CHAPTER ELEVEN
INDICATORS FOR DISTRIBUTION CHANNELS:
THE TOUR OPERATORS’ INITIATIVE FOR
SUSTAINABLE DEVELOPMENT

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Introduction
Tour operators have long been regarded as the weakest link in sustainable tourism stewardship, often claiming that they do not have direct impacts outside their office and brochure production, and instead that it is their suppliers who are responsible for the impacts (Aronson, 2000; Carey et al., 1997; Curtin and Busby, 1999; Gordon, 2001a; Klem and Parkinson, 2001). Tour operators have also claimed that they are market-driven organisations that only respond to sustainability requirements when there is a competitive advantage linked to it. Adventure and ecotourism have been seen to be the first segments to rise to the challenge/opportunity of corporate understandings of sustainability, albeit often exploiting the destination’s resources rather than preserving them (Cater and Lowman, 1994; Engeldrum et al., 1998; Hall and Lew, 1998b; Neil and Wearing, 1999)

Against this backdrop this chapter reviews the progress and reflects on the challenges of promoting corporate environmental and social responsibility amongst tour operators, through the efforts made by the Tour Operators’ Initiative for Sustainable Tourism Development (TOI). The TOI is a network of tour operators who seek to improve their environmental performance and to incorporate sustainable development principles in their business operations. The TOI was created in response to a growing awareness on the part of some more proactive tour operators that their success depends on a clean and safe environment.

The TOI members recognise that tour operators play a central role in the tourism industry. As intermediaries between tourists and tourism service providers, tour operators can influence consumers’ choice, the practices of suppliers and the development patterns in tourism destinations. This unique role means that tour operators can make an important contribution to furthering the goals of sustainable tourism development, protecting the environmental and cultural resources on which the tourism industry depends for its survival and growth. This is not new knowledge, what is new is to hear a group of tour operators acknowledging this position and then working towards these goals. While there is increasing evidence of good practice in the tourism industry, this has not been widely adopted across the sector as relatively few tour operators have had the management tools or experience to design and conduct tours promote sustainable tourism. (Gordon, 2001b, Hawkes and Williams, 1992; Tapper, 2001). Some of the large operators involved in the TOI have previously demonstrated that they can improve their sustainability records and enhance their overall businesses (see Luck, 2002 for examples of the two largest German operators TUI and LTU; and Mowforth and Munt, 1998 for BA Holidays and Thomson Holidays). Yet, through the TOI all members now aim to develop and use these tools in their own operations, and encourage other tour operators to do the same.
Background to the Scheme
The TOI was formally launched in March 2000, following nearly two years of preparations involving the founder members. The Initiative is voluntary, non-profit, and open to all tour operators, regardless of their size and geographical location. As of August 2004, it brings together 25 tour operators, including the initiative’s founder members TUI Group, TUI Northern Europe, LTU Touristik, VASCO, First Choice, British Airways Holidays, Aurinkomatkat-Suntours, and Hotelplan. The TOI is supported by the United Nations Environment Programme, UNESCO and the World Tourism Organization. The goals of the initiative are to share information, demonstrate best practices, and raise awareness of environmental and social issues that affect the tourism industry. With this Initiative, tour operators are committing themselves to working with others through common activities to promote and disseminate methods and practices compatible with sustainable development.

Box 11.1 The Tour Operators Initiative Approach to Sustainability

The TOI’s mission is;
- to advance the sustainable development and management of tourism
- to encourage tour operators to make a corporate commitment to sustainable development

The Initiative addresses ways to decrease negative impacts on the environment, culture and communities in tourism destinations, and to generate benefits for local communities and the environment, through the design and operation of tours and the conduct of tour operators’ business activities. Members of the Initiative should strive to adopt best practices in their internal operations, their supply chain, and at destinations. Among the ways to do this are;
- making exchange of information easier
- developing new management tools and adapting existing ones to the industry
- providing a forum for dialogue with other partners

Members will assess progress on a regular basis and create partnerships to address common issues. Broadening support for sustainable development among other players in the tourism sector, including tourists involves;
- cooperating with business partners, regional and national governments, NGOs and other groups with a common agenda on specific activities and projects,
- working to increase awareness among tourists, other segments of the tourism industry, and local communities and people

The TOI is also dedicated to establishing a critical mass of committed tour operators through;
- increasing the visibility of committed tour operators and creating an image of the Initiative as a world leader in the area of environmentally, socially and culturally responsible tourism,
- increasing the membership of the Initiative
- establishing partnerships with other organizations that contribute to achievement of these objectives and strengthening links with regions through tour operators’ associations and the UNEP, UNESCO and WTO/OMT networks.

