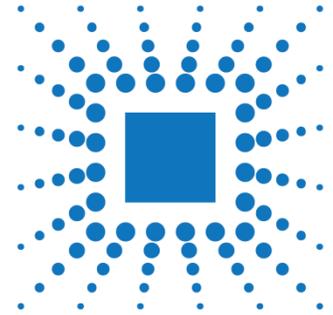


CASE STUDY

Bali Circular Water Solution

Hilton Supply Management

Submitted by: Sharda Tengberg, Manager Brand Strategy



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Abstract

As responsible partners to the communities in which we live and work, Hilton is redefining sustainable travel by driving social and environmental change across its operations, supply chain and community. Hilton has pledged to cut its environmental footprint in half by 2030 and is the first major hotel company to institute science-based targets to reduce its carbon emissions and send zero soap to landfills. Hilton has been included on The Dow Jones Sustainability Index and ranks number one in the hospitality industry on the Most JUST Companies list by Forbes and JUST capital.

Hilton recognized the positive role it could play in addressing global plastic pollution and in 2018, committed to eliminating waste from water bottles, straws, laundry bags, bathroom amenities, and guestroom amenity packaging. In conjunction with the hotels, HSM embarked on a multi-year effort to develop an in-room water program that would replace 460,000 disposable plastic bottles with refillable glass ones. We tapped a small Bali-based supplier, Spring Water, for the initiative and invested our resources to help them build their capabilities and credibility to service large luxury hotels. After two years in development, the program officially launched in 2019, with a 40% cost savings for the hotels.

Summary

| Goals | Strategies | Results |
|---|--|---|
| Reduce single-use plastic at our properties in Bali and eliminate plastic water bottles | Partner with a local supplier that could implement a circular water solution at our properties by filling, delivering, and cleaning glass bottles. | Elimination of 460,000 single-use plastic water bottles and achievement of the hotels' waste reduction goals |
| Increase profitability for our hotels by reducing costs of single-use plastics | Streamline the bottled beverage category by issuing an RFP to identify a supplier that could standardize product quality and cut operating costs. Develop a circular water solution that eliminated plastic bottles with a cheaper and more sustainable alternative. | 40% cost savings for the hotels |
| Contribute to the local economy by developing a Bali-based supplier | Fund a gap assessment for the supplier to identify areas of improvement and help the team earn HACCP certification. Use our sourcing and business expertise to train supplier on best practices and help them secure future business. | Upskilling of supplier's capabilities that unlocked bigger business opportunities for them and led to the hiring of more locals |

Goals

Hilton Supply Management (HSM) recognizes that sustainable practices at hotels begin with responsible sourcing within the supply chain. That's why HSM is constantly looking at ways to become more environmentally friendly whether that means investing in sustainable seafood and cage free eggs or developing alternatives to plastic straws and delivering them to thousands of hotels around the globe. As the procurement division of Hilton, HSM plays an integral part in delivering on Hilton's promise to Travel with Purpose. Under this program, we are focused on both our environmental and social impact—not only helping our hotels drive improvements in how they manage energy, water, and waste, but also catalyzing economic opportunities, promoting human rights, and investing in people and local communities.

By embarking on this initiative in Bali, our goal was three-fold: 1) reduce the amount of plastic that Hilton is putting into the environment, 2) increase profitability for our hotels by eliminating costs from single-use plastics and 3) develop the local economy by working with a small, local supplier and enhancing their capabilities. According to the United Nations, the world produces more than 300 tons of plastic each year, but due to low recycle rates, as much as 79% ends up in landfills or the natural environment. By replacing plastic water bottles with glass ones, we would position ourselves as a leader on the sustainability front in Bali while also reducing costs for our properties. And through our strategic approach to accomplish these goals, we would be developing a local supplier's capabilities as they geared up to support a global, industry-leading hospitality company.

Strategies and Actions

As one of the top five countries in the world for waste production, Indonesia has a big problem with plastic accumulating in the ocean. With Hilton operating three hotels in this region (Conrad Bali Resort, Hilton Bali Resort, and the Hilton Garden Inn Bali Ngurah Rai Airport), HSM realized that implementing sustainable practices here could have a significant impact.

