

FORRESTER®

The Race To Decarbonization: A Spotlight On Hospitality Firms

Results From The November 2021 Thought Leadership
Paper, “The Race To Decarbonization”



Executive Summary

Hospitality firms are implementing sustainable initiatives and operational practices to reduce their carbon footprints and conserve critical natural resources. Many of these firms initially focus on modifying operational processes such as proactively reducing energy, lighting, and water usage, as well as optimizing climate control through HVAC systems. As a positive consequence, many of these sustainable operational initiatives also improve cost savings and help hospitality firms improve overall profitability.

Forrester Consulting conducted a thought leadership study commissioned by and developed in collaboration with Johnson Controls to evaluate the progress that sustainability-focused companies have made in pursuing their goals.

To explore this topic, Forrester conducted a series of interviews and fielded an online survey with 2,348 global sustainability strategy leaders in late 2021. Respondents represented firms in 25 countries and across 19 industries. Forrester then created a maturity model based on levels of people, process, and technology investments to uncover best practices and benefits that sustainability leaders realize.

For this spotlight, Forrester focused on a subset of 102 global sustainability strategy leaders at hospitality firms.

We found that the business benefits of investing in sustainability are immense. At the same time, because scaled sustainability is a relatively new concept, most firms have room to grow in navigating the complexities of measuring and reporting on their progress.



Key Findings



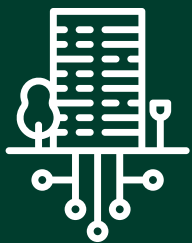
Investing in sustainability is now a critical differentiator.

Respondents ranked sustainability as the top business priority today, and it's the priority that has grown the most in importance during the past two years. Guest expectations is the most impactful driver leading firms to prioritize sustainability.



Sustainable transformation leads to business benefits.

Decision-makers reported benefits across the business as a result of undertaking a sustainable transformation. Benefits included improvements to efficiency, ability to attract guests/guest loyalty, employee recruitment and retention, and revenue.



Prioritizing sustainability requires strategic

commitment. Failing to deliver on goals to reduce carbon emissions threatens to derail sustainability efforts. Sustainability has become a greater focus for businesses, and that has come with lofty goals for reducing carbon emissions. Most hospitality leaders still struggle with measurement and complexity, hindering their ability to report on and meet their decarbonization goals.

Investing In Sustainability Is Now A Critical Differentiator

Hospitality decision-makers are starting to understand that making sustainability a business priority is not just a compliance requirement, it's a competitive differentiator. In surveying 102 leaders involved with hospitality, we found that:

- Sustainability is a top near-term business priority. Implementing or maturing sustainability practices ranked as the top near-term priority, ahead of improving both profitability and guest experience. It's also the priority that has grown the most in importance over the past two years (see Figure 1).
- Guest expectations are driving the priority on sustainability. Attracting guests who make travel and accommodation decisions based on sustainable corporate values (75%) and integrating sustainable value propositions into the corporate brand (64%) are the top drivers behind the sustainability business priority. Comparatively, just 32% of respondents indicated addressing industry or government regulatory requirements is a driver for them to implement or mature their sustainability practices.



