AccorHotels: sustainability initiatives contribute to guest satisfaction and business performance

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Executive Summary
Despite the immense progress the world has made in sustainability and corporate responsibility, many companies still harbor uncertainty that such initiatives are worth the effort. While they may acknowledge that “doing good” is noble and right, many have difficulties in estimating if sustainability efforts can also be good for business.

AccorHotels is committed to sustainability and has made sustainable hospitality the focus of its strategic vision, as well as its development and innovation processes. The company’s dedication to sustainability is based on the PLANET 21 program, which reinforces AccorHotels’s sustainability commitments and describes quantifiable objectives. Included in PLANET 21 is Charter 21, AccorHotels’s internal sustainability management system that gives AccorHotels a framework for their sustainable development initiatives and helps them improve and track their performance over time. Hotels can achieve various rankings (Bronze, Silver, Gold, or Platinum) based on the extent to which they meet certain sustainability criteria.

AccorHotels clearly believes sustainability is “worth the effort”, the company wanted to collect additional empirical evidence to prove it. Thus, AccorHotels commissioned an independent study by Accenture Strategy to assess the financial return of a number of AccorHotels’s sustainability initiatives. Through a robust statistical analysis of AccorHotels’ characteristics over three years, Accenture Strategy explored the mathematical link between sustainability initiatives and key business outcomes. Specifically, the study looked at relationships among certification in ISO 14001, the internationally recognized standard for environmental management; AccorHotels’ Charter 21 ranking; hotel profitability (measured by earnings before interest and taxes, or EBIT); and guest satisfaction (measured by an AccorHotels-defined composite indicator).
All the indicators used in the report were standardized across AccorHotels’s hotel portfolio—regardless of location, country, brand, size, or management mode. The performance and characteristics of more than 2,900 hotels between 2011 and 2013 were analyzed.

Accenture Strategy’s analysis confirmed that there is a clear and positive link between sustainability-related initiatives and business performance:

- Regarding ISO 14001: Guests of an ISO 14001-certified hotel in general are more satisfied than those of a non-certified hotel. In fact, ISO 14001 certification has a stronger, positive correlation with satisfaction than the renovation date of the hotel. Additionally, ISO 14001-certified hotels achieved higher Charter 21 levels than non-certified ones, suggesting the former exhibited greater commitments to and achievements in sustainability.

- Regarding the Charter 21 levels of hotels: Guest satisfaction with hotels that achieved any of the four Charter 21 levels was higher than with hotels that had no level. A hotel’s Charter 21 level even had a stronger link with satisfaction than the average room price. Furthermore, hotels with higher levels of Charter 21 ranking are also statistically more profitable—meaning sustainability does correlate with financial performance.

In summary, the Accenture Strategy study shows that by actively and systematically managing the pursuit of environmental and social objectives over a multi-year horizon, AccorHotels has delivered tangible returns to hotels (in terms of the hotel’s financial performance) as well as to AccorHotels’s guests (in terms of their satisfaction with the hotel in which they have stayed).

In other words, these findings validate the fact that AccorHotels’s decision to invest in sustainability programs and certification is not only good for the planet, but also good for the business.
Assessment Methodology
Assessment Methodology

Accenture Strategy’s study was based on a statistical and quantitative analysis—using the Pearson linear correlation statistics for two parameters—of hotel-level data for the years 2011, 2012 and 2013, drawn from 3,518 AccorHotels (Figure 1). Excluded from the study were the following:

- Countries with fewer than 20 hotels
- Hotel chains with fewer than 20 hotels and fewer than two levels of certification or labels
- Hotels with no EBIT data available

The 3,518 hotels were filtered into two subgroups to provide representative samples from which conclusions could be drawn: 1,737 hotels were assessed based on Charter 21 criteria and a further 1,209, using ISO 14001 criteria, resulting in a total of more than 2,900 hotels included in the scope of the study.
Using the Pearson tool, Accenture Strategy calculated more than 60 combinations of correlations among parameters included in the study’s scope. However, Pearson does not demonstrate a causal effect between two variables: When two variables are correlated, one cannot infer that one variable is the consequence of the other. Thus, to complement the Pearson tool by analyzing the causality of variables, Accenture Strategy also created distribution graphs and contingency tables to illustrate the relationship between movement from different Charter 21 levels—both upward and downward—and EBIT. These calculations enabled Accenture Strategy to understand if being “promoted” from one level to another is the consequence of a higher EBIT or the cause of an increased EBIT.

