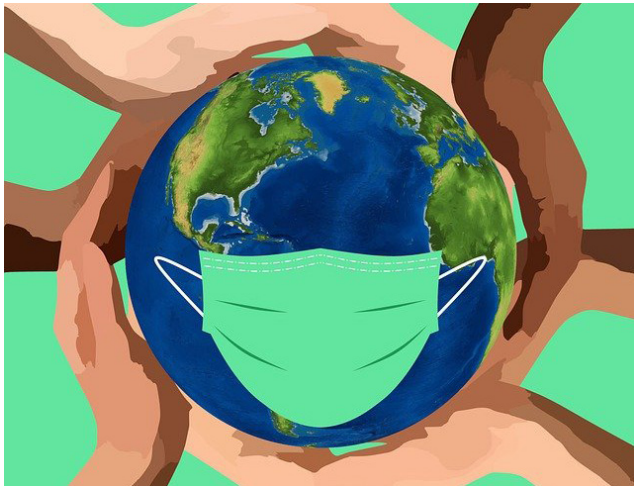


Sustainability in the Era of COVID-19

*by Jeanne Varney &
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As with all things 2020, the 11th annual Center for Hospitality Research Sustainability Roundtable took on a distinctively different format, a virtual webinar format. It would have been easy to “take a pass” on holding the Roundtable given the dire state of the hospitality industry and the inability to gather in person. However, even though issues surrounding sustainability may not be at the forefront for operators, brands, or owners of hotels, it is still considered an important pillar in most organizations’ corporate strategy. Therefore, the Center for Hospitality Research at the School of Hotel Administration in the SC Johnson College of Business at Cornell University, moved forward with hosting the annual Sustainability Roundtable.

The webinar format allowed for an increase in participants from around the globe representing the sectors of hotels, restaurants, non-governmental organizations (NGOs), and academic institutions. There were two main areas of focus for this year's discussions: the new frontier of sustainability in the era of COVID-19 (COVID) and consumer preferences and incentives in sustainability. Although the topics were very different in nature, each has a material impact on current and near term sustainability strategies in the hospitality industry.



COVID-19 has brought new challenges for sustainability worldwide and in the hospitality industry

Takeaways from the 11th Annual Center for Hospitality Research Sustainability Roundtable

Sustainability is seeing both positive and negative impacts from the pandemic

The COVID pandemic has resulted in both positive and negative environmental, social governance (ESG) impacts. The attendees discussed a wide range of COVID impact observations seen around the world. An example of some of the issues discussed are as follows:

Positive impacts

- Significant reduction in carbon emissions due to reduction in long-distance travel and local commuting
- Additional carbon reductions seen because of the low occupancies of large commercial buildings
- Property managers have a chance to step back and evaluate how their buildings run and increase efficiencies and reduce utility waste such as:
 - Get a better sense of baseline utility usage for future benchmarks
 - Identify and fix water leaks
 - Perform maintenance on equipment that is difficult to access when buildings are highly occupied
- Reduction in the use of chemicals for engineering and housekeeping in particular (lower occupancies, moving guestroom cleaning to every two or three days, less laundry overall)
- Increased touchless technologies (guestroom locks, no-touch soda machines, remote check-in)
- There will be an opportunity for retraining as employees return to work
- On the finance side, equity funds are increasingly asking that sustainability standards be met
- Anti-human trafficking initiatives remain in place, particularly in the group segment of hotel customers
- An increased focus on supporting the local economy and businesses
- Those professionals working in sustainable hospitality remain very busy working on adjusting programs, compiling disclosures, and staying current with the changing demands of COVID policies

Negative impacts

- Devastating loss of economic stability in hospitality industry
- Significant loss of local jobs
- Explosion of virtual meeting capabilities for corporate and personal use that threatens current and future economic health and jobs in the industry
- Dramatic increase in the use of disposable utensils, packaging, etc.
 - Many restaurants are mandated to offer to-go only meals
 - Disposable utensils deemed more sanitary, even for on-site consumption
 - Bulk condiments now potentially unsafe
 - Buffets now potentially unsafe
- Supply shortages for single use packaging and other sanitation/PPE supplies
- Use of stronger, more toxic chemicals for cleaning
- Even if a hotel is closed, it still requires maintenance, utilities and special processes to keep the equipment functional and environment safe
- Managing guest satisfaction because of the reduction of services and amenities (closing fitness centers and pools, to-go only restaurant food, no room service, reduced offerings at free breakfast hotels, etc.)
- Sustainability team members have been reduced/eliminated
- Sustainability initiatives have been reduced/cancelled

