

in perfect Harmony with Nature

Sustainability for Prosperity

A Business Rationale for Sustainability in International Luxury Hotel Development

This briefing will discuss the evidence base for the short to medium term revenue benefit, if sustainability forms a strong component of your luxury hotel or destination offer.

We will demonstrate that, not only is sustainability a growing standard for any luxury or premium offer; it enhances your brand reputation; and delivers economic benefits including a potential increase in RevPAR and Total Guest Spend.

1. Customers Say they are Worried about Climate Change and Nature

There is a significant body of evidence that identifies Climate Change and the Environment as key concerns for customers of hotels and hospitality.

- The European Travel Commission reports that Generation Z views Climate change as one of the most pressing concerns
- The World Economic Forum, 2020, reports that 86% of 21,00 global respondents want a more equitable and sustainable world
- Ipsos-Mori, 2020, survey of 20,500 global respondents said that Climate change is the most pressing environmental issue, followed by air pollution, waste deforestation.

- The travel business, such as Booking.com, ABTA, AIG; are saying their customers want holidays and destinations to do no harm the environment and to benefit the local communities they are visiting.

2. Tourism Impacts on GDP, Employment and Climate

- Tourism accounts for one in ten jobs globally
- Tourism accounts for 10.1% Of global GDP (source World Travel and Tourism Council - WTTC).
- Tourism accounts for around 8 per cent of global greenhouse gas emissions, ([Nature - Climate Change Journal](#))
- The tourism industry stands to significantly lose over the long term due to changing climate, loss of habitat and biodiversity.

3. So What!

Hotel investors are often not primarily motivated by benefits to the planet or the locality. Investing in hotels and destinations is an international business, with capital sourced globally. The rationale for that investment is a good financial return over the short and medium term.

4. Price Sensitive Customers often don't want to pay too much extra for Sustainability or Change their Behaviour too much

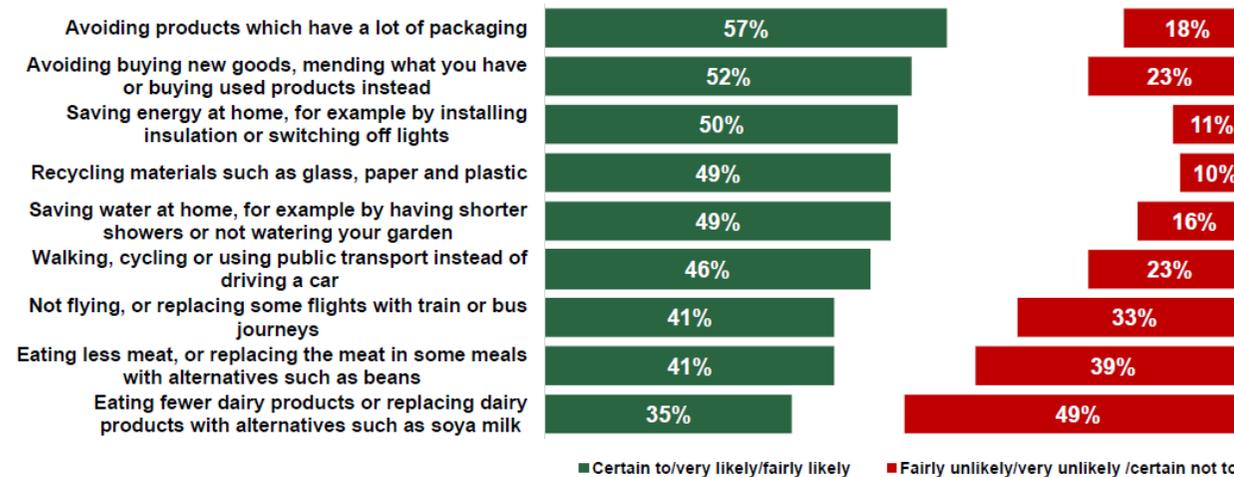
Surveys (European Travel Commission- Generation Z¹ and Ipsos Mori²) suggest that, while climate change and the ecology are a great concern for respondents, and they recognise the negative impacts of their flight and stay. Many are often unwilling to pay higher flight costs towards addressing these concerns (GenZ),

and that they were mostly unwilling to make too drastic a lifestyle change (Ipsos Mori).

