

PhoCusWright's

GOING GREEN: THE BUSINESS IMPACT OF ENVIRONMENTAL AWARENESS ON TRAVEL

By Carroll Rheem

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Going Green: The Business Impact of Environmental Awareness on Travel

By Carroll Rheem

Executive Summary

There is little doubt that environmental awareness has gained mainstream status in the U.S., as evidenced by the plethora of “green” consumer products and media attention to the topic. In this setting, American companies can no longer operate without acknowledging perhaps their oldest – but most recently recognized – stakeholder: the environment. Travel, as one of the country’s largest industries, is certainly no exception.

Unlike many of the trends that shaped the travel industry at the onset of 2009, such as a slumping economy and the coming of age of mobile travel, the genesis of green consumer products comes from a proliferation of personal values that revolve around contributing to a general good, rather than around financial gain or the convenience of better technology. Navigating a brand on a social current is a challenging prospect for travel companies, as consumers do not consistently carry their personal values over into their purchasing behaviors. Understanding the connection that consumers carry between their personal values and their travel decisions is critical to enabling travel companies to effectively respond to the changing marketplace.

From the industry point of view, the motivation to go green may come from employees’ personal values, but the business reality requires strategic justification and financial viability, especially in today’s economic climate. A balanced approach that recognizes the importance of environmental responsibility alongside financial objectives is more attainable now than ever as green thinking begins to shape the qualities consumers seek in the travel products they purchase.

Research Objectives

To understand how mainstream environmental awareness is coloring consumer behavior and driving change for travel companies, PhoCusWright launched a multifaceted study examining consumer values, attitudes and behaviors as well as travel supplier, distributor and media trends. This executive summary highlights the key findings and strategic implications of the detailed study, *Going Green: The Business Impact of Environmental Awareness on Travel*.

The research is not built on an assumption that companies should or should not be green based on principle. Its purpose is to help travel companies understand how the permeation of green societal values will affect their businesses and how they can best compete in the evolving consumer marketplace. Though the content of this summary is focused primarily on the consumer components of the study, the industry perspectives gathered in the research process represent the foundation for much of the analysis.

Definitions

While the terms “sustainable” and “green” are often used interchangeably in other categories, the travel industry generally uses the term “sustainable” in the context of the broader topic of sustainable tourism, as outlined by the United Nations World Tourism Organization (UNWTO). Sustainable tourism, according to UNWTO, “reflects a ‘quadruple bottom line’ of environmental, social, economic and climate responsiveness.” This study focuses on a subset of sustainable tourism: environmental and climate responsiveness.

In the study, use of the terms “green” and “environmentally friendly” refers to efforts in the following general categories:

Figure 1
Categories of “green” and “environmentally friendly” efforts

Reduction of consumption

- Electricity
- Fuel
- Water

Reduction of harmful output/recycling

- Solid waste
- Waste water
- Pollutants
- Gas emissions

Product Procurement

- Renewable/sustainable
- Nontoxic
- Organically grown
- Recycled

Emissions offset

- Investment in specific offsetting projects
- Purchase through diversified providers

Source: PhoCusWright Inc.

Key Research Findings

- Green is mainstream.
 - More than four out of 10 U.S. travelers (44%) consider environmental impact to be important to them when planning travel.
- Consumers are sensitive to hype.
 - A majority of U.S. travelers (56%) are skeptical of what companies tell them about their green practices.
- Consumers do not understand the intricacies of the cost of traveling green.
 - Cost premium is the most commonly identified barrier (67%) for consumers to potentially becoming greener with regard to travel, yet
 - No major travel company has implemented price increases based on green initiatives.
- There is a significant market for price premiums.
 - Just under a third of travelers indicate a willingness to pay some sort of premium for green travel.
- The travel industry is not yet satisfying consumers' green needs.
 - Only 8% of green travelers believe it is easy to find green travel options.

Summary of Strategic Implications

- The potential for a price premium exists for green travel products, but there are two core prerequisites:
 - **A common, consumer-recognized standard**
While a significant portion of consumers indicate that they're willing to pay a premium for green travel products, they lack the information to recognize and differentiate products based on their environmental friendliness. At a basic level, the consumer decision requires an easily recognizable difference in quality (in this case, "greenness"); otherwise, consumers have no basis on which to adjust the price they are willing to pay.
 - **The product must incorporate green elements that do not inherently save money**
Travelers are savvy enough to recognize that reduction of energy/water/electricity/fuel consumption also reduces costs. While consumption reduction certainly cannot be ignored, differentiation that elicits price premiums must incorporate elements that go beyond those that reduce consumption, such as the use of alternative fuels, renewable energy and organic products.
- If there is ever to be a ubiquitous consumer standard, it must come from a travel rating brand that U.S. consumers already trust, and is likely in partnership with an environmental advocacy group and/or government agency.

- For communication about green practices to resonate with consumers, it should incorporate:
 - Facts that are phrased in a context that consumers understand
 - A focus on how a company supports consumers in their green lifestyles, rather than just how the company or product itself is green
- Tough economic conditions will accelerate efficiency/savings-related green activities and decelerate activities that do not directly result in savings for both the industry and consumers. Given that a good portion of the “low-hanging fruit” has already been picked, the net effect will be a slight slowdown in the “greening” of the travel marketplace, but not a dramatic fall-off.



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