

SIXTH EDITION

Understanding the LOHAS Market™ Report

Consumer insights into the role of sustainability, health,
the environment and social responsibility.



Understanding The LOHAS Market™ Report

The Series: Including A Focus on CSR, A Focus on Foods & Beverages, and A Focus on Personal Care

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2007 *LOHAS Consumer Trends Database*[™] Methodology

This report is Natural Marketing Institute's (NMI's) sixth annual research study and respective analysis of the U.S. LOHAS (Lifestyles Of Health And Sustainability) consumer and marketplace. This study is designed to measure and describe the marketplace for LOHAS products, the consumer segments that use them, consumers' expectations of corporate environmental sustainability, and attitudes toward environmental and social issues. Particular attention is paid to consumers' attitudes, behaviors, psychographics, lifestyle activities, and product/service usage patterns in order to provide readers with the information they need to capitalize on growing sustainability and corporate responsibility initiatives.

In many ways, this project scope extends beyond a typical market research study that focuses solely on buying behavior and product benefits. More general consumer values are emphasized in this study, as they are influential in consumers' ultimate buying and lifestyle behavior. Consumers are now interested in aligning their personal values with the brands and companies they buy, raising the bar for companies to clearly define and articulate their values.

Undertaken by NMI, this research was fielded in July 2007 via a primary consumer survey of 2,074 U.S. general population (GP) adults. The results of this survey are nationally projectable to the U.S. adult population and statistically valid at the 95% confidence level +/- 2%. The data have been post-weighted to match multiple U.S. Census demographic measures. The study utilized a leading online research firm, and was designed, managed, and analyzed by NMI.

The methodology is designed to best assist marketers and strategic planners in providing meaningful insight to current consumers of green products, and those who may be consuming in the future. The summary project scope and content include:

- Over 200 LOHAS-related attitudes and beliefs
- Usage of over 100 products and services in 10 industries
- Usage of 100+ brands
- Product benefits or purchase drivers for multiple products and services (110 benefits in total)
- Approximately 40 activities to protect the environment
- General lifestyle measures, such as exercise, away-from-home eating, shopping, travel, etc.
- Corporate social responsibility (CSR) attitudes and behavioral impacts
- Sources of influence for specific products and services
- Readership of over 40 different magazines; usage of 19 different news and information sources
- Shopping at 44 different stores/sources
- Membership in various LOHAS-related and community organizations
- Online activities and websites visited
- Complete consumer demographics
- Many other measures and topics

Based on the above research scope, the *LOHAS Consumer Trends Database*[™] is a one-of-a-kind research tool for understanding how consumers' attitudes affect behavior and translate into product and service usage. It is this knowledge and insight that provide the basis for identifying and uncovering opportunities in the LOHAS marketplace.

Methodological Notes

Consumer Segmentation Model: Development of NMI's unique and proprietary segmentation model began with evaluating over 170 different variables, later narrowed to approximately 15. A k-means clustering method was used. Cluster centers were defined as dense regions in the multivariate space based on a k-means segmentation of the attitudinal variables from the LOHAS survey.

This segmentation can be used to identify and predict LOHAS segment membership as part of a quantitative extrapolative analysis of future consumer behavior.

Each segment is mutually exclusive and is designed to have the maximum differentiation between consumer groups and the maximum homogeneity within each consumer group. The predictive accuracy is high at 80%.

Throughout the report demographic groups are used to help analyze the data. When shown by generation, the following age breaks apply: Gen Y (age 18-29), Gen X (age 30-44), Boomers (age 45-64) and Seniors (age 65+).

Statistically Significant Differences: Throughout this report, statistically significant differences between mutually exclusive consumer segments (using t-tests) are identified with capital letters. These tests are conducted at the 95% confidence level.

Indices: Indices are used throughout this report to compare consumer groups. An index is useful for the purpose of quick comparison and is a ratio of one piece of data to another. For example, if 22% of Consumer Group A use energy bars, and 60% of Consumer Group B use energy bars, then the index of Consumer Group A to Consumer Group B is: $(60/22) \times 100 = 272$, which means that Consumer Group B is roughly $2\frac{3}{4}$ times more likely to use energy bars than is Group A.

(Compound Annual Growth) CAG: The average annual growth rate over a period of years that reduces the effects of fluctuating year-to-year growth rates. The CAG indicates growth if annual rates had changed at a steady rate from the first year to the last.

Introduction to the 2007 Study

In the green industry, 2007 may be marked as the proverbial “tipping point.” Never has so much corporate activity, media attention, and consumer involvement been directed toward sustaining the planet, improving the lives of people around the world, and protecting the ability of future generations to meet their own needs.

It is a confluence of factors that heralded in the recent market activities. Certainly, *An Inconvenient Truth* raised awareness of the severity of climate change among many consumers. Subsequently, mainstream media, including Discovery Channel and NBC, have incorporated green topics into their programming and further raised awareness among many consumers.

Meanwhile, many companies have identified very profitable ways of being good environmental stewards, allowing environmental issues to move from a “liability” to an “asset.” GE’s *Ecomagination* campaign is just one example of how selling green products can produce clear, bottom-line results: GE reports making billions of dollars on *Ecomagination* products. A corollary change is that product development has improved — many green products can compete not just on their green credentials, but also on the traditional benefits consumers seek. For example, some consumers are primarily drawn to hybrid cars for the gas savings, with lowering CO2 emissions as a secondary advantage. Similarly, compact fluorescent lightbulbs (CFLs) last longer and save energy.

The price and availability of LOHAS products has also shifted. Green products are now widely available at Home Depot, Wal-Mart, Safeway, Staples, and other retailers. Moving the products from niche, sometimes hard-to-find retailers to the mainstream has made them available to millions of consumers who previously did not have any viable purchase options. Simultaneously, the price of many LOHAS products has declined, making them a more viable option for many consumers.

These shifts have resulted in products and services that appeal to general population America, not just LOHAS consumers. Consequently, there are significant opportunities for marketers as the size of the total market pie grows rapidly.

As in previous years, NMI has applied its proprietary segmentation model to the total U.S. population. The model NMI developed in 2006, identifying LOHAS, NATURALITES, DRIFTERS, CONVENTIONALS and UNCONCERNEDS, will be trended and analyzed throughout this report.

New to this year’s report are four major insights NMI observes in the LOHAS marketplace. These trends affect every industry, and it would behoove readers to give them pause and consider the applications to their own business. They are:

1. From Purchaser to Participant
2. Sustainable Style
3. Shades of Green for Everyone
4. Greenwashing Washout

Each of the above trends is explained over the next few pages and referenced throughout the report.

NMI continues to believe that the LOHAS marketplace is very opportunistic and will remain so for the foreseeable future. That said, the time for corporate action is now. Sustainability concerns are unlikely to diminish over the coming years, and ignoring this trend only gives your competition more time to establish market leadership. Alternatively, understanding what the trends mean to a business and brand allows an organization to frame the conversation with its consumers and/or customers and capitalize on this exciting market transformation. It may be necessary to start small, but doing so is critical for long-term business sustainability.

Key LOHAS Insights:

1 - From Purchaser to Participant



People continue to strive for a feeling of connection by participating and expressing their values through their purchasing behavior. Perhaps consumers feel it adds meaning and connection to their lives to shop in a particular way, or they like the image that brand association

brings. Perhaps they simply want to feel that they are improving the world around them. Whatever the cause, the effect is that brands and companies that can support this interest in sustainable consumption and make a positive contribution are appealing to consumers' current sentiments, particularly in today's ethical consumerism marketplace.

This is, in fact, the foundation of the LOHAS consumer marketplace. LOHAS consumers in particular choose their brands carefully and after review of a brand's stance on issues that matter to the consumer. This is what separates a brand like Toyota from one like Ford, and an Aveda from a Paul Mitchell.

However, society is unlikely to be able to shop its way to sustainability. After all, if consumers are still consuming resources, there is continued environmental impact. Moving consumers from *purchasers* to *participants* is the next generation. Doing so reinforces the feeling of connection consumers are striving for, and brings rewards to the brand in the future (such as increased loyalty, decreased price sensitivity, etc.).

Participation does not have to be complex — it can be as simple as reminding consumers to bring their own bag to the store (or giving them an incentive to do so). Other examples include:

- Starbucks' *Grounds for Your Garden* program
- Yoplait *Lids to Save Lives* campaign
- Staples, Office Depot, and other retailers' in-store programs to recycle ink, toner cartridges, and small electronics
- Driving consumers to a website to learn more about green activities they can be involved in (as Dean Foods did with its Green Caps program)

The point is that action is required both on the part of the brand, and on the part of the consumer, and that the brand is the consumer's *partner* in making a difference. The brand provides the leadership and information that the consumer would not otherwise have access to, and facilitates an action the consumer might not have been able to engage in otherwise.

These programs can also be designed to have benefits beyond increased customer loyalty and brand equity. For example, retailers are saving money by not providing free bags to consumers; Starbucks avoids paying to dispose of its coffee grounds; and ink manufacturers are able to repurpose the materials in the cartridges. And, of course, win-win initiatives lead to long-term successes among consumers, customers, employees, stakeholders, communities — and the environment.

More information on consumer loyalty to brands based on values is in Chapter 2 of this report.

2 - Sustainable Style



The influential LOHAS consumer segment has found that virtually no product or service is incapable of being “greened.” In fact, green products are showing up in some surprising areas, such as luxury, premium, and specialty brands in the fashion, automotive, home décor, and personal care industries.

Hollywood has played a role in spurring this trend, with actors and actresses arriving at award ceremonies in hybrids and many making public commitments supporting environmental protection. A lifestyle that may have once been described as “burlap and Birkenstock” is now becoming hip and stylish, as brands such as The Gap, Levi’s, Barneys, Lexus, Pottery Barn, Williams-Sonoma and Aveda try to appeal to the desirable LOHAS consumer.

This does not come without skepticism. Some query whether there is anything sustainable about a \$50,000 car, or a 5,000 square foot home with solar panels. However, as will be explored in the next trend, green individualism manifests itself differently.

In fact, most consumers agree that, even if they are not interested in green products from premium or luxury brands, having them available is, in the whole, a good thing. Consumer sentiment is that giving consumers a wider variety of choices and a better selection of green products allows more people to make a positive contribution to the environment in a way that suits their lifestyle.

More information on this trend is included in Chapter 4.

3 - Shades of Green for Everyone



Increasing availability of environmentally-friendly products, services, and green behaviors is empowering a wider audience of consumers to act green. Regardless of the consumer's interest in planetary sustainability, it is now easier than ever for a consumer to act to protect the environment. LOHAS consumers typically engage at a sophisticated and interconnected level (e.g., solar energy, hybrid vehicles, eco-tourism, etc.) while other consumers may just be undertaking their first green behavior (such as a purchase of a CFL, recycling more frequently, or visiting the local farmer's market).

LOHAS consumers will continually look for additional environmentally friendly products and habits in which to engage. Their appetite for "green" is insatiable, and products that were previously considered "green" will need to be reinvented periodically to remain appealing to this demanding, yet all-important segment. Examples include organic foods that are now preferred if they are also local and CFLs that have reduced levels of mercury. Consequently, the future market potential for this segment is very opportunistic and provides an incentive to drive green innovation forward.

Consumers in other segments may be trying their first natural body lotion or rechargeable battery, or trying to walk more often instead of drive their car. Many NATURALITES, DRIFTERS, and

CONVENTIONALS are identifying small changes they can make in their behavior that allow them to participate in the green revolution. With green product proliferation, it is increasingly easy for them to do so.

As mentioned, a wider range of green products are now available to consumers. The increased opportunity for consumers to engage in other non-consumptive, environmentally-friendly behavior paves the way for mainstream consumers to explore the LOHAS lifestyle and marketplace, and find a niche that both suits their lifestyle and allows them to "do their part." This behavior is also fostered by wider product distribution, smaller price premiums, and improved product performance. Examples of products that fit this lifestyle are Method-branded cleaning products sold at Target and Yesterday's News kitty litter sold at PetSmart.

These dual dynamics, where both LOHAS consumers and mainstream consumers are trying to green themselves, leads NMI to expect that there will be a steadily increasing adoption of green behavior among all consumers, with each at a level where they are comfortable.

Chevrolet's recent advertising campaign exemplifies this: "From Gas-Friendly to Gas-Free." Whether the consumer is budget-conscious and needs a small, fuel efficient vehicle or is devoted to the LOHAS space and wants to be the first to drive a fuel-cell-powered vehicle, Chevrolet boasts a solution for everyone.

4 - Greenwashing Washout



While leadership brands across industries have been a galvanizing platform for consumers to understand corporate sustainability, the future of the green corporate movement will require a new level of sophistication and clarity as consumers increasingly discern those

companies that are truly proactive versus those that are participating for superficial reasons.

NMI's insight (discussed more thoroughly in Chapter 5) shows that current corporate sustainability messaging is not breaking through the clutter in consumers' lives. The eruption of companies attempting to gain credibility as good corporate citizens has led to a situation where consumers are overwhelmed with public relations campaigns and are unable to distinguish one from another. Companies that are doing relatively little with respect to CSR are perceived as just as responsible as those who have spent millions of dollars incorporating sustainability into their businesses. Further, LOHAS consumers (the ideal target for CSR campaigns) show almost no differentiation from the general population.

Simultaneously, consumers are cynical about corporate action, and look for credible, third party proof of the claims companies make. Perhaps it is consumers' perception that there is no substance behind CSR campaigns that is causing the confusion and blurring in consumers' minds.

The implication is that current messaging on CSR and sustainability is not meaningful, memorable, or relevant to consumers. This is not to say that consumers are disinterested in the topic — they are interested, and they would like to learn more about numerous CSR initiatives. However, existing campaigns are not meeting consumers' needs.

This is problematic because current CSR campaigns are not providing as much value to the corporation as possible. While there are numerous reasons a company may engage in CSR, a public relations boost is typically one of them. The diminished value may be problematic in the long-run, and potentially may even make the initiative unviable.

Communications professionals must concentrate on making their campaigns and messages more engaging and trustworthy, as only the most meaningful and believable messages will prevail in the current climate of greenwashing washout.

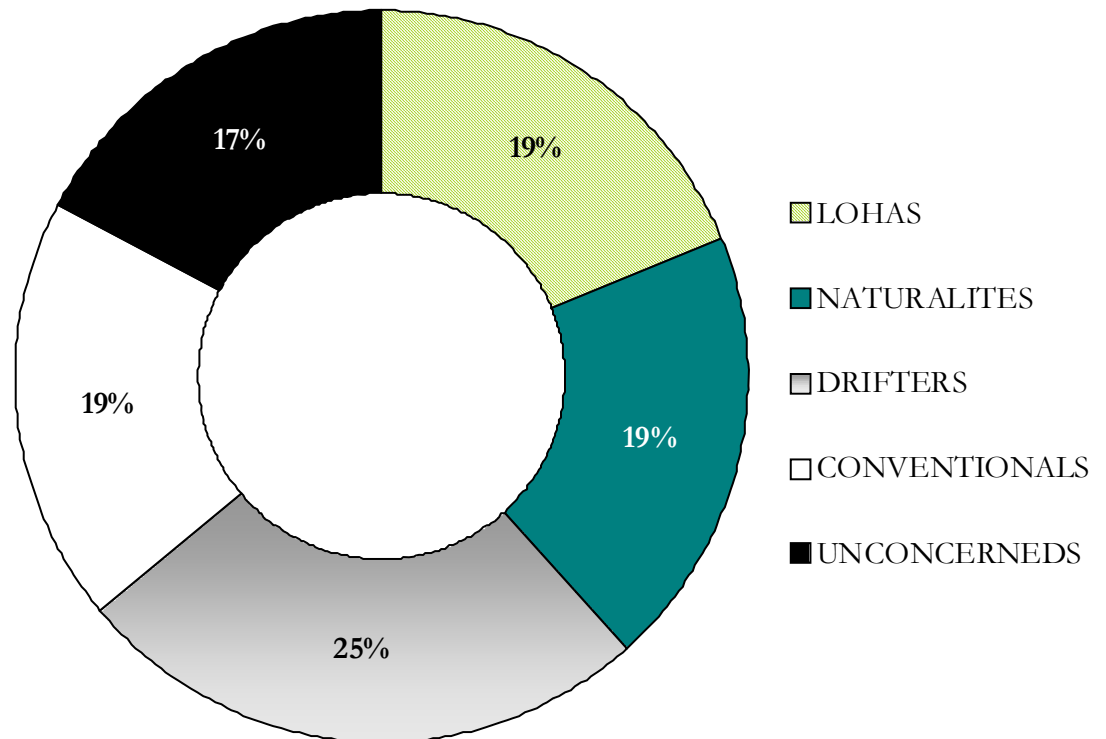
Explanation of the LOHAS Segmentation Model

Figure 1-1 shows the results of the NMI proprietary LOHAS segmentation resulting from the 2007 research. A total of 19% of U.S. general population adults are classified as **LOHAS™** consumers. As environmental stewards, LOHAS consumers are socially responsible, driven to protect the environment, and are avid users of green products. They take action to ensure personal and planetary health and influence others to do the same. Therefore, LOHAS is a critical target for companies marketing green or socially-responsible products. This consumer segment's buy-in is fundamental to establishing meaningful brand loyalty among most consumer segments.

NATURALITES™ (19%) make most purchase decisions based on benefits to their personal health. While they are interested in protecting the environment — an interest mostly driven by personal health reasons — they are not as involved in planetary health. To support their healthy lifestyle, they are avid users of natural and organic consumer packaged products.

At 25% of the general population, the largest segment in 2007 is the **DRIFTERS™**. Motivated by the latest trends, these consumers' commitment to any issue, including sustainability, is constantly shifting. As the

Figure 1-1
(% General population in NMI defined consumer segments)



youngest segment, **DRIFTERS** are more likely to view price as a barrier to green living.

CONVENTIONALS™ make up 19% of the population. Driven by practicality and frugality rather than pure environmental benefits, these consumers are not particularly environmentally conscious. However, **CONVENTIONALS** do engage in some LOHAS-related behaviors, such as recycling and energy conservation.

The portion of the population that exhibits no sense of environmental responsibility is considered to be the **UNCONCERNEDS™** (17%).

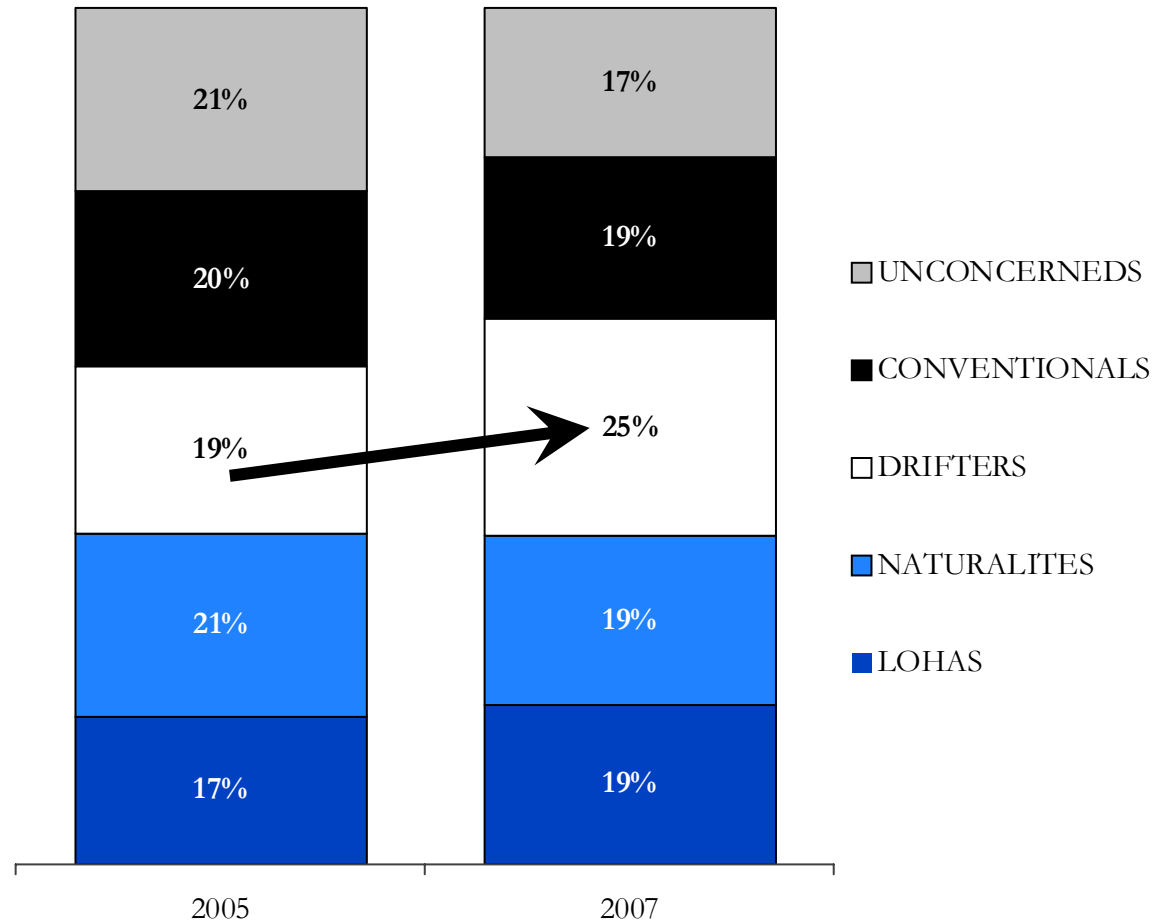
Change in Segment Sizes Between 2005 & 2007

NMI's prediction that LOHAS consumers, as early adopters and influencers, will be a relatively stable portion of the population is borne out in Figure 1-2. While other segments may adopt some LOHAS attitudes and behaviors, LOHAS consumers will remain on the cutting edge and hence, by definition, their size will remain relatively constant.

