

# Importance of Sustainability in the Hotel Industry

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*Hotel industry has been identified as one of the vital sectors that can have a major contribution to the achievement of the three pillars of sustainable development (social-economic-environment), thus having the ability to direct communities towards a green economy. With increasing environmental awareness, hotels are taking the initiative to offer greener products and services. Various green attributes are incorporated into hotels, such as participation in environmental partnerships or certification programs, use of recycling programs, energy-saving light bulbs in rooms. Under these circumstances, this paper aims to analyze the importance of hotel sustainability for the global development of the industry, while also presenting the most important sustainability and decarbonization topics among accommodation businesses and the reasons for which global travelers choose sustainable lodging.*

**Keywords:** hotel industry, environment, sustainability, social responsibility

**JEL Classification:** L83

## 1. Introduction

Currently, sustainability is a major concern in many industries, including the hotel industry, where it is a vital issue for the long-term development and performance of the accommodation units. The awareness of the fact that the rapid development of the hotel industry has a negative effect on the environment worldwide, has led managers to adopt a series of initiatives to express their desire to support sustainability by creating ecological labels, implementing practices related to sustainable behavior and the adoption of environmental management systems.

Thus, sustainability is a crucial approach that seeks to balance economic growth, environmental conservation, and social responsibility in the hotel industry, contributing to the global effort to combat climate change. To reduce as much as possible the negative impact of economic activity on the environment and increase the positive social impact, changes are needed at a strategic level for all accommodation units, both at the operational level, and at the investment level.

Taking these aspects into account, it becomes necessary to analyze the importance of sustainability in the hotel industry, by using a methodology based on specialized studies and reports – European Accommodation Barometer, Holiday Barometer among Europeans, North Americans, Asians & Oceanians, Sustainability Yearbook etc. – that push the accommodation sector to implement a wide range of ecological practices in the operationalization of the management system, adapting to the reality of a limited carbon world and meeting the growing demand of consumers who prioritize environmental responsibility.

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Article History:  
Received 15 July 2023 | Accepted 25 October 2023 | Available online 25 November 2023

Cite Reference:  
Popșa, P.E., 2023. Importance of Sustainability in the Hotel Industry. *Expert Journal of Business and Management*, 11(2), pp.183-188.

## 2. Investigating Sustainable Practices in Hotel Industry

Currently, climate changes, has determined a rethinking of the business strategy, sustainability playing an essential role in redefining the long-term priorities among executives and managers from the accommodation sector.

### 2.1. Theoretical Aspects Regarding Sustainable Hotel Industry

The hotel sector is considered one of the most harmful to the environment, along with the industrial sector, therefore environmental issues have become much more important for current and future studies. The analysis of specialized literature reflects the fact that most studies concerned with the importance of sustainability in the hotel industry focus on the environmental performance of accommodation units. (Tang et al., 2014; Sánchez-Medina et al., 2015), and less on all three dimensions of sustainability – economic, social, and environmental responsibility (Garay & Font, 2012; Moneva et al., 2020), known as triple bottom-line of company.

Ecological practices are increasingly appreciated by tourists aware of the direct and indirect repercussions of their actions on the environment. Concern for the sustainability of the hotel industry has grown steadily in recent years, with efforts to identify the most important drivers, potential benefits, and degree of implementation. The rapid development of the hotel industry has significantly impacted the deterioration of the global environment through high energy and water consumption. Therefore, ecological values, consciousness and ecological culture represent an imperative emerging in modern conditions. In this context, it becomes necessary and opportune to implement the most effective environmental strategies, ecological labels, green certifications, and performance indicators able to ensure the reduction of the carbon footprint but also of the operational costs of accommodation units, and finally to offer tourists a more sustainable experience (Kostić. et al., 2019).

Sustainability is an intelligent business strategy that can provide hoteliers with several advantages, including reduced costs, operational performance, stimulation of innovative practices in the organization, as well as in the industry, improvement of brand image and reputation, competitive advantage on long term, supply chain optimization, increased employee engagement, compliance with regulatory requirements (Sarode, 2022). Therefore, environmental, social, and corporate governance factors are the basis of the management of ecological hotels, which currently represent a new industrial trend. (Wu, 2021).

