



LEO J. SHAPIRO & ASSOCIATES LLC

November 2007

WHAT IS 'GREEN' AND WHY IT MATTERS

Consumer Attitudes and Behaviors Regarding Environmentally Friendly Products, Retailers, and Manufacturers

BACKGROUND

Consumer demand for environmentally responsible ("green") products and services continues to increase, and manufacturers, retailers and service providers are leaping onto the green bandwagon. A number of issues surrounding consumers' attitudes towards green products remain unclear, however. Leo J. Shapiro & Associates, LLC (LJS) sought to investigate these questions through a consumer survey which addressed the following specific research topics:

- What does "green" mean to consumers?
- What kind of environmental behaviors do consumers practice, and what do they aspire to?
- How important is it to consumers that companies are environmentally responsible?
- How do consumers perceive green initiatives by manufacturers and retailers?

LJS utilized a variety of research methodologies to collect data. These methods included two focus groups with a representative sample of Chicago area consumers and a telephone study with a national probability sample of over 800 U.S. consumers. Research was conducted during August 2007.

OVERVIEW

As the second generation of green products evolves, consumers place a high priority on green initiatives and demonstrate a heightened sensitivity to environmental issues. Despite this heightened awareness, however, consumers themselves are doing relatively little in their own lives to conserve energy and protect the environment. Consumers feel some measure of guilt about this discrepancy, and know they are not doing enough, but they also say that retailers and manufacturers should do more to make their businesses and products green.

That said, consumers are also skeptical about retailer and manufacturer “green-washing.” Part of this skepticism comes from a healthy dose of cynicism about businesses and institutions in society at large, and part of it comes from consumers’ experiences with first-generation green products, which were relatively expensive and not as effective as conventional products.

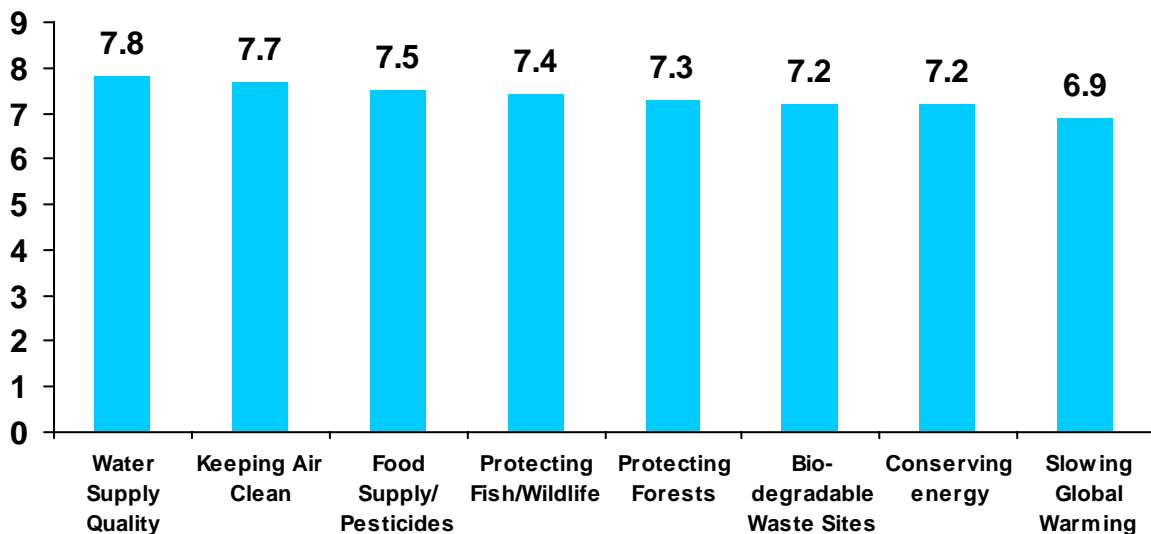
Currently, consumers’ interest in green products and services is largely driven by the desire to protect themselves and their families from disease and illness, and to save money. Consumers want to become more environmentally responsible, though, and look to retailers and manufacturers to lead the way with substantive efforts and initiatives. Retailers and manufacturers would do well to align their green initiatives with consumers’ personal interests and to offer thoughtful, practical green programs and services. Companies offering quality goods and services that are environmentally conscientious will find that consumers are willing to pay a little bit more for such products. Those who get it right will also get credit for helping customers, improving the environment, and leading through innovation.

FINDINGS IN DETAIL

Consumers place a high priority on green initiatives.

