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Eco Travel Singapore - Balancing Social and Profit Motives

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Student Case Study Collection

ECO TRAVEL SINGAPORE BALANCING SOCIAL AND PROFIT MOTIVES

Three years on from the inception of Eco Travel in 2008, co-founder Cindy Chng found that she had to grapple with its finances. Cindy had just graduated from university, and needed the enterprise to be profitable in order to continue working on it full time. Since its inception, however, Eco Travel barely broke even. Cindy considered her options.

GLOBAL ECOTOURISM

A niche within the tourism industry, ecotourism encompassed “responsible travel to natural areas that conserved the environment and improved the well-being of local people.”ⁱ This entailed environmentally conscious travel that sought to enhance travellers’ appreciation of nature’s beauty and biodiversity and reduce their carbon footprints.

Beyond that, ecotourism also had a strong emphasis on local involvement in the creation of travel experiences. As defined by the United Nations Environment Programme (UNEP), ecotourism should “sustain the well-being of local people, as well as create local participation, ownership and business opportunities, particularly for rural people.”ⁱⁱ Such local engagement, often seen in rural tourism, also enabled the sharing of local culture and lifestyles with tourists. An expanded term of “community-based ecotourism” summed up these local features.

The notion of ecotourism had risen in popularity amongst travellers in the recent decades. In 2004, The United Nations World Travel Organisation (UNWTO) estimated that ecotourism was expanding three times faster than the general tourism industry.ⁱⁱⁱ Further, ecotourism was forecasted to grow to approximately US\$473 billion a year by 2012, taking up 25% of the international tourism business.^{iv}

This case was written by Wu Biqi as part of the Case Study Writing Exercise for the Lien Centre for Social Innovation towards fulfilling the POSC 201: Development, Underdevelopment and Poverty module under the supervision of Assistant Professor John Donaldson. It was prepared solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

This growth could be attributed to the rising levels of modernity across the globe—the mushrooming of cities and industries had led to calls for alternative travel options. Further, with the backdrop of environmental degradation, there was heightened awareness among travellers to conserve the environment and travel responsibly. Tour operators had thus responded to these new consumer demands by providing trips to pristine rural areas or nature getaways.

In addition, the United Nations boosted the widespread promotion of ecotourism by designating year 2002 as the International Year of Ecotourism. Governments and international agencies in various countries were called to actively support activities in ecotourism.

Ecotourism as a Tool for Development

Cindy realised that community-based eco-tourism had offered under-developed regions a means to reduce poverty and attain development. With locals engaged in providing services to tourists, benefits of tourism might flow to the locals directly and increase their standard of living. For instance, villagers in Weining, Guizhou participated in community-based ecotourism and experienced a rise in income levels of 150–180RMB a month. Locals there served as boatman to guide tourists in the lake of the famous nature reserve and bird sanctuary.^v In another example, ecotourism was found to contribute significant, additional incomes for the villagers studied in the Ecuadorian Amazon regions. The percentage of tourism in total village income was found to be as high as 95–100% in two of the villages, Zancudo and Zabalo.^{vi} Ecotourism in these cases contributed directly to alleviate poverty.

With such successes, governments had also begun to endorse ecotourism for development. As emphasised by The Revenue Reforms Commission of India, the “concept of community based eco-tourism would go a long way in providing better income generation options to the rural poor and act as an incentive in (the) conservation of local traditions, culture, heritage and environment.”^{vii}

Eco-tourism’s large potential to aid development thus greatly altered the lenses through which one viewed the trade. As much as eco-tourism was a lucrative business that operated within market forces, it functioned quite differently from other segments of the travel industry. Ecotourism operators were obliged to define its success in terms of the benefits it brought to the locals as well as its efforts to ensure sustainability of tourism in the natural environment. In other words, ecotourism operators had to fulfil the triple bottom line of profit, social and environmental objectives.

Landscape of Ecotourism

Support for ecotourism could be found worldwide. Many international organisations facilitated the development of ecotourism models, and encouraged the sharing of tools and success models for operators to learn from. The International Ecotourism Society (TIES) was created to do

exactly that, and had since provided a platform for knowledge sharing. The WWF International had also issued guidelines for community-based ecotourism development to help build this sector^{viii}.

