

# A smoother road ahead

**How can travel companies  
achieve a sustainable recovery?**

 accenture



# Back to growth, better than ever

**For the travel industry, the pandemic has been an extended crisis. And although activity is picking up, recovery will be a prolonged process. But one thing is clear: hitting rewind—going back to “normal”—is not an option.**

Of all the challenges facing the industry, sustainability is one of the biggest. From carbon emissions to its social impact, the travel industry risks being seen by consumers and policy-makers as part of the problem. In fact, it has the potential to be a significant driver of positive change—if the industry seizes the opportunity.

That starts with recognition of how the market is shifting. Consumers want options that align with their values, including sustainability. The business travel market is changing too, as corporations start to attack their environmental footprints. These changes are set to accelerate, and the travel industry has to keep pace with them.

Many travel businesses have made progress on sustainability. Others have barely got started. Whether you are in the first group or the second, now is the time to reinvigorate your efforts. It is clear that sustainability is not separate from recovery: it has to be an integral part of it.

**“Many international hospitality brands are transforming themselves not only because they feel a pressure to do so, but also because they see it as a way to transform and distinguish themselves from their competitors.”**

Jiayu Wan, Corporate Responsibility Director,  
InterContinental Hotels Group (September 2019 –  
June 2020)

This report looks at what is reshaping the travel market globally, and how Accenture’s research into sustainability DNA gives the industry a framework for action.

**“The experiences of the pandemic are promising a brighter future for climate action and sustainability as the conviction to tackle global issues has strengthened.”<sup>1</sup>**

Maurici Lucena, Chairman and CEO, Aena

# 1. A shifting market: Leisure travelers get a new priority

Consumers favor brands that align with their values, and sustainability is more important to them than ever.



**The pandemic has prompted consumers around the world to re-examine their priorities and values. In Accenture's Life Reimagined research, which surveyed more than 25,000 people globally, 50% said that the pandemic caused them to rethink their personal purpose and re-evaluate what is important to them.**

Those consumers are changing their buying decisions as a result,<sup>2</sup> and that includes their travel choices: 59% said they were ready to switch their travel provider in favor of those that promote sustainable products. That is a powerful force for change.

This insight into consumers' shifting priorities is echoed by other research. Booking.com, for instance, has found that 83% of global travelers think sustainable travel is vital, and 61% say the pandemic has made them want to travel more sustainably.<sup>3</sup>

And in Skyscanner and YouGov's research among consumers in six major markets, 58% were "more convinced than ever that it is everyone's role to give back to society and take care of our planet."<sup>4</sup>

### **Why values matter**

These changes in consumers' values and expectations have profound significance for the travel industry. No sector can ignore that what its consumers say matters. And in travel, which succeeds when it gives consumers great feel-good experiences, that is even more true.

**"What the consumer wants from us is to make them feel good, and feeling good is not just about the product, it's not just about giving them a great flight that's on time. It's about how they feel. And I increasingly think, as a CEO, my job is to change how people feel."<sup>5</sup>**

**Scott Kirby, CEO, United Airlines**

Today's value-driven consumers will be more likely to feel good about an experience if they feel good about the brand and its sustainability credentials. So companies that are slow to act on sustainability have a strategic vulnerability and risk losing ground to competitors that have already taken action.

This is the decisive decade for cutting carbon emissions, and consumers' environmental concerns will only grow. The time for travel businesses to move on sustainability is now.

### **Ready to pay more?**

Across the travel industry, low costs have typically trumped sustainability when it comes to consumers' buying decisions. That could be changing.

Accenture's Life Reimagined report is clear: consumers will turn away from brands that do not support their new values. And many are ready to pay more to those that do: 42% would pay more for sustainable products and services, such as low-carbon travel and hotels or resorts with the highest energy efficiency or lowest water usage; and 44% would pay more for retailers offering locally produced products and services that support small businesses.

