

# Survival of the fittest

## Sustainable tourism means business

July 2012

*This report was written jointly by Forum for the Future and the Travel Foundation.*

*It is designed to support the UK outbound tourism industry as it works towards a sustainable future. The outbound tourism industry comprises tour operators, travel agents, ground handlers, airlines and cruise companies.*

*Many of the examples used come from larger businesses, which have already started integrating sustainability into their operations. However, every business, large and small, has its part to play.*

#### **About the Travel Foundation**

Founded in 2003, the Travel Foundation is the travel industry's own charity, set up to respond to concerns over the sustainability of travel and tourism.

An independent UK charity which helps the travel industry understand, manage and take effective action on sustainable tourism, the Travel Foundation exists to protect and enhance the environment and improve the well-being of destination communities, as well as the holiday experience for visitors.

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#### **About Forum for the Future**

Forum for the Future is a non-profit organisation working globally with business and government to create a sustainable future. We have 15 years' experience inspiring new thinking, building creative partnerships and developing practical innovations to change our world. We aim to transform the critical systems that we all depend on, such as food, energy and finance, to make them fit for the challenges of the 21st century.

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## Foreword

Retailers and tour operators alike, the recession has bitten us all hard. But I want to be very clear, success today and tomorrow will depend on the ability of a business to manage the complex transition to a sustainable future. A proactive position today will give you an important head start on this journey.

Back in 2007 when we launched our sustainability strategy, Plan A (because there is no Plan B for the one planet we have), we suspected there was a business case, but it wasn't proven. Now we have the hard facts and we think we're onto something good. Plan A is about making hard cash by doing the right thing. What started as a commitment to invest £200m over five years to make our business more sustainable has surpassed even our most optimistic projections. We have now generated a cumulative £185m net benefit over the last five years from Plan A – money that we've been able to reinvest back into the business in challenging times.

We've only been able to build this business case because we've delivered real improvements in our social and environmental performance - less energy use, less waste, better wood and fish sourcing, improved labour practices, healthier food. They have all helped us: become more efficient and more productive; give us a point of difference in a competitive marketplace; motivate our people; and open up new revenue streams. It's this marrying of social, environmental and economic progress that will be at the heart of business success in the future.

Good progress so far, but is it enough? We're very clear that the five years since we launched Plan A is merely a rehearsal for the sustainability challenge that lies ahead. Our input costs (energy, raw materials, labour, etc) will remain high and volatile throughout the coming decade. In part, driven by growing domestic consumption in the developing world competing for the finite resources that have fuelled western consumption to date. But also because extreme weather events are beginning to chip away at the ready availability of these inputs.

Societal trust in traditional institutions (Government, the financial system, corporations, etc) is fragile and will probably become more so in the future. This will be fuelled by the rise of social media and new technologies that will increase the scrutiny of business behaviour. We are all NGOs now! Able to see deep into the previously hidden recesses of how business does business, challenge the norm, campaign for change and recommend purchasing behaviour.

Governments individually and collectively have been unable to develop a coherent global approach to support an orderly transition to a more sustainable society and economy. On the surface a good thing for business surely? A welter of costly eco regulations and taxes avoided. But in practice individual Governments will develop their own approaches, some sensible, some not, but all leading to an uneven, uncertain, at times chaotic backdrop in which business will have to make some big choices. Business likes certainty. The certainty might be tough but you know what it is. A disparate range of national eco policies, laws and taxes will not, in the long term, help business.

And perhaps the biggest challenge of all, the very nature of how people consume products and services will change. Own a car, a power tool, clothes? Maybe in the future you'll share or swop them. Own a physical DVD, book? No, they're digital. Visit somewhere? No, experience it via virtual reality!

Far-fetched? Possibly, but a lot of these things are happening now and the sustainability challenge will accelerate them. How and what the retail sector 'sells' will alter enormously in the decades to come. And the tourism sector will not be immune either. Energy costs too high to travel; locations too unsafe to visit because of social upheaval; water no longer available to drink. All these issues will shape the future success of tourism companies.

Draw all this together, cost, technology, policy uncertainty, changing approaches to consumption and you have the making of incredible disruption in business. Established companies will sink, others will rise. The ability to navigate through the sustainability challenge will be an important factor in deciding whether you are a winner or loser!

No business can become sustainable overnight. But what you can do is understand the issue, plan a response and build the capacity in your business to deal with a very different future. That's what this report helps you to do. Tourism's business model IS the planet and there is no Plan B for the only one we have.

**Mike Barry - Head of Sustainable Business at Marks & Spencer**



## Executive summary

The profitable tourism of the future uses resources efficiently, protects destinations and is rewarded by its customers. Yet, recent years have been a time of crisis for the industry. The economic downturn has spelled disaster for some travel companies in the UK and put margins under more and more pressure. And things don't look set to get any better in the near future - economic volatility, rising costs of air travel and global instability are threatening people's ability and desire to travel. Add resource constraints, natural and economic threats to destinations and rising operational costs into the mix and it is clear that 'business as usual' is going to be increasingly difficult. The tourism industry is under pressure.

But there is some good news. Evidence shows that taking a sustainable approach can provide the opportunity and dynamism that the industry needs right now. And, the even better news is that sustainability doesn't need to be costly or complicated. What better time to revisit six good business reasons to take a more sustainable approach?

