

# EUROPEAN TOUR-OPERATOR'S ENVIRONMENTAL RISK MANAGEMENT

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## ABSTRACT

*European tour-operators have become more involved in building long-term relationships between tourists, governments and local communities across the world. Having an enormous economic and social potential tour-operators have the capabilities to inspire a significant movement towards tourism sustainability. This research presents case studies of three global tour-operators (TUI, Thomas Cook and Kuoni) that are deeply engaged in ecological initiatives. Data concerning environmental protection, nature conservation and sustainable development in their source markets and tourism destinations have been integrated in order to reveal a common environmental risk assessment (ERA) framework. This study also identified a shift between Western and Eastern Europe tour operators in terms of environmental management initiatives.*

## KEY WORDS

*European tour-operators, risk management, sustainable development, environmental performance assessment, corporate social responsibility (CSR).*

## 1. INTRODUCTION

Environmental risk management (ERM) and ecological risk assessment (ERA) have been frequently studied in the last decade literature, marking the focus of the modern scholars for the new paradigms and tools used for hazard identification and prospective risk assessment. Since its launch in North America, the concept of risk management evolved from dealing with uncertainty regarding the occurrence of an undesired event to implementation of specific action plans in order to assess and provide an effective response to a certain risk. Being shaped, at the beginning, by the United States Environmental Protection Agency (US EPA), the ERA vision and philosophy has evolved, nowadays embracing various approaches. Many countries from European Union (e.g. United Kingdom, Netherlands, Sweden) or East Asia diverged from the initial stream, being nowadays more conservative in risk assessment, following the precautionary principle.

Making good risk management decisions are often an expression of certain values such as: environmental concerns integrated into social and economic decision-making processes and population concerns integrated into social justice and consumption reduction. The application of ecological risk assessment within environmental risk management has to continuously integrate stakeholders' involvement (interested / affected parties, and regulators). Additionally, special attention needs to be given to social issues related to the ERAs, in order to fulfill user expectations and use the best information available.

Tourism sustainability is a multi- sectoral (travel companies, hotels, restaurants, airline companies, etc.) and a multi-disciplinary (economic, social and environmental) concept. Tour-operators sustainability is related to their business performance on all aspects, including the entire tourism supply chains (Sigala, 2008).

In the promotion of a sustainable tourism, a crucial role is played by its long term planning. The planning process involves all stakeholders by partnerships, business agreements and viable business actions. The long term integrated planning can involve governmental and nongovernmental organisms (NGO's), advocacy groups, private corporations, all governed by the same principles that cater the natural environment, culture and local traditions.

## 2. LITERATURE REVIEW

### 2.1 The risk management framework and the environmental risk

Despite the complexity of the environmental risk aspects involved by the travel industry, only few studies have been undertaken with respect to the link between tourism key players (i.e. tour-operators) and climate change (Budeanu, 2005; Van Wijk & Persoon, 2006; Sigala, 2008; Hares et al., 2010). Tour-operators must look at their own supply chain management to improve their sustainability, whereas firms in other industry sectors may address the sustainable development through their own performance (Van Wijk & Persoon, 2006)

Tour-operators decisions regarding a destination are based on different kinds of risk assessments. There are cases when, in order to avoid risk, tour-operators decide to limit their activities to a certain destination, reducing accommodation and transport capacities or to take certain measures to protect their clients on the spot. These actions heavily depend on the economic interests in a particular country/region. The more important the destination is in their entire business plan, the more attached to it they are. For example, if a tour operator is a shareholder in some hotel chains or if its owners have made some direct investments in a certain location, judgmentally the tour operator tries to return to this area/country more rapidly than to a destination where he has

no direct business interest (Cavlek, 2002). For example, the Russian tour-operator Tez Tour, a top three player on the Turkish Riviera, is a company which expanded its business vertically, by investing in other suppliers through backward integration (Amara Hotel Chain and Tez Airline Company). Its main advantages are: control over supplies in terms of quality, availability, access and price. Therefore, tour-operators represent a crucial link in the tourism industry as they influence a destination image and lead international tourist flows to certain destinations.

A tour operator that have integrated activities such as its own transport, accommodation or local ground handling operations is more capable to develop its core business activities than one that only intermediates services. Also, the perceptions held by tour-operators and travel agents about various destinations are a significant element that could influence their decisions of promoting the destinations (Baloglu & Mangalolu, 2001). Tour-operators from the outgoing markets do not conceive and sell travel packages to destinations that are submitted to risk, even if there are clients who are interested in such destinations. Usually travel agents try to convince tourists to consider travelling to other places, especially as nowadays tourists have a wide choice of similar destinations to choose from.