## Other research supports this:

- 71% of Americans would **pay more to lower the carbon footprint of their vacation**—for example through choosing eco-friendly options for travel and accommodation—and 33% would be prepared to pay up to \$250 more (The Vacationer).<sup>6</sup>
- One-third of consumers across six different markets would **pay 11–20% more for a typical flight if it had a lower carbon footprint**, and more are prepared to pay a small premium (Skyscanner and YouGov).<sup>7</sup>
- **68 million travelers have chosen a lower-emission flight** with Skyscanner since 2019 (Skyscanner).<sup>8</sup>

There is also evidence from other sectors that consumer preferences for sustainability drive actual sales. In consumer packaged goods for instance, New York University has found that products marketed as sustainable grew 5.6 times faster over a five-year period than other products.

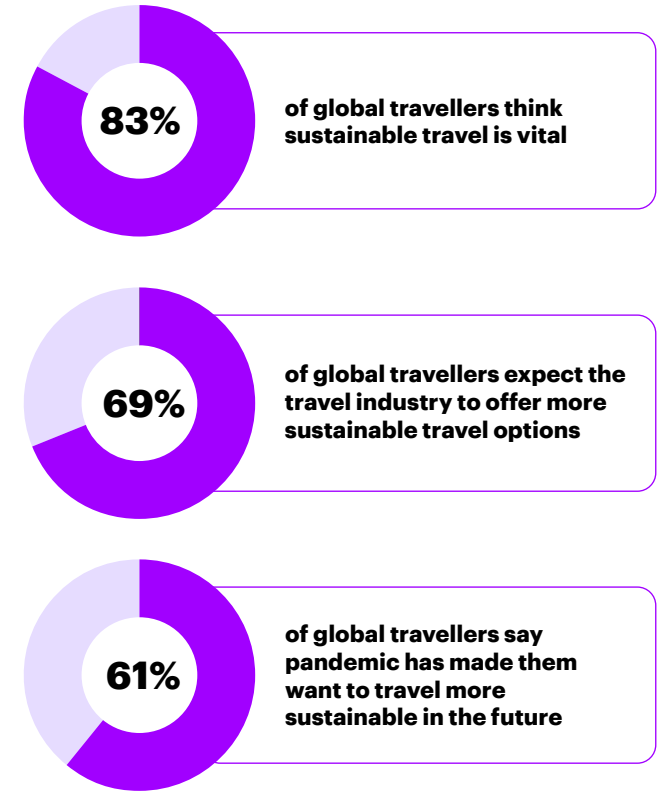
“Consumers are voting with their dollars—against unsustainable brands,” said researchers.<sup>9</sup> That is both a threat and an opportunity.

One problem for the travel firms that try to grasp the opportunity is transparency: it can be difficult for consumers to work out which services are more sustainable.

But developments such as Google’s recently launched eco-certified badge for hotels’ search results will help to nudge consumers toward sustainable choices.<sup>10</sup> Booking.com also recognizes a range of green certifications on its platform. And groups such as Travalyst—a non-profit led by the Duke of Sussex in partnership with Booking.com, Google, Skyscanner, Trip.com Group, Tripadvisor and Visa—are helping to develop other ways to give consumers better visibility on sustainability.

Transparency about environmental impact will grow in the coming years, so travel firms will have to be proactive. They need to make sustainability an authentic part of their brands so that consumers know which companies share their sustainability values.

**Figure 1: Sustainability is now “vital” to global travelers<sup>11</sup>**



## 2. A shifting market: Business travel and the net-zero imperative

Leisure travel is not the only market facing deep and rapid shifts. As business travelers get back on the road, sustainability will be more important than ever.



## **Sustainability, and climate change in particular, is high on the corporate agenda.**

The UN Global Compact and Accenture report published in November 2021, *Climate Leadership in the Eleventh Hour*, found that 73% of global CEOs feel increasing pressure to act on climate change. Fifty-seven percent are prioritizing action as part of their pandemic recovery.

This explains why more than 5,000 businesses have joined the UN-backed Race to Zero, committing to achieving net-zero carbon emissions by 2050 without using offsets. More than 200 companies have signed the Climate Pledge to achieve net zero by 2040.<sup>12</sup>

That pressure on CEOs will not just change their companies' operations—it will filter through to their supply chains. Many companies will focus on emissions from business travel.

Unlike aviation, which is primarily responsible for Scope 2 emissions, for most other businesses, travel activity typically falls under their Scope 3 emissions—those associated with their supply chains (instead of Scope 1, the emissions they

directly create, and Scope 2, the emissions associated with the energy they use). Scope 3 emissions are already being targeted.