With the tap water in Bali unsafe for drinking, our hotels must provide drinking water to their guests every day in the form of single-use plastic water bottles—over 460K annually! In an effort to reduce plastic consumption, HSM sought to replace these disposable water bottles with refillable glass ones and looked to find a supplier that could provide the water-filled glass bottles, pick them up once guests finished with them, sanitize, refill and return them. While similar programs existed elsewhere in the region, no such program existed in Bali.

Prior to 2017, our three Bali properties procured bottled beverages individually with inconsistent item specifications, vendors, and pricing. HSM sought to streamline this category by launching an RFP process covering bottled water, juices and soft drinks to standardize product quality, cut operating costs, and reduce our environmental footprint.

In June 2017, HSM wrapped up the RFP and ultimately awarded the business to Spring Water, a local Bali-based supplier. With reverse logistics capabilities and the potential to provide a zero-waste solution, we felt that Spring Water could support our vision for a sustainable in-room water program. After conducting due diligence, we recognized that Spring Water had challenges with logistics, quality assurance and food safety. As a result, HSM put the commercial discussion and contract on hold and proposed a collaboration towards risk mitigation. Our team worked with the supplier in helping them address the areas of concern, focusing on the development, training, and education of the supplier's team just as we do with our own employees. For us, it was a delicate balancing act between managing supplier expectations, hotel operations, guest safety and environmental impact.

HSM funded a gap-assessment audit with Intertek and provided Spring Water with support towards HACCP certification. HSM met with business owners, enhanced business visibility, and provided commercial commitments that enabled the supplier to unlock necessary investments for plant refurbishments and a new production line.

Within 18 months, Spring Water made all the necessary improvements throughout the plant and in May 2019, passed the final audit to confirm our partnership for the next three years. Nearly two years since the initial vendor engagement, we are excited that the first glass refillable bottles went into guest rooms in July 2019. Already, the vendor has moved to two production shifts a day to fulfill Hilton volumes (9K-10K bottles per week) and is planning to hire new team members in the next few months as the business relationship reaches cruising speed. The glass bottle initiative will keep 460,000 single use plastic bottles out of landfills – and oceans – annually. And by helping a Balinese company develop its infrastructure in order to support the program, the effort is also driving further economic development in the local community.

As a result of our efforts, our hotels are also benefitting, reaping 40% cost savings over the previous water program and better alignment with changing customer preferences that note that 85% of people prefer glass as a packaging material (FEVE, European Container Glass Federation). This progress, along with various other partnerships with local NGOs such as Bye Bye Plastic Bags Bali and Scholars of Sustenance, brings our Bali hotels closer to our 50% reduction in waste going to landfills through repurposing of retired linens and donation of daily excess food to food banks for redistribution among schools and orphanages.

Through this initiative, HSM was able to provide a better experience for guests, increase savings for hotels, invest in a local supplier, and improve the economic vitality of local communities while simultaneously eliminating plastic waste from water bottles and preventing over 5 tons of plastic from ending up on Bali's beaches.

Results & Benefits

As a result of HSM's efforts, the initiative led to significant benefits including:

Organizational Benefit:

- 40% cost savings for the hotels
- Achievement of hotels' waste reduction goals
- Demonstrated viability of such solution model for hotels in other markets

Environmental Benefit:

- Elimination of 460,000 single-use plastic bottles annually which would have ended up in landfills and oceans
- Support circular economy deployment in Bali

Community Benefit:

- Support Bali Governor's single-use plastic waste strategy
- Upskilling of the local supplier's capabilities
- Unlock new and bigger business opportunities within Bali
- Increase employment of locals

Testimonial

(Translated from Bhasaa) "I extend my deepest thanks to Hilton Supply Management for working with us on the Bali glass bottle initiative. Hilton has made a special impression, helping us achieve a higher level in our business. They contributed extra effort and funds, instantly building trust with our owner. Hilton provided financial support for a gap analysis and guidance in educating us on areas of improvement such as quality assurance, food safety and production facilities. We've never received this level of partnership from any other company before, and we are so grateful for the chance they have given us."

-Wiwiek Hendrawati, Spring Water