“Guests at hotels and restaurants have made it clear that they want the industry to operate in a more sustainable manner (although the guests themselves often don't behave that way).”

Willingness to take action on climate change - global data

Q. Thinking about things you might do in order to limit your own contribution to climate change, how likely or unlikely would you be to make the following changes within the next year?



Base: 20,590 online adults aged 16-74; Fieldwork dates: Friday, February 21 to Friday, March 6, 2020

30 © Ipsos | Earth Day 2020 | April 2020



¹ [Generation Z recognises its responsibility in shaping the future of travel in Europe - ETC Corporate \(etc-corporate.org\)](https://www.etc-corporate.org/)

² [Climate change increases in importance to citizens around the world | Ipsos MORI](https://www.ipsos.com/en/climate-change-increases-in-importance-to-citizens-around-the-world)

4. BUT! People are Willing to Pay More

Let's look at the Evidence across a range of industries!

*“Out of 30,000 respondents across 60 countries **66% of respondents said they are willing to pay more for sustainable goods** “*

(Nielsen Global Survey of Corporate Social Responsibility and Sustainability 2015)³

Age, Wealth and Brand Trust Matter

Age matters – Our Future Customer

- Millennials are the most willing to pay extra for sustainable offerings—almost three-out-of-four respondents (73%) in 2015, up from approximately half in 2014. With Gen Z coming close thereafter (Nielsen 2015).

Affluence

- Those earning at or below \$20,000 are 5% less willing than those with incomes greater than \$50,000 to pay more for products and services that come from companies committed to positive social and environmental impact (Nielsen 2015).

Brand trust

- Trust of the brand to deliver sustainability solutions influenced purchasing for nearly two-of-three (62%) consumers globally; with commitment of the brand to the environment approaches swayed the product purchase for 45% of consumers (Nielsen 2015)

³ <https://ashtonmanufacturing.com.au/66-of-consumers-willing-to-pay-more-for-sustainable-goods-nielsen-report-reveals/> 2015, 30,000 respondents across 60 countries

5. The Green Premium is a Luxury Standard (From Bananas to Bentleys)

“Sustainability is a becoming more a Luxury Lifestyle Standard, applied to what I eat, what car I have, how I travel, where I stay.”

The Food Industry

There are significant lessons to learn from the food industry. It is abundantly clear that customers will pay a significant premium (additional price compared to standard) for food brands and products that have been associated with eco-sustainable or socially responsibly sourced food and beverage (a key earner for hotel & hospitality) .

- UK shoppers in the UK pay on average an organic food premium of 89%, for some foods the premium it can be 200%⁴
- The global “Fairtrade” premium on goods is fixed at 15%

Fashion

Luxury Fashion Group Kering, that include brands such as Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen, are one of the leading drivers for sustainability in fashion; “having a sustainable approach is not only important for ethics reasons but also for business reasons”. Marie-Claire Daveu (Kering). Most people are willing to pay around 10 to 25% more for sustainable fashion⁵

Car Industry

- **Bentley Cars** - Being green is “spurring the world’s millionaires and billionaires to make luxury purchases, based on a system of values such as reduced carbon footprints and sustainability”. “There is a new dimension in

⁴ [Organic shopping price comparison UK | Statista](#)

⁵ [Sustainable fashion - A survey on global perspectives \(kpmg\)](#)

the purchase decision-**the ethical value**," "this - is manifesting so strongly among the world's top 1 per cent that it is influencing Bentley's product planning for the next two decades. (Bentley, CEO Adrian Hallmark 2018)

- **Electric Vehicles** – Despite significant government subsidies, 67 percent of households that own an electric vehicle earn more than \$100,000 per year (US data) ; Private EV owners are currently middle-aged, male, well-educated, affluent (UK Gov Social Research data).

Air Travel

- Customers are willing to pay the additional price on a ticket price reduce greenhouse gas emissions; however, this was limited to a **15% ticket price** addition, particularly for long-haul flights. (1192 respondents). With women more willing than men to pay the sustainability price increase⁶.

