

# WWF Climate Savers innovation cases: Fairmont Hotels



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# Responsible Tourism: Case-study of Fairmont Hotels & Resorts in China

Fairmont Hotels & Resorts was founded in 1907 with an enduring connection to ‘place of occasion’. Its first hotel, the landmark Fairmont San Francisco, became that city’s venue of choice for glittering balls and presidential visits. Today the Fairmont portfolio includes the Fairmont Banff Springs, the Savoy in London, Quebec City’s Château Frontenac and New York’s The Plaza. Fairmont has grown into a leading luxury global hotel company with over 56 destinations.

Fairmont is also the first hotel chain to operate in a socially and environmentally sustainable fashion, long before ‘corporate social responsibility’ became a buzzword. Fairmont’s green philosophy is now one of the core values of the company. Fairmont is the first global hotel brand to join forces with the World Wildlife Fund (WWF) and become part of its Climate Savers program. This programme establishes ambitious voluntary targets to address climate change. Climate Saver companies will collectively cut carbon emissions by 14 million tonnes annually – the equivalent of taking more than 3 million cars off the road every year and at the same time saving these companies hundreds of millions of dollars.

This case at hand looks at the lessons learnt by Fairmont since then, focusing mostly on the company’s Chinese hotels and resorts. China’s environmental challenges are numerous with its vast population and growing economy all contributing to increasing greenhouse gas emissions. Climate change has been promoted to the top of the environmental agenda in the current 12th Chinese Five-Year Plan. This case describes the innovative solutions for greenhouse gas reduction that Fairmont is implementing, both globally and in China.

## **Fairmont hotels in China**

At time of writing and under the banner of Fairmont, there are three properties in China, the Fairmont Beijing, the Fairmont Peace Hotel in Shanghai and the Fairmont Yancheng Lake Hotel in the countryside near Shanghai. It manages a further eight properties in the country under Swiss hotel brand.

Fairmont is trying to bring a new and different culture into the hotel industry by offering guests a unique product, an experience of environmentally sensitive area and a beautiful location managed in the most responsible way. Part of Fairmont company’s philosophy is the education of both staff and guests about the environment, history and culture of the areas in which it operates. This Fairmont global philosophy has been transferred to China and is being adjusted locally. There are major projects across all the company’s properties aimed at conserving energy and reducing energy usage, reducing consumption of gas and water, reducing packaging, recycling kitchen waste, and where possibly using organic or sustainably sourced food in its restaurants. ‘Green committees’ in every hotel give employees a chance to come up with and implement their own ideas and also serve as a channel for staff education on sustainability.

Local sourcing is a key part of Fairmont’s philosophy. Fairmont recognizes the importance of its business to local communities especially in terms of local purchasing, and strives wherever possible to purchase

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local products and to help the economies of the communities where it does business. In China, Fairmont also collaborates with suppliers to help reduce their CO<sub>2</sub> emissions. For example, Fairmont is trying to work with suppliers who use recycled paper, even to produce business cards. As Reto Boer, director of food and beverages at the Fairmont Beijing, says, ‘we are very careful about what and from where we purchase. We have strategic partnerships with companies outside and a little inside of China but the big point what we are buying is the green part of it, sustainable and responsible suppliers’.

Wherever any hotel in Fairmont network can find green suppliers, then those green suppliers are given preference. Fairmont buys organic food because it believes it is the right thing to do. Organic food is of course more expensive, but this is what Fairmont guests are looking for and expecting. Fairmont restaurants will not put certain things such as blue fin tuna or shark’s fin on the menu these are endangered species. Fairmont suppliers are also aware that Fairmont will not buy endangered food even if it is available. In most cases the chefs control the food supplies because ‘we feel that a chef knows more about food than a manager does’. In doing so, ‘chefs try to find things close, close to home instead of going out there in the world’, says Reto Boer.

### **Eco-Cuisine**

Mohamad Kuhi, executive chef at the Fairmont Yangcheng Lake Fairmont, says that ‘there is no other hotel in the world right now that can afford to have a farm on-site to produce all its own beautiful vegetables. There are some small-scale farms, but ours is enormous, has all the resources we need and is expanding. At the moment we are building a huge greenhouse’. Today Fairmont Yangcheng Lake Farm provides nearly 75 per cent of supplies of vegetables for the hotel and part of supplies to the Peace hotel, and aims to increase this figure to 100 per cent by 2013 and increase the supply to peace hotel in the coming years.

Yangcheng Lake Farm is owned by the Kunshan city government and managed by Fairmont, which grows everything from seasonal vegetables popular in Shanghai to Western herbs. More generally Fairmont buys 80 per cent of food locally, within an approximately twenty mile radius. Chicken, duck and pork are supplied locally from Kunshan or Suzhou. When Fairmont is unable to get the best of quality locally it then looks for the best possible source; lamb, for example, is sourced from Mongolia.

There are not many organic meat producers in China and Fairmont has had difficulty in sourcing organic chicken or duck. Traceability is highly important. Chef Mohamad Kuhi wants to be sure that the chicken farmer who supplies the organic chicken does not sell it to anybody else, only to Fairmont. The chef visits farms and checks that the chickens are organically reared, and if they are he will buy them all.

