Sustainability: The Rise of Consumer Responsibility

Understanding cultural change that shifts consumer behavior in new directions

The Hartman Group

Brand strategy
New product development
Messaging and communications

Retail experience design
Shopper insights
A Deep Well of Consumer Insights in Sustainability

Sustainability: The Rise of Consumer Responsibility

A HARTMAN GROUP SUSTAINABILITY TIMELINE

- 1989 The Hartman Group established itself as the first company dedicated to understanding environmental issues from the consumer perspective.
- 1996 We published the first in a 4-part series, Food & the Environment, which demonstrated the shift in consumer emphasis from environment to health.
- 2000 The first landmark THG study is completed on the Wellness Lifestyle Shopper. Other industry studies include the Healthy Living Suite.
- 2001 The Hartman Group updated our report series, Food & Environment, merging consumer involvement with sustainability on our WorldMosaic.
- 2007 Our continued work in the arena of wellness drove definitive consumer buyouts, between it and sustainability as consumers seek a better "Quality of Life" in their Wellness. Lifestyle insights 2007.

The Redefinition of Quality

The Redefinition of Quality

Sustainability: The Rise of Consumer Responsibility

Sustainability Has a History


“Most Consumers Say They Would Like More Green Products” — The Financial Times

“More New Alternative Fuel Vehicles Continue to Roll Off US Automaker Assembly Lines” — The Oil & Gas Journal

“Tomorrow’s Shade of Green: Environmentally Oriented Construction Materials for the 21st Century” — Home Improvement Market

“Can Retailers Turn Green This Year?” — Marketing Magazine

Sustainability: The Rise of Consumer Responsibility
Sustainability Has a History

“Report Says **Global Warming** Poses Threat to Public Health”
—The New York Times

“Most Consumers Say They Would Like **More Green Products**”
—The Financial Times

“More **New Alternative Fuel Vehicles** Continue to Roll Off US Automaker Assembly Lines” —The Oil & Gas Journal

“Tomorrow’s Shade of Green: **Environmentally Oriented Construction Materials** for the 21st Century” —Home Improvement Market

“Can **Retailers Turn Green** This Year?” —Marketing Magazine

These headlines all occurred between 1996 and 1997!

Sustainability Is Now Moving Into The Mainstream

<table>
<thead>
<tr>
<th>Food &amp; Beverages</th>
<th>Home</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>fresh, local, seasonal, organic, biodynamic</td>
<td>natural/organic cleaners</td>
<td>writings: Al Gore, Michael Pollan, Marlo Nestle, Paul Roberts</td>
</tr>
<tr>
<td>organic baby food</td>
<td>sustainably harvested wood</td>
<td>food movements: Slow Foods blogs, groups: Greentopia, Ideal Bite, Grist, Green Festival</td>
</tr>
<tr>
<td>farmers markets, CSA</td>
<td>solar panels</td>
<td>lifestyle retailers: Whole Foods, Timberland, IKEA, Am Apparel</td>
</tr>
<tr>
<td>wild salmon, grass fed beef, free range chicken</td>
<td>programmable thermostats</td>
<td></td>
</tr>
<tr>
<td>Rainforest Alliance, Fair Trade</td>
<td>green waste recycling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>faucet aerators</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Goods</th>
<th>Garden</th>
<th>Pet Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>baby products</td>
<td><strong>garden</strong> in every school, urban gardening</td>
<td>raw foods</td>
</tr>
<tr>
<td>natural/organic skin care</td>
<td><strong>grow-your-own</strong> veggies &amp; herbs</td>
<td>organic food</td>
</tr>
<tr>
<td>bamboo &amp; organic clothing &amp; bedding</td>
<td>drip irrigation system</td>
<td>herbs, acupuncture</td>
</tr>
<tr>
<td>reusable shopping bags</td>
<td>ladybugs</td>
<td>non-toxic pet grooming products</td>
</tr>
<tr>
<td>Prius, bus pass, biking</td>
<td>native plants</td>
<td>non-PVC toys</td>
</tr>
<tr>
<td>Sigg water bottles</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources:
- writings: Al Gore, Michael Pollan, Marlo Nestle, Paul Roberts
- food movements: Slow Foods
- blogs, groups: Greentopia, Ideal Bite, Grist, Green Festival
- lifestyle retailers: Whole Foods, Timberland, IKEA, Am Apparel
We Draw Our Conclusions From Two Significant Waves Of Research (conducted in 2007 and 2008)