To integrate sustainability into their businesses, tour operators’ need to consider environmental, social and economic aspects at all stages of the process of developing a holiday package. There are many previous experiences of individual tour operators working for sustainability; yet one of the challenges remains to attain compliance with
sustainability guidelines throughout the sector (Sirakaya, 1997; Sirakaya and McLellan, 1998; Sirakaya and Uysall, 1997). The emphasis in this chapter is how tour operators as a sector have mapped out the key areas where they have impacts, developed indicators to reflect their sustainability, and are making progress to report on their attempts to be more sustainable. While each company has an individual responsibility to address the challenges of sustainability, sectoral approaches and tools can effectively complement the efforts of individual companies and create synergies throughout the industry. One of the major achievements of the TOI is the development of the tour operators’ performance indicators, which supplement the 2002 Global Reporting Index (GRI) Sustainability Reporting Guidelines. The GRI is a cross-industry international framework to standardise corporate reporting accounts and raise their quality and rigour to the level of financial accounts (GRI, 2002; Line et al., 2002; Ranganathan and Willis, 1999, SustainAbility and UNEP, 2000, Waddell, 2002; Willis, 2003). The tour operators’ supplement to the GRI framework is the result of a nine-month process that included numerous meetings and online exchanges with UNEP (acting as the TOI Secretariat) with the GRI acting as facilitators, and the active participation of stakeholders deemed relevant by the tour operators and the secretariat.

The members of the TOI agreed that the best way forward was to develop a ‘Sector Specific Supplement’ to the GRI’s core sustainability reporting performance indicators (these are included in the GRI Sustainability Reporting Guidelines), that apply to all industry sectors. The development of the tour operators’ sector-specific performance indicators had to take into account three main considerations. First, the supplemental indicators had to complement the performance indicators contained in the existing 2002 Guidelines. Therefore, the supplement aimed to capture issues that were either essential components of sustainability unique to tour operators; or relevant to numerous sectors, but of critical importance to tour operators’ sustainability performance. The second consideration was the recognition of the ‘middle man’ role of tour operators in the tourism industry. As tour operators do not deliver services or produce physical products, clearly defining the boundaries of responsibility was considered a necessary first step in the process. The third consideration was that the lack of examples of sustainability reports in the sector meant that the performance indicators could not be based on existing practices.

A Multi-Stakeholder Working Group on Sustainability Reporting was created to develop a common framework for sustainability reporting guidelines for the tour operator’s sector, within the context of the GRI. Not only is it a GRI requirement that a multi-stakeholder working group needs to be created, but the GRI has strict requirements on how Working Groups are to be set up and run, including requiring them to be co-chaired with one industry and one civil society co-chairpersons, and to include representatives of all major groups relevant to the sector for which guidelines are being developed. The Working Group comprised not only selected members of the TOI (11 outbound and two inbound
tour operators) but also representatives of other major groups relevant to the tour operator’s sector, such as non-governmental organizations (four), trade unions (one), hotels (three), cruise lines (one), airlines (one) and local authorities (two). Within the private tourism sector, representatives from a range of different types of tourism businesses were included in the Working Group to reflect differences in their size, type of holiday packages offered (and hence type of customers) and destinations served, all of which are important factors in influencing the ways in which these different businesses operate. Overall, the Working Group had a total 30 members, and was coordinated by UNEP and the GRI, supported by two consultants.

The Multi-Stakeholder Working Group held three consultation meetings of two days each, in November 2001, and February and April 2002. During the first meeting, Working Group members focused on identifying (using a ‘gap analysis’) the sustainability issues specific to the tour operator’s sector that were not sufficiently addressed by the core GRI Sustainability Reporting Guidelines. Based on this a first draft of tour operator specific indicators was developed. This draft was further discussed and developed during the second and third meetings of the Working Group, leading to the production of revised drafts after each meeting. Comments were also sought from other organisations and individuals, utilising the TOI website to post drafts following the first and second Working Group meetings, as well as sending drafts electronically to key organisations. All comments received were circulated among the members of the Multi-Stakeholder Working Group as well as posted on the website. The Working Group agreed at its third meeting to submit the final draft that it produced to the GRI Board of Directors for approval, this was completed in May 2002. In November 2002 the GRI published the Tour Operators’ Sector Supplement for use with the GRI 2002 Sustainability Reporting Guidelines. The resulting indicators are designed to demonstrate how tour operators have performed in putting their vision and strategy for sustainable development into practice.

The rest of this chapter discusses the indicators chosen and reporting approach developed in relation to the key operating areas where tour operating companies can integrate sustainability into their operations. This achieves two purposes, first to present the agenda that tour operators have set themselves to move towards more sustainable tourism, and second to reflect on the many challenges for tour operators to both manage this agenda and report on the outcomes.

**Development of the Scheme**

The performance indicators themselves are grouped under generic GRI 2002 indicators, and supplemented by tour operator specific indicators. The Tour Operator’s Sector Supplement, includes 57 indicators exclusively relevant to tour operators, in addition to the 97 core GRI 2002 indicators, grouped under environment, social and economic performance. It is important to note that the measures developed for these areas under the GRI guidelines cover both quantitative and qualitative measures, and address both
performances achieved and the processes, such as management and monitoring systems, that are necessary for delivery of improved sustainability performance. The Working Group felt that the quantitative indicators would enable the GRI guidelines to cover actual results achieved, whilst the qualitative indicators would allow for recognition of other pro-sustainability actions taken by suppliers that were not suitable for quantitative comparisons. Similarly, the group also decided that it was important to have indicators of the processes in place to monitor for continuous improvements in sustainability performance. The five areas under which the TOI divides its 57 indicators are;

- **Product development and management**: planning tours and selecting holiday package components that minimise environmental, economic and social impacts;
- **Internal management**: taking into account sustainability principles in the management of human resources, office supplies and production of printed materials;
- **Contracting with suppliers**: integrating sustainability principles into the selection criteria and service agreements of suppliers;
- **Customer relations**: guaranteeing privacy, health and safety standards, and providing customers with information on responsible behaviour and sustainability issues at their destinations;
- **Relations with destinations**: supporting destination stakeholders’ efforts to address sustainability issues and financially contributing to conservation and development projects.