The philosophy of buying local is very strong at Fairmont Yangcheng Lake, and the company encourages its chefs to buy local produce whenever possible. As Chef Mohammad Kunhi points out, ‘when you are in places like this, you want to “showcase” the “real” food’. Imported vegetables are more expensive and more perishable. Food delivered from a long distance away is a waste of taste and a loss of money.

The farm has made a deep impression on guests at the Fairmont Yangcheng Lake. Some of the guests who come to the hotel choose it for the organic food and the farm. For many, arriving to stay for the weekend or on holiday from Shanghai, a visit to the farm is the first thing they do after checking in. When guests go to a dinner at the hotel, they can choose three vegetables from the farm to be cooked on-site and they can also take home up to 3kg of vegetables free, as a gift from the hotel. Fairmont offers this service as part of the spring package that has currently been launched. A client can get a room, two breakfasts, recreation activities, a credit towards other food and beverages and a box of vegetables to

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take home. Philip Smith says, ‘It is very common that on a Friday and a Saturday night we have 100 per cent occupancy, and sometimes on weekdays we get that as well’.

## **Culture and values**

‘A lot of people come out here and are really thrilled to be able to bring their kids’, says Philip Smith. ‘When they were kids themselves they used to go fishing around the Shanghai area. Now, Fairmont Yangcheng Lake Resort is the place to come for Chinese for fishing with their children.’ The price for fishing is cheap, 50 yuan for four hours. Fairmont also offers cormorant fishing, and Chinese tea the way it was done in the ‘old days’ which these days is something unique. Philip Smith continues: ‘In the Tahoe lake area, about half an hour away there is a lady, a hotel employee, who keeps a tea farm on Lake Tahoe. It is her original home and she makes tea for us and takes care of the place. On the tea farm there are as many as twenty-four beehives which produce in spring around 30 to 50 liters of organic honey daily. Fairmont uses this honey for cooking and desserts.

Old traditions are applied not only to the tea ceremonies but to construction as well. ‘A lot of people don’t realise how hard work it was to build the farm’, says Philip Smith. ‘There’s not a single nail [in the construction], it’s all made with wood, all is done in the traditional way going back to a couple of hundred years ago’. For the farm Fairmont used special woven material based on tartar to build the farm house. In similar fashion, in Beijing Fairmont is collaborating with the Hutong Preservation Organisation<sup>1</sup> to organise trips for guests who can go to a real hutong and see what life in the city used to be like. ‘We give them the option to donate some money so that this organisation will continue to exist and do good work to preserve the original Beijing, instead of getting another skyscraper city which nobody really needs’, says Hans Hordijk. Fairmont also provides financial support to the China Association for Preservation Technology of Cultural Relics and WWF to protect the hutongs in Beijing.

At Yangcheng Lake, says Philip Smith, there are further plans. ‘We want to have 60 to 70 valleys in this area and recreate traditional old-style water villages’, he says. Guests will travel to the valleys by boat and actually ‘see what the life was like. Our thinking is not only about green farming, healthy food and fishing in the lake making for a “great restaurant” but is also about experiential learning to re-introduce the history and culture that China has to offer. China has some of the most ancient culture and history in the world. It is great to introduce people to that history as much as possible.’

Through leisure Fairmont is trying to change the behavior of customers towards environment. Owen Fu, director of recreation at Fairmont Yangcheng Lake, provides an example:

We created a programme for the kids to understand how to protect the eco-system here at Yangcheng Lake. We explain the negative consequences of dumping cigarette ends into the lake. We also provide learning sessions called ‘Kids Discovery’. We show them something they can never learn in the city. We present, for example, a waterwheel and tell a story about how the fields were irrigated traditionally. We teach them how water is recycled in a traditional community without too much waste. What is the cultural background, mechanical principles involved and effects that irrigation can produce?

This is an exploratory process for children and cultivates habits of protecting the environment, understanding the importance of the eco-system equilibrium while playing and enjoying. The director of recreation intends to set up a Fairmont Discovery School and give children T-shirts with the school logo.

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<sup>1</sup> Beijing Cultural Heritage Protection Centre.

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He hopes that the sense of belonging to a discovery community might raise interest other children who see the T-shirt and want to come to the Fairmont hotel to play.

Fairmont also brings its products to the homes of their customers, an idea that seems to have been unknown in the hotel industry until now. For around 3,500 renminbi per month people living in the area of Kunshan can get up to 5kg of organic vegetable per week delivered to their threshold. Fairmont is looking to expand this programme into Shanghai area. As Philip Smith explains, ‘some of our hotel guests who want to buy from the farm – they asked us if they could bring our vegetables home with them. So we want to be able to say “Great! Please subscribe and we’ll send weekly vegetables to your home”.’