## **2.2 Tour-operators social responsibility and sustainability policies**

Ethical issues and Corporate Social Responsibility (CSR) have been neglected for a long time by tour-operators. Despite their increasing concern and also the number of initiatives this sector is still behind other segments of the tourism industry – for instance the hospitality sector. The reason could be the key role of tour-operators as intermediates. Very few tour operators actually assume direct responsibility for the products sustainability; most of them see the environmental risk issues as the responsibility of the government in the destination place.

A research (Budeanu, 2002) launched the idea that ‘sustainable tourism’ cannot be achieved if mass tourism practices are not adjusted to integrate sustainability. Tour-operators are seen as having a pivotal role in the mass tourism system as they could expand their influence onto their suppliers and customers, directing them to adopt more responsible attitudes towards the environment and society when offering leisure travel packages for large number of people. Recent research (Weaver, 2011) asserts that contemporary tourism is converging towards sustainable mass tourism (at least where conditions of sufficient demand and socio-economic stability are satisfied). It is most likely to attract controversy because in some academic circles mass tourism and unsustainability are often associated.

Tour-operators actions towards a certain area affect all the potential tourists. They exert a direct influence on the way a destination is seen by clients. Accordingly, they influence the image of a certain destination and thus have a direct impact on the tourism income of a particular country (Cavlek, 2002). This applies especially to large tour-operators whose actions are conceived to help all tourism stakeholders to make positive contributions to ensuring environmental, cultural and economic sustainability. Also, they can use their leadership roles in promoting the dissemination and implementation of sustainability principles in tourism. (Budeanu, 2005).

The Tour Operators Initiative for Sustainable Tourism Development (TOI) is helping to promote environment friendly and socially responsible tourism. Also, it summarizes the role of tour-operators at their destinations as following (TOI 2003):

- greatly influence customer’s choices and behaviours
- the direction of tourism flows
- influence attitudes and practices of numerous tourism suppliers and stakeholders
- influence the development of destinations
- influence the well-being of destinations / local communities

For a tour operator to become a TOI member, few rules apply. A corporate policy for sustainable tourism development must be in place, in order to communicate regularly results and progress, and to sign and adopt the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism (ECPAT).

## **2.3 Perception of environmental risk**

Recent research (Hares et al., 2010) shows that when tourists choose their travel packages, climate change does not feature in their thoughts or decisions. Even if many of the study participants acknowledged air travel as being a cause of climate change, the association between holidays and climate change, in participants’ perception, is either not made when planning holidays or is somehow suppressed. The authors suggest that, in the case of holidays and international travel, there is an awareness- attitude gap rather than an attitude-behaviour gap (Hares et al., 2010).

Another study asserts that the consumer has a large potential to shape the future development of the tourism industry. Loyalty by tourists towards a particular tour operator can be increased if indicators of sustainable tourism are clearly displayed and communicated. This would be of interest to a growing number of consumers in helping them to choose among tour-operators (Miller, 2001). Some of the economic crisis effects (shorter life cycles of products and services, the mitigation of the rational patterns of choice that drive non-rational consumer

behavior) have amplified the role of corporate public relations and sophisticated branding communication (Chiru, 2010), including the integration of environmental results and corporate social responsibility in marketing communication.

### 3 Methodology:

This article aims at investigating the environmental performance assessment of large European tour-operators. Several case studies will be presented, underlining their sustainable business approach and continuous implementation of certified environmental management systems, as well as climate protection and biodiversity preserving. All the cases are representative for the tour-operator's business frameworks. Data concerning environmental protection, nature conservation and sustainable development in their source markets and tourism destinations have been integrated in order to reveal their environmental management performance. As a general remark, all studied tour-operators proved a multi stakeholder dialogue and international cooperation. For each company, it was presented the performance to date against their 2010 targets, most of data being taken from sustainability reports published on their websites.

### 4 European Tour-Operators Dealing with Environmental Risks

The authors analyzed three European key tour-operators: TUI, Thomas Cook and Kuoni, by synthesising their risk management strategies environmental activities and results.