Microsoft, for instance, aims to be carbon negative by 2030, for all three scopes. One way it is doing this is through an internal emissions “tax,” which is paid by business divisions on their emissions—including travel.<sup>13</sup>

These corporate dynamics will play out across the travel market:

- Business travelers will be expected by their employers to select lower-carbon flight options, using sophisticated carbon calculators.
- They will choose car hire that meets high sustainability standards. As hybrid and electric vehicles achieve critical mass in the market, customers may shift rapidly away from rental firms that cannot meet demand.
- They will look for low-carbon and sustainable hospitality options. So accommodation that is certified to recognized sustainability standards—whether global such as Green Globe, or regional such as the EU Ecolabel—could be first on their list.

There is a more optimistic outlook for business travel in 2022, but this is a critical moment for the industry. Its recovery will depend on its sustainability.

As Accenture's Chief Responsibility Officer and Global Sustainability Services Lead Peter Lacy has said: “Those who ignore this moment to position for the future risk being left behind.”<sup>14</sup>

**“I think the real pressure on sustainability has to come from customers—this includes, for example, the big corporates that are asking for it as part of tender processes.”**

**Sadiq Gillani, SVP Operational Research and Effectiveness, Emirates**

# The journey to climate-smart business travel

**Like many in the business community, at Accenture, we are working hard to reduce our emissions and conducting our business with integrity.**

**We are working to embed sustainability into everything we do, with everyone we work with, to create business value and sustainable impact.**

Greenhouse gases related to travel are one of the most significant contributors to our environmental footprint, along with the electricity we use in our locations.

Our approach is led by science. We are one of more than 1,100 companies who have pledged to do our part to keep global warming below 1.5°C.

We have committed to achieve **net-zero emissions by 2025**. To do this, we are focused first on actual reductions across our scope 1, 2 and 3 emissions: committing to power our offices with 100% renewable electricity by 2023; engaging key suppliers to reduce their emissions; and being thoughtful about how we travel. To address remaining emissions, we will invest in nature-based carbon removal solutions that directly remove carbon emissions from the atmosphere.

Accenture's position as the workplace of more than 674,000 people around the globe—affords us both an extraordinary opportunity and a tremendous responsibility to make a difference. We are enabling our people to make **climate-smart travel decisions**, making every trip truly worth it.

In aviation, we are part of the **Clean Skies for Tomorrow Coalition**, whose mission is to accelerate the use of sustainable aviation fuels (SAF). We will work with Coalition partners to help power global aviation with 10% SAF by 2030.