Qualitative Ethnographic Immersions
- Over 150 hours of consumer interviews
  - In-depth interviews in homes, social network parties, consumer photo journaling
  - Observation of sustainability activities
- Field locations
  - In 2007: Chicago, Raleigh, Boston, Newark, Los Angeles, Seattle
  - In 2008: Columbus, Dallas, Seattle

Quantitative National Survey
- Custom online survey; sample size 1,600, nationally representative of US population
- Conducted January 2007 and in September 2008
- Additional teen (14-17 years of age) survey
- Customized category reports

A Consumer-Centric Approach
- Our research methods give consumers great freedom to define sustainability objectively and broadly

Over 75% of Consumers Consider Sustainability At Times When Making Purchases

How often are your purchasing decisions based upon your concerns for issues such as the environment and social well-being?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>5%</td>
</tr>
<tr>
<td>Usually</td>
<td>13%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>14%</td>
</tr>
<tr>
<td>Rarely</td>
<td>10%</td>
</tr>
<tr>
<td>Never</td>
<td>58%</td>
</tr>
</tbody>
</table>

Base: All respondents (n=1,856); Source: Sustainability 2008 Survey, Sept. 2008
Sustainability Is A Vast Untapped Opportunity

Q12: “Are you familiar with the term ‘sustainability’?
Sources: Sustainability 2007 (Jan.) and 2008 (Sept.) surveys.

Life Stage Changes Are Entry Points To Build Sustainability Connections With Consumers

KEY ENTRY POINTS:
- Having children
- Outdoor recreation
- Change in environment, way of life

Overarching Dimensions of Responsibility
- Authenticity
- Transparency
- Partnership
- Greater Good

SOCIAL/RESPONSIBLE

EMOTIONAL/PERSONAL

FUNCTIONAL

PERIPHERY
- Personal Benefit
  - “Do something”

MID-LEVEL
- Small Steps
  - “Do what I can”

CORE
- Way of Life
  - “Do the right thing”
Paul – A Periphery Consumer

Skeptical about claims that human behavior is causing global warming, but believes that reducing waste "just makes sense".

Has been a consistent recycler since the city made curb-side pick-up available (because it saves him money on his garbage bill!)

Believes that eco-friendly products are too expensive, but will purchase the green versions of a product when it is on sale.

Gas prices would have to reach $5/gallon to consider taking the bus or sharing a ride to work.

Just bought an energy efficient dishwasher because of a rebate.
Katie – A Mid-level Consumer

Concerned that natural resources will be depleted when son gets older
Tries to buy refillable containers both to save money and prevent wasteful packaging
Uses reusable canvas bags for grocery shopping out of concerns that plastic and paper bags require more energy to produce and recycle (it doesn’t hurt that she saves money with each bag too)
Shops at a large national grocer because prices are affordable and it’s close to home, but frequents a natural food store for produce
Dislikes how national chains are “taking over” mom-and-pop businesses and frequently eats at local eateries and coffee shops to support the community
Purchased hardwood floors from a local, family-owned bamboo importer

Marilyn – A Core Consumer

Believes that real, substantive change must occur at a systemic level if we are to solve the world’s challenges
Distrustful of big companies and retailers, and always looks online to investigate ownership
Only buys Fair Trade coffee due to concerns about economic equity in other countries
Shops at farmer’s market and also receives a weekly Community Supported Agriculture (CSA) box
Takes the bus to work at least three times a week
Composts food scraps and yard waste
Chose reclaimed wood flooring, recycled plastic countertops for home improvement despite the significant price premium
Most new children’s toys she buys are locally crafted wooden toys
Uses rain water barrels to water her garden
Marilyn – A Core Consumer

Believes that real, substantive change must occur at a systemic level if we are to solve the world’s challenges. Distrustful of big companies and retailers, and always looks online to investigate ownership. Only buys Fair Trade coffee due to concerns about economic equity in other countries. Shops at farmer’s market and also receives a weekly Community Supported Agriculture (CSA) box. Takes the bus to work at least three times a week. Composts food scraps and yard waste. Chose reclaimed wood flooring, recycled plastic countertops for home improvement despite the significant price premium. Most new children’s toys she buys are locally crafted wooden toys. Uses rain water barrels to water her garden.

