

# HOTEL OWNERS FOR TOMORROW



## Roundtable Series – Phuket

24 September 2018

Hosted by Phuket Hotels for Islands Sustaining Tourism (PHIST) 2018  
JW Marriott Phuket Resort & Spa



# PHIST

People. Planet. Phuket.



Hotel Owners for Tomorrow is a coalition rallying owners across the world to demonstrate their commitment to helping the planet and its people.

## 2018 PHUKET ROUNDTABLE PARTICIPANTS

- **Michael Ayling**, General Manager, Blue Tree Phuket
- **Bruce Bromley**, Chief Financial Officer & Deputy CEO, Soneva
- **Marié Fukudome**, Director, Environmental Affairs, Corporate Responsibility, Hyatt
- **Graham Grant**, General Manager, Six Senses Ya Noi
- **Cyndy Tan Jarabata**, CEO/Founder, Tajara Leisure & Hospitality Group
- **Nikhom Jensiriratanakorn**, Director, Horwath HTL Asia Pacific
- **Steve Newman**, Group Sustainability Director, Banyan Tree
- **Eric Ricaurte**, Founder & CEO, Greenview
- **John Roberts**, Group Director Sustainability and Conservation, MINOR Hotels
- **Jeff Smith**, Vice President Sustainability, Six Senses Hotels Resorts Spas
- **Pat Satkhum**, Senior Manager – MICE Capabilities Department, Thailand Convention & Exhibition Bureau
- **Veronika Todemann**, Hotel Design and Planning Manager, Mandarin Oriental Hotel Group
- **Norbert Vas**, VP Business Development, Archipelago International

[www.hotelsfortomorrow.org](http://www.hotelsfortomorrow.org)

 @hotels4tomorrow

# THE 5 ACTIONS FOR BUILDING A SUSTAINABLE FUTURE

To take sustainability to the next level in our industry, hotel owners will make the difference. HOT is simple: hotel owners commit to 5 basic actions. There is no cost to join, and the 5 actions do not require a financial commitment. To support HOT, a coalition is being built of hotel brands, management companies, industry bodies, and other supporters in hotel development to help owners carry out the actions.



**1**  
Incorporate sustainability from the beginning of investment decisions

- Discuss sustainability at the onset of developing a project or acquiring a property to explore opportunities to improve.
- Talk about sustainability, its challenges, and its opportunities with capital advisors, developers, managers, and brands.
- Talk about energy, water, waste and carbon footprint of the building as well as external factors such as climate risk, water stress and protecting nature to identify risks and opportunities to get more value out of your investment.



**2**  
Evaluate one renewable energy project efficiency project per property per year

- Review and consider at least one renewable energy-related project and at least one project relating to reducing energy, water, or waste for each property in the portfolio per year, either onsite or offsite.
- Encourage partners to develop good projects for you to review.
- If you have a portfolio, you can consider one project and see how it may apply across your properties.



**3**  
Routinely monitor and benchmark sustainability performance

- Track each property's energy, water, waste, carbon emissions, and community impact for the entire portfolio.
- Review at least once a quarter.
- Benchmark these results among your portfolio, among peers, or through industry benchmarking.



**4**  
Support brand efforts

- Encourage your property teams to actively participate in brand- and management company-led initiatives.
- No-cost options include participating in surveys, using their sustainability software, communicating their initiatives, keeping related signage updated, and participating in global volunteer or community events.
- For independent hotels, demonstrate how you support the branding of sustainability.



**5**  
Share your best practices

- Help spread awareness and best practices that demonstrate solutions that are working to create value for the owner with the investment community.
- Communication methods include case studies, articles, and reports.



## ROUNDTABLE SUMMARY

Industry leaders from the Hotel Owners for Tomorrow (HOT) Coalition convened in Phuket during the [Phuket Hotels for Islands Sustaining Tourism \(PHIST\)](#) 2018 event in a closed-door session of distinguished hotel developers, owners, operators, industry body representatives, and hotel development professionals. The two-hour event divided sessions into thematic topics, with participants taking turns facilitating as well as engaging the audience toward a productive discussion on the overarching topic of the pilot roundtables: ***how to get hotel owners engaged and build a successful coalition to support them.***

## SELLING SUSTAINABILITY TO OWNERS, NOT IMPOSING IT

The roundtable opened with honest discussions about owner interest in sustainability. As Veronika Todemann, Hotel Design & Planning Manager at Mandarin Oriental Hotel Group pointed out, it is generally understood that a portion of their owners is interested in sustainability, and a portion is not. Marié Fukudome, Director, Environmental Affairs, Corporate Responsibility at Hyatt, agreed that the level of interest and engagement varies among owner profiles. Addressing it for the interested portion is the first priority that is currently underserved across the industry.

John Roberts, Group Director of Sustainability and Conservation and MINOR Hotels, offered similar views that play out in his role. Roberts does not usually get involved in hotel development discussions unless the owner is very interested in the topic. MINOR's development teams are versed in the topic and can discuss it if needed, such as in the case of their Avani brand or their operations in Sri Lanka, which are more well known for environmental and social attributes. Interest is inconsistent across owners and brands however, and Roberts stressed the importance of engaging local Thai owners who are typically not part of the discussion. Norbert Vas, VP of Business Developmental at Archipelago International, offered similar views. "In Indonesia, the international owner will show interest. But the domestic Indonesian owner generally does not care or get involved in the topic."