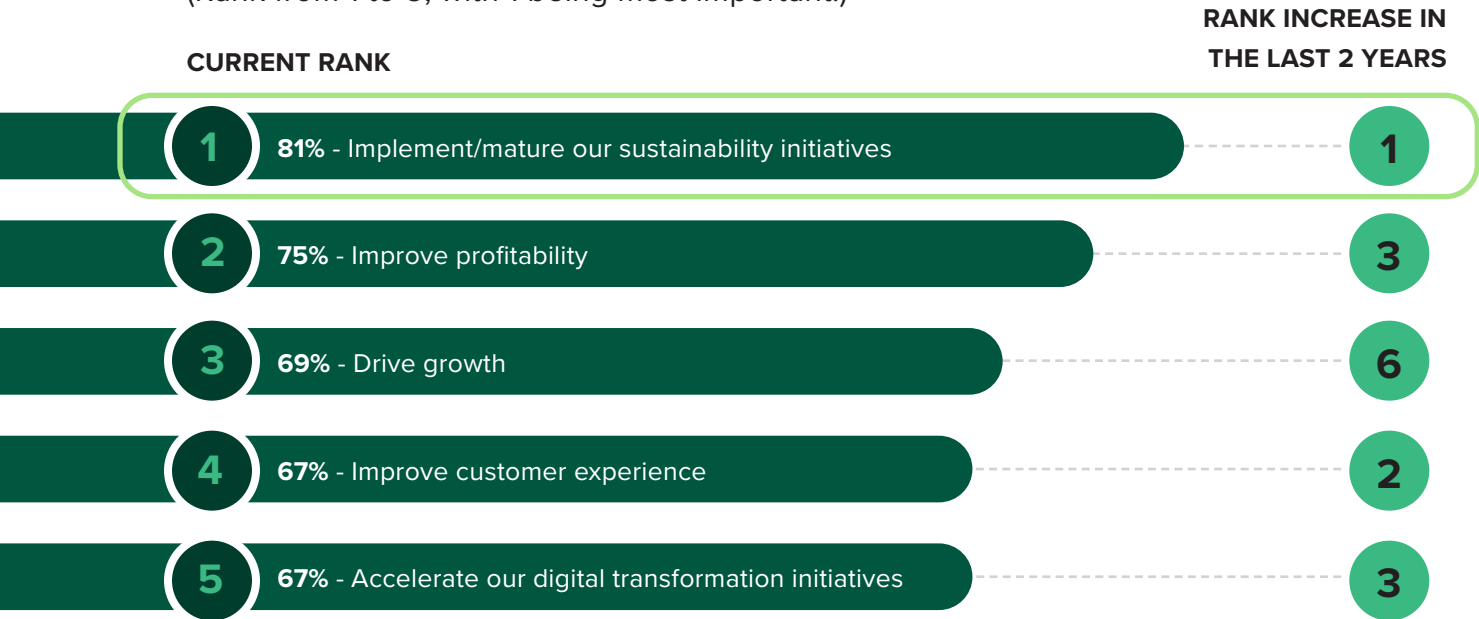
2x

Hospitality decision-makers are 2x as likely to indicate attracting guests who make purchasing decisions based on sustainable corporate values is driving them to prioritize sustainability compared to just addressing regulatory requirements.

Figure 1

“What are your company’s top business priorities in the next 12 months?”

(Rank from 1 to 5, with 1 being most important.)



Base: 102 global sustainability decision-makers at hospitality firms prioritizing sustainability

Note: Showing top 5 responses.

Source: A commissioned study conducted by Forrester Consulting on behalf of Johnson Controls, September 2021

Sustainable Transformation Leads To Business Benefits

Undertaking a successful sustainable transformation drives competitive advantage and benefits for all stakeholders. While many hospitality firms are in the midst of a sustainable transformation, respondents have realized or expect to realize benefits across many areas of their business.

Hospitality sustainability leaders reported benefits in areas such as improved efficiency (83%), regulatory compliance (76%), ability to attract guests/guest loyalty (75%), employee recruitment and retention (72%), and revenue growth (58%) (see Figure 2).

More than eight out of 10

hospitality decision-makers reported improved efficiency as a result of sustainable transformation initiatives.

Figure 2

“Which of the following benefits have you already realized, or do you expect to realize, from pursuing your sustainability goals?”