Many of the ecotourism operators were for-profit businesses funded by private capital. Yet, many of them partnered closely with non-governmental organisations (NGOs) working within the rural communities, in order to promote sustainable development and environmental conservation alongside the advancement of ecotourism.^{ix}

There were also many competitors in the market for tours. Both established and new tour operators had entered the ecotourism market to fight for the same tourist dollar. In Singapore, large and established players like Chan Brothers and SA tours diversified from mainstream tours to offer alternative travel packages to do with nature. The more niche players, such as Altrium Eco Travel^x and Candela Travelers^{xi} were also present to provide a wide variety of community based eco-tours and even volunteering trips for travellers.

To worsen the already stiff competition, some of these tours might be non-genuine cases of ecotourism who rode on the “green brand” to raise profits. Such unfair competition could be observed in the experience of Sea Canoe in Phuket with its profit-driven competitors. Sea Canoe was an acclaimed ecotourism operator that pioneered kayak tours into the inner caves of the islands. It disallowed tourists from drinking, eating or taking nature souvenirs from the caves, and strictly limited the number of kayaks it brought into the caves daily. It also employed the local fishermen as boatmen and provided them with training. However, Sea Canoe’s success attracted competitors—profit-driven operators who provided the same eco tours without the same vision on environment or community. These operators congested the caves with kayaks, and allowed tourists to litter, climb mangrove trees and remove coral reefs from the caves. By profiting on volume without fulfilling the triple bottom line of ecotourism, these competitors were able to charge lower prices than Sea Canoe. Sea Canoe’s business was adversely affected as a result.^{xii}

As such, these non-genuine cases of ecotourism had played up the need for accreditation to help consumers discern and evict non-genuine operators from this arena. Ecotourism Australia has since introduced accreditation to help consumers clearly distinguish between types of nature and ecotourism, as showcased in Table I.



Nature Tourism: Tourism in a natural area that leaves minimal impact on the environment.



Ecotourism: Tourism in a natural area that offers interesting ways to learn about the environment with an operator that uses resources wisely, contributes to the conservation of the environment and helps local communities.



Advanced Ecotourism: Australia's leading and most innovative ecotourism products, providing an opportunity to learn about the environment with an operator who is committed to achieving best practice when using resources wisely, contributing to the conservation of the environment and helping local communities.^{xiii}

Table I: Accreditation of Ecotourism, Australia

Eco Travel and its Mission

Eco Travel was conceptualised in 2008, from an exchange of ideas between Cindy, who was then a student with the Nanyang Technological University, and Eco Singapore, a non-governmental and non-profit organisation focused on increasing environmental awareness. Both saw travel as a highly promising means to engage young people in environmental awareness. As such, Eco Travel started as a subsidiary under the umbrella of NGO Eco Singapore.

However, working under such a structure posed many constraints for Eco Travel, and it made the decision to branch out on its own in 2009. Thereafter, Cindy turned the organisation into a social enterprise, in order to gain more flexibility in its work and achieve financial independence, rather than rely on donations. This decision was supported by the government of Singapore who was pro-active in helping start-up businesses. As a result, Eco Travel received a grant of \$50,000 to set up the venture. As a business, Eco Travel earned itself the license to operate as a travel agency—to conduct and facilitate paid tours overseas.

This decision also gave Eco Travel the freedom to redefine its core mission, which was expanded from environmental causes to include the social mission of developing the rural eco-tourism sites. Eco Travel's 5 core values^{xiv} are summarised as such:

1. Loving mother nature
2. Opening up to new cultures
3. Teaching the sustainable way to travel
4. Having the spirit of adventure
5. Growing with the community

These 5 core values often worked in tandem. As Eco Travel explored rustic nature getaways to promote sustainable travel, it found itself within rural villages that had much potential for nature and adventure tourism. At the same time, these rural villages were poor and required support for development. Thus, the work of Eco Travel grew to centre on bringing ecotourism to rural villages, as will be uncovered in the subsequent section.