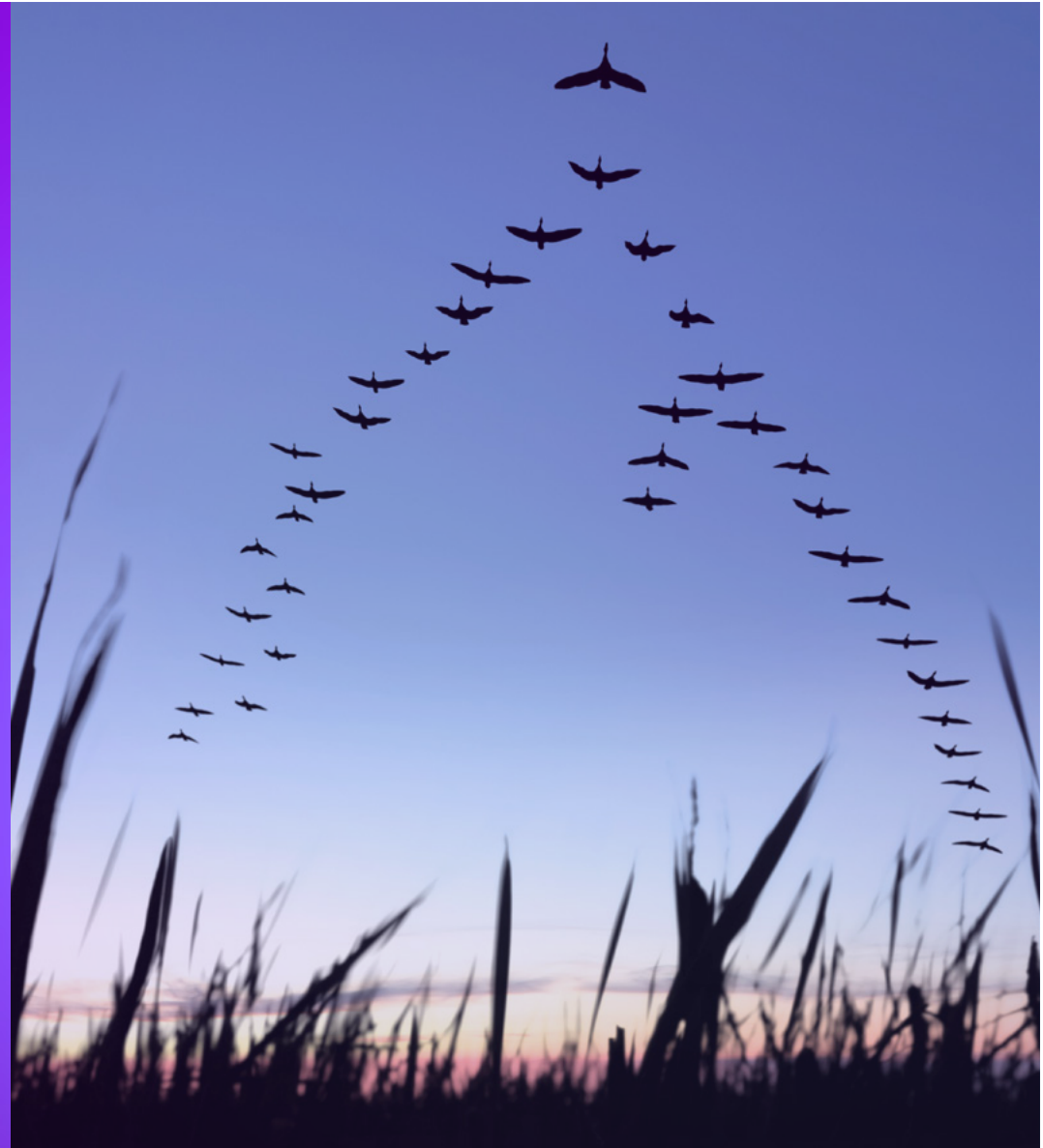
To further reduce emissions from travel, this year we introduced a program to encourage high-speed train usage instead of airplane flights in five countries—Germany, Italy, Japan, Spain and the United Kingdom and will expand it to other regions.

With the launch of our beta release **aviation carbon calculator**—which shows our people the different emissions for specific flight alternatives for business travel at the time of booking—our people now have a better understanding of the impact of their travel decisions. It is a tool that we offer to airlines, corporates, regulators and other parties in the travel ecosystem to help them make informed sustainability decisions.



### 3. Changing the road ahead

Beyond shifting customer priorities, other powerful influences are reshaping the strategic environment for travel.



## Government regulation

Regulation is crucial when it comes to carbon and greenhouse gas emissions. The [COP26 conference](#) agreed to strengthen national emissions targets for 2030 in 2022. There will be increasing pressure on business and especially “hard to abate” sectors, such as aviation, to speed up progress.

## Sector-specific plans

IATA has launched its Fly Net Zero commitment for aviation to become net zero by 2050. And in the carbon-intensive cruise sector, CLIA has led a commitment to cut the carbon emissions intensity of the sector by 40% until 2030 (compared with 2008).<sup>15</sup>

## Risk management concerns

Social media can unravel reputations in moments, and the consequences for the travel industry when it falls short on standards can be calamitous. Consider, for example, ocean pollution from cruise ship accidents, or when over-crowding threatens irreparable damage at hotspots such as Maya Bay in Thailand and Venice in Italy. If companies can be proactive on the full range of sustainability issues, they will have a critical firewall against such risks.