### **Working with the less fortunate**

In another departure, Fairmont has started to work with children with Down’s syndrome. In China it is usually the government who is looking after such children until they are 14; then they are sent back to their families, where many are simply locked away in rooms ‘24/7’. Mental handicapped people in China are often looked on as a matter of shame. Of the 19 to 21 million mentally handicapped people in China, only 7.1% have meaningful employment.

In Beijing there is a special commune which tries to integrate handicapped people into society by giving easy tasks in orchards or helping farmers. Fairmont decided to buy fruit (apples, pears, peaches, apricots) from this special commune to support those children in their desire to contribute to the society. Fairmont is considering the next step of bringing a few children for a year of training, for example learning the basics in housekeeping, preparatory work in the kitchen or ‘whenever they feel they are good at’ with a view to getting a job at the hotel. Fairmont is looking forward to ‘making an impact and helping them to get back to a normal life so that they can sustain themselves and have a feeling of being responsible and useful to the community’, says Reto Borer.

Fairmont is the only hotel that buys from the special commune. The commune does not have an organic certificate, but Fairmont chefs have visited the place many times, trust the farm teachers and have personal connections with the farm founder. Fairmont buys, for example, 100 kilos of cucumbers a week to support the farm and this money is reinvested into the school. Fairmont managers visit the commune several times a year to see the progress at school, examine the dormitory, and check that the houses are painted and the grounds are maintained.

Many jobs within the hotel industry are very repetitive and not very challenging mentally. For people who are mentally handicapped this kind of work allows them to be part of society, which in turn makes them happy. With the help of a job trainer, Fairmont hopes to assist students from the special commune feel that they can do something meaningful. As Reto Borer says, ‘they have their dreams, aspirations, wishes for themselves and their families. If Fairmont can make a difference here, then that is corporate social responsibility’. At Fairmont Beijing, uniquely for any hotel in China, there are already three mentally handicapped employees. At the beginning of 2012 Fairmont also started a cooperation project with small farms around the special commune outside of Beijing. Fairmont offered the farmers a business model based on organic farming and employing students from the special commune. Today, fruits and vegetables including apples, oranges, peaches, cucumbers, pumpkins and tomatoes are bought from eight of these small farms, each of which has committed to take one of student and give him or her a job. These farms supply about 70 per cent of the Fairmont Beijing’s requirements, and Fairmont pays about 3 per cent higher than market rates.

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## Problems and challenges

Fairmont is a strong believer in local sourcing but this philosophy has to be sacrificed when quality is involved. Responsible shipping and sustainable production are issues with which Fairmont is confronted with daily when sourcing in China. As Reto Borer says:

I am fully aware that I increase the carbon footprint when things have to be flown or shipped in, but organic food is a big problem for us in China. Sometimes we have to ship salmon from Norway because we know the Norwegian farmer is controlled by the European government [sic] and has a responsible management system in place. We are aware that we increase the carbon footprint by bringing that salmon from Norway instead of Vietnam or Chile, which would also be half the price. We don't do that because recently we learnt that the Chilean salmon, for example, had a very high toxin value and they had to destroy half of their farming as a result.

Sourcing local produce has its own challenges: some local farms will provide any certificate asked, and it is hard to tell whether these are genuine. In 2011 the Fairmont Shanghai learned this the hard way when the hotel received a weekly delivery of oysters from Canada in a Canadian basket covered with a mesh, sealed by the Canadian export authority and customs office. Unfortunately, one of the batches was of poor quality and there was a serious case of food poisoning. As part of the subsequent investigation Fairmont sent the oysters to a lab for testing. The lab report showed that the water remaining in oysters was not of Canadian origin, but came rather from southern China. Though, Fairmont received the supply with the original documentation, apparently sealed by the Canadian export department, in reality the oysters came from China. Further investigation showed that the seal was not Canadian either, but was a forgery.

Another problem concerns overpopulation and food supply, an especially urgent problem for China. There are lots of farmers using chemicals in China because there are lots of people to feed. On one side many Chinese people are still hungry; on the other side, many other Chinese are becoming more affluent. These days a Chinese family can afford meat or fish every day. This demand has to be satisfied by growing more pork, more chicken and more fish than was the case fifteen years ago. Producers have to produce food more quickly and increased use of chemicals is the downside of this; for example, farmers feed pigs with hormones so that they will grow faster. Such meat is not healthy but this is the way to satisfy demand for food in China. From the sustainability perspective, it is difficult to balance the need for a supply of healthy food with a billion people demanding 'I want to eat meat tonight.'

Flora Li, head of housekeeping at the Fairmont Beijing, believes that the low educational background of employees and lack of environmental awareness among the people compound the problem.

We are trying our best to educate our employees not to use the chemical detergents every day. If chemical detergents were used every day, a significant amount of sewage would be produced. In the future, environmental pollution will be a big problem, and that is why we introduce knowledge about environmental protection to our employees. The average staff educational level in the hospitality industry is not high. We know what environmental protection is, and the significance for future generations. But our staff do not yet have this awareness.

When we asked Fairmont what lessons they had learned from their sustainable innovations, the answer was very simple: 'By spending a little bit of money you can save a lot more. We have programmes in place that other hotel companies can only dream of.'