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

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Ecolabs' importance grew with growing environmental concern.

THE IMPORTANCE OF ECOLABELS (1/2)
THE IMPORTANCE OF ECOLABELS (2/2)

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 Moserth & Munt 1998; Font & Buckley 2001; Honey 2002

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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.

### 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

![Matrix diagram]

**Source:** Font & Buckley 2001: 13-14

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THEORETICAL FRAMEWORK (2/2)

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

- **Authentic form of ecotourism**
- **Green businesses follow holistic structures of sustainability**
- **Ecolabels function as tools to protect nature and raise concern**
- **Ecotourism lite**
- **Small alterations in products**
- **Insufficient to green the economy**
- **Greenwashing**
- **Misuse of ecolabels as marketing tools**
- **No impact on the environment**

**Source:** Honey 2002

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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.

**Secondary data**

- Scientific journals

**Primary data**

- Qualitative research
  - Expert interviews (n=6, 60-90mins)
  - Unstandardised direct observation

**Academic literature**

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METHODOLOGY (2/2)

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

<table>
<thead>
<tr>
<th>Where?</th>
<th>When?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bali, Indonesia</td>
<td>January-mid-February 2012</td>
</tr>
</tbody>
</table>

Data collection through qualitative research

First contact
- Bali Hotels Association
- Bali Tourism Board

Second contact
- Nikko Bali Resort
- Ayana Resort & Spa
- Bali Garden
- Aerowisata Sanur Beach Hotel
- TÜV Rheinland Indonesia

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.

Bali’s Hospitality Industry → Bali’s Hotel Ecolabels → Case Study: Eco Hotel and Resort Management System (TÜV Rheinland Indonesia)

RESULTS (2/7)

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

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pondok Wisata</td>
<td>45%</td>
</tr>
<tr>
<td>Hotel Melati</td>
<td>48%</td>
</tr>
<tr>
<td>Hotel Bebintang</td>
<td>7%</td>
</tr>
</tbody>
</table>

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)

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

Results: own preparation based on Bali Government Tourism Office 2009

RESULTS (4/7)

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

Ecolabelling in Bali:
- Development of ecotickets started in 2000
- Today 5 ecotickets 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 ecotickets are possessed by luxury hotels
- Low market share of ecolabelled hotels (3%)
- Confusion and low credibility regarding international ecotickets and ecotickets’ low market share (GG21, EarthCheck)

RESULTS (5/7)

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

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

RESULTS (6/7)

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

<table>
<thead>
<tr>
<th>Hotel and Spa</th>
<th>Year of award</th>
<th>Preparation Phase</th>
<th>Category</th>
<th>Location</th>
<th>Prior environmental knowledge</th>
<th>Customer Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayana Resort and Spa</td>
<td>2011</td>
<td>1 year</td>
<td>5</td>
<td>Jimbaran</td>
<td>Yes</td>
<td>Asia</td>
</tr>
<tr>
<td>Nusa Dua Resort</td>
<td>2011</td>
<td>1 year</td>
<td>5</td>
<td>Nusa Dua</td>
<td>Yes</td>
<td>Europe</td>
</tr>
<tr>
<td>Bali Garden Hotel</td>
<td>2011</td>
<td>1 year</td>
<td>5</td>
<td>Kuta</td>
<td>Yes</td>
<td>Europe</td>
</tr>
<tr>
<td>Ananta Sanur Beach Hotel</td>
<td>2011</td>
<td>1 year</td>
<td>5</td>
<td>Sanur</td>
<td>Yes</td>
<td>Indonesia</td>
</tr>
</tbody>
</table>

Source: own preparations based on the TÜV Rheinland Indonesia certification report 2011.
Results (7/7)

Benefits associated with TÜV Rheinland’s ecolabel are divided into two major categories:

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

Cost Reduction

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)

Benefits of the eco hotel and resort management system (1/5)

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 Bultirny 2004; Kosak and Nifal 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 an 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
- Certificated hotels possess 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

![Image of Bali Garden Beach and composting at Ayana Resort & Spa](source: Eco-Hotel presentations)

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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

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

**BENEFITS OF THE ECO HOTEL AND RESORT MANAGEMENT SYSTEM (4/5)**

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

![Image of Green Management matrix](source: Ecolabelling in the Tourism Industry | Steinbach & Reiser, 25 August 2012)
CONCLUSION (2/2)

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?

REFERENCES (1/2)


REFERENCES (2/2)