Other segment sizes show some slight shifts, however. Figure 1-2 shows that as compared to 2005, the DRIFTERS segment has grown significantly (+16%). As aspects of green living become trendier and more mainstream, the impressionable DRIFTERS are being influenced by LOHAS principles. In addition, they are inundated with media that try to sell them on what is cool and new about living green. As is explained further in this report, DRIFTERS have adopted certain LOHAS behaviors and the desire to appear hip, affluent and part of the environmentally-conscious crowd.

Figure 1-2 also shows that there has been a slight decline in the number of UNCONCERNEDS over the past two years, indicating that the barrage of LOHAS-related messaging is perhaps causing some consumers to reconsider their point of view.

Figure 1-2
(% General population in NMI defined consumer segments)



Note: While NMI has been conducting LOHAS consumer research since 2001, the segmentation was updated in 2006 to account for changing market trends. Consequently, segment comparisons can only be made from 2005 forward.

LOHAS Consumer Snapshot — Attitudes & Behaviors

As shown previously in Figure 1-2, 19% of the population is characterized as LOHAS (which equates to 40 million U.S. adults). More details will be provided throughout the report, but as shown in Figure 1-4, environmental protection is the cornerstone of the LOHAS lifestyle. They conserve, recycle and use environmentally-friendly products and services to support personal and planetary health. They are the most politically-active consumers and will also boycott businesses that they perceive to be socially irresponsible.

As avid environmental stewards, LOHAS consumers always are looking for ways to do more for the environment. And because of their price insensitivity and rate of consumption, LOHAS consumers are typically the most attractive population to green marketers. They are the highest purchasers of green products and usually are first to try the newest products. As early adopters, LOHAS consumers' opinions are very influential and help to push environmentally-friendly products into the mainstream market.

As active as they are, LOHAS consumers are still the most likely segment to want to be even more active in the future. Consequently, there is significant additional market potential within the LOHAS segment.

Figure 1-3

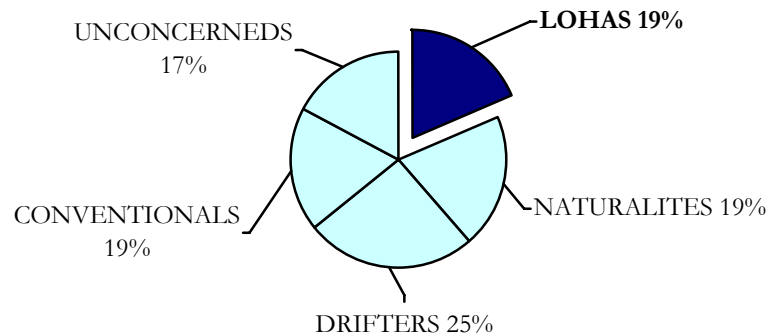


Figure 1-4

(Q. 8, 10, 11, 12, 18, 22, 41-% LOHAS stating...)

Attitudes/Behaviors	2007 %
I care about protecting the environment.	81 [†]
I care about socially-responsible business.	60 [†]
I regularly boycott a brand/company that has practices I don't like.	53 [†]
Currently I am very involved in protecting the environment.	31 [†]
I would like to learn about how I can become more involved in protecting the environment.	35 [†]
In the future, I will be much more involved in protecting the environment.	23 [†]
I am generally the first person to start using new environmentally-friendly products.	9 [†]
I care about the environment and sustainability, but only if they affect me directly.	7*

Note: The percentages are indexed to the general population, but not shown. A '*' indicates an index less than 80 and a '†' indicates an index greater than 120.

LOHAS Consumer Snapshot — Demographics

The NMI segmentation model relies strictly on attitudes and behaviors, and consequently demographic analysis often proves to be challenging. However, demographics will remain an important variable in marketing to the consumer (regardless of segment).

Figure 1-5 shows the demographic profile of LOHAS consumers. The typical LOHAS consumer is a middle-aged female who is married and living outside the Midwest. While most do not have children at home, those who do are most likely to have children between the ages of 6 and 17. LOHAS consumers have the highest income of the segments and are the most likely to have a college degree. For several years, LOHAS consumers have skewed toward being female and a couple years older than average.

Figure 1-5
(Q. 1-5, 7, 142-% LOHAS indicating...)

Demographics	2007 %
Male	43
Female	57
Mean age	46.7
Median income (thousands \$)	64.4
Children in the Household	
No children	67
Children under 18 (net)	32
Under 6-years-old	12
6–12-years-old	16
13–17-years-old	17
Education	
Less than college graduate	70
College graduate	20
Post-graduate	10
Geography	
South	27
West	27
East	25
Midwest	21
Marital Status	
Single, never married	21
Married	53
Other	26

Note: In indexing LOHAS responses to the general population there were no index values greater than 120 or less than 80.

LOHAS Consumer Snapshot — Lifestyle

Among the segments, LOHAS consumers are the most active, physically and extra-curricularly. As shown in Figure 1-6, eight in ten LOHAS consumers exercise lightly and 63% exercise vigorously as part of their healthy lifestyle. Meditation is another favorite, with 36% LOHAS stating they participate regularly.

Yoga, hiking and biking are less frequent activities among LOHAS consumers (as with all consumers), and playing a team sport or practicing Pilates or tai chi is also only done by a few. While the infrequency of Pilates activity may surprise some, it is important to note that this is a rate 42% higher than the general population's.

As shown in Figure 1-7, LOHAS consumers are interested in building a sense of community in their lives, and therefore are the most likely segment to participate in community activities. They also engage in many mainstream activities, such as going to the movies.

Summarily, LOHAS consumers are a very active, holistic and multi-dimensional consumer segment that represents a prime target for many marketers. Detailed discussion of attitudes and behaviors throughout the balance of this report allows marketers to effectively target this influential segment.

Figure 1-6

(Q. 131-% LOHAS indicating they participate in the following activities regularly)

Physical Fitness	General Population %	LOHAS %
Light exercise	72	81
Vigorous exercise	50	63 [†]
Meditation	24	36 [†]
Weight training	23	30 [†]
Biking	15	20 [†]
Hiking	11	18 [†]
Play a team sport	10	9
Yoga	7	12 [†]
Pilates or tai chi	6	8 [†]

Figure 1-7

(Q. 131-% LOHAS indicating they participate in the following activities regularly)

Hobbies and Interests	General Population %	LOHAS %
Go to the movies	25	29
Participate in community activities	21	30 [†]
Go on birding or nature walks	12	23 [†]
Go fishing	8	7
Golf	6	5
Camping	4	5

Note: The percentages are indexed to the general population, but not shown. A ‘**’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

NATURALITES Snapshot — Attitudes & Behaviors

NATURALITES, primarily motivated by their personal health and wellness, are a “lighter shade of green” compared to LOHAS consumers. Across the hundreds of measures in the *LOHAS Consumer Trends Database™*, their attitudes toward the environment, society, and health are consistently lower than LOHAS consumers’ but typically higher than the remaining three segments’.

This behavior pattern is seen in Figure 1-9, where there are fewer differences in contrast to the general population. A notable exception is that NATURALITES consider themselves to be very active in protecting the environment. However, as shown in several instances throughout the report, that may be more perception than reality. For example, NATURALITES recycle at alarmingly low rates.

NATURALITES have the strongest will among non-LOHAS segments to learn more about, and to do more to protect, the environment in the future. This is a tremendous opportunity. Educating NATURALITES on how their actions can protect the environment may give them additional motivation (beyond their own personal health) to act. Representing 40 million consumers, this would be a meaningful group to mobilize.

Figure 1-8

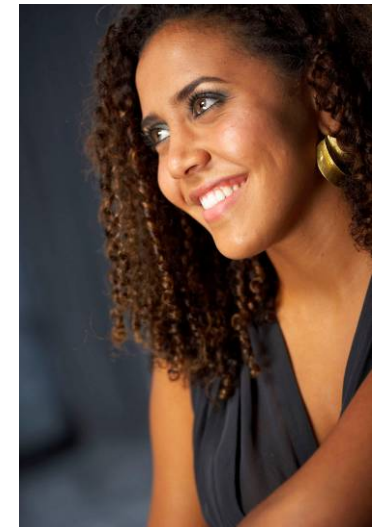
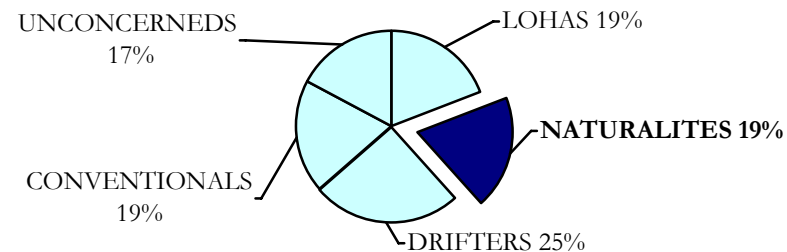


Figure 1-9

(Q. 8, 10, 11, 12, 18, 22, 41-% NATURALITES stating...)

Attitudes/Behaviors	2007 %
I care about protecting the environment.	50
I care about socially-responsible business.	36
I regularly boycott a brand/company that has practices I don't like.	26
I care about the environment and sustainability, but only if they affect me directly.	20
I would like to learn about how I can become more involved in protecting the environment.	17
In the future, I will be much more involved in protecting the environment.	13
Currently I am very involved in protecting the environment.	9*
I am generally the first person to start using new environmentally-friendly products.	5

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

NATURALITES Snapshot — Demographics

Figure 1-10 shows summary demographics of NATURALITES, with the typical consumer being a female in her mid-forties who is married and living in the South. One-third of NATURALITES have children under 18-years-old. Likely a function of geography, NATURALITES also have the highest concentration of African-American consumers (17%).

NATURALITES have the lowest income among the segments (just below the U.S. median income) and are the least likely to be college-educated. These two demographics are correlated, and they identify a potential barrier to being more actively engaged in the LOHAS marketplace. NATURALITES tend to purchase eco-friendly products to bolster their personal health. However, they may not have the disposable income to afford green products for other uses.

The geographic skew is important: nearly *half* of all NATURALITES live in the South. This regional concentration helps to explain NATURALITES' attitudes and behaviors concerning health and wellness. This concentration of NATURALITES facilitates focused communication and distribution strategies.

Figure 1-10

(Q. 1-5, 7, 14-% NATURALITES indicating...)

Demographics	2007 %
Male	43
Female	57
Mean age	45.5
Median income (thousands \$)	45.6
Children in the Household	
No children	66
Children under 18 (net)	34
Under 6-years-old	16
6–12-years-old	16
13–17-years-old	17
Education	
Less than college graduate	80
College graduate	16
Post-graduate	4
Geography	
South	48 [†]
Midwest	26
West	16 [*]
East	9 [*]
Marital Status	
Single, never married	23
Married	53
Other	24

Note: The percentages are indexed to the general population, but not shown. A ‘**’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

NATURALITES Snapshot — Lifestyle

NATURALITES tend to be *less* physically active than the U.S. population as a whole, perhaps a function of the concentration of Boomer and Senior women in the segment. That said, a majority do exercise lightly on a regular basis to maintain their healthy lifestyle (Figure 1-11). More relaxing activities, such as meditation, yoga and Pilates, are at least as common among NATURALITES as the total population, while more vigorous exercise, such as bike riding, hiking, and playing a team sport, are less common.

Figure 1-12 shows frequent hobbies and interests among NATURALITES. Going to the movies and participating in community events appeal most to this segment of the population.

NATURALITES are as unlikely as any other segment to go fishing and golfing. They are significantly less likely to go on birding and nature walks than LOHAS consumers — interesting, considering that they are more likely to go camping. Perhaps it is a function of cost or the simple enjoyment of being outside rather than the specific flora and fauna that appeals to them.

Figure 1-11

(Q. 131-% NATURALITES indicating they participate in the following activities regularly)

Physical Fitness	General Population %	NATURALITES %
Light exercise	72	69
Vigorous exercise	50	44
Meditation	24	23
Weight training	23	20
Biking	15	11*
Hiking	11	8*
Play a team sport	10	7*
Yoga	7	5*
Pilates or tai chi	6	6

Figure 1-12

(Q. 131-% NATURALITES indicating they participate in the following activities regularly)

Hobbies and Interests	General Population %	NATURALITES %
Go to the movies	25	23
Participate in community activities	21	20
Go on birding or nature walks	12	8*
Go fishing	8	9
Golf	6	5
Camping	4	5 [†]

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

DRIFTERS Snapshot — Attitudes & Behaviors

Figure 1-13 shows that 25% of the population, the largest segment, is characterized as DRIFTERS. Representing 53 million consumers, DRIFTERS are motivated by the latest trends — and right now, green living is the place to be.

DRIFTERS have a general understanding that sustainability and protecting the environment are important, but in comparison to the total population they generally have *lower* attitudes— fewer care about protecting the environment or socially-responsible business, and fewer are interested in learning what they can do to protect the environment. When something affects them directly, however, there is less of a disparity between their response and that of the general population, as shown in Figure 1-14.

While DRIFTERS like to appear to be a part of the eco-friendly community, they are less consistent in their environmental activities than is the general population. Furthermore, they are less likely to want to help in the future. That said, some behaviors do appeal to DRIFTERS, such as boycotting companies with environmentally-unfriendly practices, and recycling. Even with these characteristics, DRIFTERS may represent a viable consumer target for some marketers.

Figure 1-13

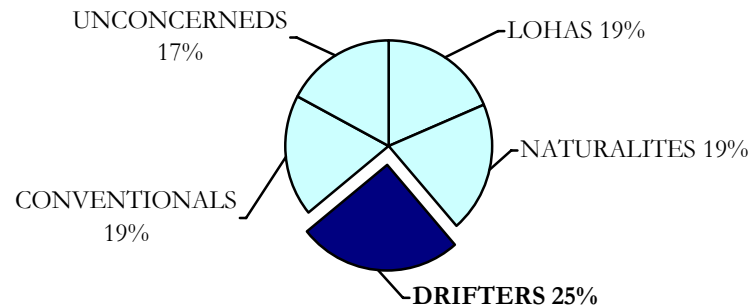


Figure 1-14

(Q. 8, 10, 11, 12, 18, 22, 41-% DRIFTERS stating...)

Attitudes/Behaviors	2007 %
I care about protecting the environment.	35*
I regularly boycott a brand/company that has practices I don't like.	24
I care about the environment and sustainability, but only if they affect me directly.	23
I care about socially-responsible business.	19*
Currently I am very involved in protecting the environment.	8*
I would like to learn about how I can become more involved in protecting the environment.	8*
In the future, I will be much more involved in protecting the environment.	7*
I am generally the first person to start using new environmentally-friendly products.	5

Note: The percentages are indexed to the general population, but not shown. A '**' indicates an index less than 80 and a '*' indicates an index greater than 120.

DRIFTERS Snapshot — Demographics

Figure 1-15 is a demographic profile of DRIFTERS, the youngest, most impressionable consumer segment. The typical DRIFTERS consumer is married and in his or her forties (the gender split is exactly the same as general population). Although 62% do not have children, those who do are most likely to have at least one child between the ages of 6 and 12.

DRIFTERS earn a moderate income compared to most other segments, and report a net worth of \$223,860 (slightly lower than average). Twenty-eight percent of DRIFTERS have an associate's degree or have completed some college courses (the second lowest educational achievement among all segments). Due to their age and lack of higher education, they may still be in the process of becoming established in their careers.

In terms of geography, DRIFTERS are significantly more likely than other segments to live in the East. Almost equal amounts live in the South and West.

Figure 1-15
(Q. 1-5, 7, 142-% DRIFTERS indicating...)

Demographics	2007 %
Male	48
Female	52
Mean age	43.8
Median income (thousands \$)	55.5
Children in the Household	
No children	62
Children under 18 (net)	38
Under 6-years-old	16
6–12-years-old	19
13–17-years-old	18
Education	
Less than college graduate	76
College graduate	15
Post-graduate	9
Geography	
East	29 [†]
South	27
West	26
Midwest	18
Marital Status	
Single, never married	29
Married	52
Other	19

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

DRIFTERS Snapshot — Lifestyle

Figure 1-16 shows DRIFTERS' level of physical activity. Their overall pattern is comparable to that of the general population, unlike their environmental attitudes. While DRIFTERS are not overly health conscious, 72% enjoy light exercise. Half regularly participate in vigorous exercise and about one-quarter of DRIFTERS weight train and meditate regularly — all at about the same rates as the general population.

DRIFTERS are significantly more likely than the general population to play a team sport, consistent with the hobbies of a younger consumer. Therefore, sponsoring or providing samples at sporting and social-club events would be an effective way of reaching this consumer.

Figure 1-17 details DRIFTERS' hobbies and interests. As with general population consumers, DRIFTERS like to go to the movies and participate in community events. They like to be out and about where they can “be seen.” Overall, their general hobbies and interests appear quite consistent with the general population.

Figure 1-16

(Q. 131-% DRIFTERS indicating they participate in the following activities regularly)

Physical Fitness	General Population %	DRIFTERS %
Light exercise	72	72
Vigorous exercise	50	49
Meditation	24	23
Weight training	23	26
Biking	15	18
Hiking	11	12
Play a team sport	10	13 [†]
Yoga	7	7
Pilates or tai chi	6	6

Figure 1-17

(Q. 131-% DRIFTERS indicating they participate in the following activities regularly)

Hobbies and Interests	General Population %	DRIFTERS %
Go to the movies	25	26
Participate in community activities	21	20
Go on bird watching or nature walks	12	12
Go fishing	8	8
Golf	6	6
Camping	4	4

Note: The percentages are indexed to the general population, but not shown. A ‘**’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

CONVENTIONALS Snapshot — Attitudes & Behaviors

Figure 1-18 shows that CONVENTIONALS make up 19% of the general population. Representing approximately 40 million consumers, CONVENTIONALS are driven to be financially conservative, practical and thrifty.

While CONVENTIONALS hold some attitudes consistent with the general population, their behavior is more driven by practicality. They are, self-admittedly, not “involved” in the environmental movement, and do not plan to become so in the future. CONVENTIONALS do engage in “municipal” behaviors such as recycling and energy conservation. However, their motivation is more consistent with “Yankee Ingenuity” or “Midwestern Practicality” than intrinsic environmental motivation. They do so for the cost savings, or simply for the sake of using a product completely before replacing it, rather than to protect environmental resources.

CONVENTIONALS do moderately believe in socially-responsible business, and 25% will boycott companies with practices that are not environmentally friendly.

Figure 1-18

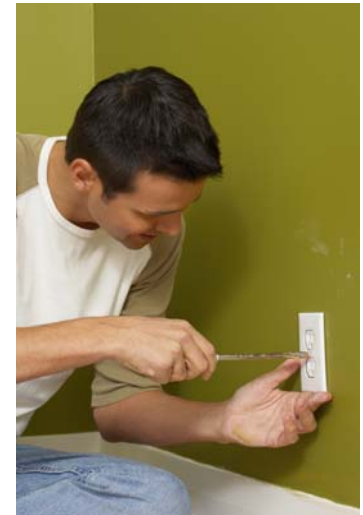
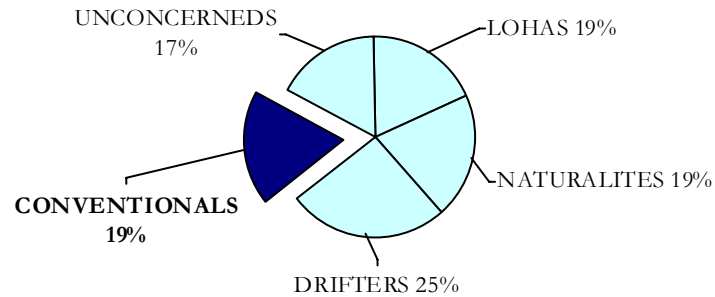


Figure 1-19

(Q. 8, 10, 11, 12, 18, 22, 41-% CONVENTIONALS stating...)

Attitudes/Behaviors	2007 %
I care about protecting the environment.	42
I care about socially-responsible business.	28
I regularly boycott a brand/company that has practices I don't like.	25
I care about the environment and sustainability, but only if they affect me directly.	18
Currently I am very involved in protecting the environment.	10*
I would like to learn about how I can become more involved in protecting the environment.	8*
In the future, I will be much more involved in protecting the environment.	7*
I am generally the first person to start using new environmentally-friendly products.	4*

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘†’ indicates an index greater than 120.