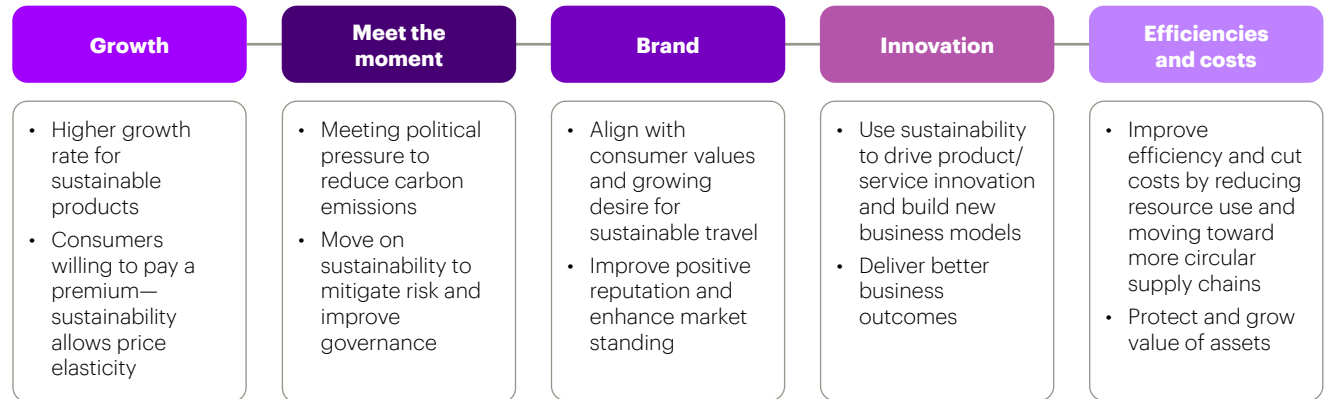
## Finance

Investors are becoming more interested in sustainability, as ESG (environmental, social and governance) ideas move into the financial mainstream. We already see investors putting sustainability at the center of their decisions, so firms without clear sustainability plans risk losing access to capital—and may find the value of their assets being eroded. One analysis has pointed out that the high carbon intensity of hotel sites means their risk becoming stranded assets if action is not taken to decarbonize them.<sup>16</sup>

**“Many of the international brands in the hospitality industry are listed companies, and their ESG rating is definitely one important indicator that investors use to value the stock price, as well as how much long-term return the brand is likely to give back.”**

Senior Hospitality Executive

Figure 2: Sustainability is now “vital” to global travelers



## 4. Driving change: Sustainability performance now— and next

How is the travel industry performing on environmental, social and governance initiatives? And where are its biggest opportunities?



## Carbon removal

Greenhouse gas emissions—especially carbon dioxide—are a huge part of the travel industry’s environmental impact.

Of 250 travel and tourism businesses analyzed by Accenture in collaboration with the World Travel & Tourism Council and the UN Environment Programme, 42% have defined a climate target. Of those, 20% are aligned with the Science-Based Target initiative (SBTi) guidance. That is based on what climate science deems necessary to meet the goals set out in the Paris Agreement: limiting global warming to well below 2°C above pre-industrial levels, and pursuing efforts to limit warming to 1.5°C.

## Aviation

IATA’s Fly Net Zero plan states that 65% of the emissions cuts needed for net zero by 2050 will come from sustainable aviation fuel (SAF).<sup>17</sup> Beyond that, 19% will come from out-of-industry offsets including carbon capture and storage technology, 13% will come from new aircraft technology, and 3% from infrastructure and operational improvements.

Improving aviation’s environmental impact also demands action from airports. Electrification of ground equipment is one priority. Usage fees could be priced to reflect emissions, for air traffic control, landing and other airport charges. And both airports and airlines could take relatively simple steps across a range of processes. They can reduce packaging and food waste in catering, and reduce or eliminate paper from passenger lists and boarding passes.

## Cruises

The high carbon intensity of cruise ships (see Figure 3) makes emissions a clear priority for the sector. Carnival Corporation has set a goal of being carbon neutral by 2050, with commitments along the way including a 40% reduction in carbon rate per available lower berth day (ALBD) by 2030 compared with 2008.<sup>18</sup> Activities to reduce emissions include optimizing itinerary planning, improving equipment, using more liquefied natural gas (LNG), and striving for cleaner shore power. Carnival is not working alone—it is a member of the Getting to Zero Coalition, along with the likes of MSC Cruises and Hapag-Lloyd, which aims to accelerate the decarbonization of maritime shipping.