**Product management and development**

Product management and development includes a range of indicators relating to the choice of the destination as well as the type of services. These indicators are grouped here under destination framing, destination selection process, understanding the impacts on holiday products, and changing the design of holiday products. The actual indicators recommended for reporting by the TOI under this heading are presented in Box 11.2.

**Box 11.2 Product Management and Development (PMD)**

<table>
<thead>
<tr>
<th>PMD1</th>
<th>Indicate percentage of reporting organisation’s business (by passengers carried) and market share in operating destinations.</th>
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<tbody>
<tr>
<td>PMD2</td>
<td>Describe policies on selecting, developing and deselecting destinations based on environmental, social and economic issues.</td>
</tr>
<tr>
<td>PMD3</td>
<td>Describe key environmental, economic and social issues identified in destinations and types of information gathered.</td>
</tr>
<tr>
<td>PMD4</td>
<td>Indicate percentage of destinations in which organisation operates for which issues (PMD3) have been identified, and percentage of reporting organisation’s business this represents (by passengers carried).</td>
</tr>
<tr>
<td>PMD5</td>
<td>Describe types of approaches taken in gathering information (PMD3) and rationale for applying an approach to a given destination.</td>
</tr>
<tr>
<td>PMD6</td>
<td>Indicate length of time over which this information (PMD3) has been collected, and the frequency with which it is updated.</td>
</tr>
<tr>
<td>PMD7</td>
<td>Quantify overall economic, environmental, and social impacts of typical holiday products.</td>
</tr>
<tr>
<td>PMD8</td>
<td>Describe changes in design of holiday packages and other actions to address key environmental, economic and social issues (see PMD3) of destinations.</td>
</tr>
</tbody>
</table>
Destination framing requires each tour operator to report on how they define the geographical unit considered as destination (country, region, city/town, municipality) and the services included in a holiday package. Reporting on the percentage of business in the destination shows how important the destination is to the operator, while reporting on the market share shows how important the tour operator is to the destination. In justifying the destination selection process, tour operators are expected to illustrate the sustainability principles taken into account in the selection and/or de-selection of destinations. Policies can be fairly generic or specific, varying according to the type of packages and the destinations, to take into account specific needs and impacts. The policies could refer to choosing destinations with good environmental and social management records (or the avoidance of destinations where it is evident there is uncontrolled growth or impacts).

A tour operator’s performance is also linked to how far the company invests in understanding the impacts to the visited destinations. Performance in this aspect is related not only to the issues for which information is gathered, but also to the methods that are employed to gather that information. In particular, the indicators focus on issues identified, percentage of destinations for which information has been gathered, source of the information, and how often the information is reviewed. Tour operators must also demonstrate that they understand their impacts at the destination level. One significant lesson to be learned from these indicators is recognition of the effort invested in measuring and monitoring impacts, using a mix of quantitative and qualitative indicators, generated by the various components of the holiday packages. This is considered as a key step in being able to eventually revise the design of holiday products to reduce their impact. It requires tour operators to understand the impacts, determine the level of significance of the different impacts, and concentrate on those that have the highest impact, and then identify measurement methods using a systematic methodology that can be reproduced in a variety of destinations to allow comparability. Quantification of the impacts is shown to be a complex exercise, and the process will need to be progressive. It is expected that in the initial period of reporting each operator will test a range of methods until they identify the most suitable for their products, consider the use of already published sources of data, undertake staff training on the methods, or organise the subcontracting of the measurement of the impacts. The range of impacts that could be measured is vast and part of this process will also include selecting significant and prioritised impacts that can be used as totemic indicators of the tour operators’ pursuit of sustainability at the destination level.

A further important part of reporting involves showing how the operator is changing the design of holiday products, on the basis of information collected on impacts. Understanding and quantifying the impacts of holiday products provides evidence for assessing the “level of sustainability” of the current holiday products, and moreover
enables considering alternatives that can reduce negative impacts and maximise the positive benefits of each holiday overall. The corporate social report should extend to highlighting the changes made to their holiday products, and specifically highlighting the measures designed to maximise the economic benefits to destinations. It is expected this will include accounting for the choices available for a particular holiday component, the methods used to consider the impact of each alternative and the rationale for the choice made.

**Internal management**
The second aspect of tour operators reporting is internal management. This covers all the operations and activities that take place in the headquarters or country offices such as the use of office supplies, production of brochures, direct employment. The GRI 2002 Guidelines have an extensive set of indicators at this level as they began life as an index for the manufacturing industries, and these are organized around the three principal pillars (economic, environmental and social) of sustainability. The indicators from the Tour Operator supplement to the GRI are shown in Box 11.3.