Consumer Depictions of Sustainability Include “Green” ....
But There is A Broader Movement of Hope, Responsibility and Action that Extends Beyond Green

Be Responsible
Sense of Urgency
Hope
Connection
Simple Living
Authenticity
Control
Care/Nurturing
Local
Community
Healthy

“It comes a lot from every person taking personal responsibility and saying, I’m gonna commit to this, this is important, I’m gonna do my part.” - midlevel consumer

Consumers Describe Sustainability in Terms of Community, Local, Health, Preserving Resources, and Simple Living
Healthy: For Many, Sustainability Starts At a Personal Level: In, On, Around The Body…

“What goes in our bodies is the most important, what goes on our bodies is a close second.” – mid-level consumer

Implications: natural/green is becoming the cost of entry in many categories
Organic: A Growth Category Driven By Personal Benefits (e.g., Health, Safety)

From the following list, what properties do you think are implied or suggested by the term "ORGANIC"?

- Absence of pesticides: 83%
- Absence of growth hormones: 67%
- Absence of GMO's: 62%
- Safer for one's health: 66%
- Environment-friendly: 57%
- Absence of antibiotics: 46%
- Absence of food irradiation: 46%
- Family (small-scale) farms: 29%
- Absence of BSE: 28%
- Better treatment of farm animals: 27%
- Better taste: 22%
- Locally grown: 21%
- Gourmet cooking: 14%
- Sustainable production: 13%
- Fair Trade: 11%

Source: Organic 2006 Study (n=2109)

However, Freshness, Local and Sustainable Now Rank Higher Than Organic

When selecting foods and beverages to purchase, how important are the following labels or phrases to you?

1. Fresh: 90%
2. Pesticide-free: 64%
3. Natural: 53%
4. Hormone-free: 46%
5. Origin of ingredients: 47%
6. Certified humane: 46%
7. Locally grown: 46%
8. Sustainable: 36%
9. Seasonal: 35%
10. USDA Organic: 34%
11. Fair trade: 32%
12. Free range: 30%
13. Grass-fed: 29%
14. Organic: 29%
15. Heirloom: 11%

Top 3 Box

All respondents (n=2,161)

Top 2 Box based on 7-point scale ranging from "Not at all important" (=1) to "Extremely important" (=7)
Local: Defined By More Than Distance

- It's important for me to buy locally grown food whenever possible: 82%
- It's important for me to know whether the milk I buy comes from cows that have been given growth hormones: 37%
- When I think of food quality, I only think of how the product looks, tastes, and smells rather than where it's produced: 37%
- It's important for me to buy meat and poultry that have been raised without routine use of antibiotics: 36%
- When I think of food quality, I only think of how the product looks, tastes, and smells rather than how it's produced: 31%
- I trust the government to insure the safety of my food: 27%
- It's important for me to buy organically grown food whenever possible: 23%

Local: Is Most Powerful When It Includes a Product Narrative

- Seeing a picture of the people that make a product makes it more credible to me: 23%
- Seeing a picture of where a local product is made makes the product more credible than mass produced products: 25%
- Learning about the people behind a local product (who makes it) is important to me: 25%
- Learning about the people behind a local product (who makes it) is important to me: 24%
- Seeing a picture of where a local product is made makes the product more credible than mass produced products: 25%
- Learning about what a local product (what it is made of) is important to me: 24%

Source: 2007 Sustainability Study (n=1,600)

Sustainability: The Rise of Consumer Responsibility
Local Has Both Symbolic and Objective Meanings To Consumers

<table>
<thead>
<tr>
<th>Objective: Geographic</th>
<th>Symbolic: Locale</th>
</tr>
</thead>
</table>
When asked in survey format which statement they think best defines a “local product” consumers defer to geographic definitions:  
- 50% say “made or produced within 100 miles”  
- 37% say “made or produced in my state”  
Geographically local is important to consumers because it signifies “fresh”  
During in-person interviews, when describing distinctions about local products, consumers also describe products using locale:  
- Unique: Expressing the distinct geography of a region which implies quality attributes  
- Distinctive: Specific tastes attributed to a locale  
- Authentic: Cues a small producer

Preserving Resources: There is a Growing Awareness of the “Social Life” of Products

