

Ecolabelling in the Tourism Industry- A Step towards Sustainable Development or Marketing Tool?



Steinbach & Reiser

Ecolabelling in the Tourism Industry

25 August 2012

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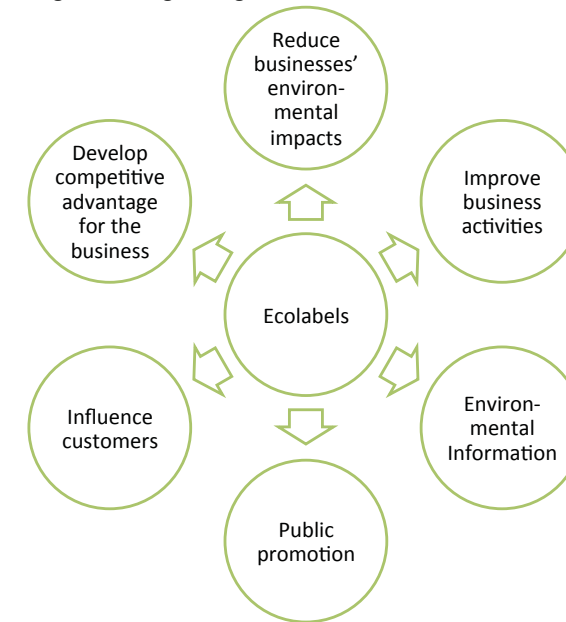


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THE IMPORTANCE OF ECOLABELS (1/2)

Ecolabels' importance grew with growing environmental concern.



Source: own preparation based on Kozak & Nield 2004; Sasidharan, Siralaya & Kerstetter 2002



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Although ecolabels were developed as necessary policies to regulate ecotourism, opinions towards these popular certification schemes are spread.

Criticism of Ecolabels

- **Non-transparency**
- **Inability** to distinguish between labelled and non-labelled products
- Increased market **competition** among ecolabelled products
- Focus on **large-scale** businesses
- High **costs**

Source: own preparation based on Mowforth & Munt 1998; Font & Buckley 2001; Honey 2002



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RESEARCH QUESTION

Focus of the thesis:
Do tourism ecolabels represent practices towards sustainable development or simple marketing tools?



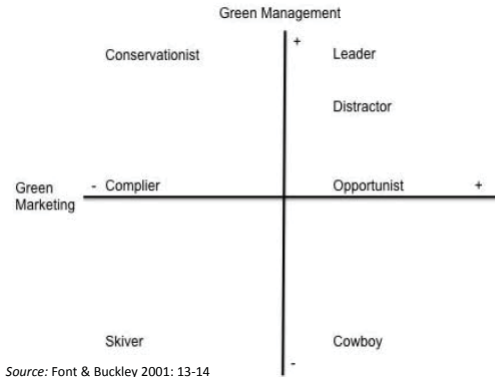
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THEORETICAL FRAMEWORK (1/2)

Font and Buckley (2001) developed a matrix comparing the corporate attitudes of companies towards the application of ecolabels.



Source: Font & Buckley 2001: 13-14

- Differentiation between **green management** and **green marketing**
- Seven approaches to distinguish businesses' attitudes towards conducting business
- AIM: Application of matrix on case study and outline prevailing motivation behind applying ecolabels on hotels in Bali



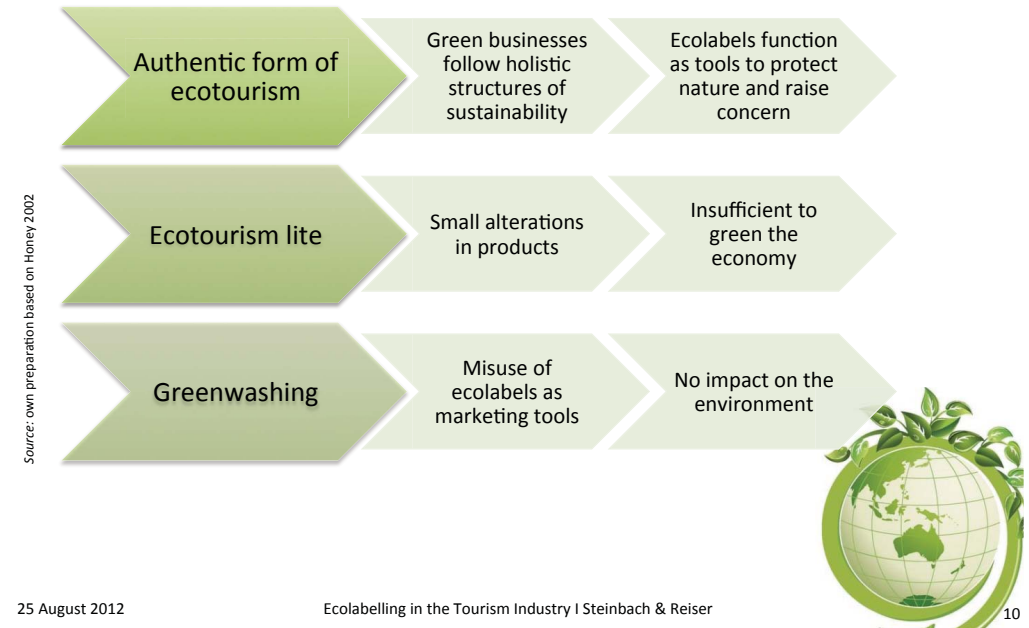
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THEORETICAL FRAMEWORK (2/2)