CONVENTIONALS Snapshot — Demographics

Figure 1-20 is a demographic profile of CONVENTIONALS. They are more likely to be males who are married and in their mid-to-late-forties.

Most CONVENTIONALS live in the East, and are significantly less likely than the general population to be found in the South.

With a total of 13% of CONVENTIONALS having post-graduate degrees, they are significantly more educated than other segments. Perhaps as a result, CONVENTIONALS' income second only to that of LOHAS consumers'. Their mean net worth of \$275,820 also is second to LOHAS consumers', and it is influenced by their frugality.

Figure 1-20

(Q. 1-5, 7, 142-% CONVENTIONALS indicating...)

Demographics	2007 %
Male	56
Female	44
Mean age	46.7
Median income (thousands \$)	61.3
Children in the Household	
No children	69
Children under 18 (net)	32
Under 6-years-old	13
6–12-years-old	16
13–17-years-old	13
Education	
Less than college graduate	67
College graduate	20
Post-graduate	13 [†]
Geography	
East	28 [†]
South	25 [*]
West	25
Midwest	23
Marital Status	
Single, never married	23
Married	59
Other	18

Note: The percentages are indexed to the general population, but not shown. A ^{*} indicates an index less than 80 and a [†] indicates an index greater than 120.

CONVENTIONALS Snapshot — Lifestyle

Figure 1-21 shows that CONVENTIONALS exercise slightly more than the general population, with 76% of CONVENTIONALS stating they participate in light exercise and 52% reporting they regularly exercise vigorously. However, CONVENTIONALS are less likely to practice “New Age” forms of fitness like yoga, Pilates, or tai chi (which perhaps does not appeal to their sense of conservative practicality). Biking, hiking, and team sports are also not of high interest to CONVENTIONALS.

Figure 1-22 shows that CONVENTIONALS, like other consumers, enjoy going to the movies and participating in community activities, albeit at somewhat more muted levels. CONVENTIONALS engage in the balance of activities at equal or slightly lesser rates than the general population.

Figure 1-21

(Q. 131-% CONVENTIONALS indicating they participate in the following activities regularly)

Physical Fitness	General Population %	CONVENTIONALS %
Light exercise	72	76
Vigorous exercise	50	52
Meditation	24	20
Weight training	23	21
Biking	15	14
Hiking	11	11
Play a team sport	10	10
Yoga	7	5*
Pilates or tai chi	6	4*

Figure 1-22

(Q. 131-% CONVENTIONALS indicating they participate in the following activities regularly)

Hobbies and Interests	General Population %	CONVENTIONALS %
Go to the movies	25	23
Participate in community activities	21	19
Go on bird or nature walks	12	11
Go fishing	8	6
Golf	6	5
Camping	4	3*

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘↑’ indicates an index greater than 120.

UNCONCERNEDS Snapshot — Attitudes & Behaviors

Figure 1-23 shows that 17% of the population is characterized as UNCONCERNEDS. Representing approximately 37 million consumers, UNCONCERNEDS exhibit little (if any) sense of environmental responsibility unless they feel it directly affects their lives (they also are the most likely segment to state so). Marketers may want to quantify how many UNCONCERNEDS comprise their target market as it will be important in terms of messaging strategies.

While one-quarter of UNCONCERNEDS say they believe in protecting the environment, they are the least likely to be involved currently, and few have plans to learn more or become more involved in the future. Furthermore, UNCONCERNEDS do not report use of environmentally-friendly products and services and do not take the time for other environmentally-friendly behaviors, such as recycling. They are an independent, almost isolationist, consumer group whose views are somewhat out of step with mainstream America's.

Figure 1-23

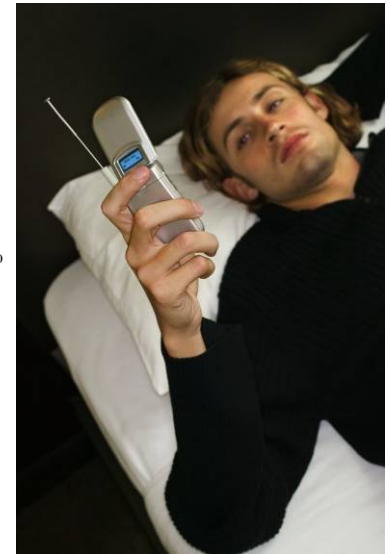
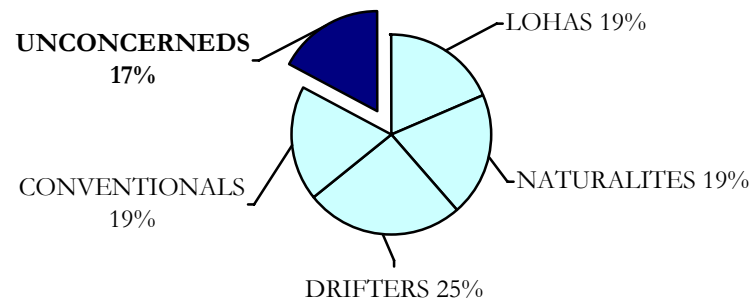


Figure 1-24

(Q. 8, 10, 11, 12, 18, 22, 41-% UNCONCERNEDS stating...)

Attitudes/Behaviors	2007 %
I care about the environment and sustainability, but only if they affect me directly.	36 [†]
I care about protecting the environment.	26*
I regularly boycott a brand/company that has practices I don't like.	22*
I care about socially-responsible business.	22*
I would like to learn about how I can become more involved in protecting the environment.	12*
Currently I am very involved in protecting the environment.	7*
In the future, I will be much more involved in protecting the environment.	6*
I am generally the first person to start using new environmentally-friendly products.	4*

Note: The percentages are indexed to the general population, but not shown. A '*' indicates an index less than 80 and a '†' indicates an index greater than 120.

UNCONCERNEDS Snapshot — Demographics

Figure 1-25 shows a demographic profile of UNCONCERNEDS. A typical consumer in the UNCONCERNEDS segment is a male in his early forties who is married and living in the South (40% live there). Among those UNCONCERNEDS who have children, most have children under the age of six, likely a function of their own younger age. It may be that these young children are consuming a great deal of parental time and energy, and thereby preventing the parents from considering environmental and social issues.

In line with NATURALITES and DRIFTERS, about half of UNCONCERNEDS have a high school education or less, and about one-quarter have completed as associate's degree or begun college. The median household income is \$53,000 (several thousand dollars lower than average). They report a net worth of \$213,760 on average — the second lowest among the segments.

Figure 1-25
(Q. 1-5, 7, 142-% UNCONCERNEDS indicating...)

Demographics	2007 %
Male	54
Female	46
Mean age	43.1
Median income (Thousands \$)	53
Children in the Household	
No children	68
Children under 18 (net)	31
Under 6-years-old	18
6–12-years-old	14
13–17-years-old	10*
Education	
Less than college graduate	77
College graduate	16
Post-graduate	7
Geography	
South	40
Midwest	25
West	20
East	16*
Marital Status	
Single, never married	26
Married	50
Other	24

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘↑’ indicates an index greater than 120.

UNCONCERNEDS Snapshot — Lifestyle

Figure 1-26 shows how physical fitness fits into the UNCONCERNEDS' lifestyle. While a majority exercises lightly, they are significantly less active than the general population in most other areas of physical fitness.

Figure 1-27 shows that UNCONCERNEDS enjoy going to the movies, but are significantly less likely to participate in community events. In fact, this is the only segment that is less likely than the general population to participate in community activities.

Fishing, golfing and camping are not favorite pastimes of most UNCONCERNEDS, underscoring their preference to simply be unengaged and carefree.

Overall, the UNCONCERNEDS segment's lack of interest does not appear relegated to environmental or social considerations alone, but applies also to exercise and community activities, and perhaps beyond. Consequently, connecting with this consumer in a meaningful way may prove challenging.

Figure 1-26

(Q. 131-% UNCONCERNEDS indicating they participate in the following activities regularly)

Physical Fitness	General Population %	UNCONCERNEDS %
Light exercise	72	64
Vigorous exercise	50	41
Meditation	24	16*
Weight training	23	17*
Biking	15	11*
Hiking	11	8*
Play a team sport	10	11
Yoga	7	4*
Pilates or tai chi	6	3*

Figure 1-27

(Q. 131-% UNCONCERNEDS indicating they participate in the following activities regularly)

Hobbies and Interests	General Population %	UNCONCERNEDS %
Go to the movies	25	22
Participate in community activities	21	15*
Go on bird or nature walks	12	7*
Go fishing	8	9
Golf	6	6
Camping	4	4

Note: The percentages are indexed to the general population, but not shown. A ‘*’ indicates an index less than 80 and a ‘↑’ indicates an index greater than 120.

The Role of Personal versus Planetary Health

Many professionals observing the LOHAS marketplace often wonder whether *personal* or *planetary* motivations influence consumers more. Figure 1-28 shows that *planetary* health outweighs personal health for most consumers: 79% of U.S. consumers began caring about the environment to ensure safe planetary conditions now and for the future.

Significant demographic differences emerge in this data. By gender, 81% of men versus 77% of women report they are motivated by planetary health. With men traditionally being characterized as the “protector” of the family, environmental protection may be seen as a natural extension of these responsibilities. By age, Gen Y and Gen X consumers are most susceptible to external influences on the environment (advice from a parent or friend).

By segment, while interest in environmental protection due to personal health is low, NATURALITES are most motivated by this notion, consistent with their overall priorities.

Consumers’ motivation to care about the environment appears to be more altruistic than personal. Marketers can respond to this interest by linking their brand and corporate activities to their larger impact on the world.

Figure 1-28

(Q. 9-% General population indicating reasons they first started caring about the environment. Base: those who agree completely/ somewhat that they care about protecting the environment)



Planetary Health	79%	Personal Health	13%	External Influences	7%
<ul style="list-style-type: none"> The impact on future generations Overall health of the planet Enjoyment of the outdoors and wildlife To conserve natural resources Concern about environmental problems To reduce chemicals in the environment 		<ul style="list-style-type: none"> My family’s health My personal health Concerns about chemicals/ toxic materials in my house 		<ul style="list-style-type: none"> How my parents influenced me The influence of a friend or teacher A current and prevalent issue in the media 	

The Multigenerational Impact of Baby Boomers

In each of the five years of NMI's research on the LOHAS marketplace, LOHAS consumers have been slightly older than the balance of the population, resulting in some alignment with Baby Boomers (born 1946–1964). This leads Boomers to exert more influence about environmental matters on their children than Gen Y or Gen X children exert on their parents. As the Millennials — a generation more widely exposed to environmental studies in school — grow up, it will be interesting to monitor this trend.

Figures 1-29 and 1-30 show specific dynamics of this demographic skew. Specifically, 46% of Boomers have influenced their children, versus an average of only 31% of Gen X or Y who have influenced their parents. Similarly, fewer Boomers acknowledge that their children have influenced them, while slightly more Gen X and Y admit being influenced by their parents.

A commonly-held belief is that the environmental movement is driven by younger, perhaps idealistic consumers. However, these data prove that it would be a mistake to underestimate the role Boomers play. Given that Boomers control approximately 75% of the nation's wealth, there is a tremendous opportunity to target LOHAS-related products to this engaged and influential segment.

Figure 1-29

(Q. 128-% Consumers age 42+ with children that agree completely/somewhat with the following statements...)

Statement	General Population Age 42+	Generations %	
		Boomers (A)	Seniors (B)
My children have significantly influenced my attitudes/beliefs regarding being environmentally friendly.	23	25	21
My children have influenced my behavior/product purchase patterns regarding environmentally-friendly products/services.	23	26 ^B	19
My children were very/somewhat involved in the environmental movement when they were younger.	22	23	19
I have influenced my children regarding being environmentally friendly.	43	46	40

Figure 1-30

(Q. 128-% Consumers age 18-41 that agree completely/somewhat with the following statements...)

Statement	General Population Age 18-41	Generations %	
		Gen Y (A)	Gen X (B)
I have influenced my parents regarding being environmentally friendly.	28	34	29
My parents have significantly influenced my attitudes/beliefs regarding being environmentally friendly.	25	31	25
My parents have influenced my behavior/product purchase patterns regarding environmentally-friendly products/services.	13	27	24
My parents were very/somewhat involved in the environmental movement when they were younger.	13	16	11

Note: Figure 1-29: Gen Y participants were not asked this question because they did not have any children. Gen X was omitted because an insignificant number of Gen X consumers were age 42+. Figure 1-30: Boomers and Seniors were not asked about their parents' influence.

LOHAS as Early Adopters

Figure 1-31 illustrates how LOHAS consumers participate in a product's life cycle and how their knowledge and influence bring green products to the mainstream. LOHAS consumers constantly seek new eco-related goods and services. More often than not, they are the first to try new green products. And, as early adopters, they encourage others to try those products that are most credible.

Once influenced by LOHAS consumers, other segments may incorporate some of these products/services into their daily lives as they fit their respective lifestyles. Mainstreaming may not happen immediately, though the life cycle time is shortening. Attitudinally, non-LOHAS segments' purchase decisions are driven by proven health benefits, value, image, and performance. In order to gain buy-in, the products must come with the LOHAS consumers' endorsement; they must be easily accessible; and they must be integrated into consumers' personal lifestyles.

Figure 1-32 shows a general comparison of established and emerging product (more information is in Chapter 6). Understanding the benefits the "established" products offer and how these benefits are communicated to the target consumer is insightful for emerging products.

Figure 1-31

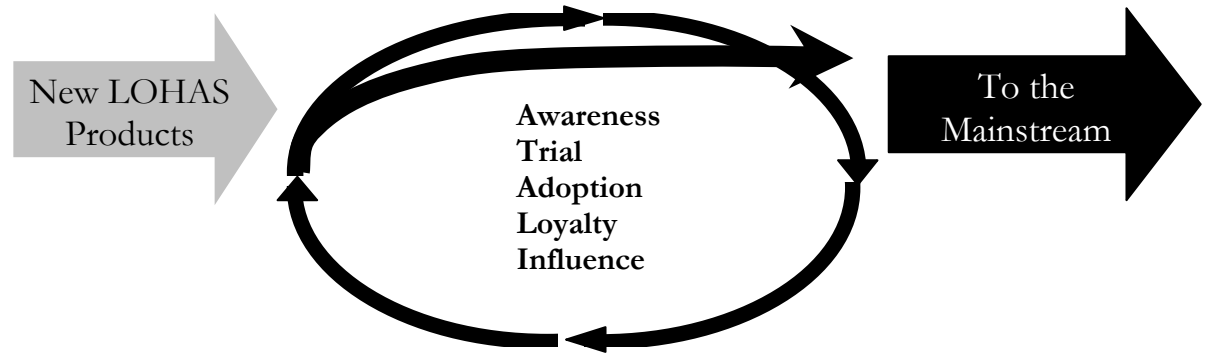


Figure 1-32



Note: The ENERGY STAR® logo is a registered trademark of ENERGY STAR, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy. The Ecotourism Australia® logo is a registered trademark of Ecotourism Australia. The Green Endings® logo is a registered trademark of Green Endings. The HYBRID SYNERGY DRIVE® logo is a registered trademark of Toyota Motor Corporation. The Bank of America® logo is a registered trademark of Bank of America Corporation.

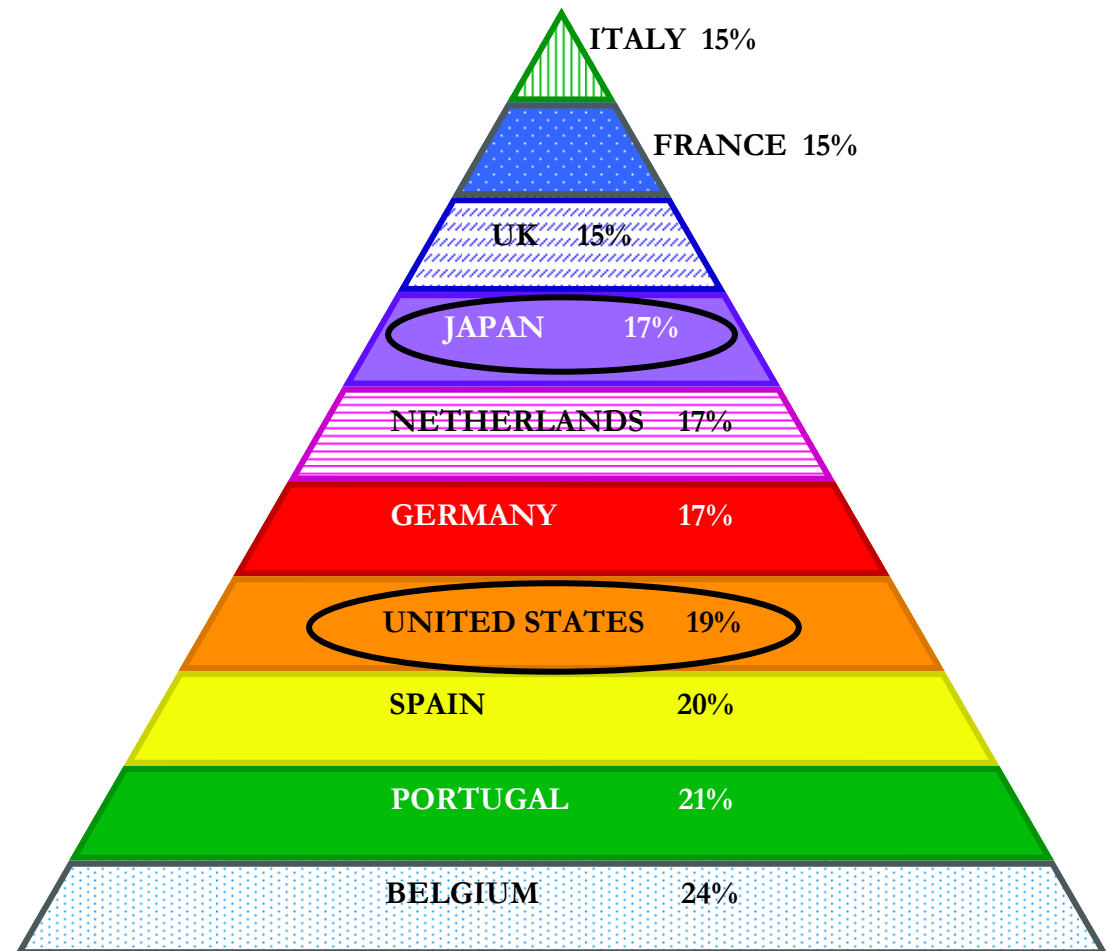
A Global Perspective on LOHAS Consumers

Building on the success and learnings of the original U.S. LOHAS study, NMI embarked on several global research initiatives to learn more about global LOHAS markets. In partnership with E-Square, NMI has conducted three years of LOHAS research in Japan. Along with Porter Novelli, a worldwide communications firm, NMI has recently concluded the first year of LOHAS research in eight European countries.

The global studies mirror the U.S. objectives, and were designed to measure consumer attitudes, behaviors and usage patterns related to sustainability and corporate social responsibility. Results show key differences between the U.S. and Europe surrounding the use of green products, willingness to pay more for eco-friendly items, and recycling patterns, to name a few.

Using the proprietary NMI segmentation model, Figure 1-33 shows the percentage of LOHAS consumers in each country. It is noteworthy that all geographies have a somewhat similar concentration of LOHAS consumers, though dynamic differences are evident in individual countries' attitudes and behaviors. More information on the European study will be published in a separate report.

Figure 1-33
(% LOHAS consumers by country)



Awareness of LOHAS-Related Terminology

Messages about environmentalism are omnipresent in today's media. A barrage of terms is used to refer to this green/eco space. But how many of these terms are consumers actually aware of? Respondents in NMI's LOHAS research were given a list of terms and asked to identify the ones with which they are aware (Figure 2-1). Based on consumers' responses, these terms are best analyzed in three categories: primary, secondary, and emerging.

