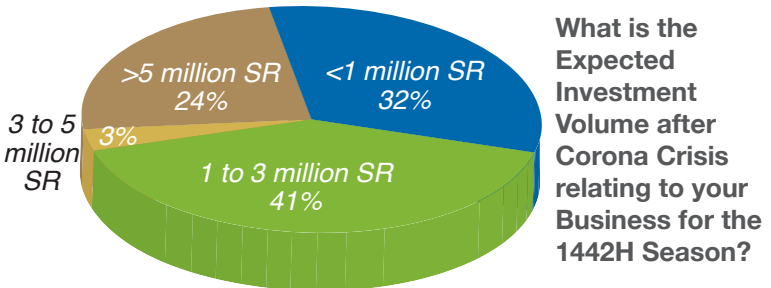
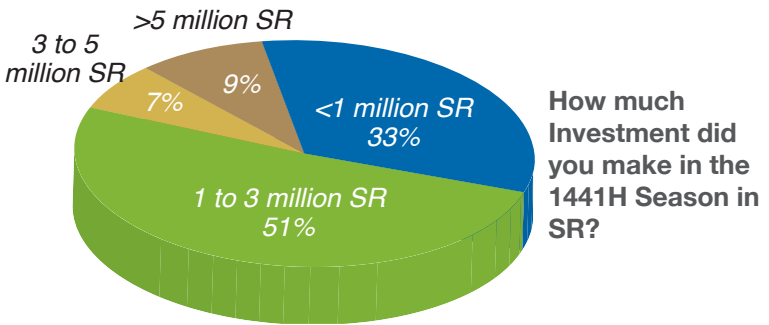




Saudi Umrah Companies and Foreign Umrah Agencies: Current Status, Challenges, and Opportunities

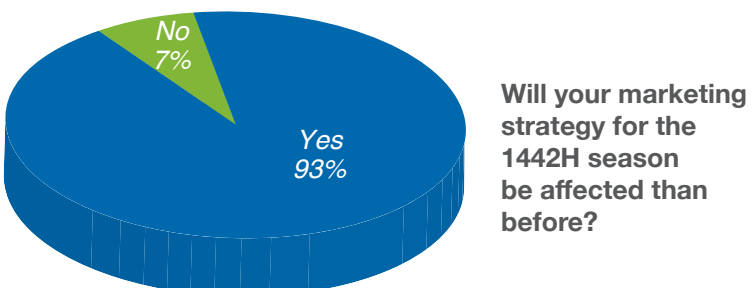
- There is a need to increase investments in the coming seasons. The survey results showed that several investors are going to increase their investments in the market. Thus, it will be able to continue working and providing services.

Diagram 21: A comparison between the volume of investment made by agencies for the 1441H season and the expected investment volume for the 1442H season



- The marketing problem faced by agencies is and their need for support and guidance. The survey results showed that (93%) of agencies assured that their marketing strategy was affected by the Corona pandemic.

Diagram 22: Agencies' opinion on the impact of the suspense strategy for the next season due to Corona



A man with dark hair and glasses, wearing a light blue surgical face mask and a white textured robe, is seated at a table. He is looking down and has his hands clasped in front of him. In the background, other people wearing similar white robes and face masks are visible, suggesting a spa or wellness center. The scene is brightly lit, and the overall atmosphere is clean and professional.

**Governments Support Programs
for the Tourism Sector**



Governments Support Programs for the Tourism Sector

International tourism is considered one of the most important economic activities and an excellent source of foreign currency income. Moreover, achieving economic growth and creating job opportunities in several countries. This sector contributes about (10%) of the world's GDP. The tourism sector creates a job out of every four new jobs¹. The World Travel and Tourism Council (WTTC) emphasizes that (100.8%) million jobs around the world are at risk due to the Corona pandemic².

On the level of the Organization of Islamic Cooperation (OIC) countries, international tourism formed about (8%) of its total Gross Domestic Product (GDP) in 2019. Also, it provides job opportunities for more than 45 million people³.

The specialists in Organization for Economic Co-operation and Development (OECD) estimated the decline in the global tourism economy at a rate ranging between (60% - 80%) at the end of 2020 due to the Corona pandemic. Thus, the countries affiliated with this organization are racing to find practical solutions to revive the tourism sector to save this vital sector, which employs an average (6.9%) of its workforce. Also, it contributes directly to an average (4.4%) of its GDP. On the level of the Kingdom, the tourism sector contributes (3.8%) of its GDP and includes (615) thousand jobs in the sector⁴.

