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Dr. M. Meenakshi Saratha
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Contents

9 AI Driven Startups - Measuring Sustainability Impact: Kpis and SROI In Tourism Startups

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Abstract

This study explores the importance of measuring sustainability in tourism startups by examining common Key Performance Indicators (KPIs) and the application of Social Return on Investment (SROI) as a tool to assess impact. Sustainability measurement enables startups to balance economic growth with social and environmental responsibility, ensuring long-term viability. The research highlights how KPIs help track financial, customer, environmental, social, and operational performance, while SROI provides a comprehensive monetary valuation of social and environmental benefits. The findings emphasize that effective impact measurement improves decision-making, transparency, and stakeholder trust, fostering responsible tourism development. The study offers practical suggestions for startups to implement sustainability measurement frameworks and enhance their contributions to sustainable development goals.

Keywords: Sustainability Measurement, Tourism Startups, Key Performance Indicators, Social Return on Investment, Impact Assessment, Sustainable Tourism, Stakeholder Engagement.

Introduction

In recent years, tourism startups have emerged as significant contributors to sustainable development, especially in alignment with the United Nations Sustainable Development Goals (SDGs). However, to ensure that these ventures genuinely contribute to environmental, social, and economic sustainability, it is crucial to measure their sustainability impact using standardized frameworks such as Key Performance Indicators (KPIs) and Social Return on Investment (SROI).

Globally, the tourism industry accounts for approximately 10% of global GDP and supports 1 in 10 jobs (World Travel & Tourism Council, 2023). With this massive economic footprint comes a responsibility to minimize adverse environmental effects and maximize community benefits. According to the UNWTO, around 80% of tourists prefer eco-friendly tourism options, encouraging startups to embrace sustainable models. Yet, only 30% of small tourism businesses reportedly track their environmental or social performance consistently, revealing a significant gap in impact measurement.

Key Performance Indicators (KPIs) serve as essential tools to track performance against defined sustainability goals. Typical KPIs in tourism startups include carbon emissions per tourist, waste reduction rates, local employment percentages, energy and water usage efficiency, and customer satisfaction with eco-practices. For instance, a recent survey of eco-lodges in South Asia found that those tracking energy and water consumption achieved 15–25% cost savings annually, while also reducing environmental impact.

Social Return on Investment (SROI), on the other hand, quantifies the social and environmental value generated per unit of investment. A tourism startup that trains and employs local youth, for example, may yield an SROI of 1:4, indicating that every $1 invested returns $4 in social value—through enhanced livelihoods, reduced migration, and community development. Despite the growing relevance of these metrics, many tourism startups face challenges in adopting them due to lack of awareness, technical expertise, or financial constraints. There is a pressing need to build institutional frameworks, training programs, and digital tools that can facilitate easy and standardized sustainability measurement. Therefore, measuring sustainability impact through KPIs and SROI not only provides a competitive advantage to tourism startups but also reinforces accountability, transparency, and long-term viability. As consumer expectations, investor priorities, and regulatory standards evolve, such measurement frameworks are no longer optional—they are essential for shaping the future of responsible tourism entrepreneurship.

Statement of The Problem

Many tourism startups aim to support sustainability, but most of them do not properly measure their social and environmental impact. Without using tools like Key Performance Indicators (KPIs) and Social Return on Investment (SROI), it becomes difficult to know if these startups are truly making a positive difference. This lack of clear measurement also affects their growth, funding opportunities, and trust among eco-conscious travelers. There is a need to explore how tourism startups can effectively use these tools to track and improve their sustainability performance.

Need for The Study

1. Many tourism startups say they support sustainability, but don't measure their real impact.
2. Most do not use proper tools like KPIs and SROI to track progress.
3. Measuring impact helps them grow and gain support from investors and customers.
4. It helps them make better decisions for the future.
5. The study can guide the government and tourism bodies to support good startup ideas.

Objectives of The Study

1. To understand the importance of measuring sustainability in tourism startups.
2. To identify the common Key Performance Indicators (KPIs) used in tourism startups.
3. To examine how Social Return on Investment (SROI) is applied in measuring impact.
4. To analyze the challenges faced by tourism startups in using KPIs and SROI.

Researech Methodology

This study uses a descriptive research design based on secondary data collected from research articles, reports, and sustainability documents related to tourism startups. Content analysis was used to examine how sustainability is measured, focusing on key performance indicators (KPIs) and the application of Social Return on Investment (SROI). This method helps understand current practices and challenges in sustainability measurement, though it depends on existing published information.

Review of Literature

Clark, Rosenzweig, Long & Olsen (2004) emphasized the growing importance of Social Return on Investment (SROI) as a method to evaluate social and environmental value in monetary terms. Their study laid the foundation for understanding how businesses, including tourism startups, can go beyond traditional financial reporting by showcasing the broader societal impact of their actions. They argued that SROI creates transparency and helps communicate value to stakeholders more effectively.

Schaltegger and Wagner (2006) focused on the role of sustainability performance in achieving long-term business success. They pointed out that Key Performance Indicators (KPIs) are essential for

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tracking progress toward sustainable goals. In the context of tourism, their findings suggest that using environmental and social KPIs can guide startups in making responsible decisions that benefit both business and society.

