

# ***More Participation, Efficiency, and Consistency: The case of the Sands ECO360° Global Sustainability Strategy***

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## **Introduction**

A sustainability program called Sands ECO 360° has been successfully implemented by Las Vegas Sands Corporation (LVS) in all its properties around the world. This case study identifies potential internal and external issues that could arise as the operation of the program continues. To achieve even more success on its ambitious Sands ECO 360° program, the convention-based integrated resort company has three main goals it will continue to pursue: to increase the number of participation to the program, to achieve highly efficient (cost-effective) project implementation, and to maintain consistency in its global operations in the United States and Asian countries including China and Singapore.

## **Background**

### ***The Meetings, Incentives, Conventions, and Exhibitions (MICE) Industry***

The Meetings, Incentives, Conventions, and Exhibitions (MICE) industry is a term derived from the various components of the meetings segments. Basically, the MICE industry is comprised of "core" meetings segments (i.e. specialized meetings organizers; convention, congress, and exhibition centers; incentive houses and destination management companies; and convention and visitor bureaus) and extended other related sectors such as accommodations, transportation, technical equipment, food services, speakers' representation services, stand construction, other support services, and auxiliary businesses. Well-organized exhibition or tradeshow can provide a substantial source of revenue for the event organization, a valuable learning and networking opportunity, and a great marketing opportunity for exhibitors (Fenich, 2001). In addition to the financial benefits for the sponsoring organization, exhibitions can help stimulate attendees' participation in the overall event (Han & Verma, 2014). While more than 1.8 million meetings were estimated to be held in the U.S. as of 2015, the portion of exhibitions and tradeshows has been increasing every year (McMillin, 2015). Because it is a viable market place for buyers to meet sellers, event

organizers often add an exhibition or trade show component to a meeting or educational conference (Dickson & Arcodia, 2010). Exhibition or tradeshow is also a cost-effective marketing opportunity for exhibitors, as opposed to the costs of reaching the same number of clients through other promotional activities such as direct sales, according to a research by the Center for Exhibition Industry Research (CEIR).

With a rapid growth of the industry, many different types of convention facilities have been developed and expanded. Convention and Visitor Bureaus (CVBs) and large hotel corporations have built or expanded large convention centers and convention hotels that can hold both the meeting and the exhibits under one roof. These types of venues that hold a great number of meetings and conventions every year, significantly contribute not only to the local economic development but also to the international relations among global businesses (Tae & Park, 2002). Table 1 shows the total economic contributions of the meetings activity in 2012 (PricewaterhouseCoopers LLP ("PwC"), 2014).

Despite of its positive impacts overall, the convention industry is the second largest industry, only after construction, in producing waste, generating 600,000 tons of garbage every year (Events Industry Council, 2004). In addition to the wastes, substantial amount of greenhouse gases such as carbon dioxide, produced by numerous attendees traveling to and from different states and countries have negative impact on the environment. Therefore, sustainable environmental development is one of the most critical challenges and opportunities for the convention industry to ensure the continuous success in the future.

### ***Las Vegas Sands (LVS), Pioneer of the "Convention-based Integrated Resort"***

In 1989, Mr. Sheldon Adelson, founder and CEO of the LVS, purchased the Sands Hotel in Las Vegas and established it as a multinational casino and resort company. Since 1990, LVS has grown into a luxury hotel, entertainment, and gambling corporation with locations in the United States and in Asian countries including China and Malaysia. To gain a competitive edge, LVS introduced the concept of an "Integrated Resort" offering various aspects of services and facilities including luxurious meeting rooms and spacious convention space, trendy night clubs and bar lounges, entertaining resident shows, various upscale gaming,

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**Table 1**

## Total Economic Contributions

| Economic Contributions       | Industry Output<br>(in millions) | Contribution to<br>GDP (in millions) | Employment | Labor Income<br>(in millions) |
|------------------------------|----------------------------------|--------------------------------------|------------|-------------------------------|
| Direct effects               | \$280,403                        | \$115,615                            | 1,787,000  | \$66,892                      |
| Indirect effects             | \$276,267                        | \$156,889                            | 2,080,000  | \$99,139                      |
| Induced effects              | \$213,706                        | \$121,280                            | 1,440,000  | \$68,608                      |
| Total economic contributions | \$770,375                        | \$393,784                            | 5,307,000  | \$234,639                     |

spa services, and wide range of retail shops and restaurants.