The following are some programs provided by some countries to support the sector:

Kingdom of Saudi Arabia

The Ministry of Hajj and Umrah provided (9) facilities for Umrah companies and institutions to motivate the sector and reduce the effects of Umrah's suspension due to the Corona pandemic. These facilities are included:

- Reduce the value of the financial guarantee for the active Saudi Umrah companies that have not committed any fundamental violation to (250) thousands of riyals for a period of six months, which can be extended based on the Ministry's evaluation.
- Allow Saudi Umrah companies to suspend work for one year.
- Allow working with a minimum number of employees during the period of the suspension of Umrah.
- Prepare workshops and rehabilitation programs for Saudi Umrah companies regarding corporate strategies to recover from the crisis.

1- Cross the globe. Socio-economic impacts of the COVID-19 pandemic in the OIC Member States (prospects and challenges), OIC-Statistical, Economic and Social Research, and Training Center for Islamic Countries, May 2020

2- OECD Policy Responses to Corona Virus (COVID-19): Tourism Policy Responses to the Corona Virus (COVID-19), June 2020

3- Socio-economic impacts of the COVID-19 pandemic in the OIC Member States (prospects and challenges), OIC-Statistical, Economic and Social Research, and Training Center for Islamic Countries, May 2020

4- OECD Policy Responses to Corona Virus (COVID-19): Tourism Policy Responses to the Corona Virus (COVID-19), June 2020



Governments Support Programs for the Tourism Sector

- Motivate business development, merger, and acquisition (M&A) and investing in Saudi Umrah companies.
- Allow reducing the capital of Saudi Umrah companies in the commercial registry to (500) thousands of riyals.
- Postpone the payment of non-essential violations for a period of six months.
- Reduce the minimum number of company branches to one branch in Makkah or Madinah.
- Establish Business Clinics Units to assist companies in reviewing, modifying, and developing their operational mechanisms and plans⁵.

Indonesia

- The government provided a package of motivations worth (10.3) trillion rupees (718 million US dollars) to boost customer spending and support the tourism sector. Moreover, it gave (298.5) billion rupees to airlines and travel agents to increase foreigners' access to Indonesia. It also provided (39) billion dollars as support and discounts for local tourists visiting any of the country's top 10 tourist destinations.
- The government is working on a subsidy plan for travel and tourism companies, including reducing the value-added tax rate (VAT) for companies whose sales volume is less than (4.8) billion Indonesian rupees six months, from April until September.

Argentina

- Companies in the tourism sector, passenger transport, and hospitality have been exempted from paying government contributions for the year (2020).
- The government agreed to a delay in payment or a reduction to (95%) on employers' social security contributions for the workforce for April of the same year.
- The government extended the maturities of debts to SMEs and small and micro-enterprises. To help these companies obtain working capital, the Central Bank provided new incentives to financial institutions to increase loans to MSMEs to pay salaries, at a fixed rate that does not exceed (24%) of the loan amount per year.

Australia

- The government agreed on providing (3) million Australian dollars to local tourism companies in the Great Barrier Reef. It also provided 2.6 million Australian dollars from the Relief and Recovery Fund and 1 billion Australian dollars to upgrade the countryside's tourism infrastructure. The government waived the license and permit fees imposed on Marine Park till June 30, 2021.

5- <https://www.okaz.com.sa/news/local/2016232>



Governments Support Programs for the Tourism Sector


- Tourism companies operating in Commonwealth National Parks managed by Australia Parks benefit from a financial relief package and exempt visitors from paying entrance fees.
- The government provides a temporary subsidy from license and permit fees for tourism companies operating in national parks.

Egypt

- The government measures that support the tourism industry include a reduction in the real estate tax rate for six months for hotels and tourism establishments. They also include postponing the fees for hotels and tourism establishments for six months without fines or delaying subsidies.
- The Central Bank of Egypt provided the tourism establishments low-interest funds to pay salaries to protect the hotels, tourism establishments, and travel agencies that lay off workers that their licenses have been suspended.
- The government reduced the visa fees from 25 US dollars to 15 US dollars to stimulate tourism in June, July, and August.