**Box 11.3 Internal Management (IM)**

<table>
<thead>
<tr>
<th>IM1</th>
<th>Provide evidence of recruiting local residents (including destination nationals) for destination posts including management positions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM2</td>
<td>Describe existence of policies and programmes to address the physical and mental well-being of staff at headquarters and destinations.</td>
</tr>
<tr>
<td>IM3</td>
<td>Describe types and mechanisms of training on environmental, social and economic issues by category of employee.</td>
</tr>
<tr>
<td>IM4</td>
<td>Describe policies and actions in place to accommodate cultural customs, traditions and practices of staff throughout the organisation.</td>
</tr>
<tr>
<td>IM5</td>
<td>Describe policies to minimise the environmental impacts associated with the production, distribution and use of promotional materials and customer documentation.</td>
</tr>
<tr>
<td>IM6</td>
<td>Indicate total quantity (tonnes or kg) of material used by type (e.g., paper, plastic) and environmental quality (e.g., recycled content), for the production of promotional materials and customer documentation.</td>
</tr>
<tr>
<td>IM7</td>
<td>Indicate percentage of promotional materials and customer documentation that are produced in accordance with an environmental standard.</td>
</tr>
<tr>
<td>IM8</td>
<td>Describe policies and targets for redistribution, reuse and recycling of promotional materials.</td>
</tr>
<tr>
<td>IM9</td>
<td>Indicate percentage of total travel retailers that agree to adopt policies and practices on reuse and recycling of promotional materials.</td>
</tr>
</tbody>
</table>

**Economic impacts** are generally covered through traditional financial indicators that assess the profitability of an organisation and are used to communicate this information primarily to management, shareholders, and the wider investment community. These data are important to present a broad picture of the size and structure of the tour operator and can be used to demonstrate the financial benefit of tourism to the destination.

The GRI provides an exhaustive list of environmental indicators to measure performance on areas of direct responsibility for the tour operator to measure. As the GRI have been
developed for the manufacturing industries in mind, their guidelines provide templates for energy and water protocol. Tour operator’s indicators address the environmental issues associated with promotional materials and customer documentation and the policies in place to minimise impacts in these areas. Firms are encouraged to have policies, take actions and keep evidence of reducing environmental impacts. In particular, they are invited to report on their policies related to the production, distribution and use of promotional material and customer documentation; quantify the total use of paper by type and environmental quality; and the proportion of material that is certified to an environmental standard. In addition to the production phase, reporting tour operators are also asked to report on both their policies for reusing and recycling the above mentioned documents, and on the percentage of travel agents that tour operators have successfully involved in implementation of reuse and recycling programmes.

Social performance issues are mainly covered through general GRI indicators, sorted by a number of GRI technical protocols that are available on the GRI website (http://www.globalreporting.org). The indicators for tour operators here refer to United Nations and International Labour Organization (ILO) conventions. For example tour operators would be expected to report on their awareness of the requirements of the ILO Declaration on Fundamental Principles and Rights at Work, 1998, and show how this is implemented in their workplace.

The complexity of reporting on all these issues should not be underestimated, since it involves tour operators in the collection and aggregation of information from their suppliers as well as internally. This requires dialogue with suppliers, as well as training, and although the amount of time this requires per supplier is relatively small, for tour operators with many suppliers, this can be a major exercise, and also requires development of internal systems to manage and collate the information that is collected. To facilitate this, the TOI is developing a series of support mechanisms to facilitate the collation of information, to provide templates that can be used for reporting, and to assist in training. For example the TOI has prepared 10 fact sheets on key sustainability issues (biodiversity, climate change, water and waste, human rights etc), a module on poverty alleviation, and a training kit on environmental and social corporate responsibility for tour operators to deliver internal staff training.

Supply Chain Management
As intermediaries between tourists and tourism service providers, tour operators bring together a variety of tourism-related services to form a complete holiday package, which is then marketed to customers either directly or through travel agents. Each package holiday generally consists of accommodation (often including some food provision), transport both to and from the destination, ground transport within the destination, and events or activities such as excursions and social activities. As most services are provided by subcontracted companies, tour operators may often have only indirect control of the environmental and social impacts of their holidays. Despite this, consumers expect the
tour operating companies from which they buy their holidays, to ensure that those
holidays meet certain standards in addition to offering quality and value-for-money.
Miller (2003) demonstrates the growing willingness of UK tourists to pressure their tour
operator to ensure action on some environmental and social issues. Pressure is also likely
to come from insurance companies and financial institutions, as discussed in Chapter
Three. For tour operators, who offer products comprised almost entirely of contracted
goods and services, this means that effective implementation of their sustainability
policies requires close working with suppliers to improve sustainability performance in
all the components of a holiday throughout the life cycle of a holiday package. As Box
11.4 shows, this is the area with the greatest number of indicators, reflecting its
importance and complexity.