### 2.2. Sustainable Development Practices in Hotel Industry

The hotel industry, as an economic activity, is exposed to constant market fluctuations, which are the result of daily changes in consumer habits. The accommodation sector registers a constant increase in the number of travellers who are oriented towards an ecological behaviour in terms of purchasing products and other travel-related activities. Therefore, in the figure below we can see the main reasons travellers stayed in sustainable accommodation at least once over the past year, worldwide.

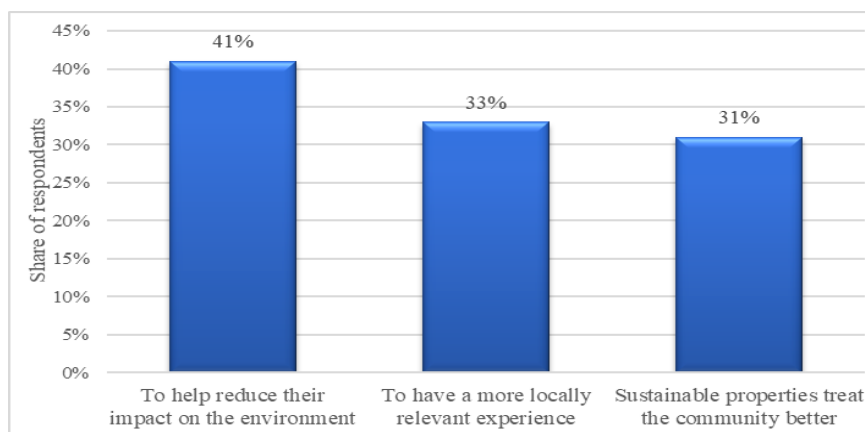


Figure 1: Reasons global travelers stayed in sustainable accommodation at least once over the past year worldwide

Source: Statista.com, 2023

As can be seen from the data mentioned in figure 1, following the survey conducted in February 2022, the most frequent reason (41%) why tourists preferred sustainable accommodation was that they wanted to contribute to reducing the impact on the environment. At the same time, 31% of respondents motivated their choice by the fact that sustainable properties treat the community better.

Furthermore, with the increase in awareness of climate change, pollution, and the destruction of biodiversity, tourists are becoming more aware of the environment and are willing to adopt a series of sustainable initiatives, among which can be mentioned: pick an accommodation with a green certification, eat and shop in places owned by locals, travel to a closer destination to reduce carbon footprint, bring goods to donate to local population when visiting underprivileged regions, (see table 1).

*Table 1. Sustainable initiatives travelers would adopt worldwide 2022, by region*

<b>Sustainable initiatives</b>	<b>Europe</b>	<b>United States</b>	<b>Canada</b>	<b>Australia</b>	<b>Thailand</b>
Adopt behaviors useful not to waste local resources	87%	80%	84%	83%	96%
Use a travel mug/water bottle	86%	84%	87%	86%	98%
Eat & shop in places owned by locals	86%	83%	83%	89%	97%
Stay in locally owned accommodation	84%	76%	80%	88%	96%
Avoid activities that are not socially responsible or respectful of the environment/the wildlife	81%	74%	78%	82%	94%
Support local tour companies	80%	63%	77%	79%	92%
Pick an accommodation with a green certification	77%	68%	72%	69%	95%
Travel to a closer destination to reduce carbon footprint	70%	63%	67%	64%	94%
Switch transportation modes for a lower carbon impact	69%	60%	63%	61%	92%
Bring goods to donate to local population when visiting underprivileged regions	66%	62%	63%	65%	94%

Source: Ipsos/Europ Assistance Survey 21st Edition: Holiday Barometer among Europeans, North Americans, Asians & Oceanians, 2022 page 74

Analyzing the data contained in the table above, we can see that the highest percent of sustainable initiatives that travelers were willing to adopt in Europe, the United States, Canada, Australia, and Thailand, are behaviors useful not to waste local resources; use a travel mug/water bottle; eat and shop in places owned by locals; stay in locally owned accommodation; avoid activities that are not socially responsible or respectful of the environment/the wildlife. When asked if they picked an accommodation with a green certification, a total of 95 percent of Thailand respondents stated either "yes, and I am already doing it every time" or "yes, I would be ready to do it". At the same time, the smaller total of 77 percent of Europeans and 68 percent of U.S. respondents also answered yes in some manner.

Therefore, the concern of tourists for environmental issues and the increased interest in adopting sustainable measures has led hoteliers to adopt a series of ecological practices, capable of providing them with a competitive advantage and increasing market share by integrating the segment focused on eco-friendly choices into the client portfolio.