European Union

- As part of the European commission's package of recommendations and guidelines for the travel and tourism sector, announced on May 13, the commission stated that it would help promote touristic countries, domestic tourism, and Europe as safe touristic destinations. Moreover, it will work with member states in promoting the patronage voucher system, which enables customers to support their favorite hotels and restaurants through the participating member states.



Recommendations



Recommendations

The presentation above discussed the current status of the Saudi Umrah and foreign Umrah agencies and the Corona pandemic's impact on them and the Umrah season. Based on this presentation and based on what we are willing to achieve in increasing the number of pilgrims in the coming seasons, we present recommendations that will open new horizons for the companies and agencies. They will help attract a larger number of pilgrims and enhance their added value in the Umrah Chain. These recommendations focus on the following:

1. Regarding Saudi Umrah companies:

- Encourage Umrah companies to merge, to add market shares, and to consolidate their cash flow in a way that benefits everyone.
- Encourage existing Saudi Umrah companies (especially the small ones) to create new roles in the Umrah market without limiting their role in facilitating visas by providing ground handling services and tourism programs after Umrah. This aims to increase their added value and have income sources other than the small fees they charge from facilitating visas' issuance.
- Increase the role of Saudi Umrah companies by including domestic Umrah services and the Gulf Cooperation Council countries.

2. Regarding foreign Umrah agencies

- Raise communication level with influential foreign Umrah agencies due to their prominent role in attracting millions of pilgrims. Help them think about the solutions that will deepen their role in attracting more pilgrims and pushing them to extend their stay, and motivating them to spend more money in the Kingdom.
- Direct Umrah agencies to increase the efficiency of marketing their services in their countries to be more effective since several agencies cannot market themselves or are unaware of modern marketing methods that fit their surroundings.
- Increase the number of operating foreign agencies and diversify their countries through motivational programs.
- Motivate international Umrah agencies to attract a different mix of pilgrims to help the market thrive, having all pilgrims from five stars to an economic level.

3. Regarding Saudi government authorities:

- Review the market structure and the chain through which the pilgrims come through. Remove the obstacles that increase the burdens on pilgrims and raise the costs of coming without having any service in return.
- Redirect the spending from the main program to spending more on the enrichment experience and value-added services by reducing the costs on pilgrims to increase their number. Then, providing enrichment services that increase the spending on the added value and not just on the main program.



Recommendations

- Enhance the role of Saudi Umrah companies and agencies to promote Hajj and Umrah, and shopping tourism on (B2B) level directed to foreign Umrah agencies. This enhancement requires unifying the compelling message directed to all the elements of the Umrah journey.
- Create an agency responsible for monitoring Saudi Umrah companies and international Umrah agencies' performance and create a classification for them based on their performance.



Appendix (1): Diagram Index

- Diagram 1: The change in the number of entries and visas in Hajj Season from 1436-1440H6
- Diagram 2: Countries with the highest arrival rates around the world for the seasons 1436-1441H.....7
- Diagram 3: Entry Numbers According to Months for the Last Three Hajj Seasons 1438-1440H.....9
- Diagram 4: Monthly Entry numbers for the last four seasons10
- Graph 1: Scenarios for expecting an increase in the number of entries until the 1452H season 11
- Diagram 5: Elements of Umrah’s Journey.....14
- Diagram 6: Increase in the number of countries during the seasons from which pilgrims came from 15
- Diagram 7: The number of Umrah establishments and companies over the seasons 1437-1440H 16
- Graph 2: Average number of issued visas per company by Umrah companies over the last four seasons..... 17
- Graph 3: Entry numbers Comparison of top ten countries compared to the number of polarizing Umrah companies ..17
- Diagram 8: Distribution of visas percentages made by Saudi Umrah companies for the 1439H season 18
- Diagram 9: Comparing the percentage change in the number of entries for the 30 following companies 19
- Diagram 10: The ratios of Saudi Umrah companies and agencies dealing with them for the 1439H season21
- Diagram 11: The number of active Umrah agencies that succeeded in attracting pilgrims in the previous seasons ...22
- Diagram 12: Countries with the highest number of agencies in Asia and Africa23
- Diagram 13: Changes in Entries Average for One Umrah Agency Worldwide24
- Diagram 14: Comparison between the number of agencies in the ten major countries and the average number of arrivals in each agency for the 1440H season....25
- Diagram 15: percentages of foreign Umrah agencies and the numbers of entries through them for the 1440H season26
- Diagram 16: Entry numbers for the top 30 Agencies for the seasons 1438, 1439, and 1440H27
- Diagram 17: Percentage of agencies that consider merging in the next season30
- Diagram 18: Factors that influence agencies’ decision to continue working for the next season30
- Diagram 19: An illustration of the financial cancellations values for airline reservations for agencies31
- Diagram 20: An illustration of the financial cancellations values for hotel reservations for agencies.....31
- Diagram 21: A comparison between the volume of investment made by agencies for the 1441H season and the expected investment volume for the 1442H season.....32
- Diagram 22: Agencies’ opinion on the impact of the suspense strategy for the next season due to Corona32