When LVS, with its compelling integrated resort concept, attempted expand their business over to Macao gambling market, the world market was going through the global financial crisis, which resulted in dropping its market value down by more than 90%. Analyst indicated that company's financial crisis stemmed from many different reasons such as poor economic conditions, late business decisions, and a poor functioning board of directors. Especially when \$105 million Sands Expo & Convention Center was constructed in 1990, the largest privately owned convention center in U.S., the CEO faced a number of critiques for expenditure for a gambling town that had a publicly funded convention center. However, Mr. Sheldon even raised the stakes, believing that his prosperous conventions business could fill the upscale megaresorts, Venetian and Palazzo. LVS now generates the most diversified set of cash flows, delivers the industry's highest revenue and profit from non-gaming segments such as conventions and retails. This enables the company to bring the greatest economic

and diversification benefits in the industry to the regions establishing a strong convention-based integrated resort.

Nevertheless, LVS has struggled with the weaker financial performance in recent years. This is due to the global economic uncertainty derived mainly from the recent slowdown in Chinese economy and potential terror attacks around the world. Turning these downturns to an opportunity has become a major task to the LVS. Realizing the significant consequences of the climate change, business sectors both public and private must take Corporate Social Responsibility (Kasim, 2006).

### *Sands ECO 360° Global Sustainability Strategy*

As part of its CSR strategies, LVS is committed to protecting the environment taking a leading strategic initiative of a sustainable resort development. In March 2010, LVS launched the global sustainability program named Sands ECO 360° that consists of four integral pillars: green buildings, environmentally responsible operations, green meetings, and stakeholder engagement. Table 2 briefly summarizes the four pillars of the Sands ECO 360°.

**Table 2**

## Summary of Sands ECO 360°

| 4 Pillars                              | Contents   |
|--|--|
| Green buildings                        | With high-performance building, LVS focuses on energy conservation, water conservation, and using products and materials with minimum indoor polluting contaminants. Building renovation and new development, sustainability certifications, and new technologies and innovation are accents of the Green buildings strategy.  |
| Environmentally responsible operations | Standard sustainable practices are implemented seamlessly into operations, including resource conservation, air quality pollution prevention, recycling, and sustainable purchasing procedures. These practices add value to attendees' sustainable event without any additional work or cost required from attendees.   |
| Green meetings                         | Sands ECO 360° offers meeting and convention planners a number of ways to reduce their events' environmental impact. Sands ECO 360° Event Impact Statement covers energy and water consumption, recycling rate, carbon emissions and highlights of sustainable initiatives. Green meeting concierge guide planners to understand their green meeting objectives and customize sustainable experience for the planners and their attendees. |
| Stakeholder engagement                 | LVS engages team member in educating activities, communicates their progress through a variety of media, and reaches out to local communities to increase the understanding of sustainability.   |

**Table 3**

### Environmental Awards / Certification Achievement

| Property                          | Sands Macao                          | The Palazzo                           | The Venetian                          | Sands Expo                    | Sands Bethlehem                              |
|-----------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|--|
| LEED certification                |                                      | LEED Silver, 2008                     | LEED Gold, 2010                       | LEED Gold, 2010               |  |
| Other environmental certification | Macao Green Hotel Silver Award, 2012 | Trip Advisor Green Leader, Gold, 2013 | Trip Advisor Green Leader, Gold, 2013 | APEX/ASTM Venue Level 2, 2013 | 4 Keys in Green Key Eco-Rating Program, 2013 |

