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The Hotel Yearbook
**Hospitality
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Hotel Sustainability Outlook for 2024 Starts with Profitability

Operational Efficiency

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Synopsis

The article advocates for the inseparable nature of sustainability and profitability in the hotel industry. It emphasizes the growing necessity for hotels to adapt to climate-conscious practices, driven by increasingly erratic weather and natural disasters. The industry faces pressures from both government regulations and consumer preferences, with sustainability becoming a key factor in securing financing and attracting guests. The article suggests utilizing green financing options and leveraging evolving distribution channels to highlight eco-friendly properties. It advises hoteliers to start making incremental energy and water efficiency improvements, emphasizing that small steps can cumulatively lead to significant financial and environmental benefits in the face of a rapidly changing eco-conscious economy.

Sustainability is the future for hotels, full stop. However profit-conscious or skeptical of international policies you may be, it's becoming exceedingly difficult to fight against the flow of the river that is action against human-born climate change. What we argue, though, is that going forward profitability and sustainability are the same thing.

Every year the weather gets weirder and the natural disasters more severe. With hospitality seen as a 'discretionary' industry as compared to, say, agriculture, it will naturally come under increasing scrutiny for its contribution to global carbon emissions. This scrutiny may come from governments through the form of taxation and energy efficiency mandates, or it may come about privately via restricting access to capital for only those properties deemed green or from guests voting with their wallets by only booking those hotels that have passed a third-party sustainability appraisal.

But therein lies a bevy of opportunities for those properties and brands that wholeheartedly embrace this future. On the capital side, for instance, there are now a number of green bond programs and CPACE financing options (this being for the United States, with other countries having similar programs under different names) to help you surmount the upfront capex requirements necessary to bring an existing structure up to date. Then on the consumer side, room inventory distribution is slowly evolving to offer specific vehicles for letting guests select only those properties that conform to their beliefs in this regard, including even Google that offers special search highlights to eco-certified properties.

Irrespective of any property improvement plan to better accommodate or anticipate this eco-conscious economy, where do you start in 2024? This is a question we often confront when working directly with hotel ownership as asset managers where sustainability is always an objective but it can easily get sidelined by other more pressing matters like erratic occupancies, revenue growth, staffing issues, rolling out new profit centers and upgrading the tech stack. The answer is to start small and start with getting more juice from the squeeze.

What we mean by that analogy is that a lot of properties could become drastically more energy and water efficient without drastic changes like installing a new heat pump. Instead, there are a series of incremental improvements that hotels can make. In the moment, none may elicit monumental returns but cumulatively they are quite powerful and meaningful to the

financial bottom line.

Properties can realize big gains through a series of upgrades that include but are not limited to:

1. Setting up a predictive maintenance system to better identify energy-related issues
2. Installing more IoT sensors to more precisely measure then control climate controls and air leaks
3. Low flow bathroom appliances (toilets, faucets and showerheads)
4. Upgrading to LED lighting with smarter, motion-activated controls
5. Moving away from all single-use plastics including surcharged water bottles
6. Using green cleaning products that are often also more universal to reduce cleaning times
7. With 40% of food going to waste, using the whole plant or animal alone can save a ton
8. Smaller plates for buffets that will also reduce your overall food costs
9. In the restaurant, assessing when equipment is actually needed to heighten just-in-time usage
10. Having onsite composting, vermiculture or other types of intelligent food waste recycling
11. Buying renewable energy certificates (RECs) to incentivize more green infrastructure
12. Humidity controls and water submetering with shutoff valves to increase leak prevention
13. Reducing embodied carbon by reupholstering and refinishing furniture versus buying new
14. Stormwater recapture systems to reduce the burden on local drainage infrastructure
15. Developing a standard policy for all contractors regarding sustainability selection criteria
16. If you have onsite laundry, building a plan for heightened water savings
17. If you don't have onsite laundry, discussing with your partner about their sustainability goals
18. Planting native flora species which will naturally reduce irrigation demands
19. If you have a resort, an onsite herb garden or organic farm is always commendable
20. If it allows, solar panels have progressed to now have a reasonable breakeven on cost

That's just 20 without getting into an exhaustive list. But if you did all of them and others, incrementally you would already have a far more profitable physical structure. Moreover, you would be future-proofing your hotel to align with the consumers of tomorrow who are currently willing to pay more each night for the privilege of staying at a sustainable property, rather than being forced into more defensive and reactive steps if you choose to delay the inevitable.

Ultimately, delaying action will put your brand behind those

that are pivoting to meet this future outlook on travel, with programs by the major chains including Accor's Planet 21, IHG's Journey to Tomorrow, Hilton's Travel with Purpose 2030, Hyatt's World of Care and Choice Hotels' Room Be Green. From this last one, a catchy mantra that we've always applied to every hotel's sustainability upgrades is 'going green to be seen'. That is, while most of the actual cost savings will be realized in the back of house, it never hurts to embellish your efforts with clear visual lines to the guest during every part of the customer journey so that your brand cachet becomes synonymous with eco-friendliness.

Listing on the website any big strides you've made or certifications you've accrued, posting to social media with the appropriate hashtags, highlighting your culinary team's food waste reduction efforts, putting information up on the in-room interactive televisions, and displaying usage or waste diversion dashboards so guests can see the property's efforts in real time. This alone won't happen overnight, but when you think incrementally you can add these touchpoints that will reinforce sustainability as a core facet of your brand. Eventually, with this brand cachet comes the ability to charge more per night as the average consumer comes to recognize and appreciate your brand for its eco-initiatives.

The fact remains that guests are increasingly concerned about their ecological footprints and will come to demand hotels get in line – whether by directly booking eco-friendly hotels, voicing their opinions through the companies they work at or by voting for politicians that favor climate action. This is a gradual change...until it isn't. If recent world events are any indication, guest mindsets can change in an instant with the right motivations.

But rather than view this as a doom and gloom scenario, quite the opposite; all these incremental sustainability changes will set your hotel up for tremendous success and healthier profit margins in the years to come. The key is starting now and getting into a rhythm of making those small, seemingly inconsequential upgrades that will add up to something far greater in the long run.

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Larry Mogelonsky — Partner at Hotel Mogel Consulting Ltd.

Larry is managing partner of a hotel consultancy that assists independent luxury hotels meet their goals and helps technology companies understand how their solutions work in the hospitality field. Together with his son, Adam, they are the world's most published author in the field of hospitality, with weekly columns in many leading industry publications, as well as seven, 400+ page books on hotel management. He has been recognized by Hotel Sales and Marketing International (HSMAI) as "One of the 25 Most Extraordinary Minds in Hospitality" and by TravelClick as "Worldwide e-Marketer of the Year." He is also much sought after as a public speaker.

Adam Mogelonsky — Partner at Hotel Mogel Consulting Ltd.

As one of two principals at Hotel Mogel Consulting Ltd., Adam Mogelonsky is a strategic advisor primarily for independent properties, small hotel groups and technology vendors for the industry, specializing in helping brands determine the best path to increased profitability whatever that direction requires. As a thought leader, he has coauthored seven books on hotel management and over 1,200 articles over the past decade across a variety of trade publications, in addition to regular podcast and conference panel appearances. Lately, the focus for Hotel Mogel has been on automation, tech stack auditing, labor efficiencies, employee retention programs, heightening managerial productivity and upselling practices to maximize total revenue per guest.

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Hotel Mogel Consulting Limited works exclusively with investors/owners/operators to help solve critical investment, management and marketing issues in the luxury segment. We also undertake public speaking at corporate and association events, where an independent point of view is desired.