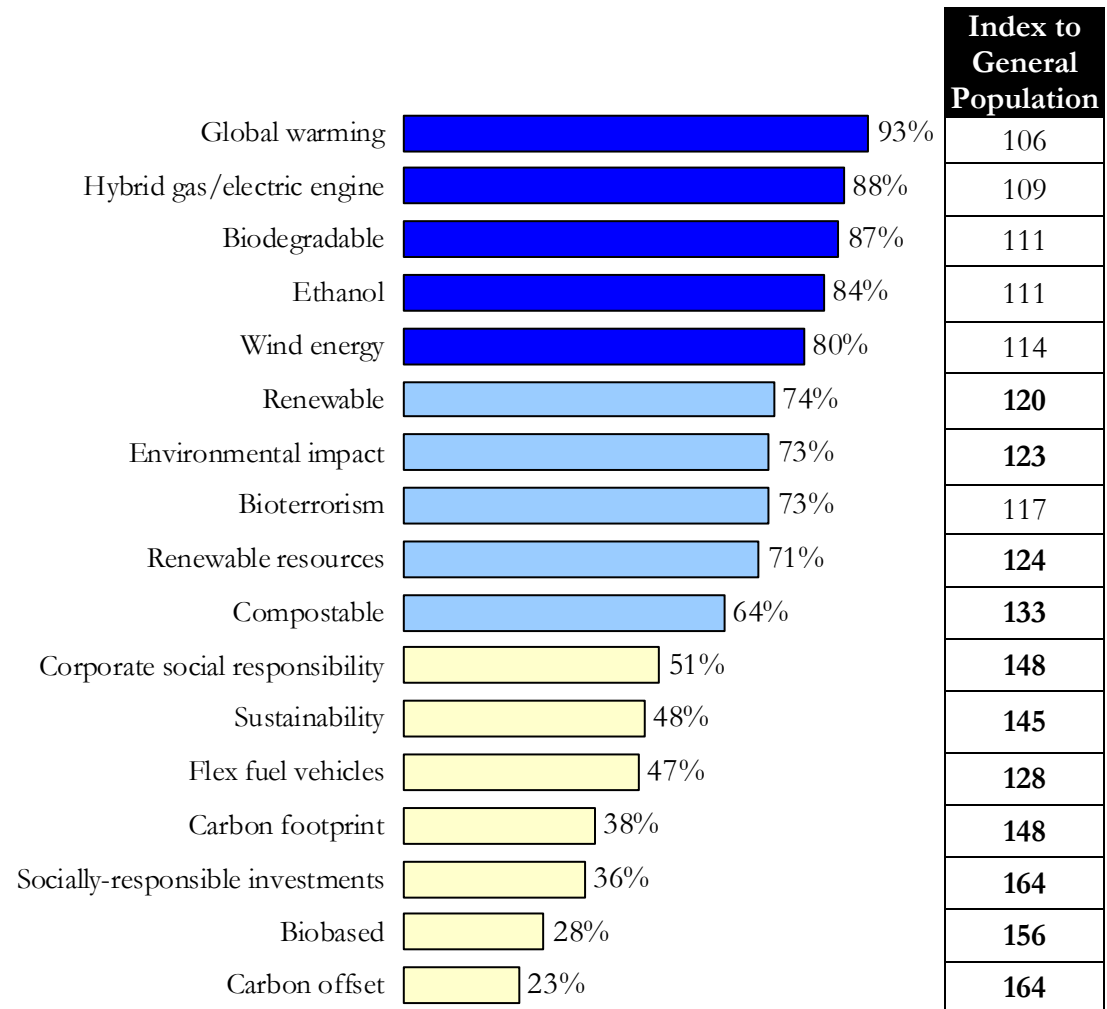
The general population and LOHAS consumers are similarly aware of the primary terms, many of which have mainstreamed. For example, virtually everyone recognizes the term "global warming" because media, non-profits, politicians, and others have discussed the issue extensively for many years.

Alternately, general population consumers are less familiar with the secondary and emerging terms compared to LOHAS consumers. In other words, emerging terms are on the cutting edge of the environmental movement, and as leaders in the movement, LOHAS consumers are most familiar with these terms. Given their influence over the other segments, awareness is likely to continue to grow for many topics.

However, marketers should exercise caution when using terminology in the emerging group.

Figure 2-1

(Q. 14-% General population indicating which of the following terms they are aware of...; Index: LOHAS versus general population)



More often than not, consumers do not understand the language that is being used or, more importantly, the potential benefits, consequently diminishing the effectiveness of any communication.

Awareness of Eco-Terminology by Generation

In most cases, the Baby Boomer generation is the most aware of LOHAS-related terminology whether in the primary, secondary or emerging categories (Figure 2-2). Economically and ideologically, Boomers are one of the most influential segments of society. As explained in Chapter One, when it comes to environmental matters, their influence is far-reaching: Boomers are more influential on their children than either Gen Y or Gen X is to its parents. Given their greater awareness levels of these terms, these observations are validated.

By gender, men are significantly more aware of LOHAS-related terminology than are women. However, it is interesting to note that while females are less aware of certain terms, they tend to register higher concern about social and environmental issues compared to males (shown later in this chapter).

Higher-income households (\$100K+) are the most aware of these LOHAS-related terms. Due to their economic power, this population may have greater education, which is a predictor of environmentalist interest.

Given the demographic skews that have emerged, communications professionals should consider how these results may affect messaging with their target consumer.

Figure 2-2

(Q. 14-% General population by indicating which of the following terms they are aware of...)

		Generations %			
		Gen Y (A)	Gen X (B)	Boomers (C)	Seniors (D)
PRIMARY	Biodegradable	80	86 ^A	89 ^A	88 ^A
	Ethanol	74	81 ^A	90 ^{AB}	87 ^{AB}
SECONDARY	Environmental impact	61	71 ^A	78 ^{AB}	79 ^{AB}
	Bioterrorism	62	75 ^A	77 ^A	72 ^A
EMERGING	Corporate social responsibility	39	49 ^A	58 ^{AB}	53 ^A
	Sustainability	46	52 ^D	51 ^D	40
	Flex fuel vehicles	33	52 ^A	51 ^A	47 ^A
	Carbon footprint	37	40	40 ^D	34
	Socially-responsible investments	28	36 ^A	39 ^A	35
	Biobased	27	29 ^D	30 ^D	20

Note: Terms are in descending order by the general population.

Top-of-Mind Associations with the Term “Sustainability”

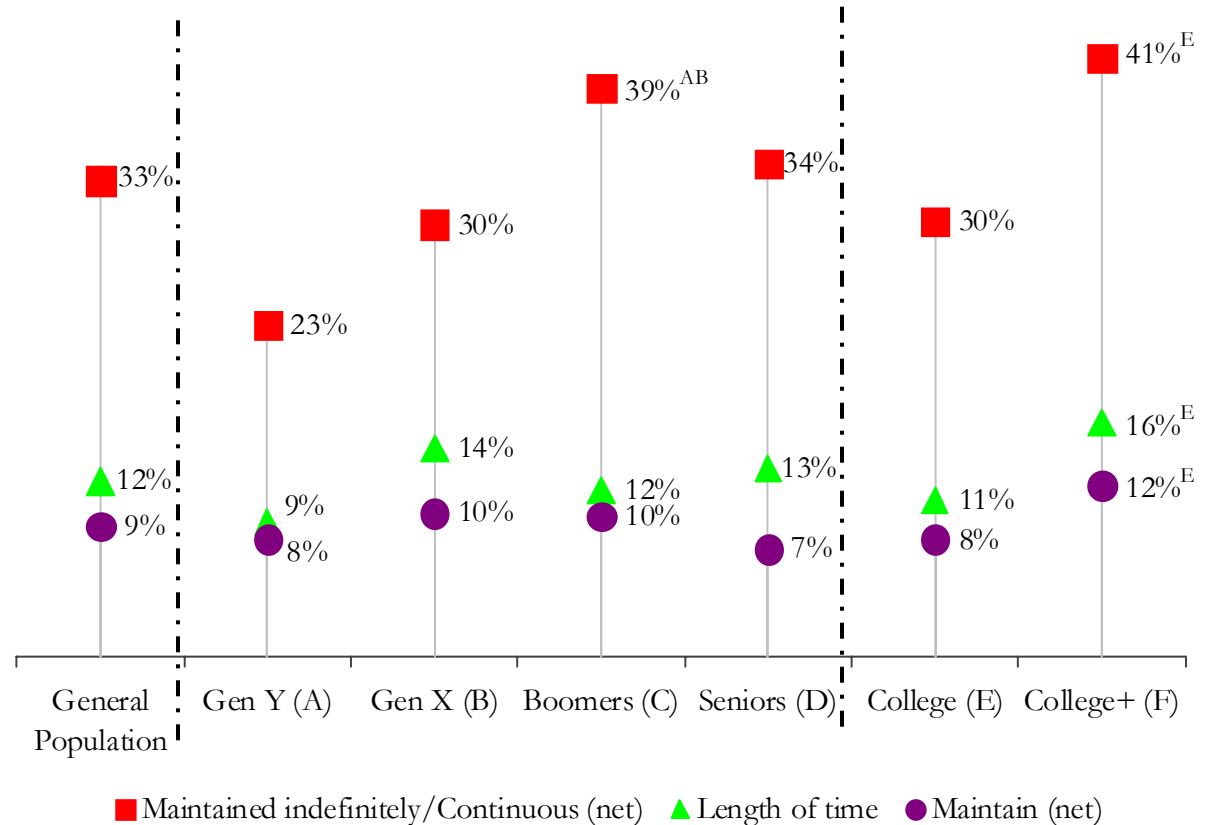
As previously mentioned, the term “sustainability” is an emerging concept to consumers. As with other secondary and emerging LOHAS-related terminology, the general population is generally not aware of the term. When asked to define sustainability in their own words (open-ended question), three descriptors were commonly mentioned. One-third of the general population believes that sustainability means “maintained indefinitely or continuous” (Figure 2-3). Fewer consumers believe sustainability has to do with a “length of time” or means to “maintain.” Notably, less than 1% of the general population associates sustainability with “preserving what we have today for future generations” — the commonly accepted definition of sustainability.

Demographically, the same skews that are evident in awareness are evident in describing sustainability. By age, Boomers tend to make stronger top-of-mind associations between “maintained indefinitely or continuous” and sustainability than do younger consumers. And, those who are college educated tend to be more likely to associate “maintained indefinitely or continuous” with the term sustainability than those who are not.

Due to the level of vagueness of this term’s definition, it would behoove companies to

Figure 2-3

(% General population by generation and education indicating what the term sustainability means to them)



communicate specific benefits of sustainability rather than use the term outright. Even the most environmentally-savvy consumers do not sufficiently understand its meaning and could misunderstand marketing messages that include the term.

Source: NMI, 9/07 HealthBeat Interactive study; general population study; not included in the 2007 LOHAS Consumer Trends Database™

Trends in Consumer Understanding of the Term “Sustainability”

Figure 2-4 further exemplifies the level of understanding of the term sustainability among consumers (based on a closed-ended question). Only 8% of the general population was able to determine the meaning of sustainability by choosing all three components of its definition. While their comprehension is twice that of the general population’s (17% versus 8%), LOHAS consumers’ true understanding of this emerging term is still very low.

It is evident that even LOHAS consumers are still on the sustainability learning curve. While they have a better understanding of the term, one in six believes sustainability is a marketing ploy and nearly one in five has not heard of it (the same rate as the general population). Furthermore, more LOHAS consumers than ever state they are aware of the term but unsure of its meaning, perhaps a reflection of their skepticism.

It is also worth noting seemingly diametrically opposed growth trends: consumers simultaneously are registering stronger understanding of sustainability (+14% general population and +18% LOHAS consumers since 2005) and greater skepticism (+11% in the general population and +20% among LOHAS).

Figure 2-4

(Q. 31-% General population and LOHAS indicating what the term sustainability means to them)

	General Population %		LOHAS %	
	2007	CAG 05-07	2007	CAG 05-07
Any choice (Net)	44	-7	65	-4
All three choices (Net)	8	+14	17	+18
1 - Balancing profit with concern about society and the environment	26	-5	38	-3
2 - They use environmentally-responsible materials to make their products	25	+3	42	+3
3 - They make their products in an environmentally-friendly way	20	+3	35	+14
It’s simply a marketing activity that has no real meaning or benefit	15	+11	16	+26
I’ve heard of the term “sustainability,” but really don’t know what it means	20	0	19	+20
Don’t know – I’ve never heard of the term “sustainability”	27	+15	9	-12

The current rush of green marketing efforts seems to be both educating consumers *and* making them more skeptical. With the varying applications and corresponding trustworthiness of sustainability messaging, many consumers are left confused and skeptical about the term, minimizing its effectiveness to all.

Is Environmentalism a Fad?

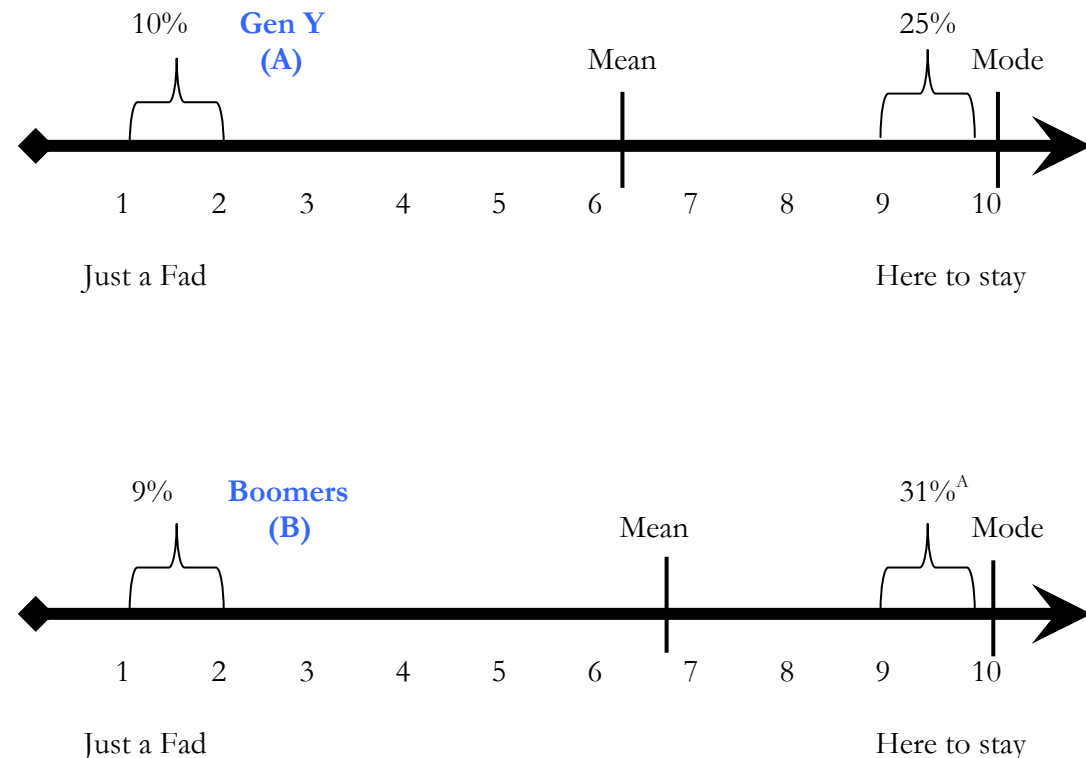
In today's world, environmental sustainability is an ever-growing concept being explored or adopted by the smallest to the largest corporations. When asked if "the talk" about the environment is a fad or is here to stay, one-quarter (26% — top 2 box on a 10-point scale) of the general population think it is definitely here to stay, with a mean rating of 6.56.

Among the generations, there is a significant difference between the attitudes of younger versus older consumers. Specifically, Boomers tend to be more convinced of the staying power of sustainability compared to Gen Y (Figure 2-5). While Gen Y seems to accept the longevity of sustainability, as seen elsewhere in this report, Boomers are stronger in this belief. Boomers, some of whom were part of the 1970s' activism, may be more positive about the longevity of the environmental movement because they have witnessed and been a part of its growth for many years.

The expected prolonged existence of sustainability offers an excellent opportunity for marketers to capture and sustain market share and develop meaningful differentiation versus competition. Those businesses that are first to adapt in their respective industries will have first-mover advantage, and be better-positioned to gain consumer buy-in now and brand loyalty for years to come.

Figure 2-5

(Q. 19-% General population by generation stating whether or not the talk about the environment in the media, by corporations, and others is a fad)



Level of Concern About the Environment & Motivation

Figure 2-6 shows how strongly consumers care about environmental protection. Virtually *all* LOHAS consumers do — and a resounding eight in ten agree completely. Among other segments, total interest is generally comparable to that of the general population. However, the strength of the agreement varies: NATURALITES' agreement is more passionate, while CONVENTIONALS' and then DRIFTERS' responses are more muted.

As mentioned in Chapter One, consumers are more motivated to care about the environment by an interest in planetary as opposed to personal health. This is a universal response (Figure 2-7) that creates an opportunity for marketers to communicate with all segments of the population by broaching these topics.

While there are no real differences by NMI segment, Boomers and Seniors are significantly more likely than younger consumers to have started caring about the environment as a result of the impact on future generations, presumably because they have younger generations in their own families to be concerned about. Males are more likely than females to have begun caring about the environment for the continued enjoyment of the outdoors and wildlife.

Figure 2-6

(Q. 8-% General population and NMI Segments indicating they agree completely/ somewhat that in terms of their personal beliefs they care about protecting the environment)

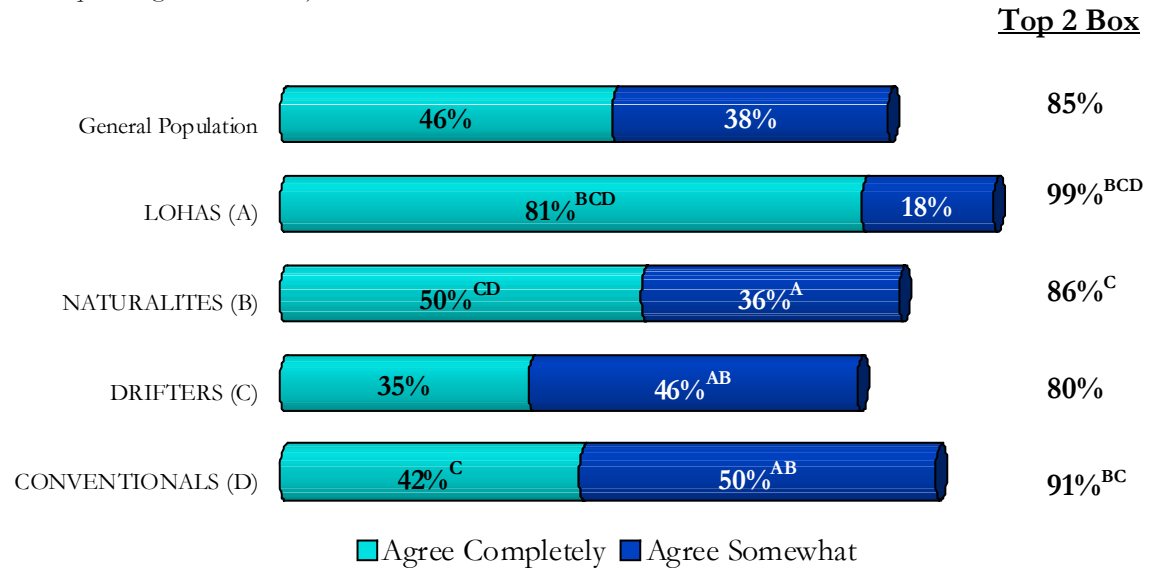


Figure 2-7

(Q. 9-% General population and NMI Segments indicating reasons why they first started caring about the environment)

	General Population %	NMI Segments %			
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)
The impact on future generations	24	24	20	26	25
Overall health of the planet	23	25	24	20	24
Enjoyment of the outdoors and wildlife	17	17	15	16	17

Who's Leading?

There is a definite dichotomy between who the current leaders are in environmental protection and who should be leading (Figure 2-8). While consumers state the onus is currently on individuals, volunteer groups, and non-profits to protect the environment, the largest gaps between perceived and expected performance are seen with the U.S. government and corporations.

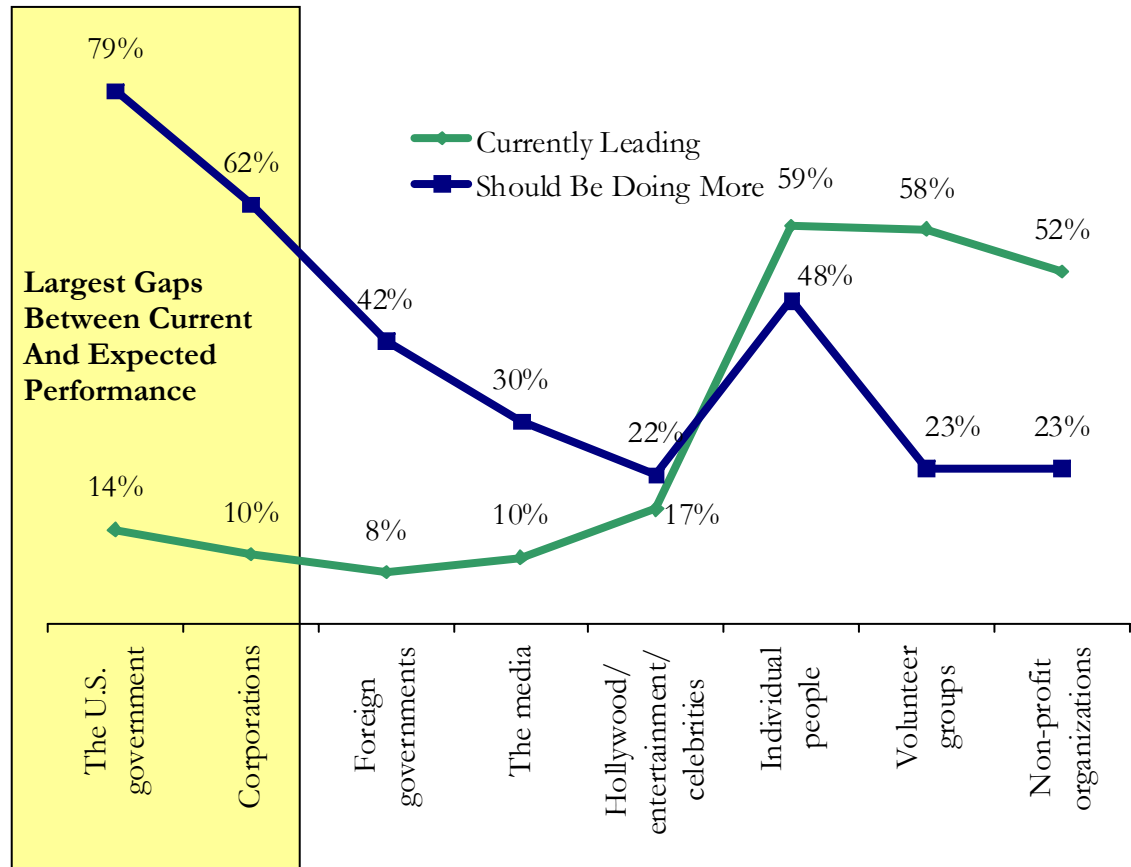
With all of the publicity surrounding celebrities' environmental activism, it is interesting to note that consumers do not necessarily view celebrities as leaders in the green movement, nor do they expect any more from them. While celebrities can draw a lot of media attention to an issue, this does not appear to be consumers' preference for actions related to environmental protection.