#### **Sands ECO360° Meetings Program**

The Sands ECO360° Meetings program, launched in Las Vegas in 2011, has become a global standard implemented at its properties in the United States, Singapore, and Macao. The Sands ECO360° Meetings program is a holistic approach to providing environmentally friendly options to meeting planners and clients. While the program is a very effective tool for meeting professionals to minimize the negative environmental impact of the conventions and events, there are three main areas that meeting attendees can benefit from. First, the Sands ECO 360° enables its large convention attendees to hold their gatherings in the largest Leadership in Energy and Environmental Design (LEED) certified buildings in the world in a more environmental friendly way. Table 3 shows the environmental awards and sustainability certification each LVS property currently holds. The most common certifications include LEED, Accepted Practices Exchange and American Society for Testing and Materials (APEX/ASTM), and Green Key.

Second, standard sustainable practices including resource conservation, air quality pollution prevention, recycling, and sustainable purchasing procedures are integrated into the day-to-day operations. LVS makes efforts to implement sustainable practices and procedures without compromising customer experience. Participating in the sustainable practices does not require attendees to pay additional effort or cost. To make attendees to participate in the program conveniently, Green Meeting Concierge who customizes a program to meet the attendees' objectives is available as well.

Lastly, LVS also provides attendees with additional green meeting options. For example, meeting planners have the option of selecting banquet menus that feature dishes made with organic foods, as well as sustainable seafood and fair trade, shade-grown coffee and tea. The company also recycles leftover materials from large meetings and distributes unused food from meetings to those in need.

Although the Sands ECO360° Meetings has been vigorously incorporated into overall operations, the success of the program comes along with some prospective challenges. Following paragraphs addresses the internal and external issues LVS needs to deal with in order to advance the overall Sands ECO360° Meetings program.

#### **Internal Issues**

##### ***Level of Participation of the Sands ECO 360° Meetings***

Combined Venetian, Sands Expo, and Palazzo Las Vegas comprise the largest LEED building in the world and many meeting customers have already benefited from the three areas of the Sands ECO 360° Meetings. However, it is estimated that only 27 percent of event organizers contacting LVS bring up sustainability during the Request for proposal (RFP) and pre-planning stages. Thus, LVS recognizes that it is very important for them to differentiate the sustainability strategies from what is simply better than nothing approach. More specific plans should be established for ECO 360° to increase awareness of the green meeting practices, encouraging existing clients to participate and reaching out to new customers. Under the three sustainable meetings areas, LVS continuously makes various efforts to advance its green meetings programs by pursuing internationally recognized certifications.

LVS understands the importance of pulling out the sustainability from people rather than pushing it down from corporate level. The company believes that one of its goals for the Sands ECO 360° should be properly promote and educate the public because the more the public is educated the more they are likely to participate. It is crucial to consolidate trust and find a more efficient way to communicate with meeting stakeholders and other sectors in order to increase awareness and build trust of the program (Laing & Frost, 2010; Park & Boo, 2010). Accordingly, LVS strives to monitor and evaluate issues pertaining to the ECO 360° strategy through regular interaction with internal and external stakeholders across its business globally. While website, global reporting initiative, addressing the industry, formal sustainability report could be great sources of communication, LVS keeps seeking for the best way to reach out to existing and potential meeting clients.

##### ***Efficiency of the Project Implementation***

Mission of ECO 360° is to act in accordance with the applicable legal standards regarding environmental protection and to minimize environmental pollution and make continuous improvements in environmental protection. In an effort to implement various types of sustainability practices more efficiently, LVS has spent significant amount of money and resources on upgrading existing properties in accordance with the green building standard, as well as setting up

necessary technologies. LVS ensures that the process of building new integrated resorts and upgrade its existing hotels is conducted in alignment with leading green building standards. As for the operation, energy efficiency always has been main focus of the company. LVS has reported that it reduced electricity consumption by 47.3 million kWh in more than 80 projects globally in 2013. Achieving this energy efficiency required the company to adopt innovative technologies and to set up proper infrastructures. Upgrading building management systems, efficiency management and review process in existing properties, as well as development and implementation of efficiency measurement are all parts of the efforts LVS pursue to establish an even more cost-effective ECO 360° operation.