**Box 11.4 Supply Chain Management (SCM)**

| SCM1       | Describe the supply chain management policy, objectives and targets on environmental,
| SCM2       | social, and economic performance. |
| SCM3       | Describe processes through which suppliers, by type, are consulted during development
| SCM4       | and implementation of the supply chain management policy, described in SCM1. |
| SCM5       | SCM3. Describe issues identified through supplier consultation and actions to address
| SCM6       | them. |
| SCM7       | SCM4. Describe processes through which suppliers, by type, are engaged in the
| SCM8       | implementation of the supply chain management policy, described in SCM1. |
| SCM9       | State joint actions taken with suppliers, by type, to support improvements in suppliers own
| SCM10      | environmental and social performance. |
| SCM11      | Describe progress in achieving objectives and targets related to supply chain policy. |
| SCM12      | Indicate percentage of suppliers, by type, subject to supply chain management policy. |
| SCM13      | Indicate percentages of suppliers, by type, subject to supply chain policy that have a
| SCM14      | published sustainability policy, implemented a sustainability management system and/or
| SCM15      | have a staff person with management responsibility for corporate sustainability. |
| SCM16      | State types of information requested from suppliers, by type. |
| SCM17      | Indicate percentage of suppliers, by type, subject to supply chain management policy that
| SCM18      | provided the requested information. |
| SCM19      | Indicate percentage of suppliers, by type, subject to supply chain management policy
| SCM20      | whose environmental, social and economic performance has been reported. |
| SCM21      | State actions taken by the reporting organisation in response to suppliers reported
| SCM22      | performance (as per SCM11), by type of suppliers |
| SCM23      | State actions to inform suppliers of customers’ requirements. |
| SCM24      | State contracting policy and how it is communicated to suppliers. |
| SCM25      | Describe joint initiatives with suppliers to improve environmental, social and economic
| SCM26      | conditions in destinations |
| SCM27      | State benefits for the reporting organisation from implementing the sustainable supply
| SCM28      | chain policy. |

Supply chain management addresses actions related to the selection and contracting of
service providers, using the purchasing power to improve sustainability requirements, as
has previously been done to improve health and safety requirements and quality. As with
the two previous areas for reporting, indicators relating to supply chain management require the operator to lay out policies, identify impacts, put programmes in place, measure change and report on efforts made. The main goal is to work on product/service stewardship across the entire life cycle of the holiday package - to design packages with acceptable economic yields, lower environment and social burdens, and to be able to communicate with confidence on the sustainability profile of holiday services. In this area, the indicators are grouped under three headings; supply chain management policy, policy implementation, and continuous support.

Operators are asked to report on their supply chain management policy, highlighting how environmental, social and economic sustainability is integrated in the choice of suppliers. A policy is important because it states the tour operator’s intent and helps to communicate it to the relevant parties, since the sustainability policy may establish certain criteria that will be taken into account when the operator contracts with its suppliers. The ability to introduce sustainability requirements in purchasing policies depends on the stability and power balance in supplier-purchaser relationships. To report on contractual agreements confidentiality could be a problem, but sustainable issues are generally regarded as non-competitive, enabling suppliers to report freely on agreed terms. A good supply chain management policy should address the nature of the businesses, such as issues associated with the selection and packaging of holiday services, and should convey a strong and clear message to suppliers on what is expected from them. Operators are encouraged to report on consultations that they may have with suppliers on writing the supplier policy, on the issues identified by suppliers and on how this consultation has informed the policy written. Suppliers’ consultation can be in a variety of formats, from informal discussions to consultation through focus groups for each destination, to reviews of draft policies.

Implementation starts getting suppliers to acknowledge, assess and report on their impacts, develop systems to manage them and make measurable improvements in key areas. The indicators are designed to measure the operators’ ability on these aspects, requesting information on what mechanisms have been adopted to support integration of sustainability aspects in their suppliers’ activities. These might range from adopting measures to raise suppliers’ awareness about what issues are important, to assisting them from a technical perspective, to promoting the best performers and finally to contracting only with suppliers that have met set environmental, social and economic standards. It is expected that different firms will start at different levels, depending on their past history, and on the types of tourism and suppliers with which they are involved, but that there will be continuous improvement. The basis of the TOI is cooperative in helping to facilitate progress by members, and in sharing best practices. In addition, peer pressure within the group, and the public scrutiny to which the tourism sector is subject, provide strong positive momentum to the members.

Beyond the mechanisms to encourage suppliers to meet sustainability targets, TOI members need to assess how effective they are being in receiving and using information
from their suppliers. This effectiveness is measured by the percentage of suppliers that have provided information on their own performance, if this information has been verified, and what actions have resulted from the tour operators’ side. Quantitative data can be illustrated with examples of actions taken to enable and support their suppliers to be more sustainable.

The last step of the implementation stage is demonstrating how operators respond positively to those suppliers that are proactive towards their sustainable supply chain management measures. Noteworthy performers can be rewarded with longer contracts, more favourable prices and payment conditions, increased volumes of business, further training and education programmes, assistance with equipment upgrading and property refurbishment, and joint projects to maintain destination quality, experiences comparable to those in other sectors (Krause et al., 1998). They may also choose to highlight the sustainable service providers in their holiday brochures and web-sites, which will give the tourists a chance to directly reward these businesses with their custom.

After implementation, continuous development needs to be reported across a range of supplier development activities (Krause, 1997). Here three aspects of support for suppliers are identified: communication of expectations, joint actions to improve sustainability performance, and efforts to raise awareness of benefits from sustainability improvements by suppliers. Supplier development programmes are an essential part of the implementation of programmes for improved performance in accordance with an operator’s expectations and policies in this area. Such programmes also have a strong pedagogic and motivational value for suppliers, backed up by an important economic incentive. While the power relation may encourage setting high targets, it is important to use the supplier development programmes to agree upon realistic objectives and targets from both a tour operator’s and its suppliers’ perspectives (Krause, 1999).