Value Chain

Cindy saw Eco Travel as a social enterprise. She knew that it was imperative to be acquainted with the social enterprise model it had adopted. An established social enterprise coalition in the United Kingdom defined social enterprise as “a business that trades to tackle social problems, improve communities, people’s life chances, or the environment“.^{xv} Social enterprises are first and foremost, businesses. As explained by the Singapore Social Enterprise Association, “they utilise market-based strategies to advance a social cause, and like any other business, aim to create surpluses, but seek to reinvest those surpluses to achieve its social objectives.”^{xvi}

As a social enterprise, Eco Travel conducted its business operations based on the framework below:

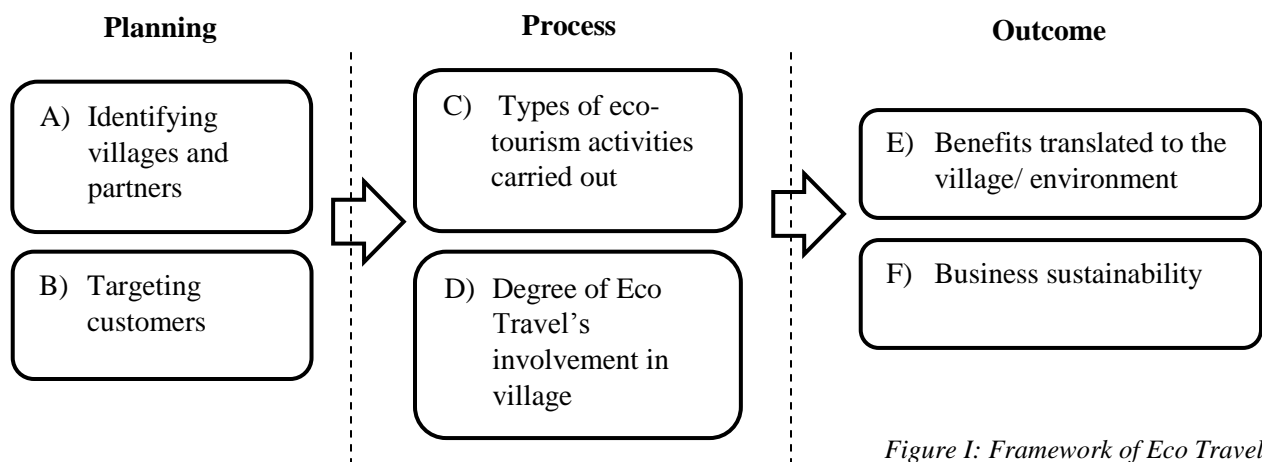


Figure 1: Framework of Eco Travel

Identifying Villages:

For Cindy, a suitable village partner had to be adequately developed. A good indicator of adequacy would be whether the community had their basic survival needs, such as water and food, adequately met. Such a criteria was important as it was indicative of the community’s capability to engage and host tourists in their midst. Apart from that, the village had to be looking for alternative sources of income to better development, since locals’ participation was imperative to the success of community-based ecotourism.

Unlike other tour operators which prioritised scenery and tourism activities as their main criteria to developing a travel location, Eco Travel saw them as elements that were good to have. In places lacking of those elements, Eco Travel worked with its inbound partner tour operator and the community to develop an itinerary that tapped upon its local culture and environment.

As an outbound tour operator in Singapore, Eco Travel partnered inbound tour operators in suitable villages, based on similarity in mission. At one point of time, Eco Travel worked with a total of twelve NGOs and social enterprises for the eco-tours, reaching out to up to 15 project sites in villages within Vietnam, Thailand, Sri Lanka, Indonesia, Laos, and Bangladesh. These partners were close to the local community, and were committed to developing the rural villages.