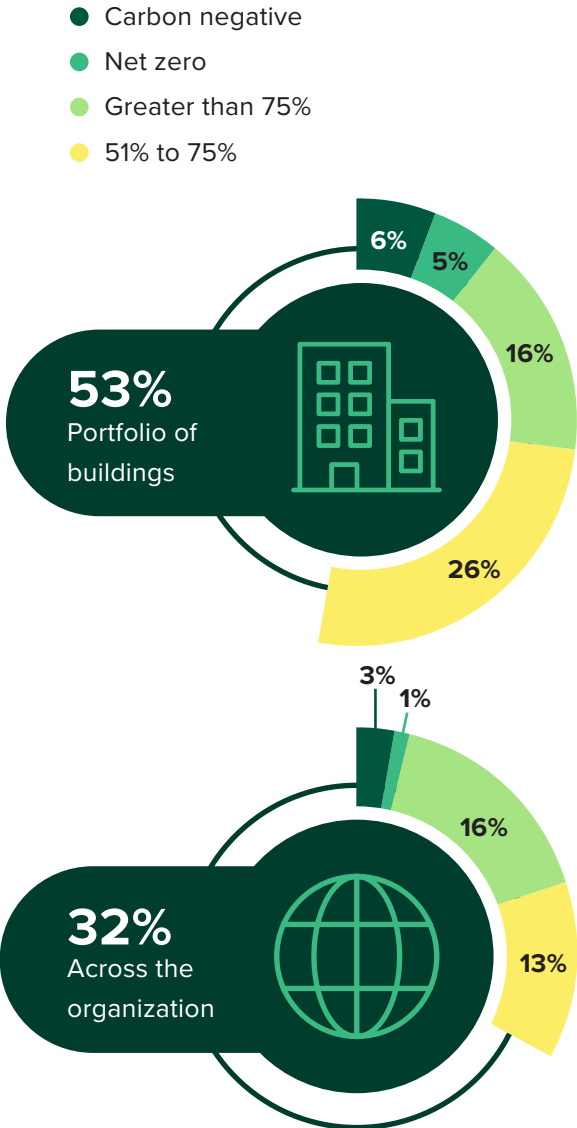
Base: 102 global sustainability decision-makers at hospitality firms prioritizing sustainability
Note: Showing “This is a benefit we expect to realize” and “This is a benefit we have already realized” responses; showing top 5 responses.
Source: A commissioned study conducted by Forrester Consulting on behalf of Johnson Controls, September 2021

Prioritizing Sustainability Requires Strategic Commitment

While sustainability initiatives have grown in importance for the hospitality industry, so too has the importance of executing upon sustainability goals. Hospitality decision-makers reported facing many challenges that threaten to derail their efforts:

- **Hospitality firms are setting lofty sustainability goals.** More than half of respondents (53%) indicated they plan to reduce energy consumption across their portfolio of buildings by at least 50%, while 32% have set the same goal across the entire firm (see Figure 3). What’s more, the average reported target date for meeting these sustainability goals is 2024.
- **Most struggle with measurement.** Just 25% of hospitality decision-makers indicated they are using ESG reporting software today. Half (47%) reported struggling with internal alignment on how and what to track, while lacking in-house expertise (43%) and having siloed data (38%) are other common pain points.
- **Complexity makes scaling difficult.** Thirty-two percent of hospitality leaders indicated they struggle to scale their sustainability initiatives. They reported struggling with managing multiple parties involved with executing their plans (40%) and lacking external partners (35%) as top obstacles hindering their ability to achieve sustainability goals.

Figure 3
Long-Term Goals For Reducing Carbon Emissions/ Energy Consumption



Base: 102 global sustainability decision-makers at hospitality firms prioritizing sustainability
Source: A commissioned study conducted by Forrester Consulting on behalf of Johnson Controls, September 2021

- **Failing to deliver on goals threatens to derail sustainability efforts.** The top risks associated with failing to improve sustainability were fines/compliance issues (50%), decreased brand reputation (47%), poor resiliency (47%), and a negative impact on investor funding (35%) (see Figure 4).

More than half

of sustainability decision-makers at hospitality firms have committed to cutting their carbon emissions by at least half by 2024, yet many still struggle to measure their efforts, and just 25% use ESG reporting software today.

Figure 4

“Which of the following are risks associated with failing to improve sustainability at your company?”



Base: 102 global sustainability decision-makers at hospitality firms prioritizing sustainability

Note: Showing top 4 responses.