Supply chain management is probably the most complex of aspects for sustainability reporting, because of anti-competitive practices of tourism businesses in the originating markets including tour operator’s use of power over local suppliers, demanding higher quality for lower prices, limiting the ability of small firms to negotiate their futures (Bastakis et al., 2004; Diaz-Benavides, 2001; Tapper, 2001). This will need to change if suppliers are to actively engage in addressing requirements for sustainability improvements that are made by operators. Any change will also need to be accompanied by greater stability in contractual relationships, appropriate pricing, and more active promotion of sustainability improvements by tour operators as a whole. Trust resulting from secure income streams, stable contracts and foreseeable contracting conditions including prices are a pre-requisite (Font et al., 2004).

**Customer relations**
The sustainability concerns in customer relations relates to the provision of information on sustainability issues and raising awareness of these issues amongst customers. This
goes beyond the traditional tasks of ensuring the health, safety and data security of customers, and that the content and quality of holiday services are in accord with the way in which they are described, advertised and marketed. Health and safety per se are already regarded as part of mainstream quality management, and management of sustainability issues often begins by building on health and safety systems, property audits conducted during supplier selection and contracting, and other management systems that are already in place. Reporting in this area within the GRI framework is organised under the headings of awareness raising and feedback, customer health and safety, characteristics and advertising of products and services, and respect for privacy, as seen in Box 11.5.

**Box 11.5 Customer Relations (CR)**

<table>
<thead>
<tr>
<th>CR1</th>
<th>Describe tools and measures used by reporting organisation to raise consumers’ awareness of suppliers’ environmental, social and economic performance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR2</td>
<td>Describe tools and measures used by reporting organisation to raise the consumers’ awareness of destinations’ environmental, social and economic issues.</td>
</tr>
<tr>
<td>CR3</td>
<td>Describe tools and measures used by reporting organisation to raise consumers’ awareness of sustainable holiday-making.</td>
</tr>
<tr>
<td>CR4</td>
<td>Describe means to invite customers’ feedback on economic, environmental, and social issues related to the holiday product and actions taken to respond to feedback.</td>
</tr>
<tr>
<td>CR5</td>
<td>Indicate percentage of total feedback received, related to economic, environmental and social issues.</td>
</tr>
<tr>
<td>CR6</td>
<td>Provide evidence of consultation with destination stakeholders and suppliers on how the destination and services are portrayed to customers.</td>
</tr>
<tr>
<td>CR7</td>
<td>Indicate number of complaints from destinations’ stakeholders and holiday-makers regarding misleading and inaccurate representation of destinations.</td>
</tr>
</tbody>
</table>

Tour operators are expected to report on actions to raise awareness of sustainability with customers. Evidence in this aspect is more widely available, and usually less confidential than for other aspects such as supply chain management. These range from leaflets, notices, fact sheets and in-flight videos, to records of how sustainability elements are introduced in the welcome meetings by each destination representative. Equally the operator can keep records of how they collect feedback from visitors on sustainability issues to communicate to local authorities and service providers at the destination.

GRI indicators on product information and labelling translate easily and directly to holiday promotion materials. They cover policies and procedures employed to ensure that promotional material is in keeping with the characteristics of the destination, and that claims of sustainability, either self-assessed or the result of gaining sustainability labels and awards, reflect the reality of the product. In this area, there is scope to emphasise the mechanisms by which tour operators have consulted with destination stakeholders to ensure brochures and any communication campaigns reflect the realities of the destinations and products they are marketing. Various indicators can be used to measure tour operators’ performance on these aspects, for example, by recording what percentage of hotels have seen the brochure pages where they feature, and agree with their contents,
and the percentage of tourist offices that have seen and agreed to the description of the
destination in the tourist brochures. Both the general GRI and the tour operator specific
indicators highlight the importance of reporting on the management actions taken to keep
advertising in line with relevant legislation, and to keep records of those occasions where
advertising standards might have been breached—perhaps due to poor product
descriptions—of any complaints from stakeholders in the destination. Reports on
performance can also make mention of prizes, awards and labels received for
sustainability in general, or for particular environment and social reasons, and the criteria
that were met to receive this award.

For any private company customer satisfaction is a key element of the financial viability
of the business, so assessing customer satisfaction should be almost a standard procedure
in tour operating to improve service quality. Mechanisms for measuring satisfaction could
include the use of questionnaires, random interviews, and written feedback received on
service and destination quality. There is also the choice to highlight specific efforts that
tour operators make to invite feedback on environment and social aspects of the holiday
experience as part of their customer satisfaction tools. Such efforts also help to promote
and raise awareness of sustainability among customers.

Finally, operators are requested to report on how they respect customer privacy. As more
and more transactions are carried out online, and electronic crimes are ever increasing,
taking care in the management of their electronic databases on customers, becomes
important. This includes identifying legislation on consumer privacy that is relevant to
their country of operation, and describing the systems that they have in place to comply
with this legislation. This data could be complemented with information on complaints
received on breaches of consumers’ privacy. To report on this aspect, records of
complaints including litigation regarding breaching consumer privacy should be kept.

Co-operation with Destinations
Co-operation with destinations is a broad subject that goes far beyond the production and
delivery of a tour operator’s holiday package. This allows tour operators to report on
efforts made to establish partnerships, assist in community development and undertake
philanthropic activities, as seen in Box 11.6.