- 1. Reducing costs and improving efficiency:** Utility costs are rising and predicted to grow further. Sustainable practices result in cost savings. All businesses can save by reducing consumption of water and energy and production of waste. This is a simple way to get started and generates rapid savings for all – from the office to the guest house to the large hotel. In addition to financial savings, efficiencies in dealing with waste, for example, can free up staff time to concentrate on other activities.
- 2. Managing risks and meeting legislative requirements:** Government regulators are implementing ever stricter controls on the travel and tourism industry – a trend which is likely to continue given the urgent need to tackle climate change impacts and resource scarcity issues. Regulation will impact everything from how expensive it is to fly, to how destinations are managed. All this will translate into legislation (and incentives) for business to help contribute towards meeting these targets. Companies that do not shy away from potential risks and lobby for progressive public policy are grabbing hold of the opportunities to get ahead.
- 3. Engaging staff:** Corporate Social Responsibility (CSR) is a key driver in staff satisfaction - on average 50% higher in companies with a strong CSR culture<sup>1</sup>. Employees enjoy working for companies that care. Improved employee engagement and satisfaction leads to increased productivity and creativity, and improves recruitment and retention.
- 4. Gaining competitive advantage:** Sustainable tourism is being increasingly linked to product differentiation and a better holiday experience for customers and can lead to earlier booking curves, higher customer satisfaction and retention and superior margins. They are also difficult for competitors to replicate.<sup>2</sup> In addition, the things customers look for in terms of quality reflect the values of a sustainable tourism business model. For example, many holidaymakers value unique, authentic experiences in the local community and responding to this not only improves customer experience, but can boost incomes of the local population.
- 5. Meeting emerging consumer trends:** Today's consumers expect travel companies to build sustainability into their product offer. A majority (70%) believe companies should be committed to preserving the natural environment and 55% want fair working conditions,<sup>3</sup> while three quarters want a more responsible holiday and 66% would like to be able to easily identify a greener holiday.<sup>4</sup> Nielsen's Global Corporate

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<sup>1</sup> Kenexa Worktrends Study 2010, <http://www.kenexaresearchinstitute.com/corporateresponsibility/research>

<sup>2</sup> Why Greener Travel Matters, TUI UK & Ireland, November 2010

<sup>3</sup> TUI Travel 2010

<sup>4</sup> Virgin Holidays and TUI UK & Ireland 2011



Citizenship Survey of more than 28,000 consumers in 56 countries shows that 46% were willing to pay extra for products and services from companies that have implemented programmes to give back to society, so sustainability can be a profitable strategy.<sup>5</sup>

- 6. Protecting the tourism product:** If any industry is dependent on a resilient and functioning environment it's tourism. Protecting investments by saving water, planning for climate change impacts and ensuring a warm welcome from destination populations are all key parts of the business case. While the actions of individual businesses certainly count, the only way to protect such resources in the long term is to collaborate – industry, governments, NGOs and community organisations must work together to develop practical mechanisms and supporting policies that can be implemented to safeguard the resources at the heart of the travel and tourism business.

In this document there is further evidence of the business benefits of taking a sustainable approach, as well as advice and guidance on applying to your business. The Travel Foundation is set up to help you on this journey and capture the business benefits. Get in touch if you want to know more...



Visit [www.thetravelfoundation.org.uk](http://www.thetravelfoundation.org.uk) to find out how to:

- Access our free-to-use greener business tools
- Join our Forum – a gateway to sustainable tourism information
- Support the work of the Travel Foundation
- Get involved in our destination projects
- Take part in our 'Make Holidays Greener' consumer campaign

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<sup>5</sup> Nielsen's Global Corporate Citizenship Report April 2012



## Introduction: what now for 'business as usual'?

### “Nothing is as powerful as an idea whose time has come”

Victor Hugo

Back in 2009 Forum for the Future, the Travel Foundation and eight major tourism companies launched a vision for a sustainable tourism industry. *Tourism 2023* vowed to create 'something new and better', or more specifically "to lead the way towards a better future – for our own success and for wider society".

Imagine then that it's 2023 and we've achieved it. Together we have created a profitable, energy-efficient industry that protects beautiful natural landscapes and the resources we take for granted, but that undoubtedly make a holiday more enjoyable. We have motivated, knowledgeable staff with high job satisfaction; we provide sustainable holidays that our customers love and that generate major benefits to destinations as well. All this sets us up for long-term commercial success. Sounds good doesn't it?

However, the global economy is bumping along and, more broadly, the disruptive threats now facing the industry (and the rest of the world) are unprecedented - what UK government chief scientific advisor, John Beddington, calls a 'perfect storm' of food, energy and water shortages. Caused by population growth and exacerbated by climate change in unpredictable ways, by 2030 he warns that the resource crunch has the potential to cause a 'dire and costly crisis'.<sup>6</sup>

This translates into some major challenges for the industry, as we face our very own 'perfect storm'.

Destinations are threatened by climate change impacts, extreme weather, water scarcity, unprecedented rates of biodiversity loss, disease and growing poverty and inequality. At the same time, economic volatility, rising costs of air travel and global instability are threatening people's ability and desire to travel. Add to the mix resource constraints and rising costs (particularly food and energy costs in destinations) and see the industry's future margins being squeezed to breaking point.

In short, business as usual is clearly no longer an option.

Many commentators, including management guru Michael Porter<sup>7</sup>, argue that business' obsession with short-term financial performance, whilst ignoring broader influences that determine long-term success, means they are trapped in an outdated approach to value creation. The tourism industry is no exception to this rule.

Thankfully, there is another way. Recent groundbreaking research from Harvard Business School showed that companies that adopted environmental, social and governance policies in the 1990s have outperformed those that didn't<sup>8</sup>. And so, taking a long term, sustainable approach could help the tourism industry out of its current rut.

***“There is a great risk for companies that try to cling to old business models and ways of doing things.”***

Tom Delay, Chief Executive of the Carbon Trust, 2011

Sustainable tourism offers a huge opportunity. And, as Sue Hurdle, Chief Executive of the Travel Foundation points out, sustainable tourism needn't be complicated – it's just good common sense; “Sustainable tourism is simply about good business practice – protecting the resources the industry depends on to ensure companies can continue selling holidays and destinations continue to thrive, long into the future”

<sup>6</sup> Watch the video on <http://news.bbc.co.uk/1/hi/uk/7951838.stm>

<sup>7</sup> Porter, M. and Kramer, M., 2011. Creating Shared Value. Harvard Business Review, Jan 2011

<sup>8</sup> Robert G. Eccles, Ioannis Ioannou, George Serafeim, 2011, Harvard Business School, <http://www.hbs.edu/research/pdf/12-035.pdf>



There are opportunities too. Sustainable tourism addresses the challenges head on, by protecting destinations at the same time as enhancing brand value, increasing profits, saving costs and improving competitive positioning, both for attracting and retaining customers and recruiting the best talent. We explore these opportunities in the next chapter.