**“Alaska Airlines’ path to net zero by 2040 includes SAF and Flyways, a software that uses AI and machine learning to optimize routes. A six-month pilot cut flight times by five minutes and saved nearly half a million gallons of fuel.”**

**Diana Birkett Rakow Senior Vice President of Public Affairs and Sustainability, Alaska Airlines**

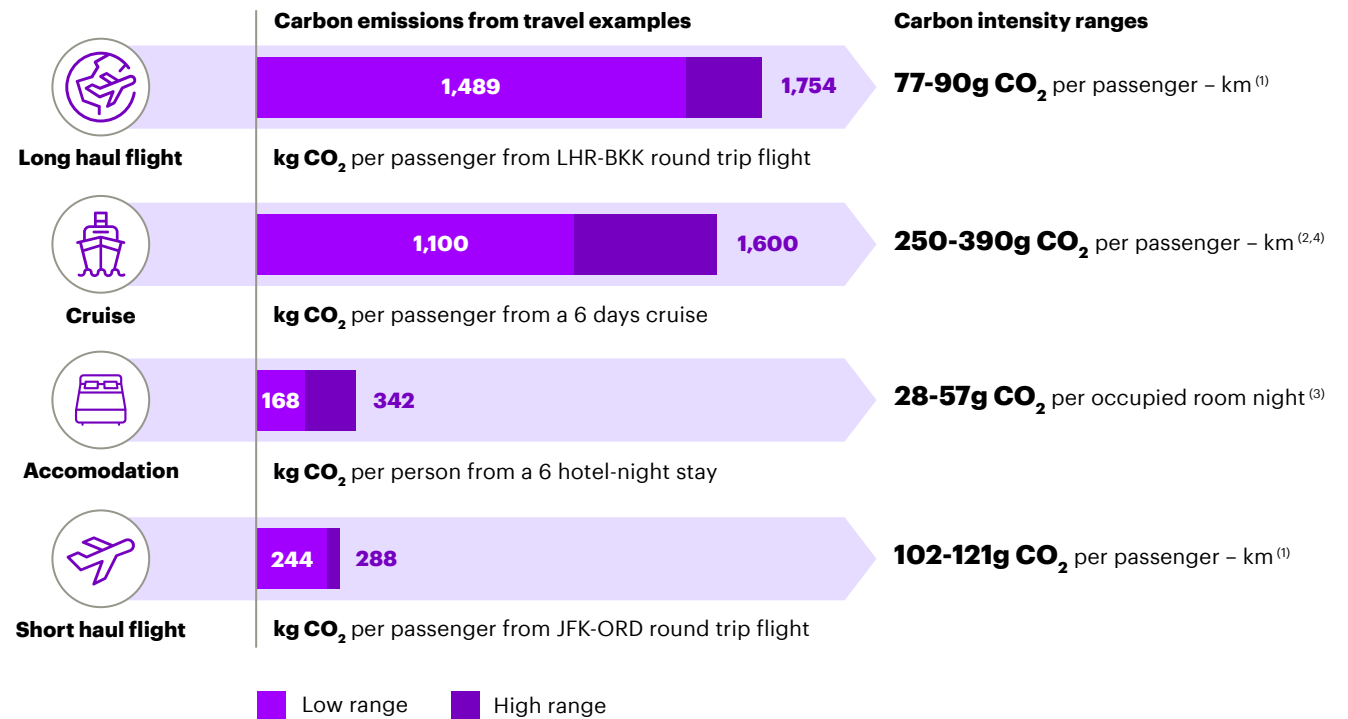
## Hospitality

Research by the Sustainable Hospitality Alliance has found that hotels need to reduce carbon emissions by at least 66% per room by 2030, and by 90% by 2050, compared with 2010 levels, to keep pace with the 2°C cap set out in the Paris Climate Agreement.<sup>19</sup> Energy consumption is central to the approach of major brands such as Accor<sup>20</sup> and Hilton.<sup>21</sup> Improving building efficiency will need upfront investment, but the cost:benefit calculation is changing. One study has found that decarbonizing hotels could yield internal returns of about 38% after five years.<sup>22</sup>

“There are a lot of areas where technology can help hotels to become more sustainable. For example, how do you manage energy consumption or water consumption? It can be done manually, by the engineering head of your hotel, but it can also be done digitally, via an integrated management system.”