Appendix (2): Survey Analysis

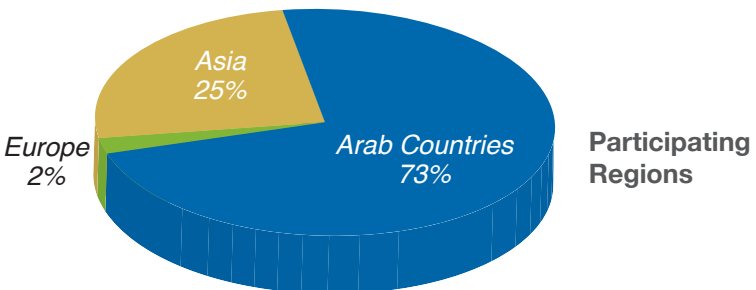
Safa company conducted a survey study during the 1441H season on the Corona pandemic's impact on foreign Umrah agents, in which (372) agencies from (22) countries participated. This survey included the following areas:

- The form and volume of the agents' businesses
- The form and volume of hotel investments
- The impact of Corona on the agents
- Agents plans for the next season
- The role of electronic platforms in the work of agents
- Insurance services.

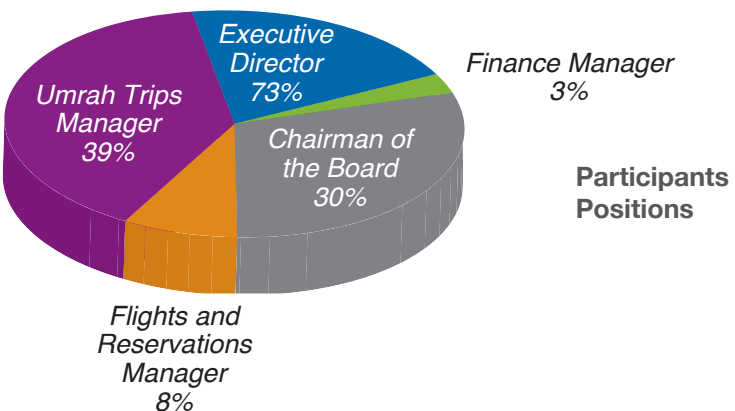
The results of every area were as follows:

First: The participants in the survey

The largest numbers of the participants were concentrated in the Arab countries (73%), followed by the remaining countries in Asia (25%).



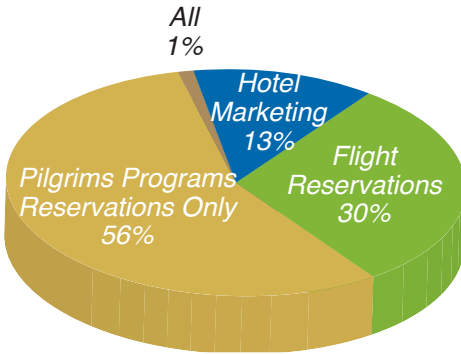
As for the positions of the participants, their largest percentage was managers of Umrah journey by (39%), followed by the heads of the board of agencies by (30%).





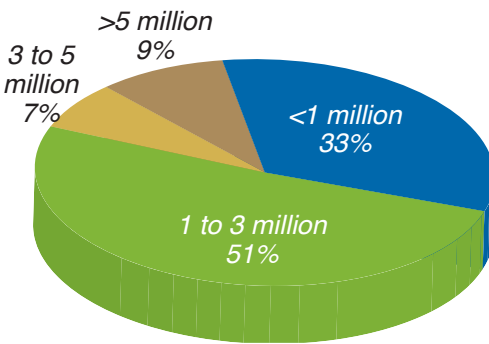
Second: the form and volume of the agents' businesses

The survey showed that (56%) of the participants provide reservation services for pilgrims only, (30%) provide airline reservations, and (13%) provide hotel marketing services.