LOHAS consumers are always ready to do more for the environment and they expect nothing less from these constituencies. For them, the gaps are wider between perceived and expected performance for those who are leaders now and for those who are not.

Clearly, consumers expect business and government to "step up." Consumers may feel that individual actions they take are dwarfed by those of a government or company, so such action by the latter are simply more efficient.

Figure 2-8

(Q. 20, 21-% General population and LOHAS Consumers stating the following organizations are either currently acting as a leader in protecting the environment, or should be doing more)



LOHAS Consumers:

Should do more:

91% 79% 55% 47% 31% 51% 31% 32%

Currently Leading:

14% 11% 14% 12% 23% 77% 74% 64%

A Focus on Global Warming: Awareness and Concern

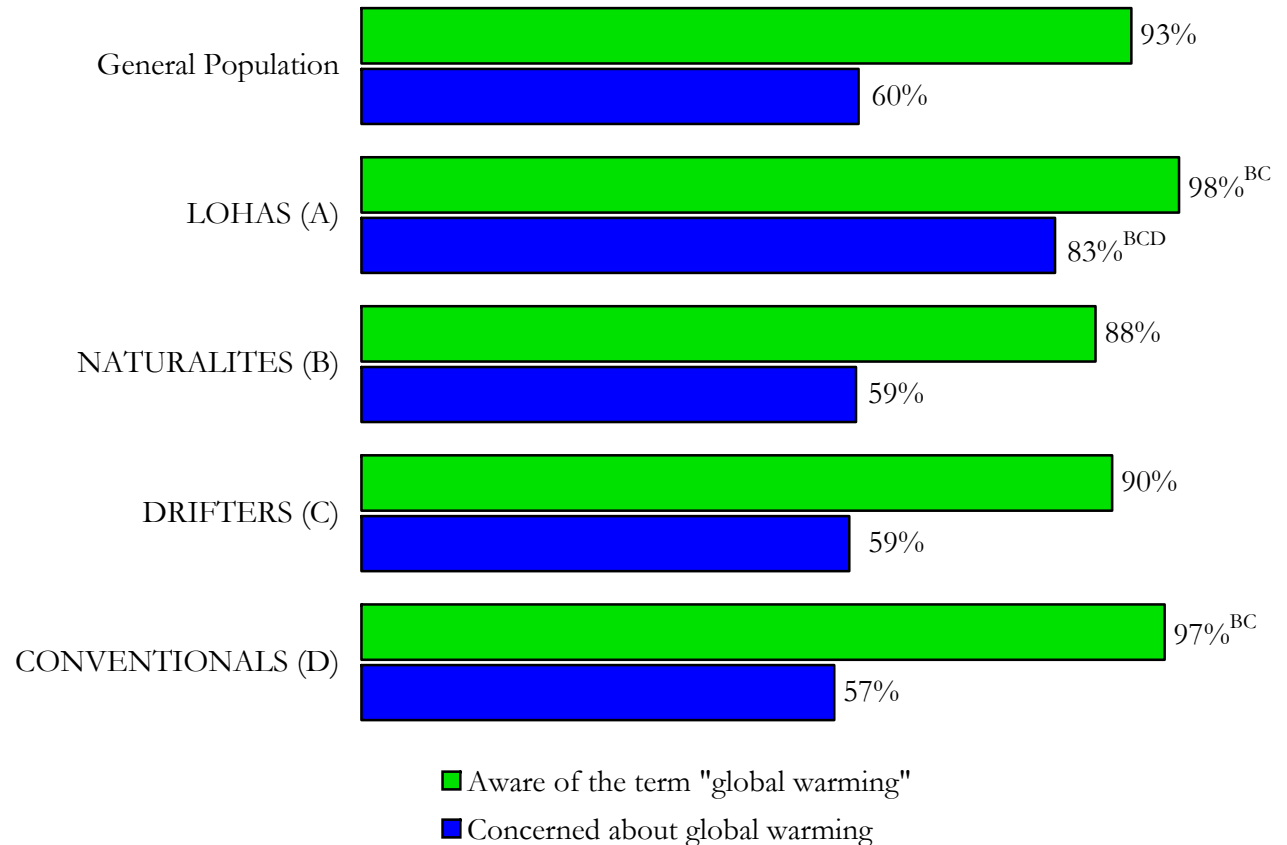
As mentioned in Figure 2-1, the general population is well aware of the term global warming. However, Figure 2-9 shows that while nine in ten consumers are aware, only six in ten are concerned about it — the classical difference between consumer attitudes and behavior. As mentioned on the previous page, the level of concern may be related to consumers' perceived inability to meaningfully change the situation.

Even while consumers feel helpless about global warming, concern among the general population has steadily increased at least 10% each year since 2002, with growth of 20% in the past year. While LOHAS consumers are the most concerned about global warming, the concern has now infiltrated other segments.

By age, older consumers tend to be more aware of global warming than younger consumers. By income, those with an income of less than \$35K are the least aware of the term. It is reasonable to believe that these consumers are living day-to-day and have less concern about environmental issues. They also tend to have lower educational levels. By gender, women tend to be significantly more concerned than men. Perhaps their role as caregiver leads them to foster greater concern than men.

Figure 2-9

(Q. 14-% General population and NMI segments indicating their awareness of the term "global warming"; Q.15-% General population indicating they are concerned about global warming/ climate change)



A Focus on Global Warming: Consumer & Corporate Action

As established on the previous page, education is needed to inform consumers of how they can help fight global warming. This education is best done by segment, as non-LOHAS consumers are quick to “pass the buck” by accepting little to no responsibility for their personal actions in this regard (Figure 2-10), while more than three-quarters of LOHAS consumers have already taken action. However, all consumer segments are more likely to want to learn what companies are doing than to have taken action themselves (Figure 2-11).

Mitigating greenhouse gas emissions in our daily lives is the best way to combat global warming. However, a secondary option. Although this term is little-known by consumers (only 23% of the general population is aware), there is an opportunity for marketers to develop programs that explain offsets and how to obtain them. For example, GE launched a carbon offset credit card last year. Consumers redeem reward points they earn from purchases for carbon offsets rather than a more traditional reward like airline miles. Programs like this facilitate action among the general population, and are easy switches for consumers to make. As always, clear communication and explanation of benefits are critical, especially given the language difficulties covered earlier in this chapter.

Figure 2-10

(Q. 22-% General population and NMI segments indicating they agree completely/somewhat they have changed their behavior to minimize their effect on global warming)

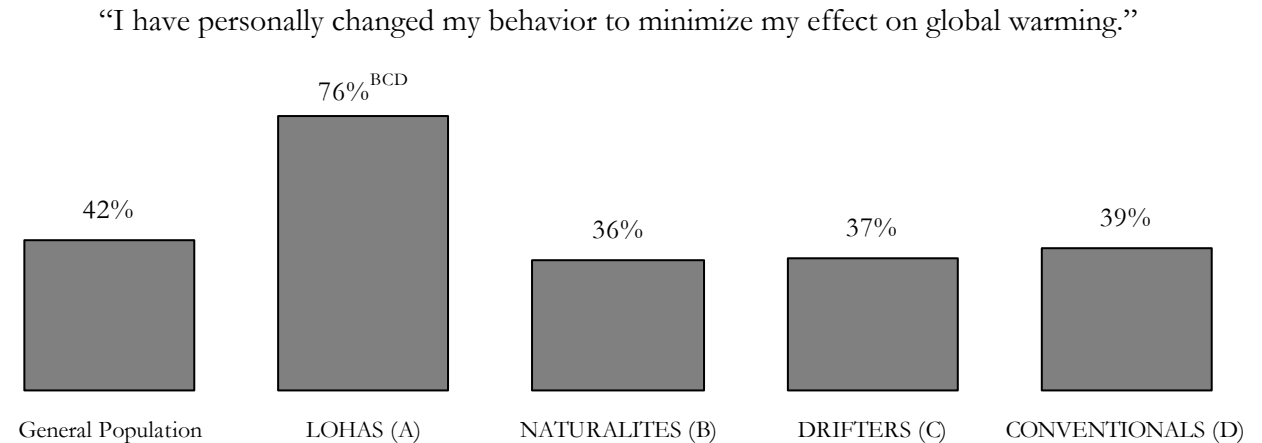
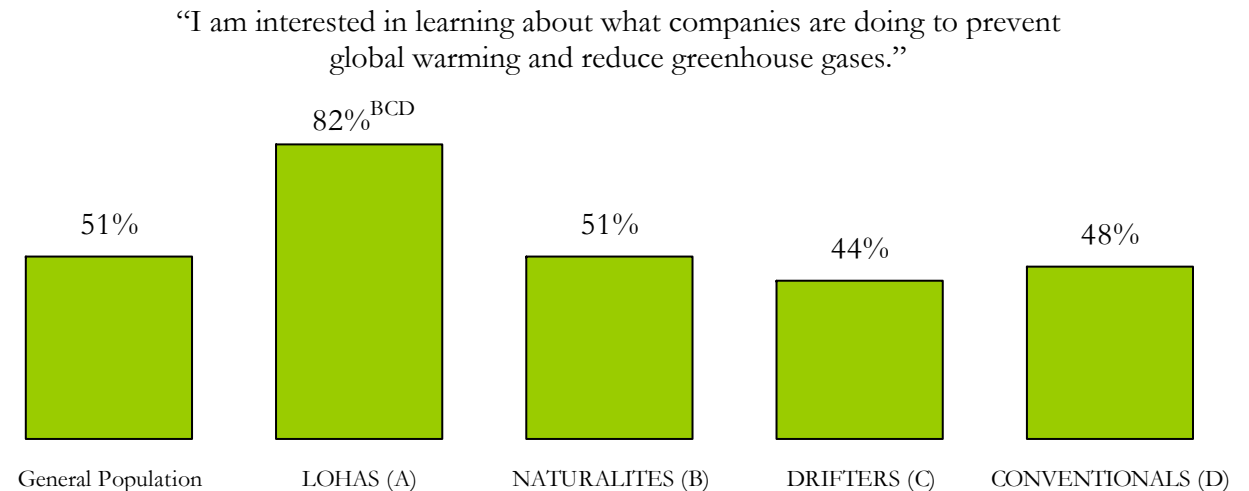


Figure 2-11

(Q. 34-% General population and NMI segments indicating they are interested in learning what companies are doing to prevent global warming and reduce greenhouse gases)



Blurring of Natural and Organic

There continues to be much confusion among consumers about the descriptors “natural” and “organic.” Consumers tend to have stronger associations with “natural” as opposed to “organic” (Figure 2-12). Consumers likely feel more comfortable with “natural” because of its tenure in the marketplace — products have been labeled as “natural” for decades. However, there has been no uniform approach established for items labeled in this manner, and no governmental definition appears to be forthcoming (as per the latest FDA rulings).

On the other hand, the USDA National Organic Standards Board has gone to great lengths to define and certify organic food production and sales. Food marked with the USDA Organic seal, first introduced in 2002, are to have been grown without the use of pesticides, antibiotics or synthetic hormones, and they have been minimally processed without artificial ingredients or preservatives, to name a few specifications.

When communicating what the terms “natural” and “organic” mean to them, consumers tend to first identify the defining terms rather than the perceived benefits. For example, consumers are much less likely to associate “better for the environment” with organic than they are to associate “no chemical pesticides.”

Figure 2-12

(Q. 45-% General population indicating what the words “natural” and “organic” mean to them)

Top Ten Descriptors			
Natural	General Population %	Organic	General Population %
1. 100% natural ingredients	85	1. 100% organic ingredients	87
2. No artificial flavors	66	2. No chemical pesticides	61
3. No artificial colors	66	3. No chemicals	52
4. No additives	64	4. Better for the environment	46
5. No preservatives	63	5. Contains at least one organic ingredient	44
6. No chemicals	50	6. No preservatives	36
7. Contains at least one natural ingredient	44	7. No additives	35
8. Not highly processed	44	8. Better for family and/or children	33
9. Better for family and/or children	42	9. Better nutrition	31
10. Better nutrition	38	10. No artificial colors	28

Note: Actual organic defining terms are shown in bold.

Attitudes Toward Social Issues

As in previous years, among the social issues measured, consumers tend to care most about children's issues (Figure 2-13). It also is predictable that many consumers care about supporting the military troops, especially in wartime. The general population cares equally about women's issues and protecting worker's rights. Notably, consumers continue to care more about these issues than about environmental issues, presumably because concern for one's "fellow man" feels more pressing than further-removed planetary concerns.

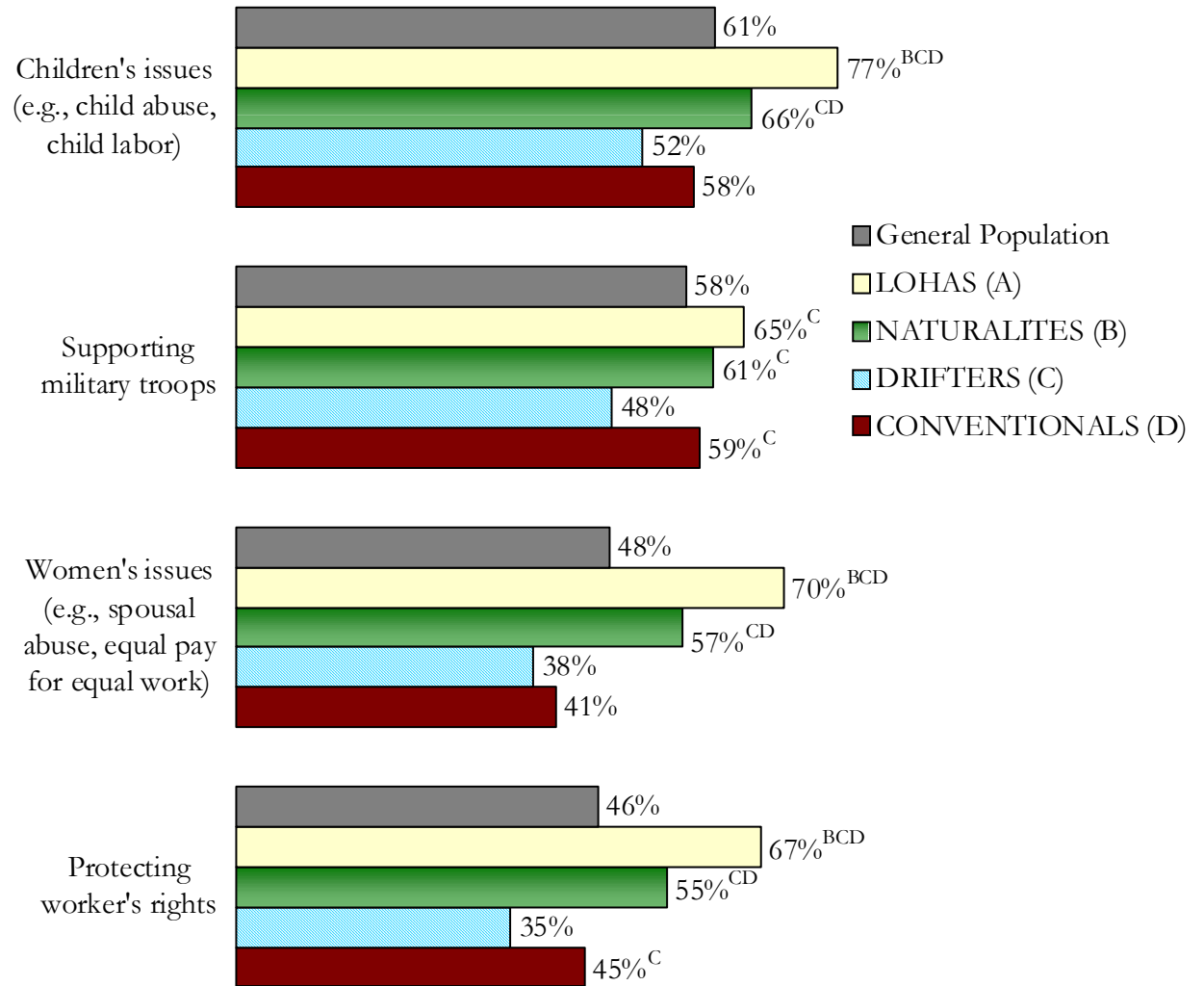
With the exception of supporting military troops, LOHAS and NATURALITES care more about these social issues than other segments. However, it is interesting that LOHAS consumers care more about women's issues and protecting worker's rights than they do about supporting the military, and, unlike other segments, LOHAS consumers care more about protecting the environment than these social issues.

Among the segments shown, DRIFTERS report the lowest level of care for these social issues. As inwardly focused individuals, they do not register as much concern for the plight of others.

Except for protecting workers' rights, seniors

Figure 2-13

(Q. 8-% General population and NMI segments indicating they agree completely with the following statements in terms of their personal beliefs... "I care about...")



tend to care significantly more about these social issues than do other age groups. This may be due to them having grown up in a more turbulent social climate.

Attitudes Toward Health and Wellness

Figure 2-14 shows that the general population cares moderately about their state of health and wellness. Due to their healthy lifestyles, LOHAS and NATURALITES are most engaged in these issues, while other segments are more ambivalent. LOHAS and NATURALITES, therefore, would be the optimal targets for health and wellness-related marketing messages.

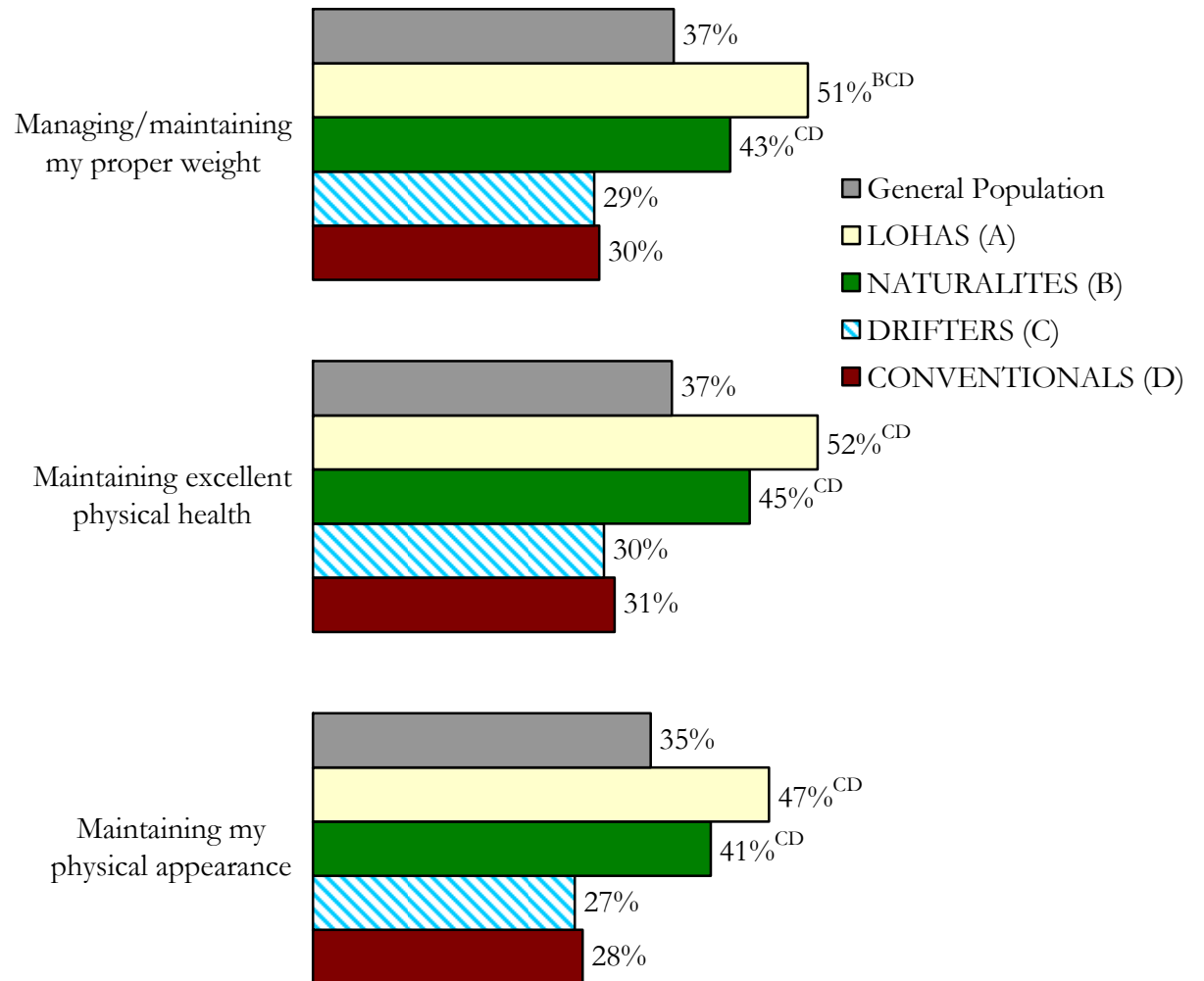
DRIFTERS and CONVENTIONALS tend not to have strong attitudes toward health and wellness. As younger consumers than LOHAS or NATURALITES, they may perceive less reason to be concerned because they have experienced fewer personal health problems.

