"Tourists’ willingness to pay for Green Certification of Hotels in Mexico"

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One of the assumptions used most frequently in economic models is that markets provide the consumers with all the information they need about the products and services they consider purchasing. However, in reality, many markets face problems of asymmetric information and the consumers end up having missing pieces of information about characteristics of the good and service that they care about. This failure of the market is common in the case of environmental attributes of the goods, especially when they refer to the process by which the product was generated and not to a feature of the good or service itself. The environmental dimension of production is not a minor matter; over the last decade it has increasingly become a key element for the consumers’ decision, a fact shown by the premium and competitive edge commanded by products or brands with credible claims of being environmentally friendly. This is the case, for example, of recycled paper, organic and shade coffee, organic produce, and dolphin-safe tuna.

The key to make a credible claim in the market about a non-easily-verifiable characteristic is to have an independent certification by a third party; a party that would itself has high stakes in its reputation as an unbiased certifier. If the consumer values to the information that is provided by the seal, logo or certificate, then certification creates value.

In order to study the attitudes of tourists destinations in Mexico towards the environmental performance of their hotels, and the potential benefits of a national certification scheme, the Instituto Nacional de Ecología conducted a survey in the summer of 2002, interviewing a randomly chosen sample of 565 tourists in 9 clusters corresponding to the main regions and types of destinations in the country. The survey contains a contingent valuation and a contingent ranking exercise to identify the willingness to pay of tourists for increased environmental performance of their hotels. This survey is analyzed here and some of the key findings are:
1. Among the various aspects of sustainability, 53% of tourists in Mexico rate water conservation and reducing water pollution as the most important topic, followed by biodiversity conservation (15%), support for local communities (14%), and energy efficiency (12%).

2. Nearly 2/5 of the tourists would be willing to pay a higher rate to stay at an environmentally friendly hotel: 40% among tourists which usually stay at 3 stars hotels, and 35% and 45% among those staying at 4 and 5 star hotels respectively.

3. The amount of the environmental premium that tourists would pay is correlated to the quality level of hotels they usually visit. The average additional fee for the highest sustainability rated hotel that people visiting 3 star hotels would pay is US$ 30, increasing to US$45 and US$60 for people that visit 4 stars and 5 stars hotels usually.

4. Environmental preferences are expressed not only in the form of a premium paid over existing room prices, but also through "voting with their feet", where given a certain budget for accommodations, tourists would prefer environmentally certified hotels over those that are not, even at the cost of having to accept less luxury or comfort amenities.

The results point out that the benefits of a sustainability certification scheme would be large. A significant share of the tourist market in Mexico is willing and able to pay for accommodation services that go beyond standards in environmental terms. By providing consumers with a credible information tool, a certification scheme would make investments like switching to native plants gardens, natural pest control, energy efficiency, and higher level water treatment plants more profitable. It will also allow having a set of minimum environmental standards valid for all hotels, while promoting competition among them in environmental terms. For those hotels that look beyond their walls and contribute to local conservation or community development.

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