Consumers are weighing in product distinctions based on production, consumption, and beyond

**Implications:** natural/green products resonate with a holistic connection to self, community and earth
Packaging is the First And Last Sustainability Cue Consumers Notice

Importance of Packaging Materials

<table>
<thead>
<tr>
<th>Material</th>
<th>Top 2 Box</th>
<th>75%</th>
<th>71%</th>
<th>67%</th>
<th>63%</th>
<th>82%</th>
<th>83%</th>
<th>51%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recyclable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodegradable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Made of recycled content</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reusable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reusable for other purposes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compostable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Food Packaging Materials That Consumers View Most Negatively

<table>
<thead>
<tr>
<th>Material</th>
<th>Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Styrofoam food containers</td>
<td>58%</td>
</tr>
<tr>
<td>Plastic shopping bags</td>
<td>46%</td>
</tr>
<tr>
<td>Plastic food containers</td>
<td>30%</td>
</tr>
<tr>
<td>Disposable plastic bottles</td>
<td>30%</td>
</tr>
</tbody>
</table>

Q38: When purchasing products, how important is it that [the] packaging be...? (5-point scale of importance)
Q42: “Which of the following types of food packaging/containers are you concerned about when it comes to your health or the environment?” (Select up to 3)
Base: Consumers inside the World of Sustainability (n=1,662)

Simple Living: Consumers Increasingly Desire to Live More Responsibly

Increased concern for ill effects of ramped up consumption, increasingly scarce resources and economic crisis has resulted in:

Cultural Shift: Consumers rethinking purchase/lifestyle habits (e.g. commuting, buying less, living simply)

Responsible Purchases: Consumers now feel a moral obligation to “do my part” by “doing the right thing” and “voting with my wallet”

Sustainability has arrived! Politicians, celebrities and everyday consumers not just hard core environmentalists are leading the dialogue

In times of economic hardship, sustainable products are a way to express personal values

Implications: natural/green products are considered to be “good for me” AND “good for the environment”
There is a “Constellation of Values” that Trigger Consumer Interest in Sustainability

Consumers Define Sustainability in a Multitude of Ways

Q13: “The word ‘sustainability’ may mean different things to different people. What does it mean to you?”
Base: Consumers familiar with the term “sustainability” (n=151)
Source: Sustainability 2008 Survey; Sept. 2008
Though widely used in business circles, the term “sustainability” is not a household word and has limited traction as a marketing term.

Consumers interpret the word “sustainability” as green and link it to only one zone, environmental.

“Responsibility” is a broader theme and better word to depict sustainability:
- a value-laden term describing a call to action to contribute to the greater good
- goes beyond green
- articulates the role of companies and consumers as they negotiate their respective sustainable behaviors.

The Hartman model starts with a traditional foundation of the interconnection of economic, social and environmental zones, but uniquely....

...Incorporates Personal Benefits That Motivate Consumers To Act on Sustainable Aspirations
Importance of Company Practices in Consumers’ Purchasing Behavior - It Isn’t Just about the Environment

<table>
<thead>
<tr>
<th>Company Practice</th>
<th>Top 2 Box *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides quality products</td>
<td>85%</td>
</tr>
<tr>
<td>Provides safe working conditions for its employees</td>
<td>79%</td>
</tr>
<tr>
<td>Sells products/services at low prices</td>
<td>77%</td>
</tr>
<tr>
<td>Tries to reduce waste and pollution</td>
<td>76%</td>
</tr>
<tr>
<td>Tries to minimize the environmental impact of its production</td>
<td>76%</td>
</tr>
<tr>
<td>Produces and distributes products in an energy-efficient manner</td>
<td>72%</td>
</tr>
<tr>
<td>Provides good wages and benefits to its workers</td>
<td>72%</td>
</tr>
<tr>
<td>Avoids inhumane treatment of animals</td>
<td>72%</td>
</tr>
<tr>
<td>Tries to reduce the use of non-renewable resources</td>
<td>70%</td>
</tr>
<tr>
<td>Takes steps to reduce its carbon footprint</td>
<td>65%</td>
</tr>
<tr>
<td>Avoids unnecessary packaging</td>
<td>65%</td>
</tr>
<tr>
<td>Uses green building techniques in its manufacturing and facilities</td>
<td>62%</td>
</tr>
<tr>
<td>Represents the principles I agree with</td>
<td>61%</td>
</tr>
<tr>
<td>Maintains supportive relationship with local community</td>
<td>54%</td>
</tr>
<tr>
<td>Ensures the best possible return to its shareholders</td>
<td>45%</td>
</tr>
</tbody>
</table>

*Top 2 Box based on 5-point scale ranging from “Very Unimportant” (=1) to “Very Important” (=5)

Q10/Q11: “When deciding which product/service to purchase, how important is it that the company that produces the product/service…?”