Improving the efficiency of the project implementation (i.e. energy management) in a cost-effective approach will enable the company to constantly increase the return of capital to shareholders (Draper, Dawson, Casey, 2011). This will result not only in the sustainable success of the ECO 360° program but in advancement of the company's financial performance as it expands its global sustainability efforts and initiatives over the properties across the world.

### ***Building Consistency and Stability across the Global Locations***

LVS looks at the environmental issues as opportunities for competitive advantage over other competitors. This point of view definitely has helped the company improve its financial performance reducing cost and maximizing cash flow. However, global market uncertainties and other political risk factors beyond the company's control such as international relations between the U.S. and China, have resulted in causing discrepancies in financial performance and inconsistency of operations among different international branches.

In addition, all the branches need to be sure they are in compliance with the laws and regulations of the states they are located in. Complying with the environmental rules and relevant regulations in other countries as well as in the United States is not a simple task (Esty & Simmons, 2011). Therefore, companies of any significant size such as LVS would need to have a legal team manage environmental compliance. Integrating consistent sustainability into the operations of each property and holding the sustainability team accountable is the key for the program's success. Followings are highlights of each branch in terms of its operation capability, and environmental regulation and licensing issues.

### ***U.S. Operations: Las Vegas & Pennsylvania (Bethlehem)***

Properties in U.S. operations include the Venetian and Palazzo resorts and Sands Expo Center in Las Vegas, and Sands Bethlehem in Pennsylvania. Using its leadership position in convention-based integrated resort development and operation, LVS pursues global growth opportunities. Sands Expo Center is one of the largest overall trade show and convention facilities in the United States with approximately

1.2 million gross square feet of exhibit and meeting space. Combining with meeting and conference facility that links Sands Expo Center to The Venetian and The Palazzo, LVS has total of 2.3 million gross square feet of exhibition and meeting space.

While properties in Macao and Singapore are very popular due to the limited number of competitors in those regions, properties in Las Vegas are not as recognized as MGM and Caesars that are household names on the Las Vegas Strip. LVS could differentiate itself in the industry based on its environmentally-friendly building and operating practices. The ECO 360° was first launched in Las Vegas in 2011 and its standards are based on LEED principle. LVS incorporates its global best environmental practices such as energy and water efficiency, indoor environmental quality, sustainable materials and waste recycling. The practices along with related special projects are under evaluation for other properties in Macao and Bethlehem, Pennsylvania.

The Bethlehem branch, the smallest property among the LVS portfolio, also holds a green certificate named Green Key Eco-Rating Certification. However, there should be more efforts to bridge the gap between development and operation of the buildings as the states of Pennsylvania introduces different initial sustainability requirements from those of the state of Nevada requires.

### ***Macao (China)***

LVS owns a portfolio of properties on the Cotai Strip in Macao, including The Venetian Macao, The Plaza and Four Seasons Hotel Macao and Sands Cotai Central, as well as the Sands Macao on the Macao Peninsula. The ownership of properties in China is through Sands China Ltd. The fact that LVS has diversified itself into the Macao region has given them a huge revenue stream, enabling them to become a more profitable company. However, recent political power over the prevalent corruption and economic downturn in the gaming market in Macao has resulted in offsetting its strong growth in retail and other non-gaming segments. If the casinos in Macao do not perform well, LVS would end up losing much of what makes their company profitable.

A recent study regarding the negative environmental impacts associated with casino development, shows that the local residents of Macao acknowledged the following negative environmental impacts to the development of local casinos: worsening traffic congestion, air pollution, and overcrowding (Vong, 2008). With considering the environmental influences, Macao Environmental Protection Bureau has initiated its environmental planning as the Macao attempts to position itself as a global destination of tourism and recreation. People who have higher levels of satisfaction with the environment usually held more positive attitudes toward casinos (Perdue et al., 1995). The pressure from regulations and society forced LVS to ensure its ECO 360° program is implemented consistently in the properties in Macao. To do so, the company should be creative in finding technological and legal

solutions in order to cope with different rating system and minimum requirements for the operation, construction, and maintenance of green properties in Macao. Although LVS continues to make progress through standardizing and validating its environmental efforts with independent third-party certifications, those certification standards and minimum requirements vary per locations and certificate providers.