This report is a call for action for the whole tourism industry to become more sustainable. We believe that sustainable tourism means business. And, the good news is that we're not starting from a blank page; this paper profiles, celebrates and takes learning from companies already using longer-term thinking to create more sustainable business models and solutions, and shows this working in the tourism context. Clearly, we have a long way to go, but the examples highlighted in this paper show how those that have made even a modest start are already beginning to see the benefits of doing so.

The world's 'green' economy is worth £3trillion annually, and is forecast to grow by a quarter over the next five years, outpacing overall growth.<sup>9</sup> Have you grabbed your slice of this growing opportunity yet? If yes, tell us, so we can share your story and inspire others... If not, then read on...

***“Any travel business not taking these issues seriously probably doesn’t deserve to be in business”***

Daniel Pearce, Travel trade Gazette

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<sup>9</sup> The Carbon Trust, 2011





## 6 major business benefits of sustainable tourism

**“Change is the law of life. And those who look only to the past or present are certain to miss the future.”**

**John F. Kennedy**

Here we explore six business benefits of sustainable tourism here in depth. Each issue does not stand alone - the risks and opportunities are all closely interrelated. Sustainability delivers clear competitive advantage in each area.

### 1. Reducing costs and improving efficiency

Investment in sustainable practices results in cost savings. And, contrary to what some may think, you won't necessarily have to wait long to reap the benefits. The Paloma Perissia 352-room, 5-star all-inclusive beachfront hotel in Turkey embarked on a year-long sustainability improvement project with the Travel Foundation that lowered its annual costs by €153,000, well over €400 per room. It also helped reduce water consumption by 24% per guest night, a total of 37,300m<sup>3</sup> per year - enough to meet the annual water needs of 145 households in Turkey - and energy consumption by 20% per guest-night. And over time, these investments carry on giving back. Scandic Hotels in Scandinavia saved £9 million on energy, £2.2M on water and £4 million on waste over a ten year period.<sup>10</sup>

And small things can have a huge impact. In 2011, the Travel Foundation, in a project delivered with Thomas Cook, helped 21 hotels introduce simple measures to reduce plastic consumption in Cyprus – cups, bottles, bags and straws. Over just 5 months they saved over € 111,000 in total, reducing costs by 30%. As well as the financial savings from not purchasing plastic, there were many staff cost benefits, including less time ordering and handling deliveries and clearing used plastic items in restaurant and pool areas. There was also a decrease in space required for stock storage so that it could be put to more profitable use. And of course there was less plastic litter on the beaches and in the ocean, increasing the attractiveness of the resort.

**“The starting point of any sustainable development journey is maximising efficiency.”**

Jonathon Porritt, Founding Director, Forum for the Future

Green initiatives helped TUI Travel save around £21 million, as well as reducing carbon emissions by more than 200,000 tonnes, in the three years between 2008 and 2011.<sup>11</sup> TUI Travel has found that stretching energy and water saving targets could save each TUI Travel flagship hotel more than €50,000 over the course of three years.

Whilst some immediate costs savings can often be very easily obtained, it is well worth keeping an eye on the longer-term cost savings that can be achieved. This means being prepared to be visionary and input capital investment in order to fully appreciate these long-term savings. For example, Thomas Cook has developed a 'green' concept store – and proved it can save 50% on retail energy costs and carbon. This has led to the installation of smart energy metering across the company's retail network, to give store managers the detailed data they need to be able to set targets and monitor the impact of reduction strategies.

Coca Cola, one of the world's biggest brands, has made significant investments in reducing packaging over the past few years, using savings it has made to move towards plant-based plastics, with the belief the outlay will eventually yield a more sustainable supply chain. The company's customer sustainability director Jack Backus

<sup>10</sup> Scandic Hotels group, 2006

<sup>11</sup> TUI Travel PLC Annual Report, [www.tuitravelpc.com](http://www.tuitravelpc.com)



said in an interview with Marketing Week<sup>12</sup>: “Over time there will be less volatility in pricing for plant-based plastic when compared with plastic made from petroleum.” This statement could equally apply to new fuel technologies or renewable energy in the travel industry.

*Food for thought: Cost savings may be short term in nature as they can level off when you reach your new, sustainable baseline. Therefore, any cost savings in your supply chain should be seen as an investment in the future, rather than as profit. The whole industry must work together to make sure long-term savings are both achievable and viable, such as investigating new ways of collaborating with peers on making the supply chain more sustainable.*

## 2. Managing risks and meeting legislative requirements

Government regulators are implementing ever stricter controls on the travel and tourism industry – a trend likely to continue given the urgent need to tackle climate change impacts and resource scarcity issues. Regulation will impact everything; from how expensive it is to fly, to how destinations that are overcrowded or susceptible to environmental impacts are managed.

An area that will see rapid developments is climate change policy. In 2007 EU leaders made a unilateral commitment that Europe would cut its emissions by at least 20% of 1990 levels by 2020.<sup>13</sup> This commitment is being implemented through a package of binding legislation.

All this will translate into further regulation (and incentives) for businesses to help contribute to meeting these targets. For example, the inclusion of aviation into the EU Emissions Trading Scheme (ETS) came into force in 2012.

In much the same way that health & safety legislation is now part of our everyday lives, the future will see businesses and individuals having to meet their obligations, to ensure they meet industry or even country-wide sustainability targets.

The question is whether to manage this proactively or reactively. Companies that do not shy away from potential risks and lobby for progressive public policy are grabbing hold of the opportunities to get ahead and drive policy change to help them deliver commitments. According to Thomas Lingard, global advocacy director at Unilever - a company which has made bold commitments with its *sustainable living plan* - the business is “refocusing its communications capability around a single aim of demonstrating its belief in the need for sustainable growth, which means both communicating what we as a business are doing as well as what we need and expect from others.”<sup>14</sup>

The business aims to persuade its peers and global governments to take action on issues it believes critical to the delivery of its plan, including climate policy, public health policy, recycling and waste policy, as it recognises that hitting its ambitious targets is not a feat it will achieve alone.