Finally, Accenture Strategy employed significance tests (Fisher tests) to confirm the validity of statistical conclusions.

**FIGURE 1:**  
THE HOTEL PARAMETERS USED IN THE CORRELATION ANALYSIS

<table>
<thead>
<tr>
<th>HOTEL'S PARAMETER</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT %</strong></td>
<td>Ratio of Earnings Before Interest and Tax over Revenues expressed in percentage, over a year.</td>
</tr>
<tr>
<td><strong>NPS</strong></td>
<td>A score designed by AccorHotels that measures the satisfaction of the hotel's guests over a year.</td>
</tr>
<tr>
<td><strong>ISO 14001 CERTIFICATION</strong></td>
<td>A hotel is certified or not, compliant with ISO 14001 standard. ISO 14001 is an environmental management system, further described later in this document.</td>
</tr>
<tr>
<td><strong>CHARTER 21 LEVEL</strong></td>
<td>A level of performance in achieving some objectives defined by the sustainability management program Charter 21. Charter 21 is AccorHotels’s internally defined standard, further described later in this document. Levels are None, Bronze, Silver, Gold, and Platinum.</td>
</tr>
<tr>
<td><strong>DATE OF RENOVATION</strong></td>
<td>The date of renovation converted in the number of months elapsed since January 1970.</td>
</tr>
<tr>
<td><strong>AVERAGE ROOM PRICE</strong></td>
<td>The All Tax Incl. price paid by customers in this hotel, averaged over a year, and converted in €.</td>
</tr>
<tr>
<td><strong>GEOGRAPHIC ZONE</strong></td>
<td>Americas, Middle-East, France, Asia-Pacific, and Europe.</td>
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AccorHotels’s sustainability / environmental programs and accreditation schemes
AccorHotels has been a proponent of sustainability for more than two decades. As part of its commitment to making sustainability a core element of its mission, the company has engaged in numerous initiatives to ensure that sustainability is a part of everything it does. Two of these initiatives have been especially important in the management of hotels: ISO 14001 certification and AccorHotels’s own Charter 21 management system.

ISO 14001 CERTIFICATION

Established by the International Organization for Standardization (ISO)—whose members are national standards institutes drawn from a wide range of sectors across industry and services—ISO 14001 is an internationally recognized standard for environmental management systems (EMS). The standard addresses the way organizations:

- Minimize their activities’ harmful effects on the environment
- Achieve continuous improvement in their environmental performance

In the past 10 years, AccorHotels’s Ibis and Novotel brands opted to formalize their environmental commitment by obtaining ISO 14001 certification, thereby benefiting from the international recognition this certification affords. To help hotels obtain certification, AccorHotels set up an environmental management system that includes a set of procedures, methods and documents that enable them to meet the requirements of the ISO 14001 standard. Implementation of the environmental management system is monitored by annual internal audits, and ongoing compliance with ISO 14001 requirements is verified by an accredited independent organization through yearly external audits of a sample of hotels.
Progress toward meeting the PLANET 21 program’s objectives is driven by Charter 21, AccorHotels’s internal system for managing hotels’ sustainable development performance. It recommends 65 actions hotels can take to reduce their environmental footprint and, since 2011, also includes social responsibility initiatives such as staff training on sustainable development or the use of eco-labeled products. Common to all hotels, Charter 21 is above all a management tool for the hotel operator, the country organization, the brand and the Group as a whole. It comprises five sections:

- Management, with 12 actions including “Train employees in environmentally friendly practices” and “Be active in protecting children from abuse”;
- Energy, with 18 actions including “Have a central light switch in guest rooms” and “Use energy-efficient boilers”;
- Water, with 12 actions including “Install flow regulators in showers and faucets” and “Use a water-efficient laundry service”;
- Waste, with 13 actions including “Recycle hotel batteries” and “Recycle electrical and electronic equipment”;
- Products, with 10 actions including “Offer balanced dishes in the hotel restaurant” and “Use eco-designed materials in guest rooms”

Charter 21 also provides a framework for a gradual deployment of these actions, with a four-level performance rating system that recognizes increasing progress: Bronze (corresponding to basic prerequisites), Silver, Gold and Platinum (signifying the most advanced hotels). The system is cumulative, in that a hotel must be validated at each level before it can move on to the next.
Five Key Findings
To assess how AccorHotels’s sustainability initiatives have affected the business, Accenture Strategy focused on the progress hotels have made in achieving ISO certification and attaining Charter 21 levels, and the resulting impact on the business. More specifically, the analysis looked at the extent to which ISO certification affected guest satisfaction and a hotel’s progression in Charter 21; the impact of Charter 21 on guest satisfaction; and the correlation between ISO certification and Charter 21 performance on hotel profitability.