Source: A commissioned study conducted by Forrester Consulting on behalf of Johnson Controls, September 2021



Key Recommendations

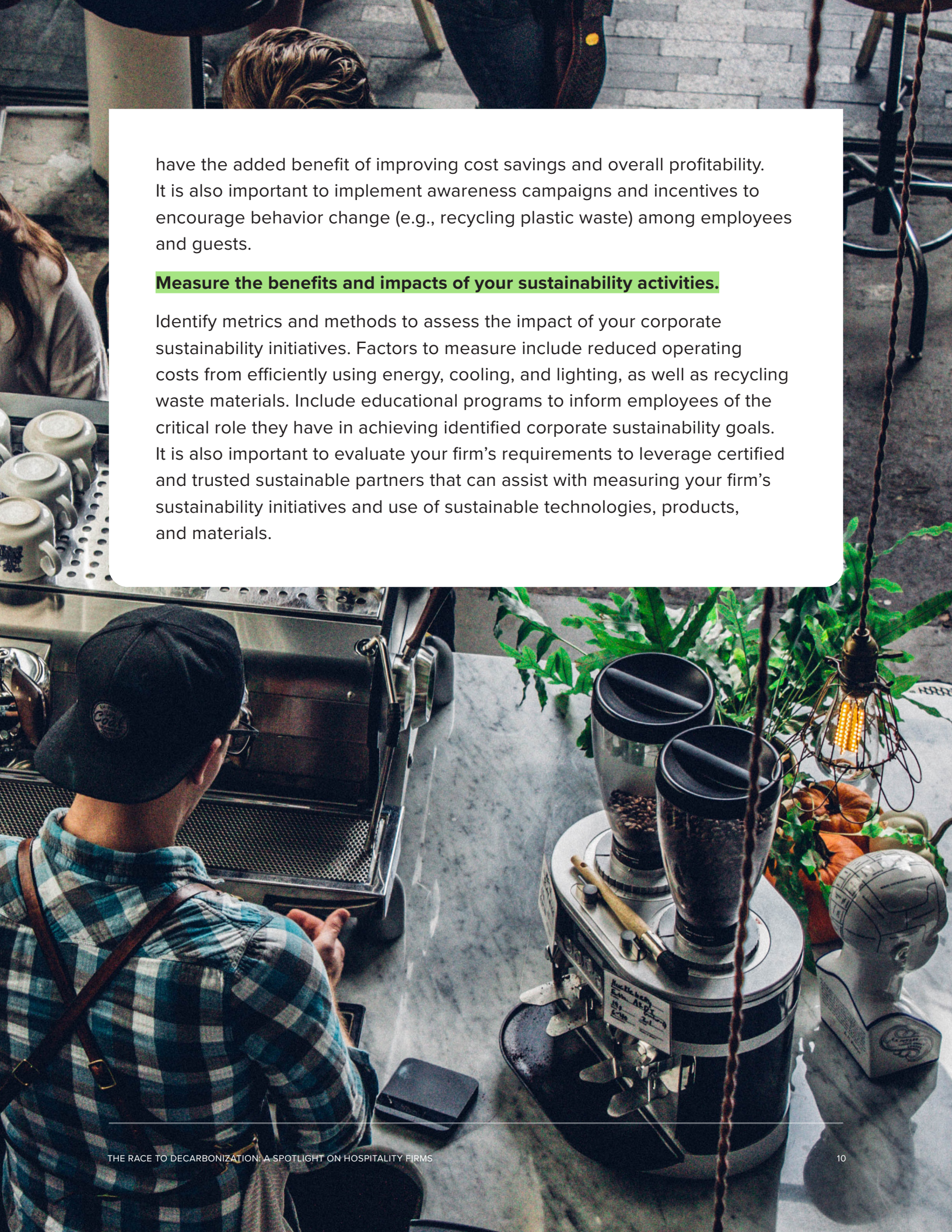
Sustainability initiatives are becoming a key priority for decision-makers in hospitality firms of all types and sizes. Many hospitality firms are addressing corporate sustainability goals including integrating energy optimization practices and incorporating efficient water conservation, plastic recycling, waste management, and resource conservation into daily operations. In addition, guests increasingly consider a hospitality firm's sustainability activities when deciding which ones to do business with, and job seekers are doing the same thing when deciding where to apply. To address these mounting pressures from many stakeholders, you should:

Assess your sustainability priorities to align with regulatory and corporate priorities.