Vas and other participants agreed that the sentiment is changing. Cyndy Tan Jarabata, CEO/Founder of Tajara Leisure & Hospitality Group, gave the case of the Philippines where the closure of Boracay has led to a tipping point where more owners and operators now see sustainability as a topic that cannot be ignored.

Even when sustainability is discussed, or interest is high, requiring specific clauses on building design or operations is rarely a deal-breaker for an operator or brand signing a deal for most of the industry. Michael Ayling, General Manager at Blue Tree Phuket – and also having worked for its

developer and owner – challenged the group to be thinking about it differently. “Instead of trying to impose it, we should be selling sustainability,” said Ayling. The benefits are numerous, yet the ways to sell the topic correctly are still nascent. Ayling also pointed out that the discussion should not be all-or-nothing in terms of a certification. The operator’s actions can also be highlighted in a value proposition.

In one related example, Graham Grant, General Manager of Six Senses Ya Noi, explained how guest understanding of the theme and commitment to sustainability has also given the hotel a platform to reduce costs, such as eliminating straws and several other opportunities. Bruce Bromley, Chief Financial Officer and Deputy CEO at Soneva, provided examples at Soneva Fushi of how the payback



can be discussed. First, Bromley structured an onsite solar installation Purchase Power Agreement (PPA). “We were able to reduce our electricity costs from 26 cents a kilowatt-hour to 9 cents, with no up-front cost and an option to acquire the panels later.” Bromley’s second example was the initial decision to address glass waste on property, which they managed by bringing in artisan glassmakers to make pieces available for sale to guests. Though their up-front costs were higher than budgeted, they were able to pay off the investment in one year’s time and now turn a profit on their waste.

## THE RIGHT METRICS FOR THE RIGHT AUDIENCES

One of the most enlightening outcomes of the roundtable discussion was the possibility of HOT Action #3, benchmarking performance, the perception of benchmarking and performance indicators and how they relate to each job function. Jarabata commented how showing *payback* is always a challenge to owners. Fukudome also pointed out that in the hotel pre-opening phases, the primary concern is to keep the hotel on budget for the up-front costs, but not the eventual payback. Jeff Smith, Vice President of Sustainability at Six Senses Hotels Resorts Spas, outlined his use of benchmarking metrics to convince owners of the monetary importance of sustainability during the development phase. As Smith explained, he uses the results from the [Cornell Hotel Sustainability Benchmarking Index](#) that provide the range of energy and water performance in any given market or climate zone. In comparing the difference of the upper and lower quartile in energy use per square meter for a comparable market or climate zone, he calculates the specific range for the new development based on its planned floor area and the cost of energy in that market. “The range can turn out to be something like three million dollars per year,” Smith explained. “When I can put this figure in terms of the monetary opportunity, it gets their attention.”

The difference in interpretation of metrics, however, became apparent as Smith and peers in the engineering and sustainability departments tend to view the opportunity as percentage of operating

cost. For developers and owners, however, as Vas pointed out, the metrics should be related to percentage of revenue. Further opportunities exist to demonstrate the potential for efficiency in sustainability. As Nikhom Jensiratanakorn, Director at Horwath HTL Asia Pacific pointed out, based on Horwath's extensive work in the region, utility costs tend to be between 4% to 8% of revenue in Thailand. Though this metric depends also on the ADR the hotel is able to charge, it also demonstrates the gap being seen in new builds. As Fukudome pointed out, there is an expectation that new hotels are going to be more efficient, but that is not always the case. Others agreed, especially in Southeast Asia where owner requests can be counter-productive to efficiency.

## EMBEDDING SUSTAINABILITY IN OPERATING BUDGETS

The roundtable was fortunate to hear best practice examples from perhaps the region's three most forward-thinking companies when it comes to integrating efficiency, conservation, and community benefit into the operating budget. Such mechanisms can be more palatable to owners since they do not require any up-front investment or eventual CAPEX, but can improve performance on both top-line revenue and cost reduction down the line.

Smith outlined the management agreement structure for Six Senses, requiring a percentage of revenue to be dedicated to projects for benefit to each hotel's surrounding community. Grant explained how that has helped the hotel holistically at Six Senses Ya Noi. One of their programs, funded via the community fund, provides filtered drinking water to hospitals and schools. As a result, less plastic bottle waste appears on the beach for the hotel to clean up. The owner has to approve use of the funds, which helps create more engagement with the owner and a three-way agreement between owner, operator, and community. Steve Newman, Group Sustainability Director at Banyan Tree, elaborated their company's similar approach with their Green Imperative Fund. It is mandated in the management agreement to include as an opt-out donation on the guest bill that the hotel matches. The funds are used to support resource conservation, as well as environmental and social projects with a third-party beneficiary. It is structured differently with 20% of the donations dedicated to the property for their local projects based on a few key criteria of external benefits, and the remaining 80% kept in a centralized fund that any property can request for specific projects. This also helps in a research & development capacity for the group to test out new projects, and drives change within the context of each property's situation, community, and property (since universal SOPs are difficult to develop in this area).