While consumers place a high priority on a number of green initiatives, they place an even higher importance on environmental issues that directly affect their lives. As the chart below shows, the three highest-rated issues on consumers’ minds are water supply quality, clean air and food. Clearly, issues closer to home take priority over such global issues as wildlife, forests and global warming.

And speaking for yourself, recognizing that not everything that is needed can be done, what priority would you attach to...?



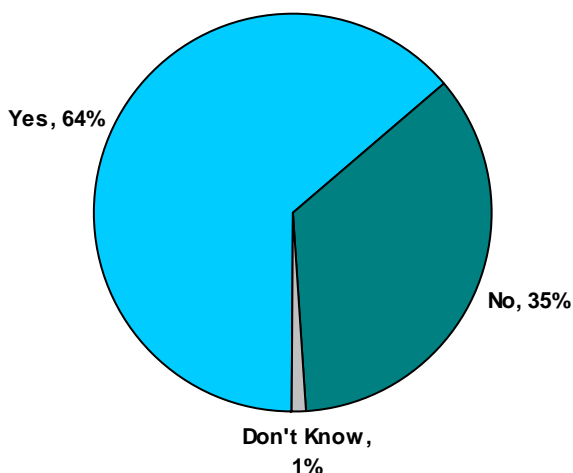
While they value green initiatives, consumers' current green activities are relatively modest.

Currently, consumers are still in the early stages of eco-awareness, which means that while their sensitivity to green issues may be heightened, they still aren't doing much to conserve energy or protect the environment. For most consumers, green behavior is limited to modest recycling and buying energy-efficient light bulbs, because these activities are relatively easy to do. Some focus-group participants mentioned other modest efforts to conserve energy, such as turning off lights in their homes and using their air conditioners less frequently. Others said that they try to reduce their gas consumption by walking more and driving less.

The LJS national telephone survey also reflected this tendency toward moderate efforts by consumers to conserve more. When asked if they could think of a product their household purchased in the past year that was designed to conserve energy or protect the environment, two in three consumers (64%) said "yes." Of those who answered affirmatively, 49% indicated that they had purchased energy-efficient light bulbs. This response was followed by 16% of consumers who mentioned purchasing household appliances, such as energy-efficient air conditioners, heating systems, washers and dryers.

Can you think of a product your household purchased in the past year that was designed to conserve energy or protect the environment? What did you buy?

<u>Base: Those that Purchased</u>	<u>Total</u>
Light Bulbs	49%
<u>Appliances (Net)</u>	<u>16%</u>
Air conditioner	5%
Heating System/Furnace	4%
Washer/Dryer	4%
Kitchen Appliances	3%
Bio-degradable Soap/Detergent	3%
Trash bags/Container	3%
Recyclable Paper	3%



Consumers know they are not doing enough on behalf of the environment. When asked how much they do in their own life to conserve energy and protect the environment, consumers gave an average response of 5.8 on a nine-point scale.

Consumer interest in green products is largely driven by personal concerns.

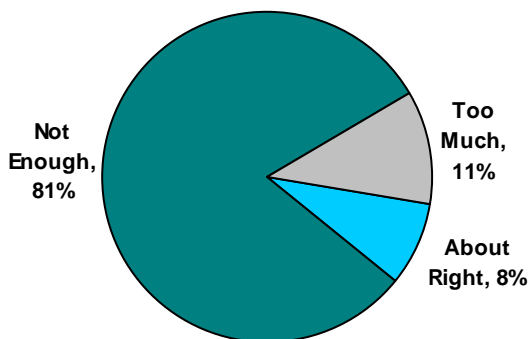
At the moment, consumers' desire for green products and services originates in self-interest: protect *my* water, *my* air, *my* food. Green products that have an immediate impact on consumers' lives are most appealing. The compelling factors in motivating consumers to invest in green products and services include a need to protect themselves and their families against toxins, and a wish to save money and energy.

The most attractive green products are those that improve the consumer's personal health and safety, are easy to use, and have a cost savings advantage. Examples include hormone- and pesticide-free produce and meat, energy-efficient light bulbs and appliances, and environmentally safe gardening products. Companies must meet these consumer needs, and can do so by providing goods and services that benefit the consumers on a personal level.

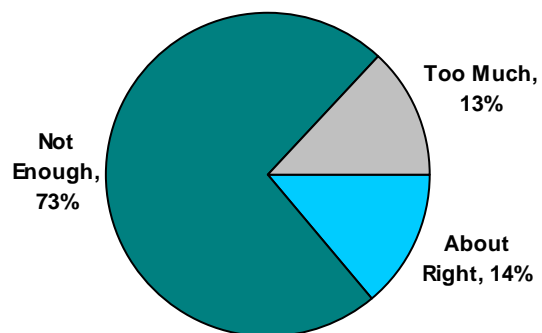
Consumers say manufacturers and retailers should do more for the environment.