What is the Type of your Investment?

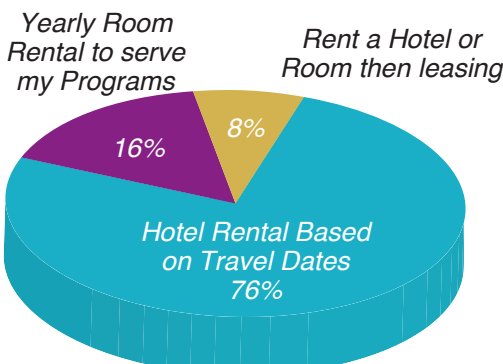
As for the volume of the participants' investments for the 1441H season, it appeared that (51%) of the participants' investments range between 1 million SR and 3 million SR, while (33%) of the participants' investments are less than one million SR.



What was your Investment Volume in 1441H Season in SR?

Third: Form and Volume of Hotel Investments

The survey results indicate that (76%) of the participants rely on their hotel investments and reservations based on the journey's date. However, (16%) of the participants rely on reservations throughout the year for some rooms to serve their programs.

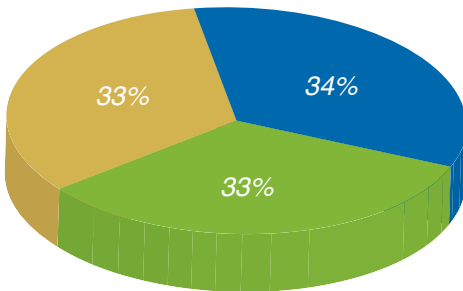


What is your Hotel Investment Type?



Appendix (2): Survey Analysis

The hotels are invested in relative proportions in terms of the classifications of this survey.

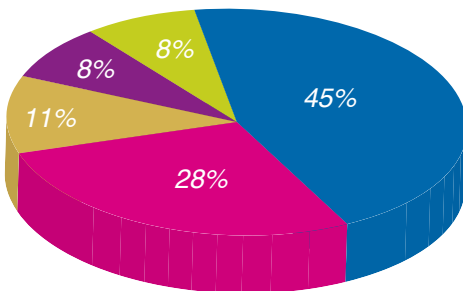


What is the classification of the hotels in which you invest?

- Economic
- 4 Stars
- 5 Stars

Regarding the bustle of hotels, it is evident that (45%) do not resort to marketing, while the highest percentage of those who resort to marketing uses direct excitement of tourism companies (28%).

When it comes to marketing your hotels, what are your sources of marketing?



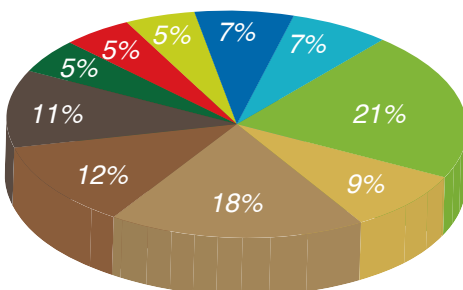
- I don't do marketing
- Direct marketing to tourism companies
- Subscribe to online reservation sites
- Selling to hotel marketing companies
- Brokers

Fourth: the impact of Corona on agents

Umrah agencies have suffered significant damages due to the Corona pandemic and the Umrah season's suspension. We notice this impact as follows:

● Canceling airlines reservations

Financial Value of flight reservations cancellations



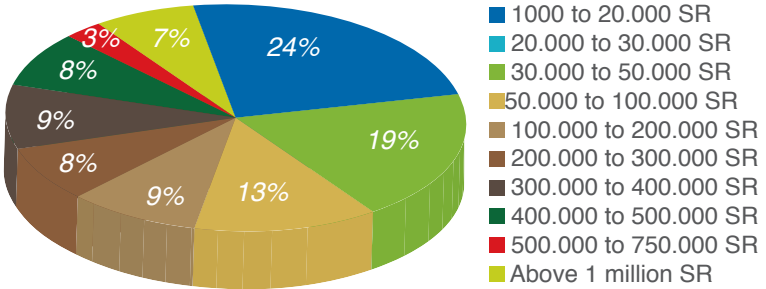
- 1000 to 20.000 SR
- 20.000 to 30.000 SR
- 30.000 to 50.000 SR
- 50.000 to 100.000 SR
- 100.000 to 200.000 SR
- 200.000 to 300.000 SR
- 300.000 to 400.000 SR
- 400.000 to 500.000 SR
- 500.000 to 750.000 SR
- Above 1 million SR