Nicholls et al. (2012) extended the application of SROI to social enterprises and small-scale ventures, showing its relevance in tourism entrepreneurship. Their research found that applying SROI helps startups attract ethical investors, build community trust, and enhance the visibility of their social impact. They advocated for wider use of this method to ensure transparent value creation.

Font, Garay & Jones (2016) examined how tourism companies disclose their sustainability practices and discovered a lack of standardized reporting. Their study indicated that many startups engage in sustainable activities but fail to measure or communicate their impact clearly. They stressed the importance of implementing well-defined KPIs to create reliable and meaningful reports that reflect true progress.

Harrison & Wicks (2013) investigated stakeholder expectations regarding business responsibility and transparency. Their study showed that using tools like SROI and sustainability KPIs can improve the relationship between startups and their key stakeholders—such as customers, employees, investors, and the local community—by building credibility and trust.

Ritchie, Dorrell & Miller (2017) explored the challenges faced by small tourism businesses in adopting sustainability measurement tools. Their findings highlighted barriers such as limited technical knowledge, resource constraints, and lack of awareness. They concluded that capacity-building efforts, including training and partnerships, are essential for encouraging startups to adopt structured impact evaluation systems.

IMPORTANCE OF MEASURING SUSTAINABILITY IN TOURISM STARTUPS

- Ensuring Responsible Growth

Tourism startups face the challenge of expanding their business while avoiding damage to the environment and communities. Measuring sustainability helps these startups grow in a way that is responsible and ethical, ensuring they don't sacrifice natural or social resources for short-term gains.

➢ Identifying Environmental Impact

Tourism can put pressure on local ecosystems through waste generation, water usage, and habitat disruption. By measuring sustainability, startups can understand exactly how their operations affect the environment and take steps to minimize negative impacts.

➢ Promoting Social Well-being

Tourism affects local populations in many ways, including employment, culture, and quality of life. Sustainability measurement helps startups assess their influence on these social factors and encourages practices that support local communities and preserve cultural heritage.

➢ Increasing Market Competitiveness

Modern travelers increasingly prefer businesses committed to sustainability. Measuring and communicating sustainability performance can help tourism startups attract these conscious customers and differentiate themselves in a competitive market.

➢ Attracting Ethical Investment

Investors are becoming more interested in supporting companies that operate sustainably. Tourism startups that measure and improve their sustainability practices are better positioned to gain funding from impact investors and socially responsible funds.

- Enhancing Long-Term Business Success

Sustainability measurement is key to long-term planning. It helps startups anticipate risks related to resource scarcity, regulatory changes, or community opposition, allowing them to adapt and thrive over time.

- Contributing to Global Sustainable Goals

By measuring sustainability, tourism startups align their activities with international efforts to promote sustainable development, supporting global goals such as conserving natural habitats, reducing poverty, and fostering inclusive economic growth.

Identifying Common Key Performance Indicators (KPIS) USED IN TOURISM STARTUPS

- Understanding the Role of KPIs

Key Performance Indicators (KPIs) are essential tools that tourism startups use to measure progress toward their business and sustainability goals. KPIs provide concrete data that help startups monitor performance, make informed decisions, and demonstrate accountability to stakeholders.

- Financial KPIs: Measuring Economic Health

Financial KPIs like revenue growth, profit margins, average booking value, and cost per acquisition show how well a startup is managing its finances. These metrics reveal the economic sustainability of the business and its potential for growth.

- Customer KPIs: Gauging Satisfaction and Loyalty

Customer-focused KPIs include satisfaction ratings, repeat visit rates, referral numbers, and online reviews. These indicators help startups understand how well they serve their customers and how effectively they retain and attract travelers.

- Environmental KPIs: Tracking Ecological Impact

Environmental KPIs focus on sustainability measures such as energy use, water consumption, waste reduction, and carbon emissions. Monitoring these helps startups reduce their ecological footprint and align with green tourism standards.

- Social KPIs: Measuring Community Engagement

Social KPIs assess how tourism startups benefit local communities. Metrics such as employment of local residents, involvement in community projects, and support for local suppliers highlight the startup's social responsibility efforts.

- Operational KPIs: Improving Efficiency and Quality

Operational KPIs track the efficiency of internal processes including booking speed, customer complaint resolution, and staff productivity. Enhancing these areas contributes to better customer experiences and smoother operations.

- Choosing the Right KPIs

Because every tourism startup is unique, selecting KPIs that reflect the specific goals and context of the business is vital. The right KPIs align with the startup's mission, target market, and sustainability objectives to provide meaningful insights.

- Using KPIs for Strategic Growth

Regularly tracking and analyzing KPIs empowers startups to identify strengths and weaknesses, adapt strategies, and innovate responsibly. This ongoing focus on performance supports sustainable growth and competitiveness in the tourism sector.

ISBN: 978-81-991858-5-2

SROI MEASUREMENT PROCESS

The Social Return on Investment (SROI) process involves several clear steps to measure the value created by a tourism startup in social, environmental, and economic terms.