While consumers admit that they, themselves, are not green enough, they also say that retailers and manufacturers could do more to conserve energy and protect the environment. In fact, the LJS survey found that 81% of consumers in the U.S. think manufacturers are not doing enough to conserve energy and protect the environment, and 73% of consumers believe the same thing about retailers.

*Percentage of Consumers Who Think **Manufacturers** in the U.S. are Doing Too Much or Not Enough to Conserve Energy and Protect Our Environment*



*Percentage of Consumers Who Think **Retailers** in the U.S. are Doing Too Much or Not Enough to Conserve Energy and Protect Our Environment*



Consumers express cynicism about some green initiatives.

Although consumers say they want manufacturers and retailers to be more conscientious, consumers can be somewhat cynical about a company's motives. Consumers expressed concern over companies riding the "environmentalist bandwagon" merely for their own financial gain.

Consumer skepticism may partly be a reflection of past experiences with green products. Early manufacturer and retailer forays into the green arena were not very successful.

Consumers who adopted green products early on found them to be too expensive and of poorer quality than their non-green counterparts.

To succeed in the green marketplace, retailers and manufacturers must overcome this legacy of overpriced, inefficient, marginally effective product offerings. While consumers expect green products to cost more and are willing to pay a “reasonable amount” more for them, green products that are substantially more expensive than conventional products will deter consumers. Furthermore, most consumers are not willing to sacrifice quality or performance for the simple virtue of going green.

Consumers want sincere and meaningful initiatives.

Today’s consumers want to make more environmentally responsible purchases, but they do not want to make compromises in quality, and they don’t want to significantly disrupt their daily lives in order to go green. Consequently, they are looking for manufacturers and retailers to help them overcome this paradox and accomplish the goal of green living with minimal compromise. In fact, they would prefer that green products *improve* their lives and signify, symbolically at least, a conscientious effort on the consumer’s part to make eco-friendly purchasing decisions.

Because green purchasing decisions are influenced by a larger concern for the environment as a whole, consumers most admire companies that take a holistic approach to being green. For example, when presented with various green initiatives, consumers were most impressed with the concept of shopping at a “green store.” That is, they were attracted to the idea of a retailer with stores that are energy efficient, conserve resources as a matter of company policy, and use recycled materials. In fact, nearly half of consumers in the survey (46%) thought it would be easier to shop at those stores; an additional 50% thought it would be more comfortable to shop at a green store.

Simply labeling a product “green” will not satisfy consumers, however. In fact, LJS research suggests that misguided or insincere attempts to offer green products or initiate a greening program could jeopardize a brand. A “greenwashed” marketing campaign could spark a backlash of cynicism if consumers sense that the product is being driven by ulterior motives or opportunism. Furthermore, manufacturers and retailers who offer token products that purport to be “green” may run the risk of hurting their other brands. In order to be successful in the emerging green marketplace, manufacturers and retailers must incorporate green into their corporate DNA. Dabbling won’t do.

Green initiatives can benefit the bottom line.

As we’ve said, though consumers aren’t currently engaging in much green behavior, they aspire to do more, and they are looking for retailers and manufacturers to lead the way by:

- *Doing*: operating more environmentally responsibly
- *Selling*: offering more green products
- *Informing*: educating consumers how to behave more conscientiously

Retailers and manufacturers positioned to reap the most benefits from the emerging green marketplace will be the ones that incorporate green thinking and ideas into their corporate DNA and offer innovative, cost-conscious products that work as well or better than competing products. Consumers say that if they trust the solicitor, they are willing to go out of their way to shop at green stores, pay a little bit more for green products, and try to be "greener" by engaging in more conscientious overall behavior.

In order to be successful, manufacturers and retailers need to carefully examine the different opportunities they have to be greener, and understand how these initiatives align with their brand and with what matters to their customers. Consumers are relying on companies to define what "green" means in their own specific markets. Consumers are also looking for companies they can trust above and beyond the functionality of the products they manufacture and/or distribute. Pragmatism will continue to guide purchasing behavior for the foreseeable future, but being perceived as an innovative leader in one's industry has the potential to attract consumers and capture market share. Retailers and manufacturers who get the green formula right will be recognized for helping customers achieve their green aspirations, improving the environment, and being marketplace innovators.

For more information, contact Art Angel at arta@jls.com or at (312) 321-8156.