In a study conducted by Booking.com and Statista among executives and managers from the accommodation sector, improving energy efficiency was the most important topic for European hoteliers to develop their business in a sustainable manner, followed by waste reduction (29%), preservation of water and natural resources (19%), while protecting local culture was a topic that concerned only 9% of hotelier (see figure 2).

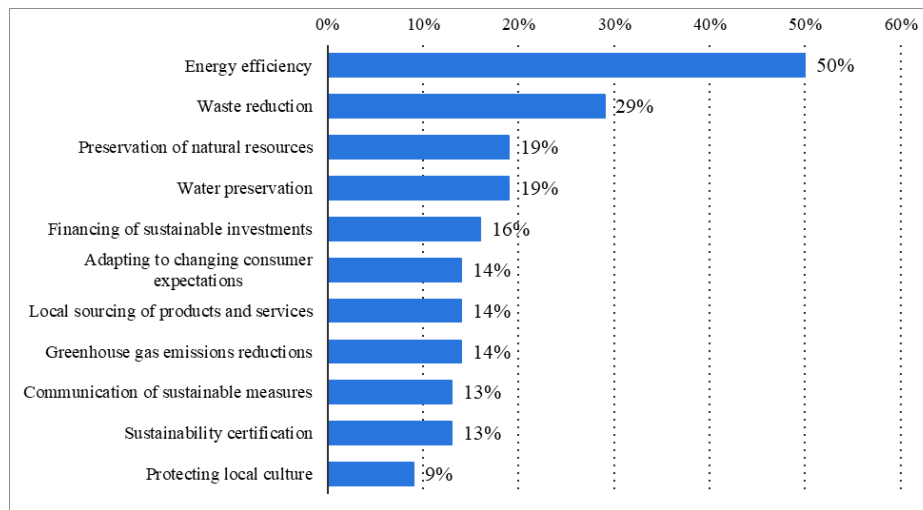


Figure 2: Main sustainability and decarbonization topics among lodging in Europe 2022  
 Source: Booking.com and Statista: European Accommodation Barometer 2022, page 21

In terms of location, hotels located in cities are more prepared to run their businesses in a more sustainable manner compared to the hotels from rural areas. Similarly, 45% of hotels with more than 250 employees and 47% of 5-star hotels are prepared for green transformation. Regarding the location of travel accommodation sector, the study reveals that Italy (54%), and Switzerland (50%) are well-prepared for the challenges of sustainability, while Greece (23%), and France (29%) found such preparation insufficient.

Globally, major hotel groups are leading the way in adopting the sustainable practices that modern guests value. Reducing water and electricity consumption, optimizing supply chains, and adopting sustainable internal business practices are strategies that hoteliers are focusing on in the current socio-economic context. Today more than ever, travelers from all over the world are loyal to the most sustainable hotel brands and choose to contribute to increasing their market share through higher bookings. For high performance and obtaining a competitive advantage, international hotel chains understand that it is necessary to offer a luxury experience with a reduced carbon footprint.

Leading hotel chains have long included policies and procedures to integrate environmental concerns into their strategic framework. Therefore, according to the Sustainability Yearbook 2023 based on their S&P Global ESG Scores calculated – for the industry: Hotels, Resorts & Cruise Lines – Melia Hotels International, S.A. ranked Top 1% of the industry’s top-performing company – scored 73 points out of 100 – Hilton Worldwide Holdings Inc. ranked Top 5% – scored 74 points out of 100 – and NH Hotel Group, S.A. ranked Top 10% – scored 70 points out of 100. In this context it should be highlighted that the criteria and dimensions used for calculated scores, had the following proportion: 26% for environmental dimension including environmental strategy, climate policy, eco-efficiency; 44% for social dimension with a focus on human rights, customer relationship and occupational safety; 30% governance and economic dimension, namely risk management and business ethics. The reduction of the carbon footprint, the development of products and services intended for social inclusion and the long-term sustainability of the business can be found in the strategic priorities of other hotel chains, among which it is worth mentioning Wyndham Hotels & Resorts, InterContinental Hotel Group or Marriott International.