Targeting Consumers:

In the local marketplace, Eco Travel identified schools to be their primary customers. Cindy started with her own school contacts at the tertiary and secondary education levels that were organising geography and community service trips. Such school collaborations also extended to community service trips with Singapore Management University (SMU). Cindy was confident of the support from schools. The ex-manager of the SMU Lee Kong Chian Scholars' Programme, Chan Sze Min, who contracted Eco Travel's services, had shared in an interview, "We chose to work with Eco Travel because from their past projects we found that they were really committed to helping the villages to develop themselves. Of course, their cost was competitive as well."

The business model of Eco Travel was as such—it profited from charging its travellers an administrative fee for the planning of the trip's itinerary. Travellers bore this administrative charge in addition to the land package cost paid to Eco Travel's partner inbound tour operator, to cover travelling expenses such as meals and accommodation.

The administrative fees charged by Eco Travel differed amongst its various groups of customers. For school trips, Cindy charged a token sum of S\$70/ person, given that schools usually had limited budget and were visiting the rural communities to help them. As such, while the school trips made up the bulk of Eco Travel's business volume, they were not very profitable.

Aside from schools, Eco Travel also hosted individual foreign travellers in search of alternative travel. The administrative fees for these travellers were often higher - each individual traveller paid an average of \$80 - \$120 for Eco Travel's services (or 20% of the land package cost charged by the inbound tour operator)^{xvii}. Although more profitable, this segment of travellers only made up a small minority of about 10% of Eco Travel's customers, as Eco Travel has focused their marketing efforts largely on schools thus far.

Types of Ecotourism Activities Carried Out

Activities in Eco Travel's tours were tailored to each destination's environment. A common feature was home-stay with the villagers, where tourists were completely immersed in the lifestyles of the locals. The experience encompassed living in simply furnished homes, eating the local diet as well as participating in their cultural activities. For instance, in a trip to the Lahu village in Chiangmai, Thailand, tourists joined the hill tribe in their traditional dances, and listened to music played from locally-made bamboo instruments.

Tourists were also given the opportunity to work in local farms to experience the villagers' livelihood. This could mean a fun but back-breaking afternoon of plucking coffee bean or harvesting tea leaves. Tourists at the Lahu Village were also involved in the subsequent steps of tea production – such as roasting and “massaging” the tea leaves, before packing them into the bamboo containers.

Yet another popular feature of Eco Travel's tours would be trekking and cycling around nature treks, especially in villages situated in mountainous areas such as the Gia Bac Village in Vietnam. In others, such as the Fishermen's village in the south of Thailand, tourists were

engaged in the village's main livelihood and activity, fishing. These engagements involved low carbon footprint, and are great ways for tourists to appreciate nature.

Degree of Eco Travel's Involvement in Villages

Eco Travel had been actively involved in helping its partner villages. As a long-term tour operator and partner, it could see the big picture and thoroughly understood the needs of the community. This enabled it to work through long-term community projects with a larger social impact. Cindy's co-founder, Harry Van Anh, had shared that this long-term view on the community allowed Eco Travel to "facilitate the direction of schools' community projects to fill gaps within the big picture."

These projects ranged from infrastructure to training and education. In the Lahu Village, for instance, Eco Travel supported the building of the water tank that helped secure the otherwise irregular water supply for the village during dry seasons. Eco Travel also invested in training the villagers' capabilities to conduct home stays. This involved a collaborated effort between students from Chiang Mai University and SMU, where they taught host villagers conversational English to allow for more effective communication with tourists. In Gia Bac Village, Eco Travel had also set up a scholarship scheme funded by Singaporeans, to provide village children with the living expenses needed to pursue high school in the towns away from the village.

Eco Travel's social involvement was further affirmed by its customers from SMU^{xviii} and St Andrew's Junior College (SAJC)^{xix}, who strongly commended their efforts.

"Eco travel is very involved with the village. They even have follow up plans should we decide not to continue the project. They spent time to fully understand our project and what can be followed up so that they can bring other schools to ensure the village do not get just a one-off help."

– An account from Chan Sze Min, ex-manager of SMU Lee Kong Chian Scholars' Programme who visited the Lahu Village in Chiang Mai, Thailand with Eco Travel.