Honey (2002) distinguishes between three major directions of utilising ecolabels:



Source: own preparation based on Honey 2002



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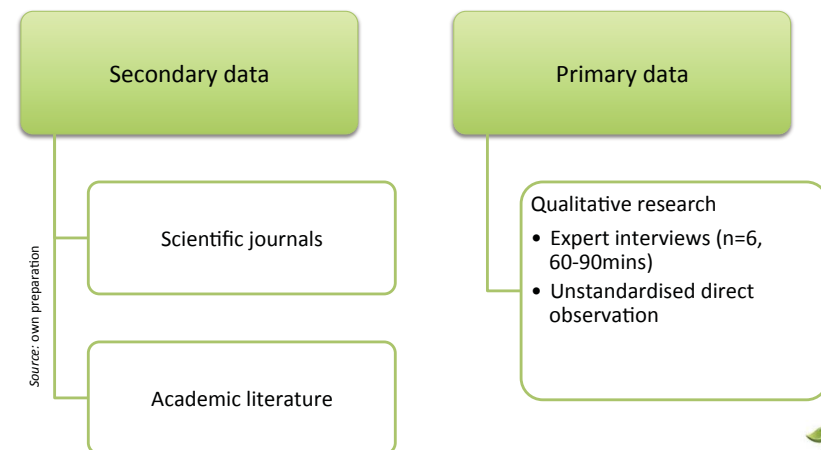
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METHODOLOGY (1/2)

In order to gain a portfolio of theoretic knowledge about and practical application of ecolabels a combined approach of secondary data and qualitative research has been utilised.



Source: own preparation

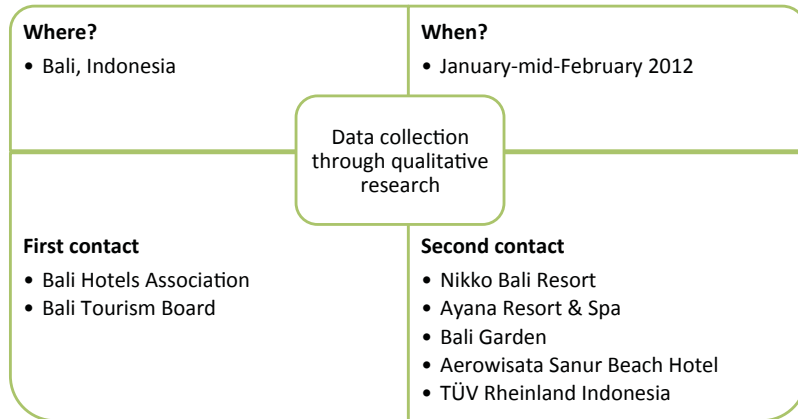


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For an even more applicable approach of ecolabels' benefits for tourism businesses and tourist destinations a field research in Bali, Indonesia, has been conducted.



Source: own preparation



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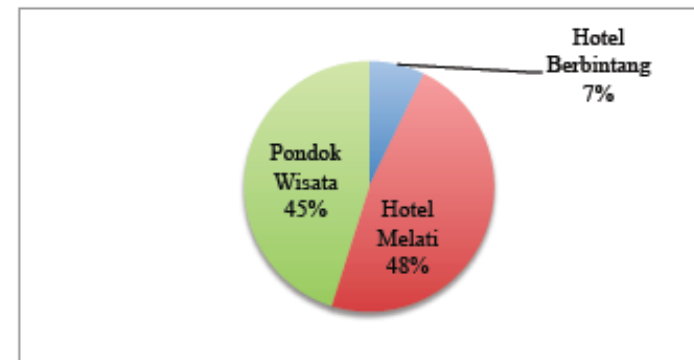
RESULTS (1/7)

Results can be divided into three major parts leading from a broad, economic perspective to a more specialised application.



RESULTS (2/7)

Bali's hospitality industry is dominated by SMEs possessing high growth rates.



