

Abstract

An environmental hotel business strategy for the mass market – including a survey of supply and demand in Cyprus

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1 Motivation and Problem Statement

More and more tour operators and destinations enter the global market with increasingly similar products and have embarked on a fierce competition. Prices are declining and the concentration in the tourism industry is increasing. Therefore, tourism providers need to find new ways to position themselves in the market in order to survive the competition.

At the same time, as a part of society, corporations are more and more expected to take responsibility to preserve the planet earth for future generations. The simplest way for companies to comply with this responsibility is to implement environmental standards with the goal of satisfying the expectations of the stakeholders. In fact, tourism suppliers currently focus on the environmental concern as on a problem which has to be resolved, rather than paying attention to the market opportunities which could be derived from an environmental strategy. But in the reality of a society demanding an ever greater corporate environmental responsibility in the future, the central hypothesis of this paper is that environmental protection and corporate competitiveness is a win-win perspective. The investment in an environmental business strategy could not just improve the operations but also enhance the

company's image and fulfil customers' needs for green products and services, leading to a higher demand and/ or a price premium.

However, to be able to develop an effective environmental strategy which focuses on differentiation, in the editor's opinion it is required to have a sophisticated knowledge of a) the possible ways for positioning through an environmental strategy and b) green marketing. More precisely, in order to develop a concept of a prosperous environmental business strategy for the mass market, the editor examined the following research questions in her thesis:

- What are the objectives of an environmental strategy?
 - How can a company assess its status of environmental strategy?
 - Which kind of positioning is advisable?
- Who are the consumers willing to pay more?
 - Which sorts of green product attributes do they demand?
 - What kind of promotion is compelling to them?

2 Research Method

For the empirical research of the editor's study, the mass market in Cyprus was chosen. The island is considerably affected by the above described tourism globalisation. It is tremendously suffering from decreasing arrivals and profit margins, due to price pressure from neighbouring Mediterranean destinations. The introduction of an environmental strategy could be one instrument to attract more tourists. However, tour operators can only market environmentally friendly holidays on the island, if accommodators invest in this type of product differentiation. Therefore, the hotel industry was chosen as the study case for the development of an environmental strategy.

The use of the environment with the goal of gaining competitive advantage in the hotel industry is rather seldom in Cyprus. In order to find out what are the objectives of an environmental strategy, the editor searched for benchmarks on-site. She chose one hotel which she assumed is focusing on a cost-saving strategy and another hotel which she thought differentiates through an environmental strategy. The editor evaluated the strategic positioning of the two benchmarks by using numerous indicators: Drivers to operate green, environmental practises in use and promotional efforts. For analysis, she used the instruments

of online research, personal interviews with the hoteliers and on-site notice. Further, the editor made assumptions if the particular strategic positioning of each hotel matches the demand of their clientele. For the evaluation, she undertook a customer survey by distributing questionnaires to guests, asking them about their preferences of a green hotel.

Besides the introduction of benchmarks, the editor intended to find out about the market share of consumers who are demanding green hotels. Further, she sought finding indicators that identify those consumers, so that hoteliers interested in an environmental strategy can address them. In order to make general assumptions, the editor chose three locations with a diverse clientele: Families with small children, cultural travellers and young travellers. The editor designed a questionnaire which first of all was supposed to segment respondents by different holidaymaker types. Secondly, the editor sought learning about their preferences for green hotels, regarding product development and promotion, in order to be willing to pay a price premium.

In addition to the consumer survey, the editor also undertook eight interviews with experts from the Cypriot tourism industry. She asked the experts to give their opinion on the consumer demand for green hotels in Cyprus. It was the editor's intention to compare later the experts' opinions with the evaluated consumer demand, in order to find out if tourism experts had assessed the consumer demand for green hotels, correctly. The editor assumed that the experts' opinions broadly reflect the opinions of tourism providers in Cyprus. Therefore, the greater the gap between the experts' assessment and the actual measured consumer demand by the editor, the greater might at the same time be the efforts needed to convince tourism providers in Cyprus of the benefits of an environmental strategy.

3 Research results and Conclusion

The analysis of the two Cypriot benchmarks for environmental positioning revealed that the business culture of an organization shapes the direction of an environmental strategy. Due to the engineer's expertise at the first study case, the hotel applies an environmental strategy to achieve cost leadership. The second study cases hotel owner and manager feels nature related and sees a growing trend for environmentally friendly holidays and therefore applies an environmental strategy to achieve differentiation in the market. However, the consumer surveys at the two locations revealed that the majority of consumers at both locations would

be willing to pay more for a green hotel. Therefore, it can be concluded, that the business culture of a hotel is not a sufficient predictor to determine the customers' attitude towards an environmental strategy. Instead, it proves that consumers' consciousness for environmental issues is increasing, independent from the supply of environmentally friendly hotel products and services. It indicates that the first study case is experiencing opportunity costs by not using their environmental efforts for differentiation in the market. Further, if the two study cases would share their knowledge on cost-saving and differentiation measures, they could be able to reach vertical differentiation, a combination of the two strategies.

The consumer survey revealed that the majority of consumers would be willing to pay a price premium for a green hotel in Cyprus. Additionally, they 'very agree' that resource-saving environmental hotel measures provide personal benefits for their holidays. For promotion, the survey suggests that environmental certification is a feasible communication channel, since respondents mostly state that they would be willing to pay a price premium for an environmental certified hotel. However, the survey also revealed that each holidaymaker type has its own expectations and demands regarding environmentally friendly holidays. It means that in order to satisfy the consumers marketers need to work target group specific on the development of an environmental strategy.

Most of the interviewed experts did not realize the strong demand for green hotels in Cyprus as previously evaluated by the editor. The gap between the experts' assessment and the actual consumer demand for green hotels appears to be large. It indicates that a lot of convincing work will be required, to make tourism providers in Cyprus believe in the consumers' demand for green hotels.

To sum up, the editor revealed a gap between consumer demand and supply for green hotels in Cyprus. However, in order to use the measured consumer demand to sell products, the editor revealed first of all that the ideal market positioning has to be detected. Secondly, it is necessary to market green hotels on target in order to match the product benefits demanded by customers. Eventually, it is unknown if and how long it will take the Cyprus tourism industry to realize the potentials of an environmental business strategy. But it can be assumed that the early movers – the companies that exploit the opportunity of differentiation through environmental management first – will reap the greatest competitive benefits.