Base: Significant shoppers inside the World of Sustainability


Consumers Frame their Evaluations of a Company Using Dimensions of Responsibility

- Environmental
- Social
- Economic
- Personal Benefit
- Collective Good

- Resource consumption
- Biodiversity
- Waste disposal
- Employment practices
- Animal welfare
- Community involvement
- Money circulation
- Belonging/feeling good
- Household finances
- Personal protection
- Proportionality
- Belonging/feeling good

Sustainability: The Rise of Consumer Responsibility
Consumers View Sustainable Companies as Responsible Companies

Consumers make subjective interpretations about a company’s objective actions.

- E.g., Company uses petroleum and coal as power source ….
  Company is environmentally irresponsible

- E.g., Company switches to solar power …
  Company is more eco-friendly, but limited by bad social policies toward employees

It is therefore critical for a company to engage in self-reflexive inquiry and evaluation regarding what’s important and where it stands in light of the dimensions of responsibility.

Evaluations of Corporate Responsibility are Made in the Context of Transparency and Authenticity

Access to a company’s values, policies, and practices; open communications.

- How accessible is information?
- How easy is it for consumers to learn about your company?

The extent to which a company’s activities are true and consistent with their values.

- Does your company do what it says it does?
- How long has your company been doing what it says it does?
Foods and Beverages are Central to Consumer Perceptions of Sustainability

“Food is so basic. Everyone has to have it. And it impacts everything. So it makes sense that sustainability has to start with food.” ~ Sustainability Consumer

Consumers believe foods and beverages are a central sustainability issue that impact all zones of sustainability:

- **Personal Benefit**: Personal safety; nourishment and vitality; enjoyment
- **Environmental**: (responsible) Farming practices; (decreased) food miles
- **Social**: Ethical treatment of animals; connection to local food producers
- **Economic**: Community support; Fair trade practices

Sustainable Product Adoption Pathways

**Sustainable Product Adoption Pathway**:

**PERIPHERY**
- **PHASE ONE**: Food and beverage
  - Food and beverage
  - CFL light bulbs
  - Energy-efficient appliances
  - Water filters
  - Recycled paper products

**CORE**
- **PHASE ONE**: Household cleaning products
  - Personal care products
  - Baby care
  - Water-efficient devices
  - Air purifier

- **PHASE THREE**: Motorcycle
  - Fertilizer/paint
  - Garden products
  - Reusable bags/containers
  - Energy-efficient electronics

- **PHASE FOUR**: Home decor
  - Alternative energy
  - Solar panels

**Food and Beverage Specific**:

**PERIPHERY**
- **PHASE ONE**: Vegetables
  - Fruit
  - Meat
  - Tap/Filtered Water

**CORE**
- **PHASE TWO**: Coffee
  - Eggs
  - Seafood
  - RTD Beverages

- **PHASE THREE**: Bread
  - Tea
  - Prepared Foods

- **PHASE FOUR**: Chocolate
  - Cheese
  - Wine
Sustainability: The Rise of Consumer Responsibility

Current Market Reach and Immediate Growth Opportunity (by Product Category)

Q30: “Which of the following specific foods or beverages have you purchased or consumed in the past 30 days?”
Q31: “For which of the following foods/beverages are you willing to pay 20% more for a sustainable version?”

Base: Significant shoppers inside the World of Sustainability who purchased general product category (base size varies by category, from 174 [meat alternatives] to 1,461 [bread]).