Similarly, ABTA’s Travelife sustainability programme has seen tour operators working together to promote a recognisable international standard for the supply chain, and is helping companies improve operational standards. This proactive approach may help the industry avoid the need for future regulation in this area and meet any legislative requirements that may come along head-on.

<sup>12</sup> <http://www.marketingweek.co.uk/the-new-csr-this-time-its-profitable/3025435.article>

<sup>13</sup> [http://ec.europa.eu/clima/policies/brief/eu/index\\_en.htm](http://ec.europa.eu/clima/policies/brief/eu/index_en.htm)

<sup>14</sup> <http://www.guardian.co.uk/sustainable-business/unilever-sustainable-living-plan-collaboration>



***Food for thought: By adopting sustainability standards, and rewarding behaviours that exceed expectation, both within your own organisation and supply chain, you can lead and inspire change. By 'opting in' in this way, as well as communicating and working with other industry sectors, destinations and stakeholders on tackling common issues, the industry will mitigate risk and regulation, before it becomes a case for compliance.***

### 3. Engaging staff

In his commentary alongside The Sunday Times Best Companies to Work For 2012 report, business editor Dominic O'Connell suggests: "What puts [these companies] in an even stronger position is their workplace culture. Their employees find the businesses dynamic and fulfilling places to work. Even in our troubled times, they feel their contribution to their company is valued and makes a difference."

Audley Travel was ranked in the Sunday Times list in 2005 and 2006. One of the categories it was judged under was 'giving something back': How much companies are thought by their staff to put back into society generally and the local community. Audley's policy of using local services wherever feasible, supporting environment and livelihoods projects in holiday destinations and actively engaging staff in fundraising efforts were linked to its high scores in this area.

And there is yet more strong evidence of a strong correlation between a business' sustainable practices and staff engagement. According to Business in the Community, 75% of employees who believe their organisation is focused on sustainable development exhibit high levels of commitment.<sup>15</sup> A company's reputation is also increasingly important to today's employees, who are looking for synergy between their own and their employer's values. For example, a recent Thomas Cook survey showed that 80% of its employees think it important to run their business in the most sustainable way possible.

Another benefit, often overlooked when considering a sustainable business model, is the benefit to human resources. Corporate Social Responsibility (CSR) is a key driver in staff satisfaction - on average 50% higher in companies with a strong CSR culture,<sup>16</sup> which can help with retaining and attracting the best talent and innovation. Attitude towards corporate social responsibility' is in the top five things that employees like about working for Kuoni.<sup>17</sup>

When it comes to the bottom line, more advantages arise. In a survey of more than 900 companies, conducted on behalf of RedBalloon and AltusQ,<sup>18</sup> employers with highly engaged people could expect sales and profits of up to six times higher than competitors with average employee engagement. The research also suggested higher staff engagement paid dividends in terms of improved customer satisfaction and loyalty.

At TUI Travel 72% of their businesses have training for colleagues on environmental and social issues. Even better, 72% of colleagues with direct responsibility for sustainable development have personal objectives on environmental and social issues<sup>19</sup>. These activities tie in with TUI UK & Ireland's own Holidays Forever commitment, which sets out publicly its sustainability ambitions to its customers and staff.<sup>20</sup>

***Food for thought: Conduct your own survey to quantify how important sustainability is to your staff, and look at ways of communicating your long-term goals to them. As well as responding well to sustainability, employees have an incredibly important role to play in delivering these targets, so make sure they are empowered and that your plan is integrated into their daily roles.***

<sup>15</sup> Business in the Community, 2011

<sup>16</sup> Kenexa Worktrends Study 2010, <http://www.kenexaresearchinstitute.com/corporateresponsibility/research>

<sup>17</sup> Kuoni, 2011. <http://www.kuoni.com/people/developing-people/empower>

<sup>18</sup> <http://www.redballoon.com.au/corporate/articles/engagement-capabilities-2012>

<sup>19</sup> TUI Travel 2010 Sustainability Report: <http://sd2010.tuitravelplc.com/tui-sd2010/en/home>

<sup>20</sup> <http://www.holidaysforever.co.uk/>



#### 4. Gaining competitive advantage

Sustainable tourism is being increasingly linked to product differentiation and a better holiday experience for customers – helping to drive competitive advantage. For example, analysis from circa 900,000 TUI Travel customer questionnaires from summer 2010 revealed that customers that gave a high rating for their approach to the environment and community were generally more likely to give them a high rating for the holiday overall. According to the company, differentiated products have earlier booking curves, higher customer satisfaction and retention, superior margins and are difficult for competitors to replicate.<sup>21</sup>

Although the majority of customers are still price driven over eco-conscious, the good news is the things they do look for in terms of quality reflect the values of a sustainable tourism business model. For example, many holidaymakers value unique, authentic experiences in the local community. Customer data from Thomas Cook revealed that 93% “enjoy experiencing local culture and places of interest”, while 83% “like to find local restaurants to taste regional cuisine”. Responding to this desire not only improves customer experience, but boosts income in the local community.

***“[Our research shows] 85% of customers in Travelife hotels have a more enjoyable experience.”***

Clare Tobin, managing director EMEA, TUI education division (former MD, specialist business, TUI UK & Ireland)

Thomas Cook’s international brand, SENTIDO Hotels & Resorts, positions itself as having “a distinct culture centred on the idea of treating your senses to a holiday”. Recognising that the travel industry is dependent on environmental surroundings and local culture, the company has made it compulsory for all SENTIDO hotels to achieve Travelife sustainability accreditation by 2013.