*Table 1. Comparative analysis of European tour-operators environmental risk management*

NR. CRT	ENVIRONMENTAL POLICY	TUI	THOMAS COOK	KUONI
1	Energy consumption	the aviation and cruise industry are among the top energy consumers. TUI managed to reduce the fuel consumption of 3.00 liters of aircraft fuel per 100 passenger kilometers (pkm) (in 2009, the consumption was 3.03l/ 100pkm). Also, cruises managed to reduce the fuel consumption by more efficient planning of their routes and higher capacity utilization.	Thomas Cook Airlines (in 2010) became the first and only UK airline to achieve ISO 14001 certification for its Environmental Management System (EMS), by fitting winglets (vertical extensions to wing tips) on its four Boeing 757-300 and 767-300 aircraft, the airline has improved fuel efficiency, saving over 9,000 tons of carbon emissions per year.	the charter airline operated by Kuoni Scandinavia (Novair), was the first in Europe to test a "green curved approach" landing with an Airbus using GPS navigation. The innovative technique reduces kerosene consumption, cuts harmful emissions and reduces aircraft noise. First results proved that over 500kg of CO <sub>2</sub> can be saved per approach. Novair saved 300kg of kerosene per flight, or 1000 tons a year. This is equivalent to a CO <sub>2</sub> reduction of 3%.
2	Carbon dioxide emissions	the total CO <sub>2</sub> emissions from the Group operations were reduced with 0.43 million tons in 2010 in comparison with the previous year. Both of the companies airlines (TUIfly Nordic and Thomson Airways)	an Environmental Management System (EMS) approach, accompanied by ISO 1400 certification for UK airlines was adopted in 2010. In 2010, Thomas Cook	in collaboration with myclimate and Green Seat, two carbon offsetting organisations, Kuoni supports pioneering projects on Bali and in Egypt, in which large recycling facilities convert organic waste into

		have achieved ISO 14001 certification.	Airlines became the first and only UK airline to date to achieve ISO 14001 certification for its EMS. The airline identified ways to reduce its environmental impacts. For example, by fitting winglets (vertical extensions to wing tips) on its four Boeing 757-300 and 767-300 aircraft, the airline has improved fuel efficiency, saving over 9,000 tons of carbon emissions per year.	valuable compost, and also create work for 120 local people. On its website, Kuoni has a “flight carbon calculator” which allows the page visitors to calculate the carbon emission of a flight chosen.
3	Green hotels	TUI Environmental Champion award is received by the most environmentally friendly hotels. A number of 63 hotels in TUI’s Hotel&Resorts portfolio are certified with ISO 14001, and some hotels gained the eco label of Travelife <sup>1</sup> .	over a million of our UK customers (41% of all UK customers) and 5.4% of Thomas Cook Belgium's customers were accommodated in hotels that meet the Travelife criteria. The Group’s Sunwing hotel chain switched from advocating its own environmental programme for Sunwing hotels to promoting Travelife. 36 hotels subscribed and within a few months, 21 won Travelife awards, of which 16 were gold.	Kuoni organizes regular workshops in different destinations where it operates to show participants (partner hotels) how improving their sustainability can reduce their costs, and what clear further benefits such sustainability efforts can deliver for both people and the environment.
4	Biodiversity	At the TUI Green Days in 2010, a campaign named “No industrial diversity without natural diversity” was presented to travels, which pointed the importance of	Thomas Cook is raising awareness among its customers and employees about animal welfare matters by working closely with suppliers and NGO’s.	there have been undertaken substantial efforts regarding conservation of ecological areas in East Africa through development of small-scale ecotourism

<sup>1</sup> Travelife was established by the European Union and ABTA (The Association of British Travel Agents), represents a joint initiative by a number of tour operators around the world to ensure the systematic management of sustainable performance throughout the value chain. Travelife awards are bestowed on hotels that assume responsibility for ensuring sustainable tourist development. The awards are based on individual assessments of some 100 different criteria. The standards required in each of these categories become steadily more demanding for the Travelife Bronze, Silver and Gold awards

		<p>biodiversity for sustainable business success. Another project implemented, in cooperation with Federal Agency for Nature Conservation in Germany, is a nature conservation magazine for children and organized excursion for customers or local organizations in eco destinations. TUI sustainable involvement regards also its key destinations – a reforestation project of 12,000 pine and olive trees was implemented in the north of the Balearic Island of Mallorca in collaboration with the Balearic Ministry of Environment.</p>	<p>businesses that have little knowledge of the tourism market. The project aimed at providing local entrepreneurs with business skills necessary to design successful ecotourism packages and to support sustainable marketing initiatives. Another example is the “Coral reef protection” initiative. According to the World Resources Institute, 75% of all coral reefs worldwide are already at risk. Starting with 2008, in collaboration with IUCN<sup>2</sup>, an international nature conservation organization, Kuoni supported the protection of the coral reefs in two popular tourist destinations - Egypt and Maldives. The close cooperation with IUCN, local tour-operators and local associations identifying the reefs most at risk due to climatic change and protecting these.</p>
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(Source: Author's work based on: TUI 2010 Sustainability Report (<http://sd2010.tuitravelplc.com/tui-sd2010/en/home>), Thomas Cook 2010 Report ([http://www.thomascookgroup.com/downloads/pdf/thomascook\\_sr10.pdf](http://www.thomascookgroup.com/downloads/pdf/thomascook_sr10.pdf)) and Kuoni Sustainability Report ([http://www.kuoni-corporate-responsibility.com/docs/cr\\_report\\_2010\\_lowres\\_2.pdf](http://www.kuoni-corporate-responsibility.com/docs/cr_report_2010_lowres_2.pdf)).