Women tend to care about health and wellness issues significantly more than men. Seniors, who are the most likely age group to be experiencing difficulties, care about their weight, health, and physical appearance the most.

Gaining a greater understanding of these segments' attitudes/motivations toward health and wellness, and how these attitudes and motivations affect behavior, will help marketers create tailored products and services for each segment.

Figure 2-14

(Q. 8-% General population and NMI segments indicating they agree completely with the following statements in terms of their personal beliefs...)



Societal Issues of Concern Among U.S. Consumers

Consumers have a lot on their minds. As was the case last year, the top three concerns for the general population continue to be political or economic in nature (Figure 2-15). While consumers' concern about the war in Iraq increased over last year, concern about the rising cost of oil and dependence on foreign fuels remained stable. Deep concern about these interrelated issues trumps most of the other domestic issues in consumers' minds.

Seven in ten consumers stated they are concerned about random acts of violence (a new question in 2007). [This survey was fielded in the wake of the Virginia Tech incident, which may have fueled this response.] Seniors are significantly more concerned about this violence issue than other age segments (79%). In recent years, there have been many reports of random violence against everyday citizens, including the elderly, women and children, and particularly students, leading to this high level of concern.

Concern over human rights has grown since 2006 (+22%), perhaps due to wartime conditions around the world. Hundreds of thousands of lives have been lost in war-torn areas such as Iraq and the Darfur region of western Sudan, where genocide is the result of social and political unrest.

Figure 2-15

(Q. 15-% General population indicating which of the following issues concern them)

	General Population %	Growth 06-07 %
Political/Economic		
Rising cost of oil and gasoline	81%	+1
The war in Iraq/Middle East unrest	73%	+6
Dependence on foreign fuels	68%	-1
Social		
Random acts of violence	70%	n/a
The quality of public schools	65%	+6
Immigration policies	64%	n/a
Human rights	63%	+22
Environmental/Health		
Food safety	70%	+39
Water quality	68%	+19
Hazardous, toxic and nuclear waste	60%	+17
Toxins in the environment	59%	+17
Pollution from cars and trucks	58%	+18
Water conservation	57%	+34

Simultaneously, there has been considerable growth in concern since 2006 about environmental/health issues. Consumer concern about food safety grew significantly over 2006 (+39%). Perhaps the recent e-Coli and Salmonella outbreaks caused by tainted scallions and spinach and the thousands of pet deaths caused by tainted wheat gluten used in pet food manufactured in China helped to create a heightened sense of concern among consumers. Due to the general increased visibility of environmentalism, consumer concern also has increased surrounding hazardous waste, toxins in the environment, and car pollution (+17% or more each).

Note: Those issues marked "n/a" were new questions in 2007.

Societal Issues of Concern Among Segments

With the exceptions of immigration policies and the rising cost of oil and gas, LOHAS consumers are significantly more concerned about the issues shown in Figure 2-16 than are all other segments. CONVENTIONALS tend to follow LOHAS consumers' lead in terms of political/economic and social issues. As might be predicted, NATURALITES are more concerned about internal health-related issues such as food and water quality. DRIFTERS' greatest concern is the rising cost of gasoline, which affects them directly. They are the least concerned segment shown on the remaining issues.

LOHAS consumers are most concerned about the dependence on foreign fuels (91%). The reason may be that LOHAS consumers are concerned about the source of those fuels (typically unstable governments like Iraq and Venezuela) and also prefer the more environmentally-friendly domestic energy sources (e.g., wind, solar, geothermal, etc.).

Demographically, women are more concerned about all of these issues than men (72% versus 59%). As mentioned earlier, women are typically more concerned across most LOHAS topics. As caregivers, they may see these issues as threats to themselves and the families they are responsible for protecting.

Figure 2-16

(Q. 15% NMI segments indicating which of the following issues concern them)

	NMI Segments %			
	LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)
Political/Economic				
Rising cost of oil and gasoline	87 ^{BC}	80	79	83
The war in Iraq/Middle East unrest	88 ^{BCD}	74	68	78 ^C
Dependence on foreign fuels	91 ^{BCD}	63 ^C	56	77 ^{BC}
Social				
Random acts of violence	79 ^{BCD}	70	67	72
The quality of public schools	82 ^{BCD}	62	58	67 ^C
Immigration policies	74 ^{BC}	61	58	72 ^{BC}
Human rights	82 ^{BCD}	63	61	60
Environmental/Health				
Food safety	83 ^{BCD}	72	66	70
Water quality	84 ^{BCD}	70 ^C	63	68
Hazardous, toxic and nuclear waste	84 ^{BCD}	60	57	60
Toxins in the environment	87 ^{BCD}	60 ^C	51	60 ^C
Pollution from cars and trucks	84 ^{BCD}	57	53	57
Water conservation	84 ^{BCD}	53	51	59 ^C

Branding & Loyalty Dynamics

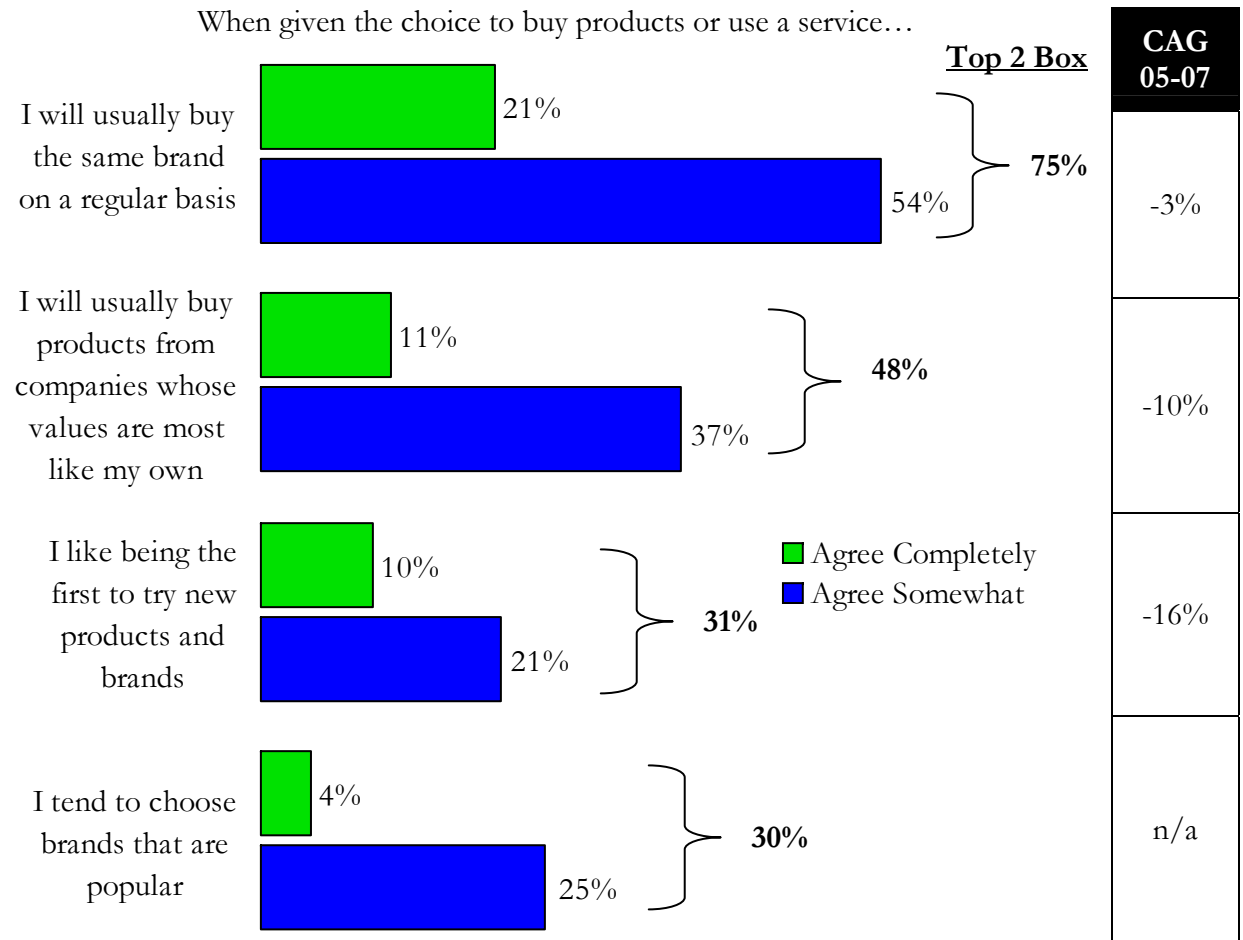
Consumers are creatures of habit, and consumer brand loyalty is strong: three-quarters of consumers report they habitually purchase the same brands (Figure 2-17). Once a favored product is found, consumers tend to use that product for many years to come. Although there has been a slight decrease in this measure since 2005, overall attitudes remain strong. On a related note, less than one-third like to be the first one to try new products/brands — a sentiment that has declined more steadily since 2005 (down 16%). Switching brands can be disappointing, and hence consumers are reluctant to do so without good reason.

About half (48%) of the general population says they usually buy products from companies whose values match their own. Consumers' behavior in this regard has decreased slightly since 2005 (-10%). Perhaps this decrease is partly due to other concerns (previous pages) or consumers' lack of understanding of the values of companies in the marketplace (recall the "Greenwashing Washout" insight in Chapter One). While companies have publicized what they stand for, some consumers have a hard time believing it, and others have a hard time connecting it with the products they sell.

Only three in ten consumers report they

Figure 2-17

(Q. 8, 40-% General population indicating they agree completely/somewhat with the following statements in terms of their personal beliefs...)



choose popular brands. Brands need to provide more than image to consumers, and, even so, consumers may be reluctant to admit that they are swayed by popular opinion.

Note: Those issues marked "n/a" were new questions in 2007.

Branding & Loyalty Among Segments

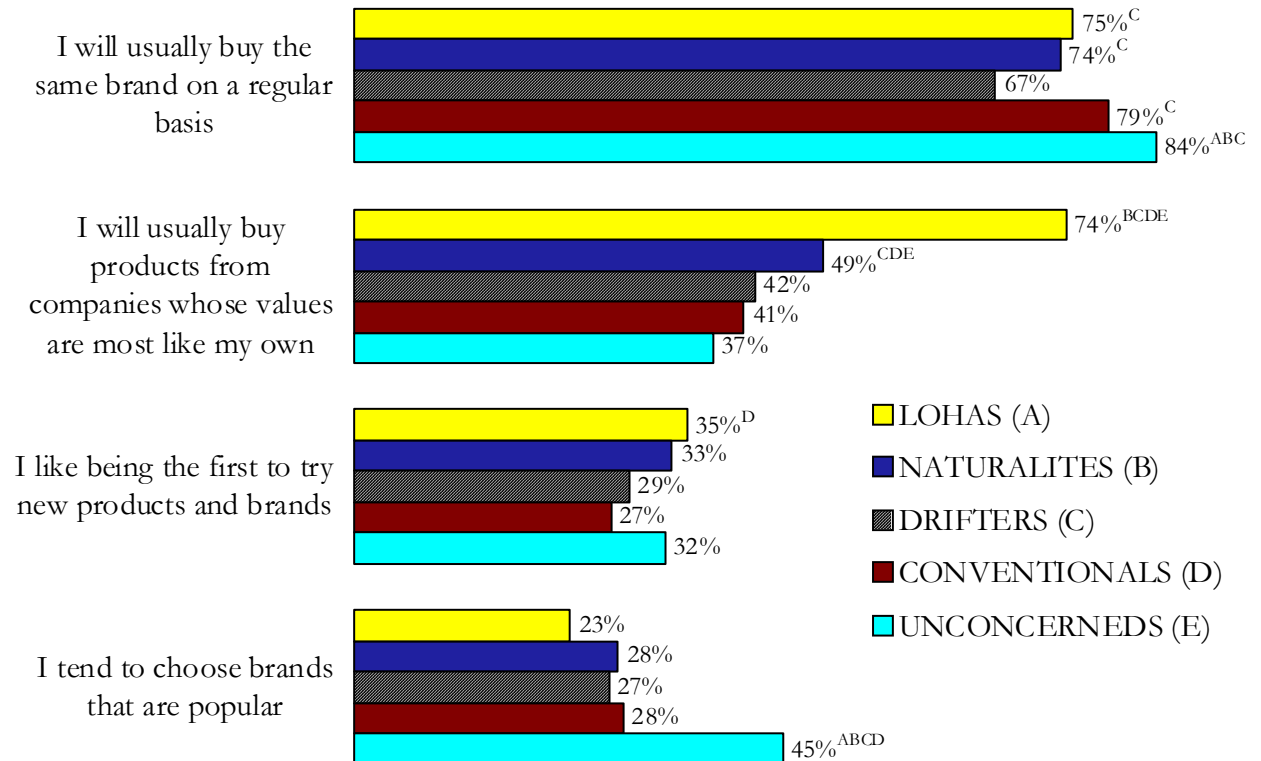
As stated on the previous page, most consumers consistently stick to buying their usual brand. And, LOHAS, NATURALITES, and CONVENTIONALS all do so at the same rate. However, the strongest creatures of habit are UNCONCERNEDS, as 84% say they usually buy the same brand. This creates yet another barrier for them to engage in the LOHAS marketplace as they would have to switch away from their current brand portfolio.

For 74% of LOHAS, alignment with a company's value proposition fosters brand loyalty. Other segments, with the exception of UNCONCERNEDS, are not far behind in this need. Companies with clear statements of their environmental values will be the most likely to foster trial and loyalty among these consumers.

General Electric and Seventh Generation are two companies that communicate their values well. The GE Lighting Web site* promotes energy conservation through solutions such as compact florescent light bulbs. The GE Ecomagination Web site is dedicated to explaining GE's aim of creating products that are both economically advantageous and ecologically sound. For example, they are investing in cleaner technologies and working to reduce greenhouse gas emissions that contribute to global warming. Seventh

Figure 2-18

(Q. 40-% NMI segments indicating they agree completely/somewhat with the following statements...)



Generation clearly communicates its mission to protect the environment in every product and educates consumers on environmental issues on its Web site**. Its name, derived from the Iroquois belief that “in our every deliberation, we must consider the impact of our decisions on the next seven generations,” is the company’s guiding factor. The environmental-award-winning company vows that every time consumers use a Seventh Generation product they are making a difference by saving natural resources, reducing pollution, keeping toxic chemicals out of the environment, and making the world a safer place for this and future generations.

*www.GElighting.com

**www.seventhgeneration.com

Early Adoption

LOHAS consumers are head and shoulders above other segments and twice as likely as the general population to lead in the trial of new eco-friendly products (Figure 2-19). Their appetite for green products leads them to be the first to market, as they are constantly searching for eco-alternatives. Then, as early adopters, LOHAS consumers influence other consumer segments to try new eco-goods and services.

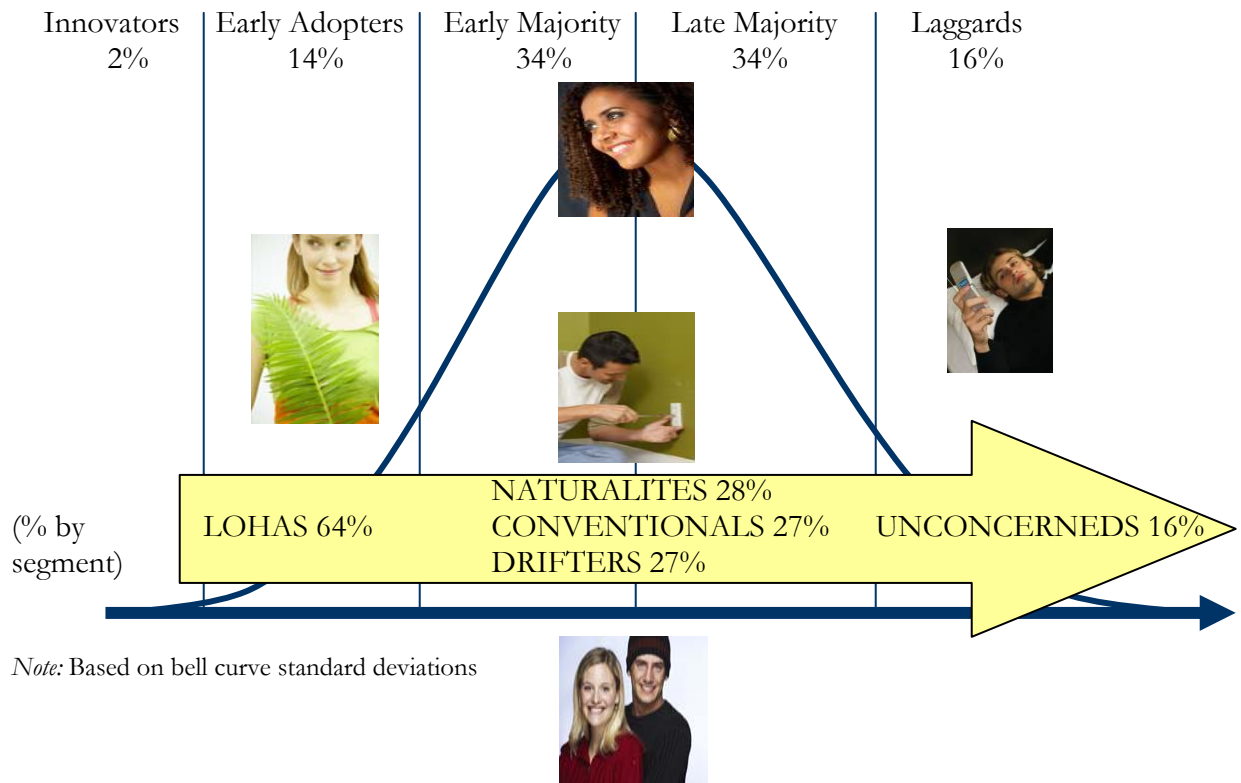
Although LOHAS consumers' interest in trying new products is strong, last year it was slightly stronger (79% in 2006). The downshift in LOHAS interest in being the first to try new eco-friendly products may be related to "green" becoming more mainstream, leaving LOHAS consumers feeling that their behavior is less unique. This observation may also be a function of the state of the economy and the corresponding volatility of the future.

Women are significantly more likely to be ahead of men in trying new environmentally-friendly products, as are consumers who have children. Interestingly, younger consumers are more likely to try new environmentally-friendly products than older consumers. This may be a function of their age (less time to build up loyalty to a brand or product). However, marketers should not abandon this highly lucrative segment of the population. Now is the time to first establish brand loyalty patterns.

Figure 2-19

(Q. 41%- NMI Segments indicating which of the following statements best describes themselves compared to their friends and family)

“I’m generally first or ahead of most to start using new environmentally-friendly products.”