6. Hotel Guests Rate Sustainable Hotels higher and are increasingly Willing to Pay a Price Premium for it

- Guests rated hotels with environmental certification higher than those without environmental certification. With the most significant differences found in the upscale four-star hotels, while for three-star hotels, guests' price sensitivity overrides environmental concerns.⁷ (Customer ratings of 6,850 hotels in Spain with and without ISO 14001 environmental certification)
- A study of 216 Andalusian hotels offering a total of 62,847 beds, demonstrated that hotel guests were willing to pay a premium room price for environmentally sustainable measures within hotels⁸

⁶ [Willingness to pay for sustainable aviation depends on ticket price, greenhouse gas reductions and gender - ScienceDirect](#)

⁷ The Impact of Environmental Certification on Hotel Guest Ratings, Cornell University, 2014

⁸ Environmental sustainability measures and their impacts on hotel room pricing in Andalusia, Environmental Engineering and Management Journal 2013

- Cornell University study of 607 United States hotels found that LEED (sustainable construction and operating practices) - certified hotels, had a higher Average Daily Rate (+ 5%) and Revenue Per Available Room over non-certified hotels.⁹
- A study in Barcelona of 780 hotel guests demonstrated statistically significant differences for a willingness to pay more if a hotel had sustainability certification; it also showed that women were more willing to pay than men¹⁰
- 454 customers staying at eco-friendly hotels in Spain demonstrated that customers with a strong environmental approach are more willing to pay a price premium for their hotel stay.¹¹

There is good evidence to demonstrate that a hotel or destination improves its brand reputation, AND customers are willing to pay a sustainability premium when associated with a credible sustainability position.

High Value, Luxury and Premium brands are increasingly required to have sustainability featured as a standard service offer.

But how much of a sustainability premium are guests willing to pay?

Based on associated industries: for mean income customers there appears to be around 15% (+/- 10%) premium tolerance zone for sustainability. This premium percentage increases for high-end branded services and for high Income customers.

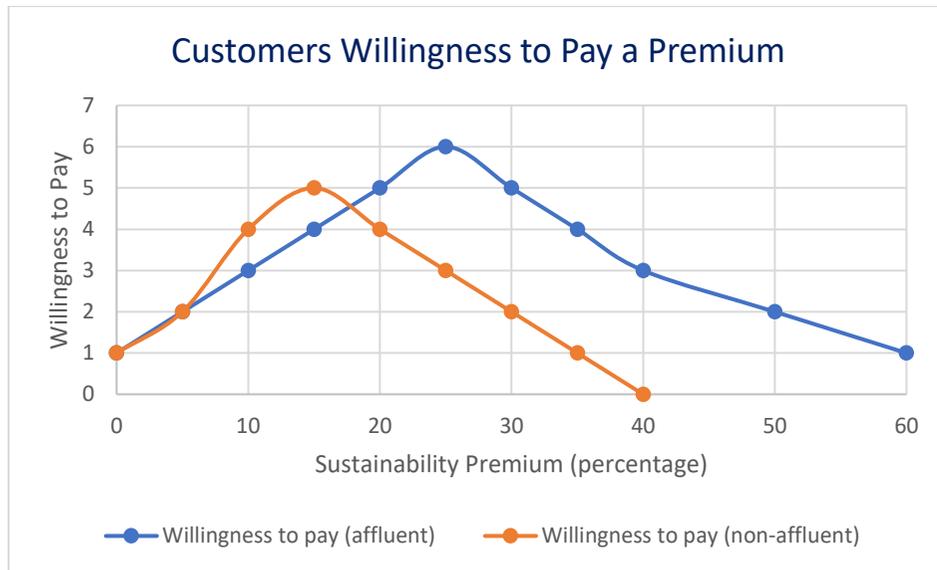
Female guests, are more willing to pay a Sustainability Premium, and make most travel and hotel decisions¹²

⁹ The Impact of LEED Certification on Hotel Performance 2014 [walsman-verma-muthulingam-2014-chr-report1.pdf](#)