Appendix (2): Survey Analysis

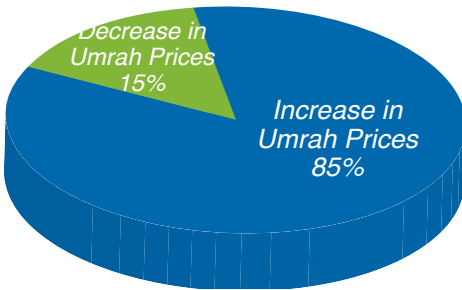
● Canceling hotels reservations

Financial Value of Hotel reservations cancellations



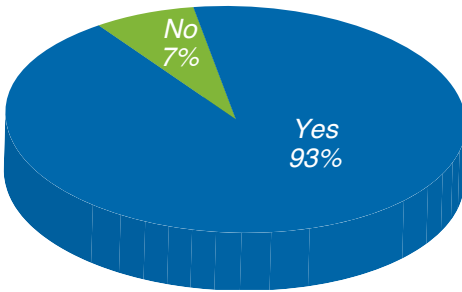
Fifth: the agents' expectations and plans for the next season

The vast majority of Umrah agencies expect a rise in Umrah prices next season.



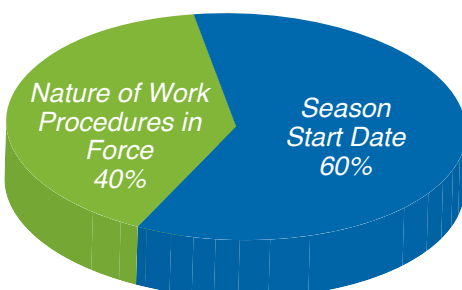
Do you expect an increase or decrease in Umrah prices?

These agencies expect their marketing strategy to be affected for the next season.



Will your Marketing Strategy for the 1442 Season be Affected by the Previous Ones?

These agents are also waiting for the new decisions regarding the opening of the next season and the mechanism that will be done to determine if it will continue working next season.

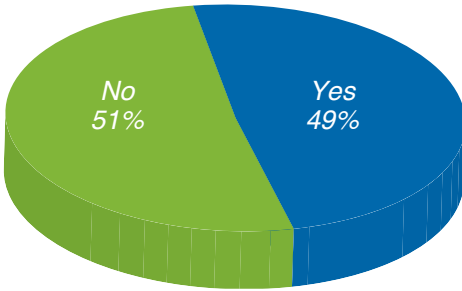


What are the factors that affect your decision to continue working for the 1442H season?



Appendix (2): Survey Analysis

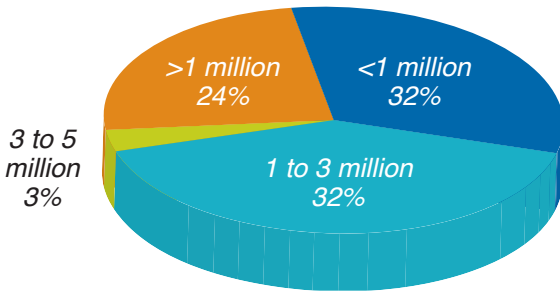
Several agencies are thinking of merging to continue working.



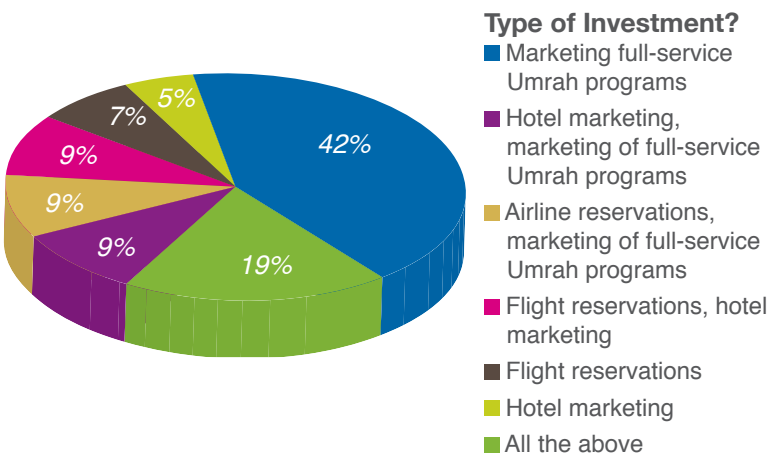
Are you looking to merge or form alliances with other agencies to improve business economics?