We identified that the analysed tour-operators' environmental strategies have several common areas: Energy consumption, CO<sub>2</sub> emissions, Eco-friendly/green hotels and Biodiversity. Special ecological targeted offers (Kuoni's eco travel packages) are not a common practice at least at this moment, but represent an interesting environment friendly approach. Kuoni offers its clients the world's first Fair Trade Travel (FTT)<sup>3</sup> certified package through its sustainable product line, *ananea*<sup>4</sup>. The 16-day FTT package through the Garden Route of South Africa offers overnight stays at fair trade certified lodges. The tour-operator's travel package includes transport, activities and accommodation. All studied tour-operators have spent substantial efforts on environmental protection, nature conservation and sustainable development in the European outgoing markets and tourism destinations. Some other important players on the European tour-operators' market such as Club

<sup>2</sup> the International Union for Conservation of Nature.

<sup>3</sup> Fair Trade Travel offers the opportunity to realize forms of tourism that are economically, ecologically and socially sustainable. This kind of tourism meets the expectations of both the tourists wanting relaxing holidays and local people at the destination wanting to maintain their livelihoods, cultural diversity and dignity.

<sup>4</sup> from the Greek *ananeosis*: “renewal”. A Kuoni program that enables tourists to deeper insights into unknown lifestyles, meet local people and learn more about how to maintain a caring, sparing and sustainable relationship with nature.

Mediterranean, Rewe have several sustainability/environmental risk assessment measures included in their 2010 general annual reports. These outcomes have been anticipated by a few previous empirical studies that asserted the idea of tour-operator business dependency on the health of their destinations and the need to address environmental impacts while advancing the benefits of customers and employees (Varga & Ungureanu, 2010; Parpandel et al., 2009).

All the above major tour-operators expressed their adhesion to the Travelife system which standardizes the green practices for hotels in the hospitality industry. Therefore hotels across the world do not have to meet different sustainability requirements for each tour operator.

There are other important tour-operators that have not announced their strategies targeted on sustainability matters and also do not have environmental risk assessment public statements. Most of them originate from the Central and Eastern Europe markets (e.g. Tez Tour, Pegasus, etc.), characterised by lack of heritage in the travel industry and a volatile economic environment dominated by risk and uncertainty (Moraru, 2005). The findings from a recent research conducted on the Romanian travel market show two different clusters: international tour-operators that implement and promote social responsibility activities and local small and medium size operators that have an unclear understanding of the concept and thus it is difficult for them to design, implement and promote CSR strategies (Ciuchete et al., 2011)

## 5 CONCLUSIONS

In the context of sustainability, tour-operators have to become more involved in building long-term relationships between tourists, governments and communities. With millions of customers and a significant supply chain, a single tour operator could inspire a significant movement towards sustainability. If managed irresponsibly, tourism can harm communities and damage the human and natural heritage that tourists have come to see.

We noticed a similar approach among top European tour-operators regarding vital environmental concerns: biodiversity, CO<sub>2</sub> emissions, energy consumption and collaboration with green suppliers. Apart of the obvious fact that tour-operators and their partners should implement environmental risk management strategies and reduce the environmental effects of their operations, this study revealed the existence of a heterogeneous approach at European level. We identified different environmental business support and a shift between Western and Eastern Europe tour-operators. While the components of the first category engage in sustainability actions around the world, the second category have only incipient environmental management initiatives, being more focused on their financial outcomes.

The environmental risk management activities of the studied tour-operators are diverse, having new forms (e.g. Kuoni's eco travel packages) and also occur mainly at key destinations. Therefore, a condition for being eco friendly is to be profitable. Also long term efficiency is driven by a strong and solid business position towards partners. The studied European tour-operators seem to have all these aspects in place. Future research will be undertaken to analyse other relevant players (tour-operators, service providers, travel agencies) to better estimate their impact and role on tourism sustainability.

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