¹⁰ Analyzing Willingness to Pay More to Stay in a Sustainable Hotel, 2020, Montserrat Boronat-Navarro 1,* and José A. Pérez-Aranda

¹¹ Factors influencing willingness of customers of environmentally friendly hotels to pay a price premium, Gonzalez-Rodriguez et al. (2019)

¹² [Reinventing The Travel Experience To Meet The Needs Of Women \(forbes.com\)](#)



7. In Addition

Your Competitors are already doing it

- Hoteliers are Measuring Carbon as a standard - 23 global hotel organizations including Marriott and Hilton have been establishing a streamlined methodology – called Hotel Carbon Measurement Initiative¹³

Lower Running Costs for your Hotel¹⁴

- Sustainable hospitality requires hotels to reduce their consumption of resources like energy and water. Naturally, this tends to lower costs for hotels.

National, Regional or International Support and Subsidies

- Governments offer economic incentives to encourage the development of environmental retrofits and the construction of “green” buildings. These

benefits include tax write-offs, financial grants, insurance premium discounts and expedited regulatory permitting.

Investors and Corporations Want to Give you Money

- Investors are seeking the halo of ecologically sound investments and a social and environmentally sustainable offer is more likely to attract investment.

Provides Mitigation Against International Tariffs and Regulatory Risks or Consumer Shaming

- Increasingly the EU and now the USA (under Joe Biden) have demonstrated their willingness to penalise countries and industries that are carbon intensive, release methane or negatively impact the natural environment. Gen Z and Millennials are quicker to penalise goods, services, or companies that are seen to be harming the environment or make false claims about their environmental impact (greenwashing).

8. Environmental and Social Accreditation

There are over 200 accreditations for sustainable construction and operating practices across tourism and the built environment.

Many of them are excellent and have been developed over years to ensure the reduction of harm for climate, the environments, biodiversity, habitat loss, and communities.

The issues are, choosing one that is authentic, credible, and verifiable; but perhaps more importantly, that the hotel, hotel developer, and **guest can understand**, and does not require them to be a specialist in sustainability or sustainability accreditation standards.

¹³ [HCMI-v1.2-June-2020.pdf](#)

¹⁴ [Business Case for Sustainable Hotels – Sustainable Hospitality Alliance](#)

9. The Harmony Quality Standard

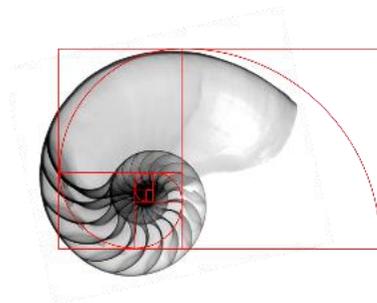
We, and the University of Wales Trinity Saint David, have looked at sustainability and green accreditation standards and came away thinking the business and consumer almost needs a sustainability degree to know if they are effective.

The Harmony Quality Standard was developed with to address the consumers and business desire to be Good for People, Planet and Place; in a way that is clear, authentic and simple to understand for guests, workers and business.

We let people know the “True Cost” of their purchase because it identifies and includes the cost to Climate, Biodiversity, Communities and Cultural Heritage.

Consumers can **Offset** these harms, similar to carbon offset approaches, this **offset can be identified on the bill** as a potential opt-out.

Offset resources and funds are applied to local and global actions, that protect, preserve, and restore the natural environment and cultural heritage. By acting as a capital resource towards sustainable practice locally.



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The Harmony Golden Ratio Quality Standard¹⁵ differs from other Sustainable Tourism accreditation quality marks in that is:

- **Outcome based**
- **Simply describes to the consumer** the impact they and the hotel, or resort, has on nature al environment; it is either:
 - **Greenhouse Gas Neutral** (Climate Caring)
 - **Greenhouse Gas Negative** (Climate Improving)
 - **People Planet & Place Aware** (Working for People Planet & Prosperity)
 - **People Planet & Place Positive** (Good for the People Planet & Prosperity)

The Harmony Quality Mark **sits above as an outcome measure and framework that compliments** the range of “sustainable management systems and processes” that form the basis of most environmental accreditation marks in tourism (eg. Green Globe) and construction (eg. BREEAM). These other process driven accreditations are valuable and set detailed sustainability management delivery plans for improvement.