"Eco Travel has a genuine concern for the community. They are able to look at community development at a sustainable and holistic way. They also (conduct) research on how to sustain a project, before embarking on a project. Most importantly, they have a long term view of the community."

– Mr. Louis Ho, teacher-in-charge at SAJC who visited Gia Bac Village, Vietnam.

At the same time, Eco Travel was committed to regular tree-planting projects in the villages it worked with, in a bid to further reduce travellers' environmental footprint. All these social and environment projects were largely funded by the profitable aspects of Eco Travel's business.

Aside from the administrative charges that Eco Travel imposed on the students/ tourists, all other

fees paid were channelled to the village. 75% of the fees were given to the family that hosted the tourist (to cover costs of the food and living expenses), while 25% went into a community fund that would finance public works' projects in the village to better the whole community.

Business Sustainability

The key to a business's sustainability lies in its financial profitability. Cindy knew that the bulk of Eco Travel's business came from school trips. In a year, Eco Travel handled approximately twenty group tours of about twenty students, reaping \$2,000 in revenue per group. This amounted to an annual average revenue of \$40,000. Cindy estimated her monthly operating costs to be \$3,000, including \$700 in office rental, \$1,500 of salary for her co-founder, electricity and telecommunications costs as well as the occasional intern allowance of \$600 during the summer holidays. Table II tabulates Eco Travel's annual profit based on the estimates provided.

	Based on estimates provided (\$)
Monthly Cost	\$3,000
Annual Cost (12 months)	(\$36,000)
Annual Revenue	\$40,000
Annual Profit	\$4,000

Table II: Annual Profit for Eco Travel

As can be seen, Eco Travel only reaped \$4,000 in profits annually. Furthermore, this figure did not take into account the funds that Eco Travel channelled to social projects. The initial start-up grant of \$50,000 had thus been gradually depleting. Furthermore, Cindy, co-founder of Eco Travel and main driver of the business operations, had not drawn any salary from Eco Travel since its inception. The sustainability of the business of Eco Travel was thus in question.

Profit, Social and Environmental Motives

Eco Travel had fulfilled, to varying degrees, some requirements of the triple bottom line it set out to achieve as a social enterprise. Its work in the three aspects may be reviewed in Figure II below.