Steve Newman,  
Group  
Sustainability  
Director, Banyan  
Tree

Adding to the discussion, Bromley explained Soneva's approach with a similar conservation fund of 0.5% of revenue for social impact. In addition, Soneva has a 2% environmental levy appearing as a line-item on every guest bill. This fund is used for locally-based projects that both benefit community and offset the carbon footprint of guest travel to the hotel. Finally, Bromley explained their use of an Environmental Profit & Loss statement, or "EP&L" which calculates and itemizes the externalities of all their operations and supply chain in terms of environmental impact on areas such as carbon emissions. "The look you get through this lens to the business is fascinating," said Bromley. One example was the environmental impact of prawns, which were not a large cost item but had an immense potential for reducing impacts when viewed via the EP&L. Bromley described the practice in detail, and offered to share their methodology for benefit of the group and the industry. Bromley's offer dovetailed on a recurring discussion point throughout the roundtable, citing a need for good case studies, best practice sharing, and ways to explain the need to internalize external costs.



Norbert Vas, VP  
Business  
Development,  
Archipelago  
International

"As an operator, we have an obligation to learn about the best practices and trends that will affect our owners and our business. We are keen to bring this discussion to the hotel owner community in Indonesia, and the lessons learned from the HOT roundtables and PHIST 2018 have been a good foundation to carry the discussion to other regions of Southeast Asia." – Norbert Vas, VP Business Development, Archipelago International

## JOIN THE COALITION

HOT is a true a coalition, with limited overhead or administrative structure, intended to advance peer-to-peer sustainability discussion among owners and investors. Ongoing roll-out is undertaken by the coalition's constituents through their various roles, channels and initiatives including roundtables, internal presentations, and a resource library. Types of entities that may join the Coalition:



**Signatories** – owners of hotel real estate who commit to the principles and follow them. Some entities may play a dual role for both owning hotels and managing hotels for other owners.



**Industry Partners** - entities with a direct relationship with owners and whose performance directly benefit from owner commitments (e.g. hotel brands and management companies).



**Network Partners** - entities that benefit indirectly from the initiative's success because it is also aligned with their mission, purpose, or complementary initiatives (e.g. industry associations and initiatives).



**Supporters** – entities that help hotel owners make investment decisions, or media that helps promote them. ***Not vendors of green products or services.***

## HOW TO JOIN THE HOT COALITION



To qualify as a Signatory, the entity or a significant portion of its parent ownership of the entity must be **headquartered in an Asian country** and owns a controlling interest in at least one property classified as a hotel/resort.



**All four types of Coalition members**, including Signatories, Industry Partners, Network Partners, and Supporters can **join by signing a commitment form** found here: <http://www.hotelsfortomorrow.org/jointhecoalition/>, subject to approval for meeting the criteria for each membership type.



The Owner Signatory **carries out its commitments** and **promotes becoming a signatory** to other entities who become interested.



The Industry Partner and Development Supporter roles are to **engage owners to become signatories**, and **support signatories in implementing the principles**.



The Network Partner and Media Supporter roles are to **provide external credibility to the initiative** and **help disseminate it throughout their networks**, further enabling signatories to be recognized.



# COALITION MEMBERS

As of 1 October 2018

## OWNER SIGNATORIES

Akaryn Hotel Group  
Brightland Hotel Pvt Ltd  
Cempedak Private Island  
Crystal Creek Meadows  
GreenPlace Assets  
Harilela Hotels  
The Hongkong & Shanghai Hotels  
Hong Kong Cyberport  
Intermass Engineering & Contractors  
ITC Hotels  
Jasminn by Mango Hotels  
The Lighthouse Marina Resort  
Nikoi Island  
Pt Dua Cahaya Anugrah  
Pt Anugrah Karya Bangsa  
Swire Hotels  
Taj Hotels Resorts and Palaces

## INDUSTRY PARTNERS

Estilo Hotels  
Hyatt Hotels Corporation  
Kokotel Bed & Café  
Marriott International  
Meritus Hotels & Resorts  
Six Senses Hotels, Resorts, Spas  
Wyndham Worldwide

## NETWORK PARTNERS

GreenOtels  
International Tourism Partnership  
Pacific Asia Travel Association  
Subic Bay Hotels, Attraction, and  
Tourism Stakeholders Visitors Board

## SUPPORTERS

C9 Hotelworks  
Horwath HTL  
Greenview  
Northside Consulting  
Tajara Leisure & Hospitality Group  
Tourism Solutions International  
TTG Publishing Travel Trade

Hotel Owners for Tomorrow is a grass-roots initiative of the hotel industry, launched in late 2016 and currently under pilot in Asia for bringing hotel owners to the global discussion of sustainability with financial acumen. There is no cost for owners to join, as this is a voluntary pledge, and the 5 actions do not require a financial commitment.

For more information and to join the coalition, visit [www.hotelsfortomorrow.org](http://www.hotelsfortomorrow.org).

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