It was generally agreed upon that most of these issues were two sided with both positive and negative impacts. For example, the reduction in local commuting to and from work has had a materially positive environmental impact. On the opposite side, millions of people are not permitted to work in their traditional environments or

may have even lost the job, and as a result, there is no commute. Therefore, as with all sustainability activities, it is a matter of balancing the positive with the negative and working through the COVID pandemic with the goal of making responsible business decisions as often as possible.

Looking at sustainability initiatives through a revenue enhancing lens

Historically, many of the sustainability initiatives spearheaded in the hospitality industry have been justified financially on the basis of cost reduction, whether it be reducing food waste, conserving resources, or eliminating single use plastics. This year, the roundtable discussion explored the idea of sustainability initiatives as potentially revenue enhancing. The spark for this conversation stemmed from one basic question:

- Are guests willing to pay more for sustainability? Before discussing willingness-to-pay (WTP), however, it became apparent that, from the consumer perspective, several prerequisites need to be resolved first:
- Before consumers can articulate willingness-to-pay for sustainability, they need transparency and consistent messaging on the initiatives a hotel is undertaking, starting at the point of booking.
- Consumers need the ability to clearly search for and identify properties based on their sustainability preferences via online booking platforms.
- There exists a significant gap in what consumers truly understand about sustainability. Educating consumers can help shape preferences for sustainability and drive demand.

- Consumers often face a proliferation of competing sustainability standards. If the hospitality industry can align under one standard (e.g., GSTC), it may serve to create a unified customer base.
- A challenge hotel operators face is a lack of data to support decision making around sustainability initiatives.
 - For example, to measure return on investment, operators need to link sustainability to bookings—did a guest choose to book a particular property because of its sustainability initiatives?
 - Can operators leverage guest satisfaction surveys to close this loop?

As enumerated above, the discussion brought to light a number of key issues that need to be addressed before an earnest investigation of consumer WTP can proceed. Furthermore, a consensus emerged that the hospitality industry should also look beyond WTP to truly innovate with sustainability initiatives. Some suggestions included:

- Hospitality should look to consumer packaged goods (CPGs) and other industries to leverage best practices around sustainability.
- Think operationally about how to design better systems to nudge consumers to do better.
- Align employee performance metrics with sustainability goals to ensure incentive compatibility. For example, banquet managers need to balance food waste with guest satisfaction.
- Make sustainability a genuine part of the hotel experience and use it as an opportunity to educate guests and generate interest.
- Price is not the primary drive among all consumers. Some segments look for brands with a story to tell that aligns with their personal values.

Based on the discussion among roundtable participants, it is clear that leveraging and shaping consumer preferences for sustainability continues to be of great interest to the hospitality industry and presents an ongoing opportunity for research as well. However, due to the events of the past year, and in particular the COVID pandemic, a series of new topics in sustainability have also emerged as potential opportunities and challenges

for owners, brands, and operators in the hospitality industry.

“Hot Topics” in sustainability research emerge as a result of the pandemic

Hot topic: Can hygiene and sustainability be prioritized equally and simultaneously?



The final session of the roundtable focused on nascent areas for research and “hot topics” in sustainability that have emerged recently, many of which are driven by the unique opportunities and challenges presented globally by the COVID pandemic. Several highlights from the discussion are as follows:

- The pandemic has put the spotlight on the “S” of ESG. The pandemic’s adverse effects on mental health are well documented, and future employees will evaluate companies based on how they treated their people during this time.
- There may be a role for micro-certification in sustainability. It creates lower barriers to entry for properties to build their sustainability portfolio piece-by-piece, rather than having to tackle vast all-or-nothing initiatives.
- The industry needs to develop a better understanding of the relationship between hygiene and sustainability. It is an assumed fact in industry that there is a clear tradeoff, but is this a false dichotomy?
- Some sustainability initiatives (e.g. water conservation), particularly in the luxury hotel segment, may be perceived as a compromise by guests. What opportunity exists for “no-compromise” initiatives?