### ***Marina Bay Sands (Singapore)***

Although Singapore is known for its strict laws and regulations, its development of tourism and convention industries has attempted to incorporate environmental concerns and social patterns of globalization. The Marina Bay Sands in Singapore is one of the most successful properties in terms of implementing the ECO 360° program. For example, a recent meeting held at Marina Bay Sands, Responsible Business Forum (RBF) 2013, adopted the Sands ECO 360° program in every detail. The sustainability team assisted the organizer in weighing all food waste to estimate attendee numbers at each meal to limit as much food waste as possible. Marina Bay Sands also became the first convention facility in Singapore to adopt the Singapore Tourism Board's recently announced sustainability guidelines for the MICE industry. Singapore currently only allows two companies to operate casinos within its borders. However, if the Singapore government sees all the benefits LVS is providing including improving environmental conditions, it will be more likely that LVS takes a more competitive advantage when it comes to expanding its business, legalizing casinos, and renewing relevant licenses.

## **External Issues**

### ***Understanding Technology and Outside Market***

Nowadays, many computerized software programs that can track companies' compliance with environmental regulations are widely available. Companies that are globally located or are planning to go international might want to take advantage of the systemized computer-based sustainability tracking technology. MICE industry that depends heavily on transportation must take into account not only low fuel costs but greenhouse gas emissions and other harmful environmental impacts. Many companies and individual customers, who care environmental sustainability, definitely look for fuel-efficiency that fit their budget and performance needs including hybrid and electric vehicles. LVS has been paying attention to these technological movements and trying to track down the sustainability practices requested by its meeting stakeholders. Without a clear vision and incorporation of the innovative sustainability technologies, engaging attendees and communities in the sustainability program will be challenging.

### ***United States Environmental Protection Agency (EPA) and Global Environmental Laws***

The U.S. Environmental Protection Agency (EPA) provides checklists and other resources to help businesses figure out exactly what they should do to meet obligations under each of the major laws. However, numerous greenwashing cases to gain a profit as sustainability have increasingly become widespread. In fact, there are many companies that want the most out of the little budget pursuing towards what environmental sustainability really means, but rather look forward for the incentive of doing so. As seen in the recent case of Volkswagen emissions scandal occurred in 2015, violation of the EPA regulation can lead a company to crucial consequences. Fines and penalties can be charged up to millions of dollars. Also, a number of CEOs across the United States go to jail for violations on environmental laws such as falsifying sustainability reports. With this being recognized, LVS should work on gaining trust from public about its genuine sustainability initiatives in an attempt to distinguish its ECO 360° program from other falsifying ones. Since the Kyoto Protocol, which extended United Nations Framework Convention on Climate Change (UNFCCC) in 1992, confirming man-made carbon dioxide emission have caused global warming, there has been a growing emphasis on holding corporations to account for environmental performance in developing countries. Companies in this globalized world such as LVS must invest significant resources to comply with environmental regulations. However, the compliance is complex and the cost of remedies of the greenhouse gases is very expensive.

## **Discussion and Activities**

### ***Internal Issues:***

- What are the best practices in promoting the ECO 360° to existing and potential meeting clients?
- How can LVS encourage more customers to participate and engage in the sustainability practices?
- Based on the information provided, what kinds of strategic approach would you consider to reduce the cost when implementing sustainability practices? In other words, how can LVS make the resource/energy management even more cost-effective?
- What are the challenges in operating the global ECO 360° in different states/countries?
- What specific improvements must be made to enhance the consistency of the ECO 360° across the global locations?

### ***External Issues:***

- What are the external issues that influence the ECO 360° operation?
- What other external issues (e.g. technology innovation, global movements) should the LVS be aware of in order to address the internal issues?

### ***Overall Impact:***

- Based on your analysis of both internal and external issues, what should be done further for ECO 360° to move forward and to make the sustainability sustainable?

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