In the case of deciding to continue working, the volume of investments will be as follows:

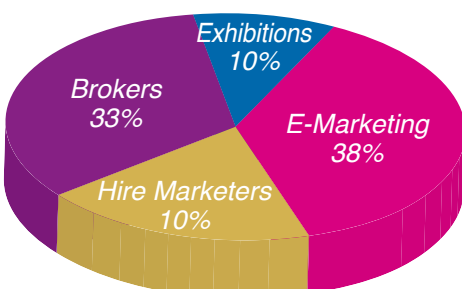
What is the volume of the expected investment after Corona crisis in relation to your work for the 1442H season?



As for the types of investments, they will be as follows:



Accreditation in marketing will be according to the following:



What is the main Tool for marketing?



Preparation Team



Ibrahim Ibn Mohammed Al-Turky

C.E.O- Partner
Kingdom of Saudi Arabia



Hossam El-Asaly

CEO- Partner
Arab Republic of Egypt



Essam Al-Zabidi

CEO for Asia region
Indonesia



Mohamed Mouawad Abdel Aziz

Operations Manager
Arab Republic of Egypt



Sultan Ibn Mohammed Al-Turky

Operations Manager,
Makkah Al-Mukarramah
Kingdom of Saudi Arabia



About SAFA



Safa was established in 2008 with an ambitious vision to be the best technology solutions provider in destination management. It concentrates on Hajj and Umrah solutions designed to improve the pilgrims and Umrah performers' experience and facilitate integrating electronic systems between the countries of origin of pilgrims & Umrah performers' technical procedures in Saudi Arabia across all the relevant sectors.

Safa's initial projects focused on designing and developing technical solutions that serve the customers' needs in several business entities, including hotels, tourism/holiday agencies, local Umrah operating companies, and foreign Umrah agencies as governmental authorities in several countries. Then, Safa moved forward in supporting the sector with more effective and smart solutions, introducing "Safa Visa." Safa Visa provides electronic integration and data processing between different electronic systems in many countries. Another smart solution is "Safa Business," which facilitates all Umrah agencies and companies' operations. Again, Safa had the head start in online business by designing and developing the online platform "Safa Online," which facilitates e-booking services and links supply and demand components, i.e., Umrah agencies, hotels, and airlines companies. It also helps Umrah agencies to facilitate individuals' bookings.

Based on the 12 years data, Safa works with its partners to provide more accurate and insightful analysis reports and forecasts. This leads to a reliable decision-making process, increasing the revenues, raising the demand and occupancy rates, and improving revenue management line the nature of the market seasons.

Safa, in numbers:

- Processing over 12 million Umrah Visas over the past years
- Managing bookings for over 5000 foreign Umrah agents in 31 countries around the world.
- 7 Regional Offices in Saudi Arabia, Egypt, Sudan, Indonesia, Malaysia, Pakistan, and India.
- Safa works directly with 600 hotels in Makkah and Madinah.
- Safa works directly with 25 hotel marketing companies.
- The company owns 388,000 POS (Point of Sale) for hotel bookings in different areas in Makkah and Madinah.
- Safa solutions have successfully managed more than 18 Million bookings for Hajj and Umrah.



About SAFA



Technology for Leaders in Umrah

تكنولوجيا لرواد الحج والعمرة

Moreover, Safa provides business and management consulting services to help the local services providers access the international market, approach the Two Holy Mosques guests, fulfill the requirements, and adapt to the new systems and regulations at these small markets.

In partnership with Umrah and tourism agencies, the Safa Team designed the international family loyalty points system, which allows the same family members to benefit from our distinguished partners' services. Despite the challenges surrounding the payment process and currencies, the company has designed electronic payment systems that facilitate connection with the Kingdom's payment systems and the completion of reservations quickly and easily.

The company, supported by its stable relations in the hospitality and aviation sectors, and its ties with the marketing companies operating in the industry, is offering its partners of Umrah agents around the world the best offers and packages with high flexibility in payment terms or cancellation, as well as quality assurance of the services provided. Moreover, it is currently working on providing insurance service for such bookings, in cooperation with the authorized entities in this sector.

The Safa market share and service coverage percentage