<table>
<thead>
<tr>
<th>Product Category</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat alternatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottled water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seafood</td>
<td>70%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruits</td>
<td>36%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eggs</td>
<td>19%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White meat</td>
<td>18%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yogurt</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTD beverages</td>
<td>16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Red meat</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bread</td>
<td>14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-packaged coffee</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deli cheese</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Butter</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice-based products</td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh prepared food/deli</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaged cheese</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chocolate</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Buyers of Sustainable Version (Among General Category Buyers)

Non-buyers of Sustainable Version Who Would Pay 20% Extra (Among General Category)

Recent Events Have Shifted Consumers Perceptions that Quality of Life Will Change for the Worse

<table>
<thead>
<tr>
<th>Area</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your household</td>
<td>6%</td>
<td>48%</td>
</tr>
<tr>
<td>Your local community</td>
<td>15%</td>
<td>54%</td>
</tr>
<tr>
<td>Your state</td>
<td>21%</td>
<td>66%</td>
</tr>
<tr>
<td>The United States</td>
<td>37%</td>
<td>78%</td>
</tr>
<tr>
<td>The world</td>
<td>47%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Percentage answering “much worse” or “somewhat worse” to the question:
“When you think about the direction things are headed, how do you think the quality of life will change in each of the following areas?”

Sources: 2007 Sustainability Survey (n=1,489 consumers within the World of Sustainability)
2008 Sustainability Survey (n=1,662 consumers within the World of Sustainability)
**Economic Concerns Top the List of Consumer Concerns**

Higher gas / heating oil prices 88%
Healthcare costs 77%
Dependence on imported oil 76%
Bank and mortgage crises 74%
Unemployment 69%
Rapid rise of inflation 61%
Climate change / global warming 52%
Natural disasters 50%
Depletion of natural resources 42%
Air pollution 42%
Lack of food safety 31%
Social inequality (gender, race, economic) 30%
Carbon emissions 29%
Overpopulation 28%
Heavy use of pesticide/fertilizer in agriculture 25%
Contaminated drinking water 25%
Genetically modified crops and food 20%

Q4: “What are the main issues that are currently impacting our society?”
Base: All respondents (n=1,856)

---

**Is the Consumer Economic Frugality for Real?**

More pronounced evidence of channel shifting
- Favoring Walmart over mainstream grocery retail on some occasions

Consumers appear to be dining out less often
- Significant opportunity for prepared and convenience foods in retail

Some consumers appear more oriented to promotional strategies
- Numerous data sources point to recent spikes in coupon use

- I try to buy items on sale 75%
- I eat out less 71%
- I drive less 71%
- I cut down my entertainment activities (going to movies etc.) 62%
- I canceled my vacation plans 24%
- I shop at club stores more (Costco, Sam’s Club) 20%
- I am selling some of my possessions 20%

Q51: “How have recent economic conditions impacted your life?”
Base: Consumers inside the World of Sustainability (n=1,662)
What is Not Changing….

Consumers are not radically changing their food and beverage preferences
- Abandoning certain foods or trading down quality does not solve consumers’ financial problems
- They are making some trade-offs, but not leaving categories entirely.
- Would life go on without our cherished Balsamic vinegar?

Consumers are not abandoning their interest in quality food experiences
- The consumer’s redefinition of quality has been a well-documented ongoing trend for over a decade
- Food choices are integral to consumers’ values and lifestyle

In times of economic hardship, sustainable products are a way to express personal values

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I buy more sustainable products now than last year</td>
<td>13%</td>
</tr>
<tr>
<td>I buy the same amount of sustainable products</td>
<td>62%</td>
</tr>
<tr>
<td>I buy fewer sustainable products now than last year</td>
<td>25%</td>
</tr>
</tbody>
</table>

Base: Consumers inside the World of Sustainability (n=1,852)

Consumers have high expectations for companies and believe their purchases matter

Making purchase decisions is an effective way for me to express my values

Businesses and corporations should provide leadership in the area of environmental protection

"I like to give something back, and I don’t have a lot to give to charity, but what I can do instead is give it to purchases that are more sustainable." – core consumer

Purchasing Decisions, Voting Decisions or Local Community Involvement: Which Has a Greater Impact on Society? **

<table>
<thead>
<tr>
<th></th>
<th>Core</th>
<th>Mid-level</th>
<th>Periphery</th>
</tr>
</thead>
<tbody>
<tr>
<td>My purchasing decisions</td>
<td>39%</td>
<td>46%</td>
<td>30%</td>
</tr>
<tr>
<td>My voting decisions</td>
<td>18%</td>
<td>32%</td>
<td>65%</td>
</tr>
<tr>
<td>Involvement in local community</td>
<td>10%</td>
<td>17%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Price Remains an Important Consideration when Purchasing a Sustainable Product

While consumers outside the Core rate price the highest, Core consumers are most interested in the environmental stance of the company producing the product.