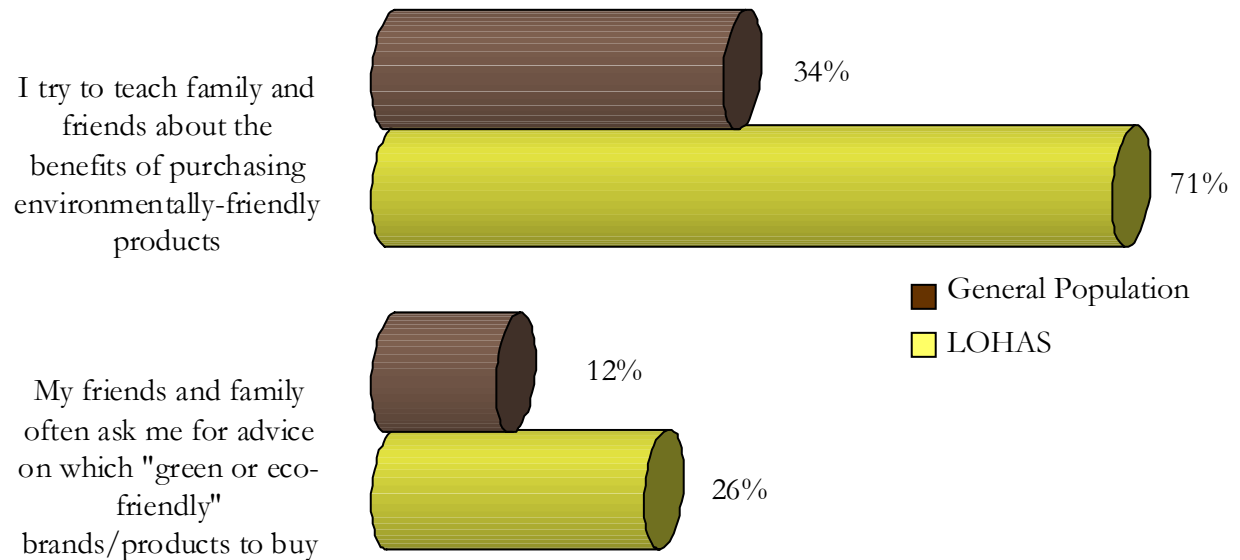
Level of Influence on Others

LOHAS consumers have a tremendous amount of influence when it comes to eco-friendly products. They are significantly more likely than other segments to teach others about the benefits of, or to be asked advice about, eco-friendly products and services (Figure 2-20). LOHAS consumers have gained the trust of their family and friends because they are known for their interest in the environment, are usually the first to try new eco-friendly products, and are tough judges of product performance. Theirs is an endorsement marketers should seek. If companies can convince LOHAS consumers of the merits of their products and services, LOHAS consumers will begin to share that information with their circle. In essence, LOHAS consumers become viral, grass-root marketers.

Demographically, women are significantly more likely than men to spread the word about environmentally-friendly products (37% versus 30%), consistent with other influencer behavior exhibited by women. Younger consumers tend to give and receive more advice than older consumers, perhaps related to younger consumers' needs as they begin to expand into additional product categories. Those with a college education or post-graduate degree are asked for advice about eco-friendly products significantly more than those without a college degree.

Figure 2-20

(Q. 18, 22-% General population and LOHAS indicating agree completely/somewhat with the following statements...)



Trends in Price Sensitivity

Environmentally-friendly products and services often are priced higher than regular products. Consumers who are price sensitive find this to be a significant barrier to purchasing eco-friendly products regardless of their environmental protection intentions (see Chapter Six). In fact, six in ten admit that while they care for the environment, they purchase items based on price. This number has steadily increased since 2002 at 3% per year.

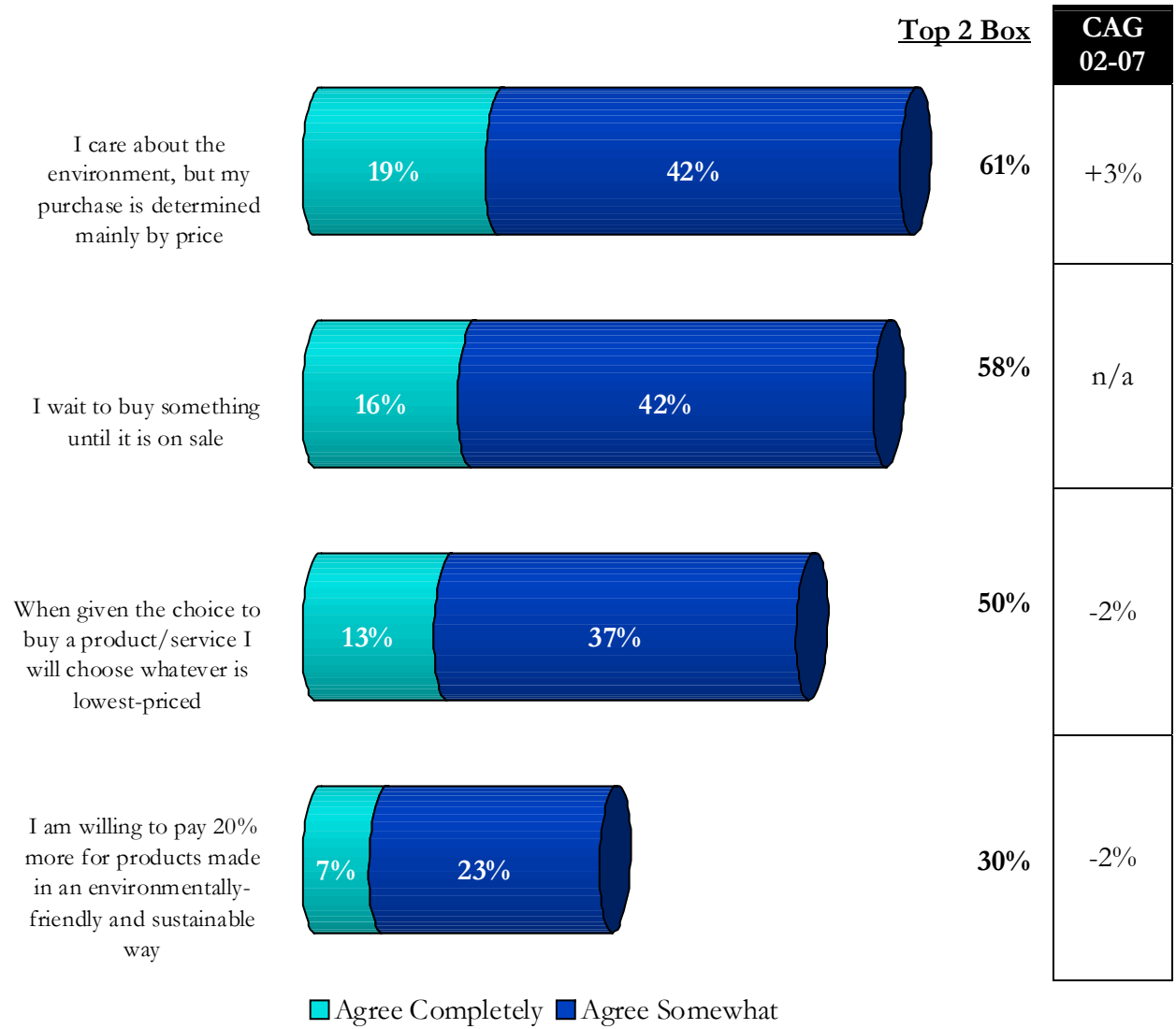
To further solidify their price sensitivity, 58% of consumers report they wait until an item is on sale before making a purchase, and half tend to buy the lowest-priced item when given a choice. Only rarely is the lowest-priced product one that is eco-friendly.

Only three in ten, and more typically LOHAS consumers, are willing to pay 20% more for products made in an environmentally-friendly and sustainable way. Since 2002, this measure has experienced a very slight annual decrease (-2%).

The general population seems to be more likely to short-change the environment than to spend freely on environmentally-safe products and services. The long-term solution for mainstream America will be lower prices for green products. In the meantime, marketers would do well to target the LOHAS consumer as one who is less price conscious.

Figure 2-21

(Q. 18, 22, 40-% General population indicating they agree completely/somewhat with the following statements...)



Price Sensitivity Among the Segments

LOHAS consumers are motivated to pay more for quality products that perform well and are in line with their personal values, making them the least price sensitive among the segments. They are also the least likely to make purchases based mainly on price or to buy the lowest-priced product (Figure 2-22). They are *significantly* more likely than any other segment to be willing to pay 20% more for eco-friendly products and services, outpacing the segment second most likely to do so (NATURALITES) nearly two-to-one.

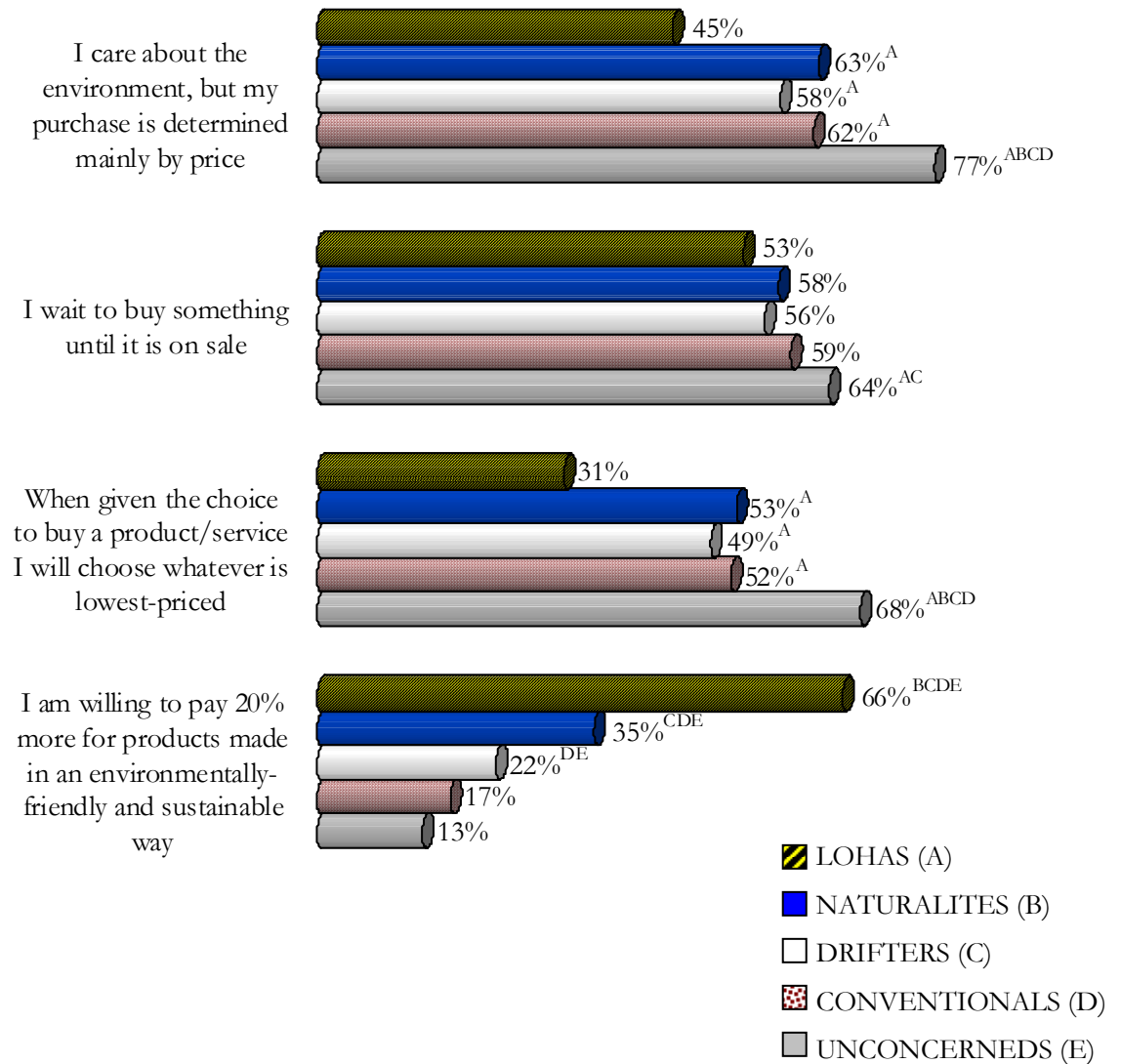
While NATURALITES are price sensitive in many ways, 35% (slightly more than average) report they are willing to pay 20% more for eco-friendly products.

UNCONCERNEDS are the most price-sensitive and buy strictly on price. Nothing but a price-break (if even that) will pull them into the green market.

While LOHAS consumers may appear to be a marketer's dream, they also love a bargain. Much like other segments, more than half of LOHAS consumer will wait to buy some items on sale. Perhaps offering periodically discounted items is a way to keep LOHAS consumers content while pulling more price sensitive consumers into the market.

Figure 2-22

(Q. 18, 22, 40-% NMI Segments indicating they agree completely/ somewhat with the following statements...)



Environmental Apathy

A small number of consumers identify various barriers to entering the green marketplace. Twenty-two percent of the general population wishes they did more for the environment, while a smaller portion finds excuses as to why they are not living green, such as it is too hard or they can't make a difference (Figure 2-23).

LOHAS consumers do not make excuses about their environmental efforts. Although they already are highly active in the environmental movement, 39% of LOHAS consumers have an appetite for more, underscoring their unending desire.

While NATURALITES purchase eco-friendly products to promote their personal health, they tend to need motivation to live green for the environment's sake. Twenty-seven percent of NATURALITES wish they did more for the environment, but they are more likely than other segments to believe living green is too hard and to say they do not purchase eco-friendly products often enough.

DRIFTERS and CONVENTIONALS are realistic about their levels of environmentalism. While they have some environmentally-friendly behaviors, they are just not interested in getting more involved. They are the least likely to wish they did more for the environment.

Figure 2-23

(Q. 22-% General population and NMI Segments indicating they agree completely with the following statements...)

	General Population %	NMI Segments %			
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)
I wish I did more for the environment	22	39 ^{BCD}	27 ^{CD}	13	15
I care about the environment, but sometimes it is too hard to be "green"	13	10	15 ^{CD}	10	9
I want to choose environmentally-friendly products/services, but often end up choosing ones that aren't	10	9	15 ^{ACD}	7	7
I care about the environment, but just don't do much about it	8	1	12 ^{ACD}	5 ^A	3
I care about the environment, but I don't think I personally can make a difference	6	3	5	4	3
Considering the environmental impact of my actions is too difficult	3	0	3 ^{AD}	1 ^A	1

Non-LOHAS consumers need personal motivation to become as empowered as LOHAS consumers in environmental protection. Marketers have an opportunity to educate them and provide them with practical applications that are relevant to their lifestyle. Programs and products designed to offer consumers low-risk ways to get started living green are needed. Consumers also need options with low opportunity costs to motivate them to change their lifestyles. Once consumers recognize the "what's in it for me" factors to green living, they may be more motivated to get involved in the environmental movement.

Empowering LOHAS Behavior

The constant urge to know more and do more for the environment is quintessential LOHAS behavior. While LOHAS consumers are the most active of all the segments in environmental protection, 11% report that they would like to do more but don't know how (Figure 2-24). Complimentarily, 35% of LOHAS consumers would like to learn how they can become more involved in environmental protection (Figure 2-25).

NATURALITES would be the best target for environmental education programs. They are the most likely among non-LOHAS segments to be interested in doing more and learning more about becoming involved in protecting the environment. Relating the benefits to personal health would further persuade them to get involved.

Secondary targets include Gen Y and Gen X consumers. These younger consumers are more likely to state they would like to protect the environment but don't know how. They also seem to be more interested in learning how they can become more involved. Capturing this interest and enthusiasm now may lead to a long, green lifespan (for both these consumers and marketers alike).

Figure 2-24

(Q. 22-% General population and NMI Segments indicating they agree completely with the following statement...)

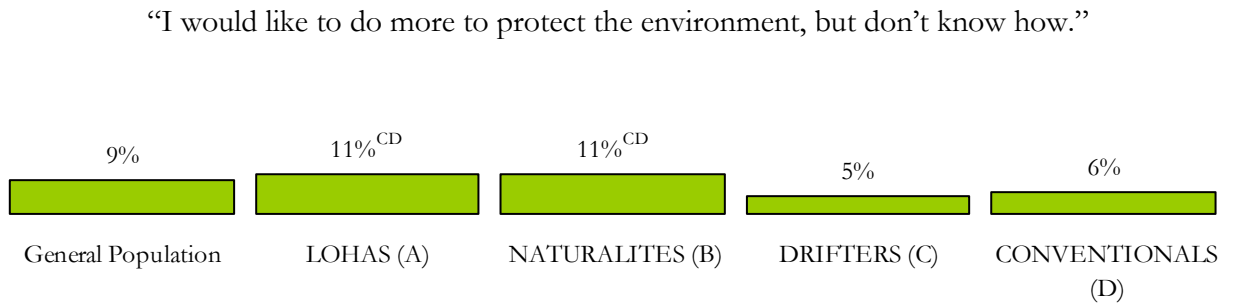
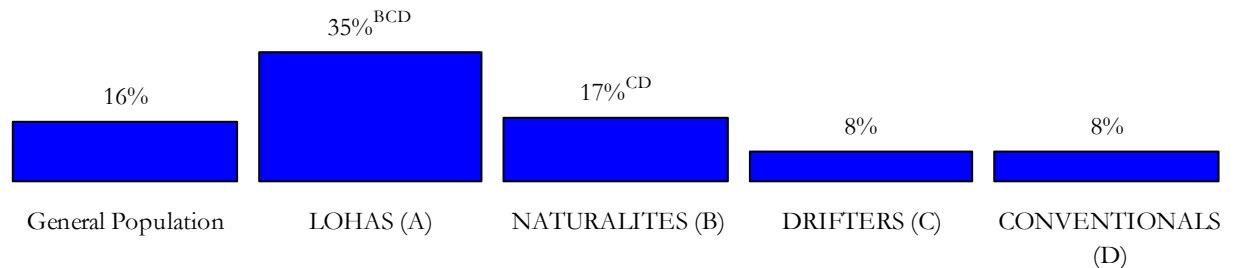


Figure 2-25

(Q. 22-% General population and NMI Segments indicating they agree completely with the following statement...)

“I would like to learn about how I can become more involved in protecting the environment.”



The Role of Materialism

They say “materialism is the American way” — and the general population tends to agree. Less than half (43%) agree completely that life is more about *experiences* than *material possessions* and only 35% think people accumulate too many material possessions (Figure 2-26). All non-LOHAS segments tend to mirror the sentiment of the general population. In contrast, the majority of LOHAS consumers appreciate life’s experiences over material possessions and think that people tend to accumulate too many material possessions.

When it comes to treating themselves, the general population looks for special activities at the same rate that they look for material possessions. LOHAS consumers like special activities more than any other segment (and more so than possessions), but (surprisingly) do admit enjoying material possessions at the same rate as UNCONCERNEDS. Consumers with an income of \$100K+ are significantly more likely to look for special activities as a treat, perhaps because their income permits them to already have the material possessions they need or want.

DRIFTERS seem to be uninterested in treating themselves with activities or material possessions. Perhaps they treat themselves in other, non-monetary ways like just spending time with friends and family.

Figure 2-26

(Q. 22-% General population and NMI Segments indicating they agree completely with the following statements...)

	General Population	NMI Segments %				
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)	UNCONCERNEDS (E)
Life is more about experiences than the accumulation of material possessions.	43	67 ^{BCD} _E	42 ^{CD}	33	35	39
I think we accumulate too many material possessions.	35	56 ^{BCD} _E	34	30	29	29
When I want to treat myself, I look for a special activity or experience.	20	36 ^{BCD} _E	21 ^C	11	16 ^C	19 ^C
When I want to treat myself, I buy myself something special.	19	24 ^{CD}	21 ^{CD}	12	13	24 ^{CD}

Seniors and CONVENTIONALS tend to shy away from buying material possessions as a treat, perhaps because many seniors are on a fixed income and CONVENTIONALS are more practical.

Women are significantly more likely than men to agree completely with all four statements, suggesting that they enjoy indulgences of any kind.

A Multi-Cultural Look at the LOHAS Segmentation Model

When comparing the different ethnic groups shown in Figure 2-27 to the general population, the percentage of LOHAS consumers is stable among all groups, with Hispanics showing a directionally lower representation.

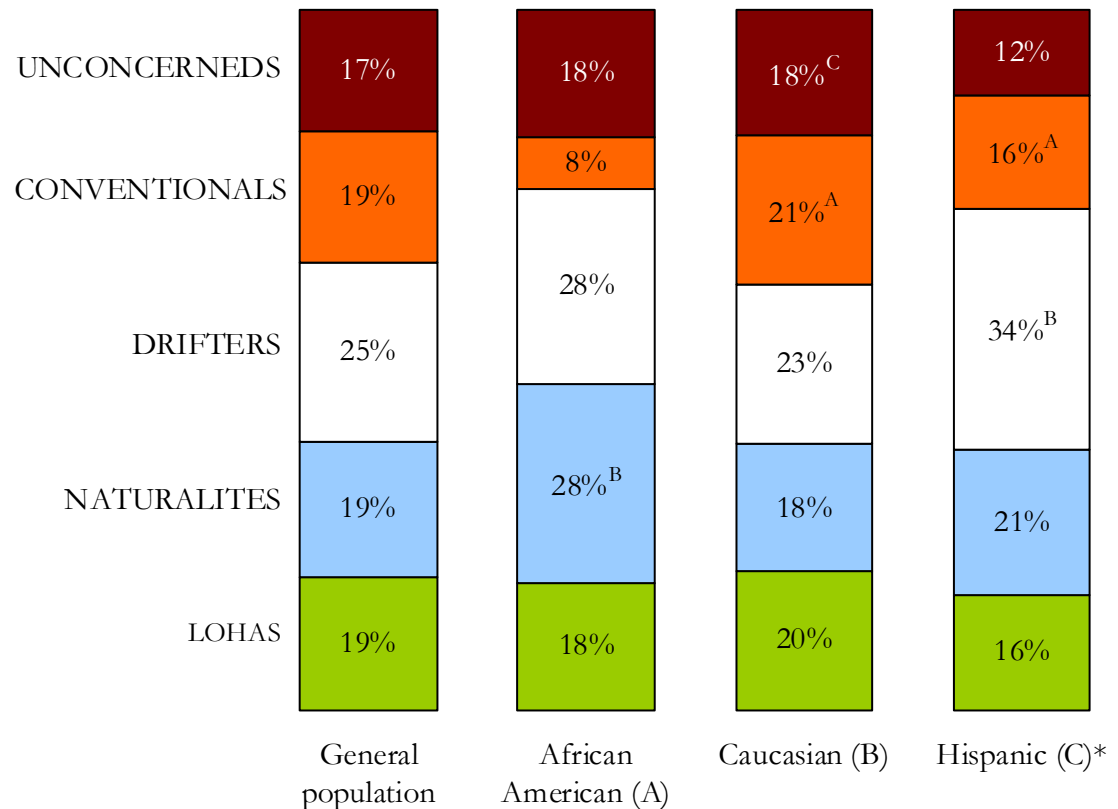
For the NATURALITES segment, Caucasian and Hispanic composition mirrors that of the general population, but African Americans' NATURALITES composition is nine percentage points higher than the general population's. Concern over food purity issues — one of the defining characteristics of NATURALITES — is higher among African Americans than among other groups.