Visitors and Guests are deeply concerned about the their impact upon climate, nature and heritage. They are willing to pay to offset that harm.

Our job is to make it as easy and simple as possible for guests and visitors to feel confident that they are making the right choice when booking your hotel or destination.

¹⁵ The Golden Ratio is a universal symbol, it is derived mathematically but reflects the beauty and harmony in ecological systems and natural growth.

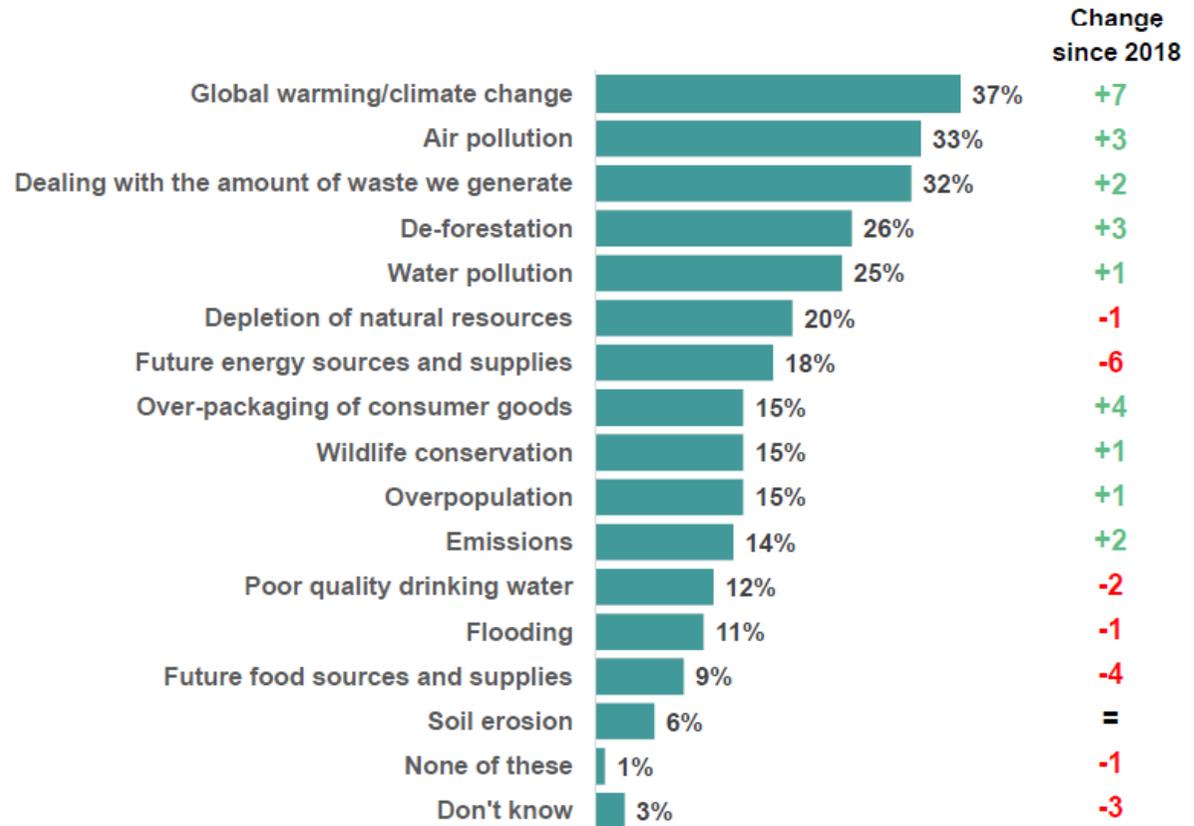
Appendix 1 – Environmental Issue Charts

Ipsos Mori 2020 20,590 respondents

Top environmental issues around the world

Global data

Q. In your view, what are the three most important environmental issues facing [COUNTRY] today? That is, the top environmental issues you feel should receive the greatest attention from your local leaders?