Jiayu Wan, Corporate Responsibility Director,  
InterContinental Hotels Group (September 2019 –  
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Figure 3: Carbon emissions from selected travel examples and overview of carbon intensity range<sup>23</sup>



Notes:

- (1) Carbon intensity for economy cabin seats
- (2) Average emissions intensity of the world's largest cruise operator (low range) and emissions intensity of the cruise ship class with the second highest intensity measures
- (3) Averages of Measure 1 lower and upper quartile from Cornell Hotel Sustainability Benchmarking Index CHSB
- (4) While cruise is often considered as a transport-only industry, it provides accommodation and transportation services

## Decarbonization: Five critical actions

Of all the challenges facing the travel and tourism industry as it becomes more sustainable, decarbonization is the biggest.

### A Net Zero Roadmap For Travel and Tourism

The 2021 report from the World Travel & Tourism Council in collaboration with the UN Environment Programme and Accenture, proposes a new framework to help tackle decarbonization. It sets out three different decarbonization target “corridors,” recognizing that some sectors within the industry will be able to move faster than others.

The report says there are five actions businesses must take:

1. Set the right baselines and emissions targets now to achieve individual and 2030 and 2050 sector goals.
2. Monitor and report progress.
3. Collaborate within and across industries.
4. Provide finance and investment required for the transition.
5. Raise awareness and build capacities.

Find out more about the target corridor framework:

<https://action.wttc.org/climate-environment>

## Social impact

The travel industry’s impact on its stakeholders across the societies where it operates is significant—especially in many developing nations, where tourism plays a major economic role.

### Supply chains

Ensuring high labor standards is one way to create sustainable supply chains. Procuring goods and services locally can have a positive social impact—as well as cut carbon emissions. Of course, global travel firms play a role as local employers, too, creating jobs that can drive economic development and provide development opportunities.

### Employees

Reflecting the world’s diversity is essential to both maintaining a positive brand and ensuring access to the most extensive talent pools. But the industry still has work to do to help women to thrive, for example in hospitality, and have a positive social impact by supporting youth employment.

The sector has worked to tackle human trafficking and modern slavery in recent years, and that needs to remain a priority. So too does ensuring fair labor standards—especially in supply chains in developing economies—including preventing the use of child labor.

**“At Marriott, our sustainability and social impact program is called Serve 360 because we really see this as a 360 degree mission. Our view is that we have a real responsibility to give back to the communities where we’re based. And we prioritize reducing our impact on their environments and empowering and creating new opportunities for the people living there.”**

**Arielle Quick, Chief Continent Lodging Services Officer, Europe, Middle East & Africa at Marriott International**



## Governance

Leading companies in diverse sectors have started to put purpose front and center in their work. Why does the company exist? What need does it serve?

For travel businesses, purpose can help ensure relevance to customers as their needs and expectations shift (see Section 1)—and help to ensure that sustainability is built into how the sector operates.

Successful sustainability initiatives also need clarity within governance arrangements at the senior leadership level. How is sustainability built into the business? Airline company IAG, for instance, recently announced the creation of a new board sub-committee to focus on its sustainability goals.<sup>24</sup> It has also linked the compensation of its top 60 executives to certain sustainability metrics. Clarity about leadership and accountability is key.

For many major hospitality brands, a franchise-based business structure means that ownership of sustainability issues is shared. Brands can—and must—work with hotel owners here, and variable targets for centrally owned and managed hotels is one way of managing variations. But as travelers seek more sustainable choices, travel firms will need to find ways to be consistent across their portfolios.

# Sustainability in travel: How to build it into your DNA

The business case for sustainability is clear. The challenge for the travel industry is simple: how does it do it right?

Leadership teams need to convert their organizations' sustainability goals and values into behavioral change at all levels, which means building sustainability into the DNA of the organization.