On a smaller scale, Tribes Travel UK was set up with a fundamental principle of aiming to offer holidays which benefited local people as well as the environment and wildlife. Tribes was also the first travel company to use the term ‘Fair Trade Travel’ and continues to do so. A unique social and environmental rating system for all of the accommodation it recommends has led to the business winning numerous industry awards, which reap significant benefits for the brand in terms of competitive advantage in a crowded marketplace that targets a demographic switched on to environmental and social issues.

Professor David Bellamy, in his role as chairman of the Tourism for Tomorrow awards judging panel, said: “Tribes Travel will make a great global role model for other small tour operators. They have successfully combined the wish-lists of discerning tourists with the needs of local communities worldwide. Responsible tourism principles such as these are vital if we are to protect biodiversity and cultural diversity for generations to come.”

Explore Worldwide is another company founded on sustainable tourism principles. According to product and operations director John Telfer, it is this that keeps customers coming back, regardless of how ‘green’ their motivation. By being respectful of communities and educating all parties (not just holidaymakers) on the tenets of sustainability, the company is able to guarantee the warm welcome its customers expect when they book, winning fans and creating advocates. Ultimately, says John, by the company following its self-imposed guidelines, the customer gets a better experience.

The links between sustainable business and brand reputation are clear. According to Interbrand, Corporate Social Responsibility (CSR) is responsible for 13% of brand favourability.<sup>22</sup> The flipside is avoiding negative

<sup>21</sup> Why Greener Travel Matters, TUI UK & Ireland, November 2010

<sup>22</sup> Interbrand research, 2009



publicity, particularly in the rise and rise of social media, which leaves brands more exposed than ever before. Consumers ultimately take action against companies they don't trust; 81% would refuse to 'buy' and 74% would criticise a company to people they know.<sup>23</sup>

The internet and social media is also bringing new, exciting business innovation in the travel industry that is creating new forms of competitive advantage. These new types of travel businesses often respond to consumer demand for local authentic experiences. Air BnB<sup>24</sup>, for example, allows people to rent holiday rooms directly from each other. And Tripbod is a website that puts travellers in touch directly with a vetted local with similar interests who, for a small fee, offers pre-trip advice and local knowledge for anything from a foodie weekend to a week's surfing.<sup>25</sup>

Yet, change isn't without its barriers. A fear of the new can be a powerful thing in stopping experimentation and innovation, particularly in the area of sustainability. Businesses want to innovate, but are concerned about doing it wrong. Executive Coach John Blakey suggests this fear of being out of one's depth, lack of control, and a fear of failure, ridicule, isolation and being left behind, are among the biggest obstacles to driving the sustainability agenda forward.<sup>26</sup>

*Food for thought: The travel industry is traditionally focused one or two seasons ahead, which makes changing things comparatively straightforward, but long-term planning difficult. Many businesses have found their first bold moves into sustainability or any new area may not turn an immediate profit, but do yield significant dividends, especially in terms of brand equity, in the long run.*

*Do not lose heart if at first you don't succeed – you are being instrumental in moving your own business, and the rest of the industry in the right direction.*

## 5. Meeting emerging consumer trends

Today's consumers expect travel companies to build sustainability into their product offer. A majority of 70% believe companies should be committed to preserving the natural environment and 55% fair working conditions,<sup>27</sup> while 75% of consumers want a more responsible holiday, and 66% would like to identify a greener holiday easily.<sup>28</sup> To match these expectations, 84% of those working in marketing & PR management see green credentials becoming increasingly important as environmental issues move to the forefront of customers' minds.<sup>29</sup>

Most consumers also expect sustainability to be made easy for them. For example, a recent survey of Thomson and First Choice customers showed that 82% would like to choose a holiday knowing the tour operator has done the hard work in making it environmentally and socially responsible.

The public also look increasingly likely to support environmental impacts being reflected in the cost of travel. In 2004, only one in three people thought that the price of an air ticket should reflect any negative impacts. By 2012 that has risen to nearly half and only a quarter of people expressly disagreed with the idea.<sup>30</sup> There are lessons to be learned from the way the sustainable business debate has developed in the food industry. As consumers have become increasingly aware of how their food is produced, demand has grown for Fairtrade and organic products, across the social spectrum. Lidl has its own organic brand that saw a 16%

<sup>23</sup> Corporate Responsibility, Edelman 2007

<sup>24</sup> <http://www.airbnb.co.uk/>

<sup>25</sup> <http://www.tripbod.com/> & <http://www.greentraveller.co.uk/green-list>

<sup>26</sup> Challenging Coaching: Going Beyond Traditional Coaching to Face the FACTS, Nicholas Brealey Publishing, 2012

<sup>27</sup> TUI Travel 2010

<sup>28</sup> Virgin Holidays and TUI UK & Ireland 2011

<sup>29</sup> UK PR company GreenPortfolio, 2008

<sup>30</sup> British Social Attitudes Survey, 28 January 2009



growth in sales in 2011<sup>31</sup>. According to the Soil Association, nearly £3 is spent on organic products at Lidl and Aldi for every £4 spent in Marks & Spencer<sup>32</sup>. Despite tough economic times, consumers pay on average 44% more for green retail products.<sup>33</sup>

All this is creating a virtual circle that could easily be replicated in the tourism sector. Higher standards are driving up performance and supermarkets have begun to compete to be the most sustainable. Walmart (Asda) has its Sustainability 360 plan, Marks and Spencer has Plan A, Sainsbury's its 20 by 20 sustainability plan, and Tesco has invested £25million into researching how it can help customers save carbon and rewards customers through 'green' clubcard points for taking small steps like reusing bags.

In retail more broadly, companies used to hide behind their customers. "We're only selling what they ask for". This no longer holds water. Pioneering companies like M&S and Unilever are saying they will try to shift what people buy and how they use it through big, bold change and subtle choice editing – making sustainability the standard, not the exception, often driven by the real and pressing need to secure future supply chains.