Five key findings emerged from this evaluation.

FINDING 1:
THE ISO 14001 POSITIVELY IMPACTS GUEST SATISFACTION

One important finding of Accenture Strategy’s assessment is that ISO 14001-certified hotels have a higher guest satisfaction level than non-certified ones. This positive relationship is measured by a correlation coefficient of 0.19, as illustrated in Figure 2 below.

FIGURE 2:
LINK BETWEEN THE GUEST SATISFACTION AND THE HOTEL CHARACTERISTICS
When compared with other factors that are known to influence guest satisfaction, ISO 14001 certification has a stronger link with guest satisfaction than the hotel's renovation date (which achieved a correlation coefficient of 0.12). In other words, a hotel can see a greater boost in guest satisfaction by increasing the number of properties that are ISO 14001 certified than by refurbishing the same number of properties. While these statics do not reveal why certification tops renovation, one could theorize that by serving as a type of management quality assurance, ISO 14001 certification helps make a hotel’s operational processes and staff more customer focused, which in turn, is recognized and valued by customers throughout their stays.

Perhaps not surprising, ISO certification has less influence on satisfaction than a hotel’s average room price (0.3) and geographic location (0.51), the top two influencers.
FINDING 2:  
ISO 14001 CERTIFICATION HELPS ACHIEVE HIGHER CHARTER 21 LEVELS

In addition to influencing guest satisfaction, ISO 14001 certification positively impacts the Charter 21 level hotels have achieved, which in turn can affect a property’s sustainability achievements.

As illustrated in Figure 3, the colored bars represent the proportion of hotels in a certain Charter 21 level against their ISO 14001 certification status. The left side of the chart shows hotels without certification, while the right shows those with it. The chart clearly demonstrates that hotels without certification are much more likely to have achieved no Charter 21 level, while hotels with certification are more likely to have reached the Silver level. Even more compelling, certified hotels have been able to attain the highest Charter 21 level, Platinum. In other words, the propensity of hotels to attain any Charter 21 level increases with ISO certification, while the likelihood of certified hotels attaining no level is miniscule.
Again, no causality can be determined from this analysis. However, one can infer that by introducing environmental performance processes into the hotel organization, ISO 14001 reinforces the actions and behaviors that are rewarded by Charter 21. In essence, there appears to be a “dividend effect” at play with ISO 14001 certification: The effort made to achieve certification also pays off in the form of progress in reaching Charter 21 objectives.
FINDING 3:  
CHARTER 21 HAS A POSITIVE LINK WITH GUEST SATISFACTION

Given the preceding two findings—that ISO certification positively influences guest satisfaction as well as progress in Charter 21 levels—one could assume that Charter 21 would also boost satisfaction. And that is exactly what Accenture Strategy found. As shown in Figure 4, the correlation coefficient between Charter 21 levels and guest satisfaction is 0.33—which, like ISO certification, is higher than that for a hotel’s renovation date (0.12). But it also slightly exceeds that for average room price (0.30).

The stronger link between Charter 21 levels and guest satisfaction is intuitive. Charter 21 is a commitment not only to processes but also to tangible physical assets and technologies (e.g., water and energy savings devices) that generate positive, incremental and measurable environmental outcomes. Many of these outcomes—for instance, recycling glass, recovering rainwater and using eco-labeled products—are likely to be highly visible to and appreciated by guests, thus creating a favorable overall impression of the hotel in guests’ minds.
FINDING 4: CHARTER 21 HAS A POSITIVE EFFECT ON HOTEL PROFITABILITY

Sustainability’s impact on interim metrics such as guest satisfaction is important. But do sustainability initiatives ultimately influence a company’s profitability? According to Accenture Strategy’s assessment, they do, and in a positive way—at least where Charter 21 is concerned.

In fact, as shown in Figure 5, the proportion of Charter 21 hotels (at a Bronze level or higher) with an above-average EBIT increases with the level of Charter 21 achieved (from no level to Bronze, Silver, Gold, and ultimately Platinum). In other words, the higher the sustainability performance, the higher the hotel’s profitability.