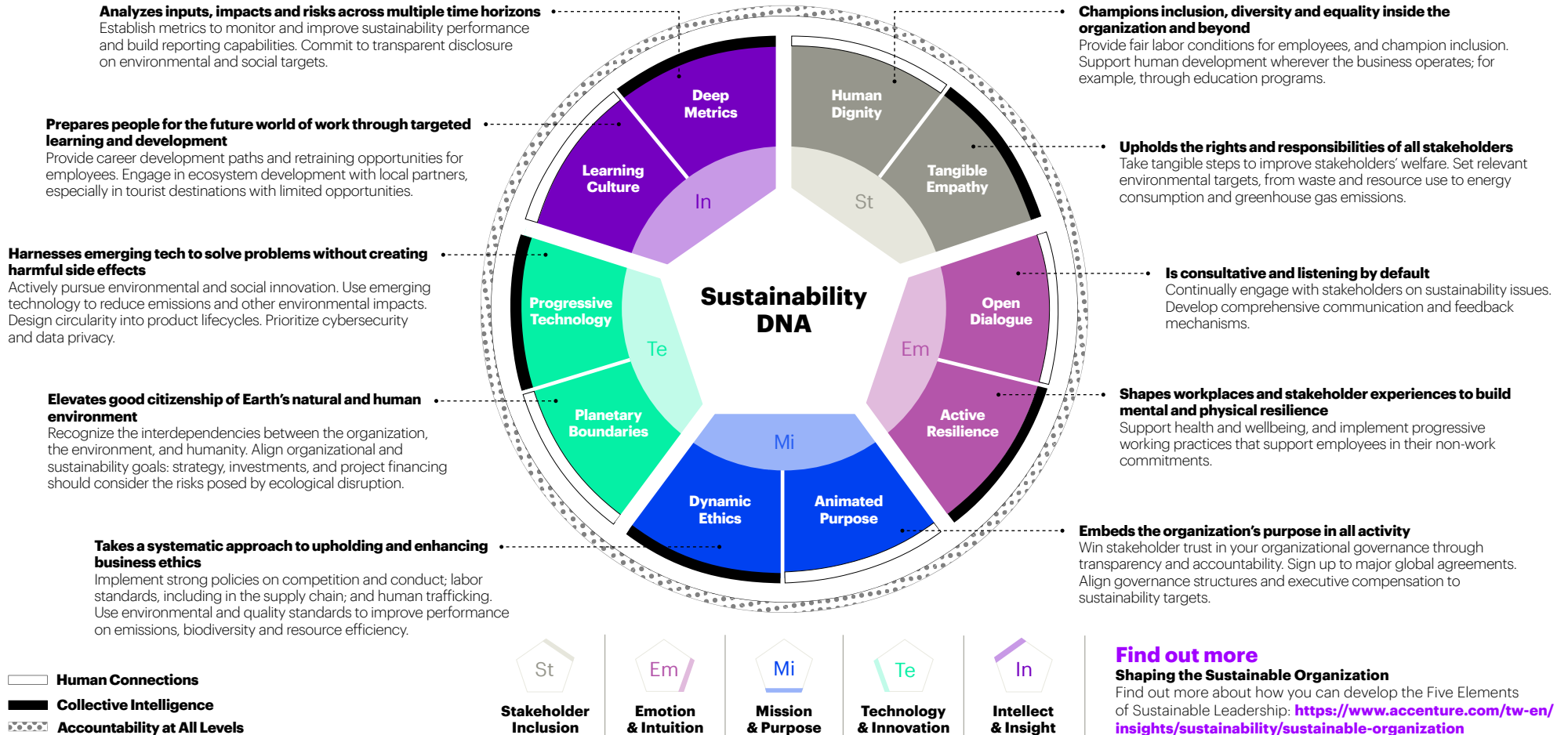
Accenture's report with the World Economic Forum, [Shaping the Sustainable Organization](#), shows that businesses with the most deeply embedded sustainability management practices outperform peers by 21% on both profitability and positive environmental and societal outcomes.

The report also gives businesses a way to do it. Structured around "five elements of sustainable leadership," the Sustainability DNA model comprises a set of 21 management practices, systems and processes. These span all dimensions of sustainability, including environmental and social challenges, with an emphasis on meeting the needs of stakeholders across the business ecosystem.





# The five elements of sustainable leadership



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Data drawn from Accenture's Aviation Carbon Calculator for flight estimates, Cornell Hotel Sustainability Benchmarking Index (CHSB) 2021 Index Tool, SBT Maritime Transport Tool, assumed a trip of 2000nm and 66.66% passenger load factor on the Quantum of the Seas and on the Mariner of the Seas, respectively.
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