Bali's Hospitality Industry and Growth Rates of Bali's Hotels
Source: own preparation based on Bali Government Tourism Office 2009

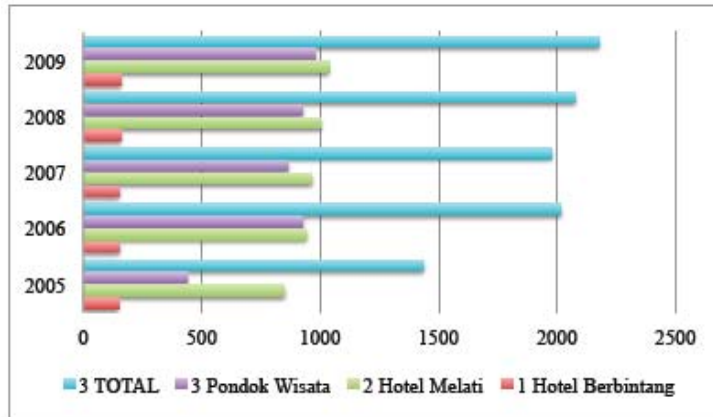
- 2009: 2,175 hotels (+66% from 2005)
- 93% of hotels in Bali = budget hotels (homestays/guesthouses)

Source: own preparation based on Bali Government Tourism Office 2009; Badan Pusat Statistik 2009; Copeland and Murni 2010



RESULTS (3/7)

Bali's hospitality industry is dominated by SMEs possessing high growth rates.



- Luxury hotels (7%) located in Kuta, Seminyak and Legian
- Luxury hotels: highest occupancy rate 71.74% in 2011

Source: own preparation based on Bali Government Tourism Office 2009; Badan Pusat Statistik 2009; Copeland and Murni 2010

Bali's Hospitality Industry and Growth Rates of Bali's Hotels
Source: own preparation based on Bali Government Tourism Office 2009

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RESULTS (4/7)

With increasing numbers of hotels on the island and growing environmental destruction, ecolabels have been developed for tourism businesses in Bali.

Ecolabelling in Bali:

- Development of ecolabels started in 2000
- Today 5 ecolabels given in Bali
 - Green Globe 21, EarthCheck, Tri Hita Karana, ASEAN Green Hotel Award, Eco Hotel and Resort Management System
- Rapid growth of local certification scheme Tri Hita Karana
- Application of international labels

Problems of Ecolabelling in Bali:

- Tourism industry dominated by SMEs but majority of ecolabels is possessed by luxury hotels
- Low market share of ecolabelled hotels (3%)
- Confusion and low credibility regarding international ecolabels and ecolabels' low market share (GG21, EarthCheck)

Source: own preparation based on Wiranatha 2003; UN 2007

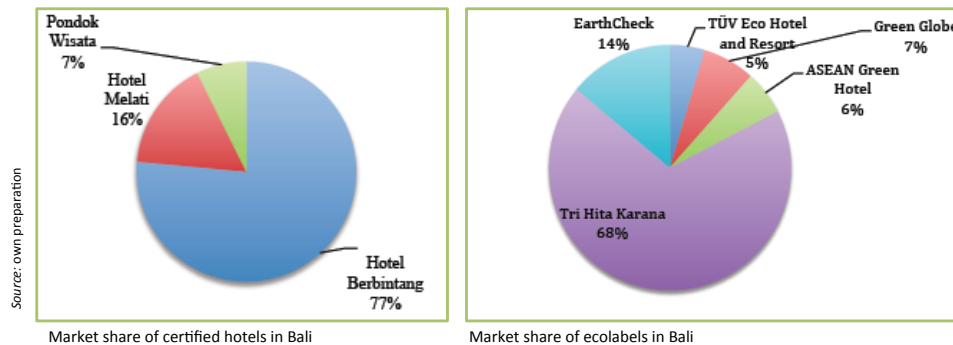
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RESULTS (5/7)

While hotel ecolabels in Bali are increasing, the division of labels among hotels remains unequal.



Source: own preparation

- 77% of all ecolabels in Bali is possessed by star-rated hotels
- The local Tri Hita Karana ecolabels possess the highest market share

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RESULTS (6/7)

In 2011 PT TÜV Rheinland Indonesia certified four hotels in Bali with the Eco Hotel and Resort Management System.