1. Identify Stakeholders

Engage with all groups affected by the startup's activities, such as local communities, employees, customers, suppliers, and environmental organizations.

2. Map Outcomes

Define what changes or benefits occur due to the startup's activities. These could be improvements in local employment, environmental conservation, customer well-being, or cultural preservation.

3. Gather Data

Collect qualitative and quantitative data on resources invested (inputs), activities conducted (outputs), and resulting changes (outcomes). This includes financial costs, time, environmental usage, and social effects.

4. Assign Value to Outcomes

Translate the outcomes into monetary values using financial proxies or estimations, such as the cost saved by reduced pollution or increased income from job creation.

5. Calculate the SROI Ratio

Compare the total value of benefits created to the investment made, producing a ratio like 3:1, which means that for every 1 unit of investment, 3 units of social value were created.

6. Report and Use Results

Share findings with stakeholders and use insights to improve strategies, increase transparency, and attract further support or investment.

Benefits of Using Sroi for Impact Assessment

- Provides a Comprehensive View of Value

SROI goes beyond financial returns to capture social and environmental impacts as well. This helps tourism startups understand the full range of value they create, including benefits to local communities and ecosystems

- Enhances Transparency and Accountability

By quantifying social and environmental outcomes in monetary terms, SROI makes the impact of a startup's activities clear and measurable. This transparency builds trust among investors, customers, and community stakeholders.

- Supports Better Decision-Making

SROI helps startups identify which programs or activities generate the most positive impact relative to cost. This information enables smarter allocation of resources and prioritization of initiatives that maximize social and environmental benefits.

- Strengthens Stakeholder Relationships

Sharing SROI results with stakeholders demonstrates commitment to responsible business practices. It fosters stronger partnerships and encourages collaboration with local communities, investors, and customers.

- Attracts Ethical Investment and Funding

Investors and funding organizations increasingly look for evidence of social and environmental impact. Using SROI can improve a startup's chances of securing support from impact investors, grants, and socially responsible funds.

- Encourages Continuous Improvement

Regular SROI assessments allow startups to track their impact over time, learn from results, and refine their strategies. This promotes ongoing growth that aligns with sustainable development principles.

- Differentiates the Business in the Market

In competitive tourism markets, demonstrating a measurable positive impact through SROI can set a startup apart, attracting customers who value sustainability and social responsibility.

Analysis of Challenges Faced by Tourism Startups In Using KPIS & SROI

Tourism startups face a range of challenges when it comes to implementing Key Performance Indicators (KPIs) and Social Return on Investment (SROI) to measure their sustainability impact. These challenges can be analyzed across three key dimensions: internal limitations, external barriers, and methodological complexity.

1. **Internal limitations**

   Many tourism startups operate on tight budgets and with small teams. This leads to a shortage of skilled personnel who can understand and apply sustainability measurement tools. Without proper training or dedicated resources, startups may struggle to define relevant KPIs or carry out SROI calculations effectively. In addition, time constraints and prioritization of business survival over long-term impact assessment further weaken their ability to measure performance meaningfully.

2. **External barriers**

   Startups often operate in environments where there is limited institutional support or industry pressure to track sustainability performance. The lack of standardized guidelines and sector-specific benchmarks can make it difficult for startups to know what to measure and how to interpret the results. Moreover, stakeholders such as investors, local authorities, and customers may not yet demand formal sustainability reporting, reducing the motivation to adopt such practices.

3. **Methodological complexity**

   SROI, in particular, poses a challenge due to its complexity. It requires assigning monetary values to non-financial outcomes, such as community wellbeing or environmental preservation. This process demands both quantitative and qualitative data, which startups may not have the tools or capacity to collect. KPIs, though relatively simpler, can still be ineffective if not customized to the specific context of the business.

Suggestions for The Study

- Tourism startups should adopt standardized sustainability measurement frameworks to ensure consistent tracking of their environmental and social impacts.
- Startups need to focus on selecting relevant KPIs that align with their specific goals and local context to improve meaningful impact assessment.

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- Capacity-building programs and training can help tourism entrepreneurs better understand and implement SROI and other sustainability tools.
- Collaboration with local communities and stakeholders is essential to capture diverse perspectives and enhance the accuracy of impact measurement.
- Regular monitoring and reporting of sustainability performance will improve transparency and attract more responsible investors and customers.
- Encouraging innovation in eco-friendly practices and social initiatives can further strengthen the sustainability outcomes of tourism startups.
- Future research could explore the integration of digital technologies like AI and big data analytics to enhance real-time sustainability measurement.

Conclusion

Measuring sustainability in tourism startups is vital for promoting responsible growth that benefits both businesses and their surrounding communities. By focusing on key indicators and using tools like Social Return on Investment (SROI), startups can gain a comprehensive understanding of their economic, social, and environmental impact. This measurement not only supports better decision-making and resource management but also builds trust with customers, investors, and local stakeholders. Ultimately, embracing sustainability measurement helps tourism startups achieve long-term success while contributing positively to global sustainability goals. It encourages a balanced approach that values profit alongside social and ecological well-being, paving the way for a more resilient and inclusive tourism industry.

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