A comprehensive sustainability assessment requires you to consider your firm's contribution to sustainability across a wide array of initiatives. Key sustainability initiatives will often address critical operational processes including managing electricity, lighting, HVAC, and water usage. Considerations should also be made to encourage guest behavior changes related to efficient use of lighting, water, and air conditioning or participating in waste recycling programs.

Evaluate the optimal roadmap to achieve your corporate sustainability goals.

As a sustainability decision-maker at your company, you must collaborate with stakeholders across critical operational processes in your hospitality environment. Examples of these stakeholders include executives responsible for facilities management, waste management, hospitality, and guest experience. For many hospitality firms, the sustainability journey begins with assessing the impact of critical operational processes on use of energy, lighting, water, and cooling. These sustainable operational initiatives often



have the added benefit of improving cost savings and overall profitability. It is also important to implement awareness campaigns and incentives to encourage behavior change (e.g., recycling plastic waste) among employees and guests.

Measure the benefits and impacts of your sustainability activities.

Identify metrics and methods to assess the impact of your corporate sustainability initiatives. Factors to measure include reduced operating costs from efficiently using energy, cooling, and lighting, as well as recycling waste materials. Include educational programs to inform employees of the critical role they have in achieving identified corporate sustainability goals. It is also important to evaluate your firm's requirements to leverage certified and trusted sustainable partners that can assist with measuring your firm's sustainability initiatives and use of sustainable technologies, products, and materials.

Appendix A: Methodology

This study was commissioned by Johnson Controls and conducted by Forrester Consulting. Johnson Controls collaborated on the survey questions and design, but Forrester retained final editorial control. For this study, Forrester conducted an online survey with 102 global sustainability strategy leaders to evaluate the progress that sustainability-minded firms have made in achieving their goals. Survey respondents included directors, vice presidents, and C-level executives in IT, operations, sustainability, governance, risk, compliance, facility management, and commercial real estate roles at hospitality firms. The study began in August 2021 and was completed in September 2021.

To read the full results of this study, including best practices from sustainably engaged organizations, please refer to the Thought Leadership Paper commissioned by Johnson Controls titled, “The Race To Decarbonization.”

Project Team:

Mandy Polacek,
Market Impact Consultant

Ben Anderson,
Associate Market Impact
Consultant

Contributing Research:

Forrester’s Infrastructure &
Operations research group

Appendix B: Demographics

NUMBER OF EMPLOYEES

500 to 999	13%
1,000 to 4,999	49%
5,000 or more	38%

RESPONDENT LEVEL

Director	66%
Vice president	27%
C-level executive	7%

RESPONDENT CORPORATE SUSTAINABILITY RESPONSIBILITY

I am the final decision-maker in this area.	67%
I influence decisions in this area as a primary part of my job.	33%

INDUSTRY

Travel and hospitality	100%
------------------------	------

RESPONDENT DEPARTMENT

IT	39%
Operations	20%
Sustainability	18%
Facility management	10%
Governance, risk, and compliance	3%
Commercial real estate	11%

LEVEL OF SUSTAINABILITY IMPORTANCE

Very important	48%
Important	42%
Somewhat important	10%

GEOGRAPHY	
Australia	1%
Brazil	9%
Canada	3%
China	19%
France	1%
Hong Kong	1%
India	4%
Ireland	3%
Italy	2%
Japan	6%

GEOGRAPHY (CONTINUED)	
Mexico	4%
New Zealand	3%
Qatar	4%
Singapore	3%
South Korea	6%
Spain	3%
Thailand	2%
United Arab Nations (UAE)	6%
United Kingdom	19%
United States	2%

Note: Percentages may not total 100 because of rounding.

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

“Guide Your Sustainability Program With The Forrester Sustainability Maturity Model,”
Forrester Research, Inc., October 25, 2021

“Embrace The Green Business Opportunity,” Forrester Research, Inc., March 30, 2021

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester’s Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on the best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. [E-51700]