Nike, a business famous for 'meeting not exceeding' requirements until a mid 90s sustainability epiphany led by chairman Phil Knight, now makes a virtue out of its green and socially-responsible business practices. In 2009 it partnered with the non-profit Creative Commons to create the GreenXchange, through which it offers technical assistance on patents to license, including its environmentally preferred rubber, to other footwear companies who can use the technology to lower their environmental footprint.<sup>34</sup>

And some are taking an even more radical approach and tackling the thorny issue of consumption itself. Over Thanksgiving 2011, at a key sales time in the US, outdoor clothing brand Patagonia placed an advert in the New York Times stating simply: "Don't Buy this Jacket". To preserve the earth's finite resources, the company encouraged people to think before 'buying what they don't need'<sup>35</sup>. Following this, the company reported increased sales and generated 30,000 signatures on a consumer pledge to exercise more consideration before making purchases.

Leading tour operators will be those that drive the sustainable tourism trend, and make the sustainable choice the easy choice. As Rochelle Turner, Head of Research at Which? Holidays points out "We can't sit back and wait for consumers to act on this. Companies are in a position to change people's behaviour and should take advantage of this." Because, after all, sustainability offers the chance to create memorable, quality holiday experiences that keep people coming back for more – surely that's the key to any travel product strategy?

The growth in the sales of Fairtrade goods (a 50% year-on-year increase since 2007), despite a struggling retail sector, is seen by many as a sign of the potential for growth in sustainable products in the tourism industry. Traidcraft 'Meet the People' tours are making the most of this trend. Their novel sightseeing trips in Sri Lanka, Bangladesh, Cuba, Peru and Vietnam explore some of the best attractions, and on the way you get to stay with the small-scale farmers who make Fairtrade products.

Adventure tour operator Exodus has been a major supplier of responsibly sourced tours to web portal responsibletravel.com for over a decade. Client feedback on whether their holiday benefited the local community and environments they visited is consistently high and Exodus' referrals and bookings from the responsibletravel.com site has grown year on year, doubling in the last five years, demonstrating a growing interest in and demand for sustainable holidays.

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<sup>31</sup> <http://www.soilassociation.org/LinkClick.aspx?fileticket=5QS24GNSZTA%3D&tabid=116>

<sup>32</sup> <http://www.soilassociation.org/LinkClick.aspx?fileticket=5QS24GNSZTA%3D&tabid=116>

<sup>33</sup> Kelkoo, 2010

<sup>34</sup> <http://www.nikebiz.com/crreport/content/environment/4-4-0-case-study-greenxchange.php>

<sup>35</sup> <http://www.patagonia.com/email/11/112811.html>



***“If you say to a customer; ‘Are you booking with us because of our environmental credentials?’ invariably they’ll say ‘no’. But if you say ‘if you come with us we’ll take you to a destination that is well looked after, that is sustainable and you’ll enjoy it’ then they’ll say ‘of course!’”***

Noel Josephides, Managing Director, Sunvil

***Food for thought: Customers are looking for better, more authentic experiences and are more pre-disposed to a green message than ever before. Consider how you communicate your responsible practices and ambitions and think about how they can be used to engage and inspire, drive purchase and create loyalty. Why not reward them for making sustainable choices, or ask them about areas they’re concerned about to set your targets?***

## 6. Protecting the tourism product

There’s simply no denying the fact that happy, healthy destinations are essential to the success of tourism. Managing the issues that make a destination happy and healthy must therefore be at the heart of any strategy for ensuring the long term viability of tourism. But what are the risks to destinations and what can the tourism industry do to reduce these risks to its only product?

### Water

Water availability is an issue that varies country by country, region by region but a lack of it has a major impact on both the people in a destination and a customer’s holiday experience. Be it for swimming pools, irrigated gardens, golf courses, spas, water parks or more simply rooms and kitchens - tourism is a thirsty industry, and shortages often translate to increased cost for the industry.

With tourism’s growing demand for water and water scarcity only set to increase, taking a short term view on water availability is simply not an option. Instead, the tourism industry needs to think smarter about the way it uses water, from reducing consumption, to reviewing the wider impacts of where it is sourced from.

Looking outwards, Levi Strauss & Co. has been a pioneer in the movement to manage water usage responsibly - from cotton production to laundering garments, an abundance of clean water is an essential component of its business. As well as addressing its direct consumption through supply chain initiatives, the company was one of the founding member signatories of the CEO Water Mandate, which puts businesses, governments, UN agencies, NGOs and other stakeholders together to address the global water challenge.<sup>36</sup>

### Climate change

Carbon-wise, it is estimated that travel and tourism contribute between 4-6% of global emissions and that these are forecast to grow by up to 150% in the next 25 years<sup>37</sup>. At the same time tourism is vulnerable to the effects of climate change as many holiday experiences are reliant on predictable weather patterns.

It therefore makes sound business sense for tour operators and their suppliers to reduce their carbon intensity and their reliance on fossil fuels. Solutions include providing more short-haul or local holidays and offering lower-carbon alternatives to flying. Where flying is unavoidable this means encouraging fewer, longer holidays,

<sup>36</sup> <http://www.levistrauss.com/sustainability/planet/water>

<sup>37</sup> *Climate Change and Tourism: Responding to Global Challenges* Advanced Summary, World Tourism Organization, United Nations Environment Programme and the World Meteorological Organization, October 2007.





using airlines that have pledged to use efficient flying practices<sup>38</sup>, offering direct routes as well as offsetting transport emissions that cannot be avoided. Longer term solutions include exploring sustainable alternative fuels and standardising airline reporting which, as with car manufacturers publishing emissions data, would make it easier for travellers to compare and make informed choices about the 'carbon cost' of their holiday.

Alpine Pearls, a non-profit organisation headquartered in Austria, won the Destination Stewardship Tourism for Tomorrow Award in 2011 for its innovative approach to providing sustainable transport between villages, including solar powered electric vehicles, low carbon public transport and free use of bicycles for tourists who leave their cars. This helps to ease heavy traffic congestion and reduce environmental footprint in one of Europe's most popular tourism areas - the Alpine communities of Italy, Germany, Switzerland, Austria, Slovenia and France.