	Ayana Resort and Spa	Nikko Bali Resort	Bali Garden	Aerowisata Sanur Beach Hotel
Year of award	2011	2011	2011	2011
Preparation Phase	1 year	1 year	1 year	1 year
Category	****	****	****.5	****
Location	Jimbaran	Nusa Dua	Kuta	Sanur
Prior environmental knowledge	Yes	Yes	Yes	Yes
Customers' origin	Asia Europe	Russia Europe Taiwan/China	Australia Europe Indonesia	Australia Europe Asia

Source: own preparation



Ayana Resort and Spa
Photos: A. Steinbach

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Benefits associated with TÜV Rheinland's ecolabel are divided in two major categories:



- Optimisation of energy and water consumption
- Ecological damages
- Reduction of environmental risk
- Lower insurance contribution
- Reduction of accident risk

Cost Reduction



Competitive Advantage



On the positive side I would say that it gives us public marketing awareness. Positive. Especially for our guests who come from Germany, Holland or France. These customers are very eco-friendly and they come to a hotel which has better practices for the environment"
(F. Dehnhardt, Aerowisata Sanur Beach Hotel)



Defining three major aspects concerning benefits of TÜV Rheinland's ecolabel facilitated the interpretation of interviews taken on-site.

1. Higher tourist numbers and better image of the hotel
2. Cost reductions
3. Lower environmental impacts and better quality of tourist destination

Source: own preparation based on Font and Buckley 2004; Kozak and Nield 2001



BENEFITS OF THE ECO HOTEL AND RESORT MANAGEMENT SYSTEM (2/5)

Higher tourist numbers? Competitive advantage? Better image?

"The concept of eco-friendly hotels, companies or any establishment is still not that recognisable to certain markets, while in some others, like the European, North American and several other countries, they appreciate the fact that we are taking steps to be more eco-friendly"

(Aini Zariyah, Nikko Bali Resort and Spa)

- Travel decisions prevailed by customers' **origins** and **motivations**
- Customers' **price sensitivity** and growing threat of substitutes reduces ecolabels' success
- PT TÜV Rheinland Indonesia fosters the improvement of '**grey aspects**', which are not visible to the public
- Dominance of **SMEs** lowers ecolabels' market coverage
- **Low environmental awareness** among Balinese population and Bali's tourists



BENEFITS OF THE ECO HOTEL AND RESORT MANAGEMENT SYSTEM (3/5)

Cost reductions?

- ✓ Installation of improved water and energy devices lowers costs
- High initial investment lowers immediate financial saving
- ✓ Adjustment of daily business routines lowers expenses
- Amount of money to be saved is dependent upon the hotel's size



Source: Eco-Hotel presentation Ayana Resort & Spa and Bali Garden Beach Resort



Lower environmental impacts? Better quality of tourist destination?

"When they say ecological damage that means that you reduce the impact that your operation has on the environment but that's not to say that you totally eliminate any risk of ecological damage." (Clive Edwards, Ayana Resort and Spa)

- ✓ Improvement of major sources of environmental impacts
- ✓ Certified hotels possessed environmental interest prior to certification
- A fully sustainable realisation according to the Triple Bottom Line is not given: staff, tourists and large-scale businesses are involved in the certification process, neglecting SMEs



Tree planting at Bali Garden Beach and composting at Ayana Resort & Spa
Source: Eco-Hotel presentations

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Following the analysis of expert interviews taken on Bali, motivations of hotel managers interviewed can be positioned in Font and Buckley's matrix.



- None of the investigated hotels performs "authentic forms of ecotourism"
- All four hotels are interested in marketing aspects behind ecolabels
- The level of commitment to environmental protection differs



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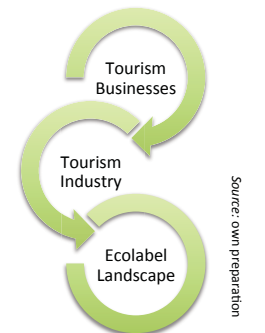
CONCLUSION (1/2)

Do tourism ecolabels represent practices towards sustainable development or simple marketing tools?

Theory underlines:

- Businesses may follow green management and/or green marketing
- Ecolabels may support authentic forms of ecotourism, ecotourism lite or greenwashing

Ecolabels are utilised for Sustainable Development	Ecolabels are only Marketing Tools
Growth of ecolabels outlines environmental interest	Growth of ecolabels increases competition among players
Improved water and energy devices at assessed hotels	
	Majority of labels applied on large-scale, star-rated hotels
Low marketing benefits and cost reduction outlined by experts	Provided advertising material for certified businesses
	Low market coverage of labelled businesses



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Do tourism ecolabels represent practices towards sustainable development or simple marketing tools?

- Ecolabels represent tools, which structure businesses' environmental practices.
- Low financial savings and few marketing aspects form businesses' basic benefits of applying ecolabels.
- Minimum changes of businesses' major impacts on the environment positively influence the surrounding. Ecotourism lite is the consequence.
- With increased utilisation of ecolabels, competition will increase and 'greenwashing' will be given.

Strategy: Involvement of SMEs + Development of unique ecolabel at one destination

Increased market share, higher reputation, better outcome?



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