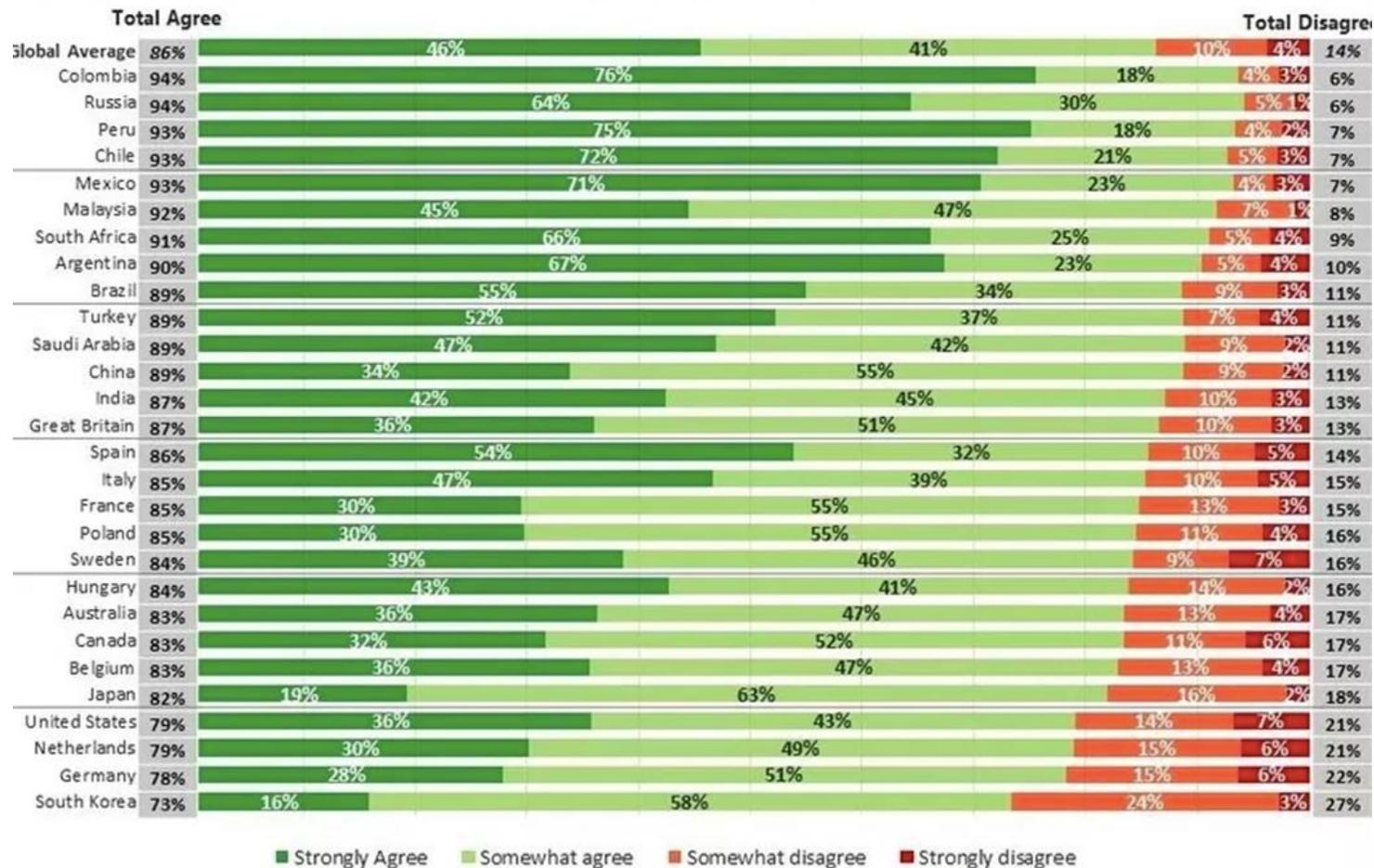


Base: 20,590 online adults aged 16-74: Fieldwork dates: Friday, February 21 to Friday, March 6, 2020



World Economic Forum 2020 – 21,104 respondents across 28 countries

I want the world to change significantly and become more sustainable and equitable rather than returning to how it was before the COVID-19 crisis



Base: 21,104 online adults aged 16-74 across 28 countries