### **Biodiversity loss**

Many tourism locations rely on pristine natural environments with diverse plant and wildlife to draw visitors in. The grim reality is that globally, most ecosystems are becoming increasingly degraded. According to UN, species loss is currently running at around 150-200 species per 24 hrs, which is approx 1000 times the 'natural' or 'background' rate of extinction.

The marine environment is also a critical part of the tourist attraction in many areas. Yet 40% of the world's oceans are heavily affected by human activities. We're polluting the oceans (for example land runoff of pollutants and nutrients into coastal waters), overfishing and removing, altering and destroying natural habitats. There is almost no part of the ocean that is not affected.<sup>39</sup>

And no holiday business is too small to do its bit, or to even make biodiversity protection a major feature. Take Little White Alice self-catering holiday cottages in Cornwall. With its natural chemical-free swimming pool, a reed bed filtration system, 25 acres of land, left wild for rambling and nature-spotting, helped by the addition of a barn owl house and bat loft, it's a haven for local wildlife.

### **Social and economic Issues**

A good holiday often relies on a hearty welcome from local people, and a backdrop of supportive policies from local destination governments. In a world with growing poverty and rising inequality tourism must benefit local communities to secure that welcome.

According to the World Travel & Tourism Council (WTTC), tourism's direct global contribution to GDP in 2011 was US\$2 trillion and the industry generated 98 million jobs for the global economy<sup>40</sup>. But whilst tourism generates large sums of money, the issue of leakage means that profits are not always equitably distributed across the tourist destinations. This inequity ultimately results in social issues (i.e. crime, hassle, culture clashes) that have the potential to directly affect the customer's holiday experience and impact on the future earning potential of the industry.

Adventure Alternative, an independent tour operator and AITO member, engages employees and customers with its own charity, Moving Mountains, which helps to set up social enterprises in the areas where the company offers holidays. It sees the local community as an integral part of the holiday product, both as a stakeholder and financial beneficiary, and sees its efforts to support these stakeholders as its own form of destination stewardship – protecting its product and giving customers authentic experiences to remember. In some cases, customers have even volunteered their own skills to help communities and local businesses on their return.

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<sup>38</sup> See <http://www.sustainableaviation.co.uk/> for further information

<sup>39</sup> *A Global Map of Human Impact on Marine Ecosystems*, The National Centre for Ecological Analysis and Synthesis Science, February 2008

<sup>40</sup> <http://www.wttc.org/research/economic-impact-research/>





## A Destination Approach

Whilst tour operators and their suppliers can do a lot to reduce the impacts of their activities on a destination, it is clear that many of the issues outlined above may be out of the immediate control of the industry. For example, the quality and maintenance of infrastructure, the laws and regulations protecting community rights and equal opportunity, the strategic planning and development of a destination. It would be easy to say that these are all issues that need to be addressed by destination governments, but realistically this is not always happening. The end result of this approach is that the precious resources that make a destination a valuable tourist product are being depleted and holidaymakers are seeing the results of this in their customer experience (e.g. littering on beaches, poor quality produce, tourist “hassle” from local vendors).

To come back to the overall issue of who is responsible for protecting the destination as a tourism product, a more holistic approach is now emerging – the idea of destination partnerships. Rather than any one party being responsible for protecting a destination, this is a multi-stakeholder approach whereby all parties interested in a destination as a resource look at how they can work together to achieve a common goal of sustainability.

The Travel Foundation is currently working on a destination partnership with the Cyprus Tourism Organisation (CTO) and the Cyprus Sustainable Tourism Initiative (CSTI) on such an approach. The first action of the partnership is delivering a project to 'green' Cyprus' beaches, which involves the input and support of the businesses that depend on the beaches for their livelihoods, and the UK tour operators sending their customers to the island.

*Food for thought: None of these issues can be solved alone, nor are they “someone else’s problem”. Only by taking a multi-stakeholder approach and working to protect the natural resources, environments and peoples tourism depends on, will we guarantee a future for the industry. Every business, large and small, has their part to play in solving the issues we face as an industry and as individuals.*

*While there is no quick-fix solution, we must not take our eyes off the bigger picture and need to find solutions to our own sustainability challenges that contribute towards the greater good.*

*The Travel Foundation is here to help, and can offer the tools, guidance and resources to start addressing these issues*



# 10 major business benefits of sustainable tourism

10 strategies for sustainable business success

**“Change starts when someone sees the next step.”**

William Drayton

This report shows that sustainable tourism is achievable, desirable and profitable. The companies in this paper are becoming more sustainable not because they're altruistic or philanthropic, but because it makes good, long-term commercial sense. There is a solid rationale for taking a more sustainable approach – from cost savings to market advantage – and, while there is no 'one best way' that will suit everyone, there is an emerging blueprint for how to do it.

This report highlights some success stories, but we're sure there are more. The Travel Foundation wants to gather stories from around the industry on what's currently being done to work towards the Tourism 2023 vision of a sustainable tourism industry, and the business benefits this is already bringing. Send your stories to [admin@thetravelfoundation.org.uk](mailto:admin@thetravelfoundation.org.uk) and the organisation will use them to inspire and support industry change.

**While they won't solve sustainability challenges in tourism overnight, here are 10 core strategies for sustainable business success – they apply to any business, large or small – to help you move your operations in the right direction.**

## 1. MAKE SUSTAINABILITY YOUR STRATEGY

Don't fall down the trap of making sustainability an 'add-on' to your day-to-day business, as this will require additional time and effort. Instead, make it a core part of your business strategy. Integrate sustainability practices and procedures throughout your business and along your value chain. Drive this from the very top of your business, assigning someone with board level responsibility for delivery. Know your risks and opportunities – how will climate change impacts, water shortages, rising aviation costs & increased regulation impact your business? Where are the opportunities to get ahead?

*Top tip: Forum for the Future's sustainable business framework outlines the practical steps to sustainable and commercial success: <http://www.forumforthefuture.org/>*

## 2. HAVE VISION & SET STRETCHING TARGETS

Look at your own operations and their direct impacts, whether in the UK, during transit, or in destination. Set a vision of where you want to be in ten years in these areas. And be bold. Set stretching sustainability targets that respond to the pressures you face now and will face. Easy wins should be balanced with ambitious goals - challenge your business to deliver something extraordinary and you can achieve the extraordinary.