The exception is the highest level, Platinum—which, while still delivering an increase in above-average EBIT, slightly trailed the Gold level in impact. One possible reason is that attaining Platinum status requires capital-intensive assets or higher operational expenditures that impact a hotel’s profitability in the short term. However, the time horizon Accenture Strategy studied was just three years—likely too short to reveal the full long-term effect and financial payback of those investments. One could expect, however, that over time, Platinum-level hotels will deliver superior profitability.

Further analysis revealed that being promoted to a higher level in Charter 21 (e.g., from Silver to Gold) is both the consequence and the cause of higher financial performance. That is evident in the fact that:

- Hotels promoted to a higher level have a higher EBIT than their peers at the lower level
- Hotels promoted to a higher level have a lower EBIT than their peers in the level above them (which means that after promotion, their EBIT continues to increase)
- Hotels losing their level have an EBIT lower than their peers in the level they just left

Importantly, the positive link between Charter 21 and profitability is true for all years in the sample (2011 to 2013), for all hotel chains, and for all hotel management types.

To conclude, sustainability performance as assessed by Charter 21 is clearly correlated to profitability. Profitable hotels can invest in sustainable initiatives, but these investments deliver positive paybacks by reducing costs (energy, waste) and increasing revenues (enhanced reputation and guest satisfaction).
FINDING 5:
ISO 14001 HAS A NEUTRAL EFFECT ON PROFITABILITY

As just discussed, Charter 21 level has a positive correlation with profitability. That is not the case with ISO certification. But that does not mean there is a negative correlation, either. In fact, Accenture Strategy's assessment found a coefficient correlation of 0.00—meaning, on average, ISO14001 certification neither increases nor reduces profitability.

Figure 6 graphically illustrates this result. As shown, the proportion of hotels with above-average EBIT is virtually identical, whether or not they were ISO certified.

FIGURE 6:
MEASURING THE CORRELATION BETWEEN ISO CERTIFICATION AND PROFITABILITY

As the chart shows, mathematically, the correlation regarding profitability has no “transitive” properties. In other words, despite the correlation between ISO 14001 and Charter 21, and Charter 21 and EBIT, one can not presume a natural correlation between ISO 14001 and EBIT. Accenture Strategy further found no correlation between earnings and certification relating to previous years, demonstrating that ISO certification does not impact the profitability of subsequent years.

Although the study followed a top-down approach (i.e., Accenture Strategy didn’t analyze the correlation of EBIT cost components), one can infer that the costs of attaining ISO 14001 certification (in training, equipment, and audits, for example) is offset by the savings indirectly achieved in water, energy, waste, and maintenance. In other words, at the very least, the sustainability initiatives related to certification pay for themselves, while still delivering the environmental and social benefits that AccorHotels so highly values.
CONCLUSION
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Sustainability is not just about “doing good”; rather, as this study proves, it also generates genuine business value. It helps a company enhance its brand in the marketplace by demonstrating responsible behavior, something that customers increasingly value in the companies they do business with. That is, perhaps, the biggest reason for the strong positive correlation between sustainability and guest satisfaction. It also has a neutral to positive impact on profitability, depending on the specific sustainability initiatives and metrics.

What are the implications for leaders within AccorHotels, as well as those in other companies? Three learnings stand out:

- Sustainability should not be viewed as a cost to the business.
- Highly visible sustainability initiatives can be a very effective way to differentiate a company in the minds of customers and strengthen customer relationships—possibly generating a higher return than more traditional relationship-building efforts.
- Formal programs that include specific, measurable objectives and a framework for managing progress toward achieving them—such as ISO 14001 and Charter 21—are critical to making sustainability a core part of doing business and, hence, realizing the greatest value from it.

There is no question that it takes time for sustainability initiatives to improve a company’s environmental and social performance. But, as AccorHotels’s study demonstrates, it’s undeniably worth the effort, as sustainability delivers visible, quantifiable benefits to both the planet and the company.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended August 31, 2014. Its home page is www.accenture.com.

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AccorHotels regularly enriches this platform with the results of new surveys, research or case studies of good practices, in order to improve the integration of sustainable development in the hotel industry by all players involved.

In addition, AccorHotels will make all of its methodologies available, thus ensuring that its surveys can be replicated and updated by other members of the hospitality industry. Use of these methodologies is free, on one single condition: freely publishing the results, as AccorHotels does.

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