A number of environmental and socio-economic impacts arising from product
development and management take place outside the boundaries tour operators feel
directly responsible for. However, these are impacts that if addressed effectively would
improve the tourist appeal of a destination or product. Reporting can therefore include the
ways in which the operator engages with destination stakeholders—including local
authorities, local communities, and the private sector overall-to address these issues,
from informing each other of impacts, to more developed, long-term partnerships. The
variable nature of partnerships means that no specific reporting format is recommended,
and instead tour operators should record the number of partnerships entered and the level
of detail available on both the actions taken and the outcomes achieved. Specific elements of the relationship can include the policies to manage impacts on communities in areas affected by an operator’s tours, policies to address the needs of indigenous people, or jointly managed community grievance mechanisms.

**Box 11.6: Co-operation with Destination (D)**

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>D1</td>
<td>Describe ways reporting organisation engages with destination stakeholders to address issues, including those identified in PMD3.</td>
</tr>
<tr>
<td>D2</td>
<td>Describe measures taken to identify and offer commercial opportunities and assistance to non-contracted suppliers that support community development.</td>
</tr>
<tr>
<td>D3</td>
<td>Describe procedures and criteria for selecting projects and organisations to which philanthropic and charitable donations are made.</td>
</tr>
<tr>
<td>D4</td>
<td>Indicate total funds (in cash and estimated value of in-kind contributions) for conservation and social development projects.</td>
</tr>
<tr>
<td>D5</td>
<td>Describe programmes for philanthropic and charitable donations in relation to conservation and community development projects.</td>
</tr>
<tr>
<td>D6</td>
<td>Provide evidence of benefits generated (in D4 and D5), particularly at destinations, in support of community development, biodiversity conservation and other social, economic and environmental improvements at destinations.</td>
</tr>
</tbody>
</table>

The reporting of the procedures and criteria for selecting projects and organisations to which *philanthropic and charitable donations* are made, helps to ensure that money is well targeted to bring change. Indicators are provided on both the overall value and scope of the philanthropic and charitable donations. In addition to reporting on the total value of funds distributed, in cash and in estimated in-kind donations, operators may also report on the sources of donations (including those made by their clients as well as by a company), on the types of projects to which funds are donated, and on the location and nature of organisations receiving the funds. There is also scope to provide further details of specific projects and the benefits that they are generating, although this will generally be qualitative data, not comparable across projects. Where organisations are supported over a number of years, written records of the benefits over time will often provide a better indication than one-off reports.

**Implementation and Evaluation**

This chapter has so far presented the agenda that TOI and the wider stakeholder group have set to assess sustainability performance in the tour operating sector, in the form of the expected reporting indicators. This framework allows a company to reflect on the goals set by itself and its peers and report on progress made towards them.

In setting indicators for sustainability performance for tour operators, compromises are necessary between what is desirable and what is achievable. The GRI is a bold attempt to develop measures that contribute to achieving this, and is much more detailed than previous reporting mechanisms. Only time will tell whether the expectations and numbers
of indicators are actually realistic, and in the meantime they set valuable benchmarks against which tour operators can assess their performance.

By requiring multi-stakeholder input to development of sustainability indicators, the GRI process itself aims to ensure that the compromises are credible. The advantage of the indicators developed here is that they are the result of long term commitment from a number of organisations that work regularly in related projects. The TOI is still young and so any evaluation may be too soon to fairly judge the potential for the scheme. However, the aim of this chapter is to demonstrate the direction the TOI has taken and stress the need for examples of best practice in developing indicators for use by the commercial sector tourism industry.

Very few attempts have been made previously to set sustainability indicators for tour operators, and when this has taken place these tend to focus more on processes than on actual performance standards (Font and Bendell, 2002). TOI members see reporting as a process by which to become accountable internally, not as a marketing benefit. By working in this way the process could be more inclusive of a wider range of firms without a tradition of sustainability actions, but with strong management commitment to show progressive improvements. What is yet to become apparent is the success of the initiative in attracting smaller tour operators, to see whether, given the financial and human resources necessary to develop indicators, these smaller operators can put the same emphasis on internal accountability over marketing benefits.

Measuring and monitoring sustainability performance for tour operators is no easy task, particularly when it is one of the first service sectors to attempt this. Consequently flexibility is allowed to tour operators in the choice of which indicators to report on, the expectation being that they will first choose a limited number, and gradually will add others that are most relevant to their specific business activities. In addition, information on the tour operators’ profile and their institutional arrangements to plan, manage and implement sustainability priorities provide a clear backdrop against which the performance indicators can be presented. The important point to note that the TOI approach is very different to those that seek to set standards and lead to externally recognisable certificates of sustainability. Certification works on the basis of the ‘haves’ who are certified and the ‘have nots’ who are not. Certification is seen as a marketing tool and once it is achieved there may be little motivation to continually improve sustainability performance unless standards of certification are tightened. In contrast to this approach the TOI process is seen as evolutionary, tour operators gradually increasing the number of indicators they report on. Members of the TOI experiment with the development and implementation of a range of actions and frameworks to make positive progress towards improvement of sustainability performance whilst also increasing the knowledge base of the organisation in this regard. For any given topic, tour operators have agreed to choose from the same set of indicators, and so that comparisons of performance can eventually be made. The approach taken by the TOI supports change of
internal practices of the tour operators, a more lasting approach than simply raising a self-congratulatory flag or externalising sustainability through fundraising for destination-specific projects.