*Top tip: Use the Tourism 2023 vision as inspiration and tailor its guidance to be relevant to your business: [www.forumforthefuture.org/project/tourism-2023/overview](http://www.forumforthefuture.org/project/tourism-2023/overview)*

## 3. MEASURE PROGRESS FROM THE START

Get your KPIs established to measure progress and return on investment (as well as return on environmental and social goals). This will help identify the successful pilot projects to roll out further and help build the business case for sustainable tourism at your organisation.

*Top tip: start small and try out ideas as a pilot for wide roll-out. The Travel Foundation has a range of free green business tools to help you plan and effectively manage sustainability initiatives, as well as examples of how other businesses have benefited. These are available at: [www.thetravelfoundation.org.uk/green\\_business\\_tools](http://www.thetravelfoundation.org.uk/green_business_tools)*



#### 4. INVEST FOR SUCCESS

Take action to reduce your business' energy, waste, carbon and water footprint and use the financial savings that you are making to reinvest in sustainable projects or technology to achieve further savings and benefits.

*Top tip: Measure the savings you are making and develop a plan for redeploying these savings on new initiatives, rather than seeing them as profits.*

#### 5. FOCUS ON YOUR SUPPLY CHAIN

It's not just about your direct footprint – give incentives, educate, audit, encourage and co-create sustainable solutions with suppliers. For example, encouraging hotels to adopt sustainability measures by sourcing ingredients for their restaurants locally, reducing energy and water use, or subscribing to a recognised sustainability certification scheme such as Travelife, the preferred certification scheme of UK tour operators. Many of these environmental and social clauses can also be included in contracts.

*Top tip: A whole range of tools designed to help green your supply chain can be found on the Travel Foundation website: [www.thetravelfoundation.org.uk/green\\_business\\_tools](http://www.thetravelfoundation.org.uk/green_business_tools)*

#### 6. EMPOWER YOUR STAFF

Develop staff throughout your organisation so that they understand the sustainability imperatives and are empowered to make environmental savings and changes to processes and practices that enable greater sustainability overall. Make sustainability part of everyone's day-to-day work. Even better, include sustainability targets and KPIs in your staff reward/remuneration/incentive structure.

*Top tip: Get all employees to take the Travel Foundation's free, online Make Travel Greener training ([www.maketravelgreener.com](http://www.maketravelgreener.com)) to allow them to find out how much they already know about sustainable tourism and to help them fill in any gaps in their knowledge.*

#### 7. SELL IT... BUT BE HONEST

Create a market for sustainable products and services through your marketing and other customer communications. But don't over promise. Remain authentic and communicate your steps along the journey.

*Top tips: Use Futerra's Greenwash Guide to help avoid any pitfalls: [www.futerra.co.uk/downloads/Greenwash\\_Guide.pdf](http://www.futerra.co.uk/downloads/Greenwash_Guide.pdf)*

#### 8. INNOVATE & REINVENT

Once you've sorted out the basics: using less energy and water; creating less waste; and putting more into the local economy. Think about sustainable business opportunities. New ideas for sustainable products and services will emerge if you empower your staff to experiment, unleash their creativity and come up with the next big idea.

The industry has changed dramatically over the last few years with the development of low-cost and online businesses, and always maintains the power and creativity to reinvent itself. Given what we know about what the future holds, what's next?

*Top tips: Run an innovation competition in-house or among suppliers and customers to bring in new ideas. If you then go on to implement them, this is a very visible way to show your commitment to sustainability. Use the Tourism 2023 scenarios to help invent new products and service ideas fit for the future: [www.forumforthefuture.org/project/tourism-2023/overview](http://www.forumforthefuture.org/project/tourism-2023/overview)*

#### 9. WORK WITH OTHERS & DO EVERYTHING YOU CAN TO HELP SHAPE A SUSTAINABLE MARKET PLACE

Some issues are too big for one company to tackle alone. For example, most destinations have more than one tour operator sending holidaymakers there. To protect those destinations from the impacts of increased visitor



numbers and climate change impacts, everyone needs to work together, including local suppliers, local and national governments and NGOs.

Develop policies that reward sustainable performance. You can work with others to make the sustainable thing, the profitable thing, bringing rewards for both people and planet. This may be as an individual company or through your trade body.

*Top Tip: Get involved in any sustainability special interest groups through trade bodies, attend events and join the Travel Foundation Forum: [www.thetravelfoundation.org.uk/forum/signup](http://www.thetravelfoundation.org.uk/forum/signup)*

*The Travel Foundation exists to bring together different stakeholders in tourism from industry, government, NGOs & experts and is working together with trade associations such as ABTA & AITO to support the industry in doing this.*

## 10. LOOK OUTWARDS

Learn from outside your sector for inspiration. Think internationally and learn from best practice overseas. Unilever's sustainability goal is to double the size of its business whilst reducing its environmental impact. It aims to help a billion people improve their health and wellbeing, halve the environmental impacts of its products and source 100% of agricultural products sustainably.<sup>41</sup>

*Top Tip: Tesco has vowed to be carbon neutral by 2050, and to reduce its supply chain footprint by 30% by 2030. Think about what equivalent targets might look like for your organisation, make them part of your strategy, monitor and report on them.*

**To secure a profitable future, businesses must take robust action on sustainable tourism. Only organisations that take a longer term view and systematically embed this into their decision making have a chance of surviving the challenges ahead. And the opportunities are endless. By taking a proactive, collaborative approach the industry will evolve and come out stronger in the survival of the fittest. Sustainable tourism is the key to a brighter, more profitable future for all.**

***“In the end it’s all about protecting our product. If the product – our destinations – aren’t protected in environmental and social terms then people won’t want to visit them, it is as simple as that”***

John De Vial, head of Financial Protection, ABTA

<sup>41</sup> <http://www.sustainable-living.unilever.com/>