Q16: "Which of the following are most important to you when purchasing sustainable products? (Please select up to 3 choices)"
Base: Significant shoppers inside the World of Sustainability (n=1,591; 243 Core, 589 Inner Mid-level, 487 Outer Mid-level, 272 Periphery)

Likelihood of Paying 20% Higher Prices for Sustainability Products

Question: Compared to a year ago, are you more or less willing to pay 20% more for sustainable versions of products/services?
Source: 2008 Sustainability Survey (n=1,662 consumers within the World of Sustainability)
Consumers are most willing to pay a premium for fresh food and highly differentiated categories

**Willingness to Pay a 20% Premium for Sustainable Foods**

- Meat alternatives: 44%
- Fruits: 40%
- Eggs: 35%
- Vegetables: 33%
- White meat: 33%
- Milk: 32%
- Seafood: 32%
- Red meat: 31%
- Yogurt: 29%
- Bread: 28%
- Pre-packaged coffee: 25%
- Deli cheese: 25%
- Butter: 25%
- Wine: 25%
- Packaged rice: 25%
- Packaged cheese: 25%
- Ready-to-drink beverages: 24%
- Bottled water: 23%
- Chocolate: 21%
- Rice-based products: 19%
- Fresh prepared food/deli: 19%

**Consumers Seek To Uplevel The Quality of Their Food Experiences, An Overarching Food Trend**

**Food Requirements**

- Natural
- Organic
- Fresh
- Local
- Sustainable

**Sustainability**

**Redefinition of Quality**

**Implications | Opportunities**

Consumers are willing to pay more for products that are perceived to be higher quality and deliver an enhanced experience.
On-pack, internet and in-store are the top sources for information on sustainability (not 3rd parties or company reports)

Q26: Which of the following in-store information sources have you used in the past 3 months to learn about sustainable products or companies?

Base: Significant shoppers inside the World of Sustainability (n = 1,591).

40% of Consumers View Certification As Important

Q39: Many sustainable products come with certification that verifies products' sustainable benefits. How important is sustainability certification to you?

Certifications vary in influence by category with the following having the highest awareness:

**USDA Organic** continues to be a powerful communication “handle” and marker for quality despite the increased awareness around local and “rBST-free” (in dairy)
- Categories: Food and Beverage, Food Service, Personal Care, Home Décor

**Fair Trade** has gained momentum among Mid-level and Core sustainability consumers as a meaningful symbol of comprehensive responsibility. Strongly associated with cocoa and coffee; increasing awareness in tea, sugar, flowers
- Categories: Food and Beverage, Food Service, Home Décor

**Reduce, Recycle, Reuse** has strong comprehension for packaging
- Categories: Food and Beverage, Personal Care, OTC Medicine and Supplements, Household Cleaners, and Food Service

**Not Tested On Animals / Cruelty Free** has high awareness among core sustainability consumers especially teens
- Categories: Personal Care, OTC Medicine and Supplements, Household Cleaners

**Energy Star** has high awareness in the Home Décor category

---

**Consumers Prefer Independent Organizations as Providers of Certification**

**Preferred Provider of Sustainability Certification**

- **Independent organization (e.g., non-profit group)**
  - Total: 34%
  - Core: 39%
  - Inner Mid-level: 25%
  - Outer Mid-level: 13%
  - Periphery: 11%

- **Government agency**
  - Total: 29%
  - Core: 26%
  - Inner Mid-level: 22%
  - Outer Mid-level: 9%
  - Periphery: 13%

- **Company making the product**
  - Total: 23%
  - Core: 22%
  - Inner Mid-level: 22%
  - Outer Mid-level: 11%
  - Periphery: 11%

“Reducing Carbon Footprint” is Growing in Importance

Association of Carbon Footprint With Sustainability:

- Total 40%
- Core 25%
- Inner Mid-level 19%
- Outer Mid-level 13%
- Periphery 7%

Importance of Carbon Footprint When Purchasing A Product/Service

- Total 66%
- Core 95%
- Inner Mid-level 73%
- Outer Mid-level 61%
- Periphery 42%

Q11: "When deciding which product/service to purchase, how important is it that the company that produces the product/service...?" Base: Significant shoppers inside the World of Sustainability (n=1,591; 243 Core, 589 Inner Mid-level, 487 Outer Mid-level, 272 Periphery). Source: Sustainability 2008 Survey, Sept. 2008.