Thus, Wyndham Hotels & Resorts promotes its Wyndham Green program, which can be considered a model of good practice through which hotels concerned with a sustainable business can prove competitiveness by increasing their market share and reduce their operating costs. The Wyndham Green Certification contains five progressive levels – core, essential, proficient, advanced, expert and the areas of interest are: energy preservation (40%); water preservation (30%); waste diversion (23%); responsible sourcing (23%) and stakeholder engagement (10%) – the percentage exceeds 100% because elements of the program can impact multiple areas. Currently 83% of the properties managed by the hotel group are Wyndham Green Certified and the group's strategic objective is for this percentage to reach 100% by 2025 (Wyndham, 2023).

Furthermore, until 2025, the hotel group aims to ensure 100% salary equality between women and men globally, currently there is 96% salary equality between women and men at the executive level and 100%

at the management level. Regarding the impact on the community, Wyndham Hotels & Resorts aims for 100% participation in Wish Day by 2025. Demonstrating their core value of caring, the Wish Day program offers team members – from U.S and Canada – a day off to volunteer. In 2022 the hotel group contributed with over \$1 million donations and 1,500 Wish hours to different Non-Profit organizations.

InterContinental Hotels & Resorts promises to operate in an environmentally responsible way, developing IHG Green Engage™ through which more than 200 green solutions are made available to the hotels in its portfolio to ensure a high ecological performance. The IHG Green Engage™ program includes 4 progressive levels of certification, the first level being mandatory for all hotels belonging to the group, while the 3rd level ensures the reduction of energy consumption by up to 25% (IHG, 2023).

A culture of diversity, equity and inclusion can also be found within the InterContinental hotel group. In this sense, the data provided by IHG Responsible Business Report (2022) indicates the following: the proportion of global leaders with different nationalities is 21%, there is a balance between employees in terms of gender, and the proportion of females who hold the position of Vice President is 34%.

InterContinental also shows care for the communities providing support for the local needs in terms of food donation – in 2022 they donated 228,794 meals through OzHarvest partnership and 20,000 directly – development of employment skills – through the IHG Academy Programme and different partnerships – volunteering for making a positive difference for local people.

Marriott International has developed the 'Serve 360: Doing Good in Every Direction' platform focused on four areas of interest: Nurture Our World, Sustain Responsible Operations, Empower Through Opportunity and Welcome All and Advance Human Rights.

Having the year 2025 as the deadline, the Nurture Our World dimension is focused on reaching 15 million volunteer hours, while the Sustain Responsible Operations aims to reach the following strategic objectives : 100% of hotels certified to a recognized sustainability standard – in 2021 this percentage was 30% – the reduction of carbon intensity by 30% – a reduction of 25.6% was registered in 2021 – develop 250 adaptive reuse projects – in 2021 there was 211 open adaptive reuse projects. The other two dimensions highlight the need to increase gender parity and ethnic diversity of global executive positions – Empower Through Opportunity – but also to focus on human rights and cultural understanding – Welcome All and Advance Human Rights (Marriott International, 2022).

Therefore, we are witnessing a significant increase in the number of hotels that use ecological practices or that have developed their own sustainability strategy. At the base of this sustainable orientation is both the need to satisfy the current needs of tourists concerned with ecological awareness in accommodation management and obtaining a long-term competitive advantage.

### **3. Conclusions**

In recent years, accommodation units' owners and tourists have become much more aware of the impact that tourism has on the environment. Organizations are in the process of change, so their actions are in such a way that they reflect the need to reduce the footprint on the environment. In an environment characterized by fierce competition, sustainability plays an essential role, because tourists who have ecological concerns are willing to pay higher amounts for the services of a hotel with ecological initiatives. Community involvement projects are one of the ways in which companies can incorporate sustainability into their activity, thus having a positive impact at a social level and generating long-term value.

Sustainability in accommodation sector is a hotel operating practice through green technology. As hotels integrate sustainable practices into their business model, initiatives to reduce water consumption and increase energy consumption from renewable sources are key factors in minimizing environmental impact, increasing efficiency and profit margins.

The importance of sustainability in the hotel industry is given by the benefits felt by hoteliers - reduction of operational costs, increase in market share and consumer loyalty, compliance with regulations - the possibility of educating guests about sustainable practices and engage their active participation – encouraging them to reuse towels or turn off lights for example – adoption of an inclusive culture and support communities around the world, and thus contributing to a greener planet as a result of a more sustainable hotel sector.

**Funding:** Not applicable.

**Conflicts of Interest:** The author states that they have no conflicts of interest.

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