- Often, “no-compromise” sustainability initiatives are highly capital intensive (e.g. clean energy), and that poses a significant challenge during the pandemic.
- Currently, low occupancy due to the pandemic translates to less use of physical assets and lower internal rates of return for capital intensive projects. As such, the economics do not justify large investments.
 - Owners and operators need a better way to measure incremental revenue from sustainability initiatives to develop better models to justify large capital expenditures.
- While outside options to raise capital exist for sustainability initiatives, the investment horizon can vary at each property based on the ownership, so the investment terms often present a significant hurdle.

One central theme that emerged from the conversation is that the pandemic has forced many owners and operators to focus on remaining afloat, and therefore, some new sustainability initiatives have been deprioritized in the near term. However, savvy owners are using this time as an opportunity to make new sustainability initiatives “shovel ready” for when the economy recovers.

Sustainability initiatives will remain a priority

Participants felt that there will certainly continue to be shifts in hospitality business models, sanitation processes and products, and guest demands and expectations as the world moves through the COVID pandemic. As it relates to ESG initiatives, at least some temporary cut-backs in resources supporting sustainability initiatives will linger. However, even in this most challenging time of COVID, sustainability will retain its place as a pillar in the strategies of hospitality industry owners, brands, operators, and customers.

Thank you to the participants

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Jeanne Varney is a lecturer at the Cornell School of Hotel Administration. She resides in the property development and management department, where she is responsible for the curriculum in Hospitality Facilities Management, Hospitality Asset Management, Sustainable Development, and Introduction to Sustainable Hospitality. In Hospitality Facilities Management, she combines the technical facilities curriculum with a practical management perspective. In Hospitality Asset Management, she examines the broad range of issues faced by hotel ownership groups requiring asset management oversight and analyses, and how to influence results that meet ownership objectives. In Sustainable Development, she leads students through the principles, methodology, and strategic application of green hotel development and practices in an engaged learning environment. In Introduction to Sustainable Hospitality Principles, she guides students through the implementation of tactical green principles, policies and practices.

Outside Cornell, Varney is a principal with Olive Hospitality Consulting, where she provides practical sustainability solutions to businesses looking to improve the “triple bottom line” for their organizations. She has more than 20 years of real estate, operations, and sustainable hospitality experience. Prior to establishing Olive Hospitality Consulting, Varney was vice president of asset management at Host Hotels and Resorts, administering the full range of ownership responsibilities, including operational and capital expenditure budgeting, ongoing operational reviews, and long-term strategic planning for the properties. Varney previously held positions with Marriott International Corporate Headquarters and Horwath Landauer Hospitality Consulting, as well as positions with the Ritz-Carlton Hotel Company and Four Seasons Hotels and Resorts.

Outside her professional duties, Varney is an international past president for NEWH, Inc. and is a founding member of the NEWH Sustainability Committee. She is also a member of U.S. Green Building Council, Sustainable Hospitality Council, Cornell Real Estate Council, and Cornell Hotel Society. Varney holds an MBA from the George Washington University and a BS degree in hotel administration from Cornell University.

Aaron Adalja is an assistant professor of food and beverage management at the School of Hotel Administration and an applied economics and policy area faculty member in the Cornell SC Johnson College of Business. He holds a PhD in agricultural and resource economics from the University of Maryland, College Park.

Adalja's research interests include a range of topics in food and agricultural economics, drawing on consumer theory, industrial organization, and marketing to examine empirical questions in food labeling and quality certification, food safety, and agricultural marketing. His current research includes studies on consumers' and firms' responses to voluntary non-GMO food labeling and on the economic impact of U.S. food safety regulation on produce growers.

Prior to graduate school, Adalja spent several years as a chef de partie for the Thomas Keller Restaurant Group at Per Se in New York City, an experience that catalyzed his interest in hospitality and food economics.



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Cornell Hospitality Roundtable Highlights

Vol. 21, No. 2 (February 2021)

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are produced for the benefit of the
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