Greenwashing May Be A Media Rather than a Consumer Phenomenon

Consumer Reactions to Large Company’s Environmentally Friendly Claims (By Sustainability Consumer Segment)

Q27: When a large company claims that its products or its manufacturing processes are environmentally friendly, what is your initial reaction? The company’s claim is... Base: Consumers inside the World of Sustainability who responded to this question (n=1,521; 226 Core, 556 Inner Mid-level, 464 Outer Mid-level, 275 Periphery). Source: Sustainability 2008 Survey, Sept. 2008.
Generally, Teens Rely Less on Sustainability To Guide Purchase Decisions

Purchase Decisions Based on Sustainability:

- **Never/Rarely**
  - Adults: 24%
  - Teens: 36%

- **Sometimes**
  - Adults: 56%
  - Teens: 41%

- **Always/Usually**
  - Adults: 18%
  - Teens: 23%

Q6: “How often are your purchasing decisions based upon your concerns for issues such as the environment and social well-being?”

<table>
<thead>
<tr>
<th>Issues</th>
<th>Adults</th>
<th>Teens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple living</td>
<td>26%</td>
<td>28%</td>
</tr>
<tr>
<td>High quality</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Humane treatment of animals</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>All natural</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Fair trade</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Organic</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Social activism</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Connecting with others</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Local</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Reduction of meat consumption</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Q13: “The word “sustainability” may mean different things to different people. What does it mean to you?”

“Simple living”, “humane treatment of animals”, “all natural”, “social activism”, “local” and “reduction of meat consumption” resonate twice as much with teens as adults.
Organic & Sustainability: Millennials Foster Sustainability Through Community

For Millennials, Sustainability is about being community oriented and supporting small, local businesses. Millennials refer to Sustainability as “going green.”

Local trumps Organic as organic brands have become overly processed to Millennials seeking “real food.”

Never has there been a generation so acutely aware of local and global environmental issues.

Millennials are attempting to build communities grounded in the positive as opposed to reactionary Boomer parents.

Take Away

For Millennials, Sustainability is about supporting socially conscious businesses as opposed to purchasing products to solve problems. Transparency and building smaller brands are key for earning the trust of Millennials.

The Rise of Consumer Responsibility Key Findings

Consumer awareness has increased with industry and media attention

Much of this has portrayed sustainability too narrowly as just “green”

“Responsibility” is the new broader consumer platform for “good companies”

“Responsible Purchasing” is on the rise

Sustainability is a marker for quality and can be a tie breaker in a purchase decision

The current economic downturn is not changing most sustainable behaviors, but consumers are making more considered decisions and tradeoffs in less essential categories

Consumers look for information about sustainability at point of purchase (e.g., in-store, on-pack communication)

Consumers are seeking narratives and storylines regarding sustainable practices and the people and places behind sustainable products
Strategic Guidelines Around Sustainability:

Develop company or brand narratives that are core to your principles and connect consumers to the people, places and processes that epitomize your company. Let others (NGOs, consumers) tell your story.

Stay oriented to consumer definitions (hope, connection, care, control, etc.), not industry definitions, of “sustainability”.

Link personal benefits to sustainable products and services.

Define Quick, Easy Steps that allow participation to be flexible and part of everyday high frequency behavior.

Social and Economic values carry equal weight to Environmental ones. Show them how the company is part of a community, and stay inclusive.

Packaging remains a critical vehicle for communicating sustainability benefits (e.g., content, recyclability, practices).

Address key barriers to regular participation: convenience, price and availability – sustainability provides differentiation.

“Open up” the business for direct consumer input and dialogue as well as transparency about company processes, values, etc.
Summary | Product Purchases (by Product Category)

Q28/Q30: “Which of the following [specific] foods or beverages have you purchased or consumed in the past 30 days?”

Bases: Significant shoppers inside the World of Sustainability (n=1,591) and general category buyers (varies by product).