For any company to ensure that activities targeted toward sustainability are comprehensive, credible and lead to long-term positive changes, it is important that they integrate sustainability principles into corporate policy and management systems, and monitor and report on their performance. Sceptics may question the motivation and capacity of tour operators to actually meet these requirements given the cut-throat nature of the business and technical expertise required to monitor many areas. Yet, embracing the challenge and learning about impacts is already a major step forward for a sector that has historically denied their responsibility, only using the environment for marketing purposes and consequently often blamed for corporate greenwashing. The indicators are designed as inspirational learning tools, they set the path for improvement as well as a method to check progress through comparing published company reports. The next few years will witness tour operators experimenting, and often struggling, with the praxis of social and environmental accounting, auditing and reporting. For the TOI, the immediate challenges are to increase the number of companies that report on at least some aspects of their sustainability performance, to assist those who have already may a start and to encourage a more systematic approach to reporting and address the issue of how to provide support to smaller tour operators who may wish to take part in the scheme. While the number of companies using the GRI framework to report is growing fast, their number is still fairly small in comparison with the size of the sector (Mordhardt et al., 2002). Reporting is proving a challenge for tour operators, requiring many internal changes to the company structures for data collection. At the time of writing this chapter, only the Swiss operator Hotelplan (http://www.hotelplan.ch/umwelt/) had published a complete report taking into account the full GRI.

The Tour Operators’ Initiative is a unique example of the development of indicators to operationalize and measure corporate environmental and social responsibility of tour operators towards sustainable development. Its strengths are that tour operators themselves have recognised the need to act and have set themselves challenging indicators that go far beyond anything previously designed. Its weaknesses are in the dominance of larger operators, the complexity of the reporting recommendations and the current ad-hoc nature of much reporting. To be able to report on sustainability performance in this area, companies need to establish mechanisms to promote performance improvements as well as to measure them in a standard manner. Not only does this take considerable time but it presents two significant challenges for the industry. The first of these is for tour operators to adapt their internal processes so that each builds in sustainability into operations, both where they have full control (as in a vertically integrated tour operator with its own transport and hotels) and where they work with contracted suppliers. This requires considerable dialogue and training within tour
operators so that existing systems can be enhanced to incorporate sustainability criteria – for example, by adding some basic environmental and social performance criteria into the contracting process. Equally, suppliers will need to be engaged in programmes of dialogue and training, which will involve a significant resource and logistical challenges.

The second challenge is to find effective ways to work with the very large numbers of suppliers with which most tour operators, large and small, are involved. Both these challenges require experimentation to find workable solutions, and it is likely that a variety of approaches will be necessary to match the diversity within the tourism sector itself. Understandably much of this experimentation and adaptation is likely to take place away from public gaze, and as in other sectors, tour operators are likely to wait until they feel confident that they have effective frameworks in place before they report fully on all aspects of sustainability. The key for the members of the TOI will be to find the right balance between behind the scenes development and implementation of improvements, and public reporting. Reporting in general, and for tour operators in specific, is work in progress; having now set the agenda and acknowledged the responsibility to take actions, the next few years will tell up to which extent they can be implemented.

Summary

This chapter has described how tour operators have joined together to tackle the problems they understand their business causes for destinations around the world. Chapter Three considered the range of forces that could motivate the commercial sector to pursue a sustainability agenda and it is likely that many of the reasons discussed will be relevant in varying degrees to the members of the TOI. However, an aim of the programme is to raise worryingly low levels of awareness about sustainability shows how short-term publicity cannot be the motivating force for the considerable investment of time and effort made. Indeed, that the programme exists at all is no small achievement and a testimony to a more genuine recognition of the need for, and potential of, a transition towards more sustainable tourism. In an incredibly competitive industry with often very thin profit margins, the partnership between a range of stakeholders is all the more impressive for the central role sharing information and best practice plays in the TOI.

The background to the scheme demonstrates how these stakeholders have come together and lists the main organisations included. One judge of the success of the TOI will be how effective it is in encouraging smaller tour operators to join or to develop their own methods of monitoring. Small and medium sized enterprises have long argued it is the responsibility of larger tour operators to show leadership and to commit their more considerable resources to the problems of sustainability. In the TOI, the largest of Europe’s tour operators have made considerable investment and returned the challenge to their smaller rivals to follow suit.

By linking with the GRI, the TOI has made progress in drawing the tourism industry in line with efforts in other industries. In this way, progress in indicators of sustainability in
other industrial sectors can be readily introduced to the tourism industry. Given the laggardly start the tourism industry has made to monitoring, it would be appropriate for real commitment from the tourism industry now to result in progress that be fed back across previously confining boundaries.

The chapter focused on presenting the range of indicators decided upon by the TOI. These have been presented under five areas of management; product management and development, internal management, supply chain management, customer relations, cooperation with destinations. After the detail and definition of the case studies presented so far it may seem disappointing that the TOI does not commit to targets and acceptable ranges. This is a challenge for the future and one the TOI will have to grasp if the programme can continue to have credibility in the future. For the moment, it is difficult to evaluate the success of the programme in effecting change, beyond the fact that the existence of the programme is in itself an indicator of change.
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