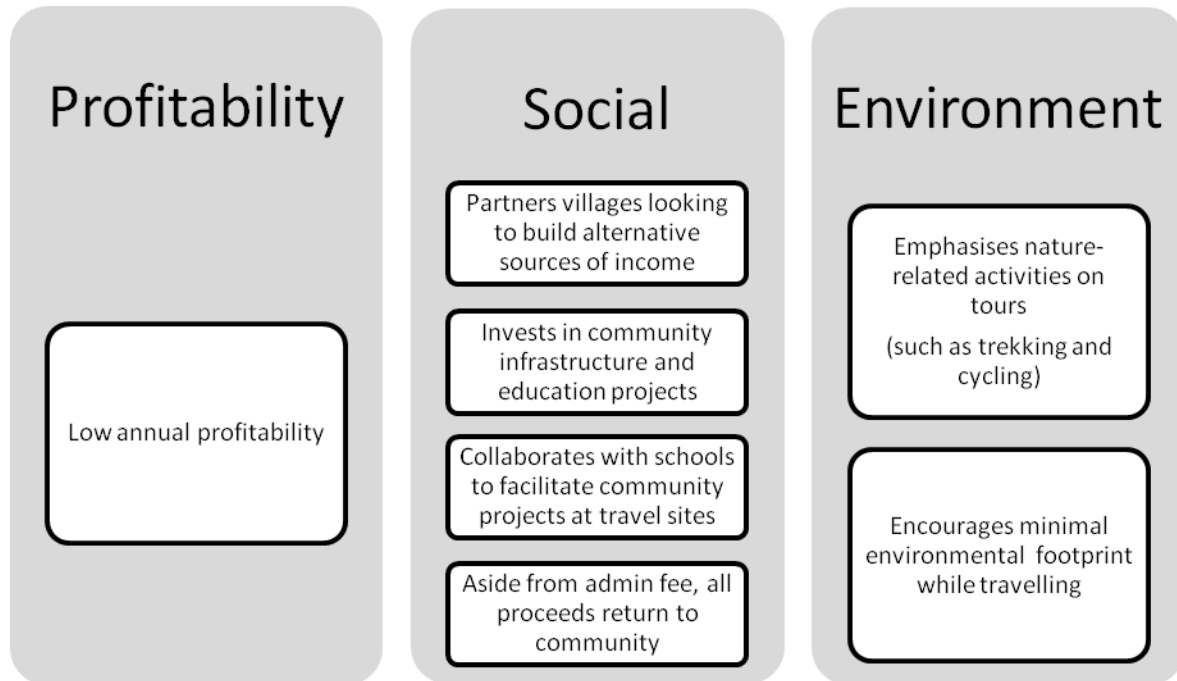


Figure II: Summary of Eco Travel's triple bottom line activities

In the past two years, profitability had taken a backseat as Eco Travel pursued its social and environmental objectives. In the face of financial stagnation, Eco Travel needed to re-examine its way of conducting its operations to meeting its third objective of being profitable. If the triple bottom line cannot be met, it may even have to reconsider its existence as a social enterprise, and pursue NGO status instead.

Influencing Her Business Partner

Cindy heaved a purposeful yet heavy sigh. She was ready to propose some changes to her business partner.

Endnotes:

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- ⁱ The International Ecotourism Society, “What is Ecotourism?” TIES, 1990, http://www.ecotourism.org/site/c.orLQKXPCLmF/b.4835303/k.BEB9/What_is_Ecotourism_The_International_Ecotourism_Society.htm.
- ⁱⁱ Megan Epler Wood, *Ecotourism: Principles, Practices & Policies for Sustainability* (United Nations Environment Programme, 2002).
- ⁱⁱⁱ World Tourism Organization. “Press Release.” June 2004.
- ^{iv} Travel Weekly. July 2006.
- ^v Donaldson, John A, “Tourism, Development and Poverty Reduction in Guizhou and Yunnan.” *China Quarterly* 190 (2007): 333 – 51.
- ^{vi} Wunder, Sven. “Ecotourism and Economic Incentives — An Empirical Approach.” *Ecological Economics*, no. 32 (2000): 465–479.
- ^{vii} BusinessLine. “Involve local communities in eco-tourism promotion: Panel.” *The Hindu Business Line* 2004, <http://www.thehindubusinessline.in/2004/03/22/stories/2004032200840200.html>.
- ^{viii} WWF International. July 2011, <http://www.icrtourism.org/Publications/WWF1eng.pdf>.
- ^{ix} Megan Epler Wood, *Ecotourism: Principles, Practices & Policies for Sustainability* (United Nations Environment Programme (UNEP) 2002).
- ^x Atrium Eco Travel, <http://www.atrumeccotravel.com/>.
- ^{xi} Candela Travellers, <http://www.candelatravellers.org/>.
- ^{xii} Kirstges, Torsten, and Michael Lück. *Global Ecotourism Policies and Case Studies: Perspectives and Constraints* (Channel View Publications, 2003).
- ^{xiii} Eco Tourism Australia, http://www.ecotourism.org.au/eco_certification.asp.
- ^{xiv} Eco Travel Services. 2011, <http://www.ecotravelservices.com/Our-Core-Values>.
- ^{xv} UK Social Enterprise Coalition. 2011, <http://www.socialenterprise.org.uk/>.
- ^{xvi} Social Enterprise Association, Singapore. 2011, www.seassociation.sg/.
- ^{xvii} A land package includes the complete set of services provided for the tourist, by the village – including accommodation, food, transport, and other leisure activities. The cost of the entire package is drawn up by the inbound tour operator, often together with the village, and provided to Eco Travel. A land package can range from \$400 to \$600, depending on the length of the stay. 20% of that would be \$80 - \$120 per traveller.
- ^{xviii} Chan Sze Min, email interview by author, November 14, 2011.

^{xix} Louis Ho, email interview by author, November 18, 2011.