More than one-third of Hispanics are DRIFTERS, which is the largest percentage of any other segments and nine percentage points higher than the general population. In relation to segment drivers, Hispanics indicate awareness and intention, but little action follows. Marketers should try to turn Hispanics' good intentions into trial by focusing meaningful and relevant green/eco efforts in Hispanic-dominated communities.

African Americans are the least likely to be CONVENTIONALS compared to the other ethnic groups: fewer than 10% of African Americans are CONVENTIONALS

Figure 2-27

(% Ethnic group in NMI defined consumer segments)



compared to 21% of Caucasians and 16% of Hispanics. A key driver is minimal recycling behavior, which additionally aligns African Americans to NATURALITES' tendencies. Further discussion of recycling behaviors can be found in Chapter Four.

*Note: only includes English-speaking Hispanics.

A Multi-Cultural Look at the LOHAS Marketplace

As shown in Figure 2-28, and consistent with their over-representation of NATURALITES, African Americans indicate a strong conviction to issues related to their personal health and well-being. African Americans also exhibit higher concern with social issues than do other ethnic groups. They are concerned with workplace issues like diversity, equal pay for women, and child labor. African Americans are also more likely to be bottled water users, which may be a reflection of their health concerns (drinking water versus high calorie beverages or seeking a purer source of water).

Caucasians indicate more skepticism and are untrusting of the media and of companies' true intentions with regards to green initiatives. This cynicism has led some Caucasians to become more complacent (or even disinterested) in some environmental issues. Alternately, reliance on fossil fuels is an area in which Caucasians show more interest.

Hispanics appear more receptive to learning about environmental issues and possibly becoming active participants in environmental causes. Or, as more than one-third of Hispanics are DRIFTERS (see Figure 2-27), they may be looking to follow the current green trend.

Figure 2-28

(% Ethnic group stating the following; Number in parentheses is indexed to general population)

African American	Personal health issues a top priority 82% indicate personal care products are a lot/a little important when considering environmental impact (111) 78% are concerned about food safety (112) 61% completely agree that they care about maintaining their physical appearance (175)
	Concerned with social issues 56% indicate they are interested in learning about what companies are doing to increase diversity in the workforce (207) 46% completely agree that they care about social consciousness (146)
	Bottled water users 83% have used bottled water in the past 3 months (116) 75% use bottled water for a health reason (126)
Caucasian	Aware of LOHAS issues but more skeptical 70% agree completely/somewhat that they do not always trust the mainstream news when they report on environmental issues (105) 58% agree completely/somewhat that they think that products labeled as "green or eco-friendly" are sometimes not any different from conventional products (104)
	Concerned over military and fuel issues 62% completely agree that they care about supporting military troops (108) 53% are concerned about reliance on fossil fuels (106)
Hispanic	Recycled logo is an important marketing tool 80% recognize the recycled logo and totally understand what it means (124) 69% are more likely to buy products with the recycled logo (127)
	Open to more information about environmentally-conscious issues 69% agree completely/somewhat that they wish they did more for the environment (115) 68% aware of hybrid vehicles; would like to learn more about this (121) 64% agree completely/somewhat that they would like to learn about how they can become more involved in protecting the environment (125) 49% agree completely/somewhat that they would like to do more to protect the environment, but don't know how (128)

Importance of Validation of Green Claims

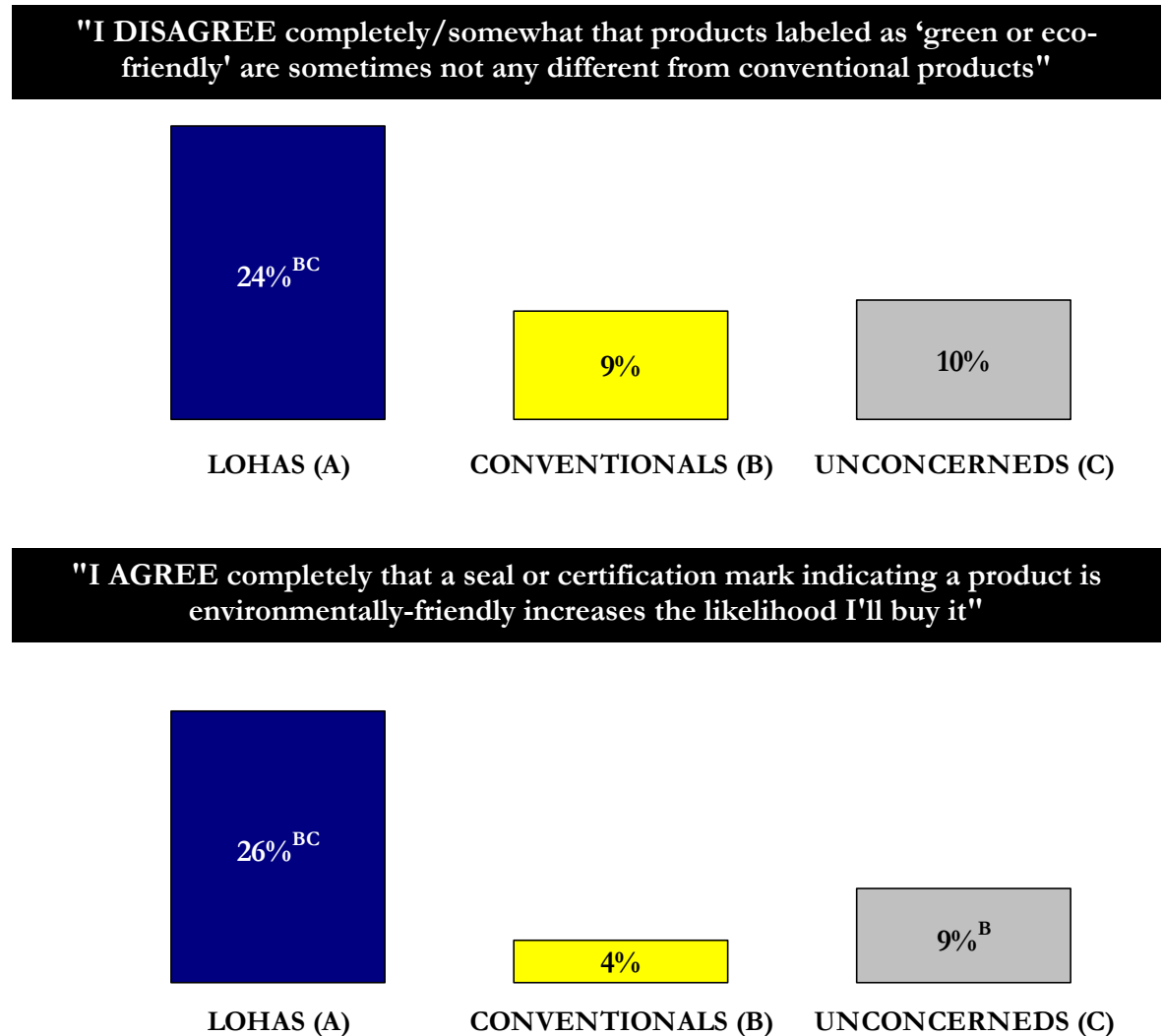
With some knowledge about *what* information consumers want to collect discussed, this chapter will explore *where* they go for information.

Labeling is one common tool consumers use to discern product choices. Manufacturers now have a multitude of labels available to them, each indicating different types and levels of environmental and social consciousness. Labeling allows consumers to quickly and verifiably identify important attributes, whether based on ingredients (USDA Certified Organic) or resource consumption (Energy Star). These tools help to ensure consumer trust, and in turn, a competitive advantage for eco-friendly products.

Seals and certificates help to alleviate doubts particularly among LOHAS consumers, the most skeptical of the segments. Over 50% of LOHAS consumers do not perceive a difference between green and conventional products. This skepticism is exactly what labels are designed to eradicate. And, oftentimes they do: over one-quarter of LOHAS consumers indicate an increase in purchase propensity if a product has a seal or certificate, compared to less than 10% for other segments.

Figure 3-1

(Q. 22-% NMI segments indicating level of agreement with the following statements)



Recognition of Seals

The recycled logo and Energy Star label show the highest level of consumer awareness, as over four-fifths of the general population recognizes each of them. The USDA Certified Organic label also resonates well with the general population, as almost two-thirds recognize it. Consumers are less likely to recognize company-created logos, such as PepsiCo's Smart Spot and Kraft's Sensible Solution, for which only one-third of consumers state awareness.

LOHAS consumers' awareness of all the seals/certifications listed in Figure 3-2, except for the recycled logo and Energy Star, is significantly greater than other segments'. Their interest in, and involvement with, environmental and social issues makes these identifications much more likely to be part of their consciousness compared to other segments.

CONVENTIONALS have comparable awareness of mainstream logos, but are less aware of niche logos. This is possibly due to their feeling that a product labeled green or eco-friendly is no different than a conventional product (65% agree completely/somewhat, which is 25% greater than the general population). CONVENTIONALS are also less likely to recognize logos that do not align with the practical interest that CONVENTIONALS

Figure 3-2

(Q. 46-% General population and NMI segments recognizing the following seals/certificates)(Shading indicates indices less than 80)

	General Population %	Index to General Population		
		LOHAS (A)	NATURALITES (B)	CONVENTIONALS (C)
Recycled logo	89%	108 ^B	90	104 ^B
Energy Star	86%	109 ^{BC}	92	103 ^B
USDA Certified Organic	63%	134 ^{BC}	96	98
Smart Spot	49%	129 ^{BC}	95	83
Sensible Solution	36%	126 ^{BC}	100	85
Fair Trade Certified	30%	175 ^{BC}	81	105 ^B
Timberland Facts	24%	149 ^{BC}	89	85
Eco Options	16%	174 ^{BC}	112 ^C	52
LEED Certified	15%	177 ^{BC}	84	86
Marine Stewardship Council	14%	193 ^{BC}	92 ^C	59
Cruelty Free	11%	153 ^{BC}	94 ^C	50
Sustainable Forestry Initiative	10%	172 ^{BC}	92 ^C	40
Forest Stewardship Council	8%	151 ^C	106 ^C	50

find important. Home Depot may find an additional audience by targeting the Eco Options logo at CONVENTIONALS. Many, though not all, of these products align with cost and the practical values so respected by CONVENTIONALS.

Trended Awareness of Seals

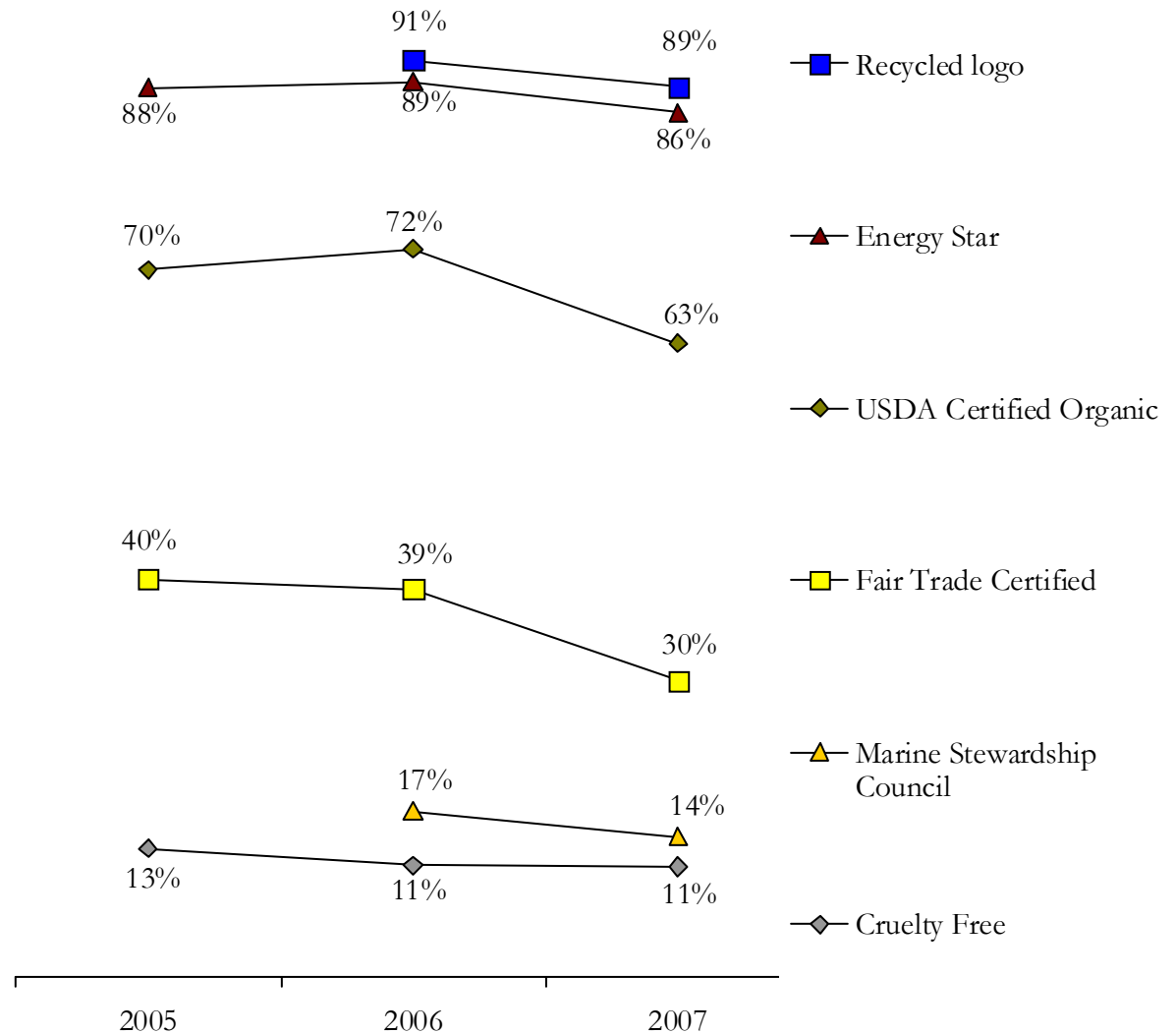
As environmental and social causes continue to gain momentum, industry, government, non-profit, and corporate created seals and certificates follow suit. And, as more labels enter the marketplace, consumers must determine which are truly helpful and trustworthy.

As shown in Figure 3-3, many listed seals and certifications have decreased consumer awareness compared to 2005. The largest decrease in awareness was demonstrated by the Fair Trade Certified seal, which declined by 14% (CAG) from 2005 to 2007.

One possible reason for the decline in awareness is the large number of seals and certificates competing for consumers' share of mind. Consumers are becoming overwhelmed as the proliferation of seals and certificates continues. Ecolabelling.org now registers 299 eco-labels — far too many for consumers to differentiate and understand. One source of this proliferation is manufacturers' desire for a logo that exactly matches their needs. If one does not exist, many choose to create one. This leaves consumers with an ever-increasing array of logos to interpret. Manufacturers must make careful decisions about the seals they use on their products and create awareness about the benefits so consumers can make intelligent choices.

Figure 3-3

(Q. 46-% General population recognizing the following seals/certificates)



Purchase Impact of Seals — Government & Non-Profit Organizations

Consumers indicate that Energy Star and recycled logo labels have the highest positive impact on purchasing (Figure 3-4).

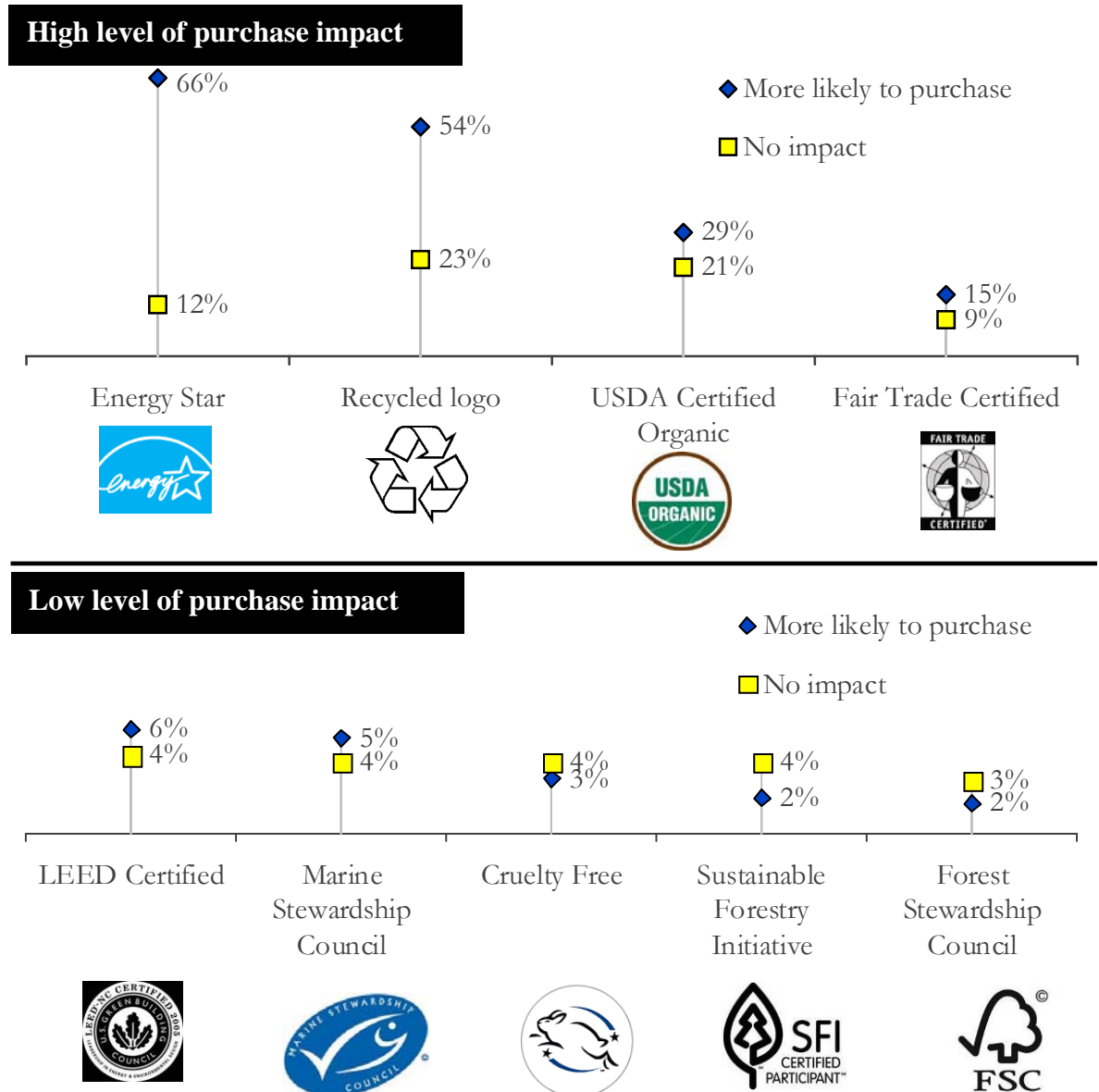
LOHAS consumers are significantly more likely to indicate all the labels have a high level of purchase impact compared to the general population. In fact, almost three-quarters of LOHAS consumers agree that a seal or certification mark indicating a product is environmentally-friendly raises the likelihood they will buy it.

Segment differences do emerge, and they are consistent with the segments' overall profiles. For example, NATURALITES' concern over their health is demonstrated by their indication that the USDA Organic label impacts purchase intent (higher than all segments except LOHAS consumers). CONVENTIONALS indicate Energy Star and recycled logos affect purchase more so than NATURALITES and UNCONCERNEDS do.

Some seals and certifications have little impact on purchase decisions. One such seal is "cruelty free;" its low impact perhaps results from ineffective label placement, since it is often found on the back of packaging.

Figure 3-4

(Q. 47-% General population indicating impact of label/certificate on product/services)



Purchase Impact of Seals — Corporate Initiated

Some companies have created their own labels in an attempt to assist consumers in making healthy and environmentally- and socially-conscious choices. A sampling of these labels, shown in Figure 3-5, represents three diverse industries: food/beverage, clothing, and home improvement products.

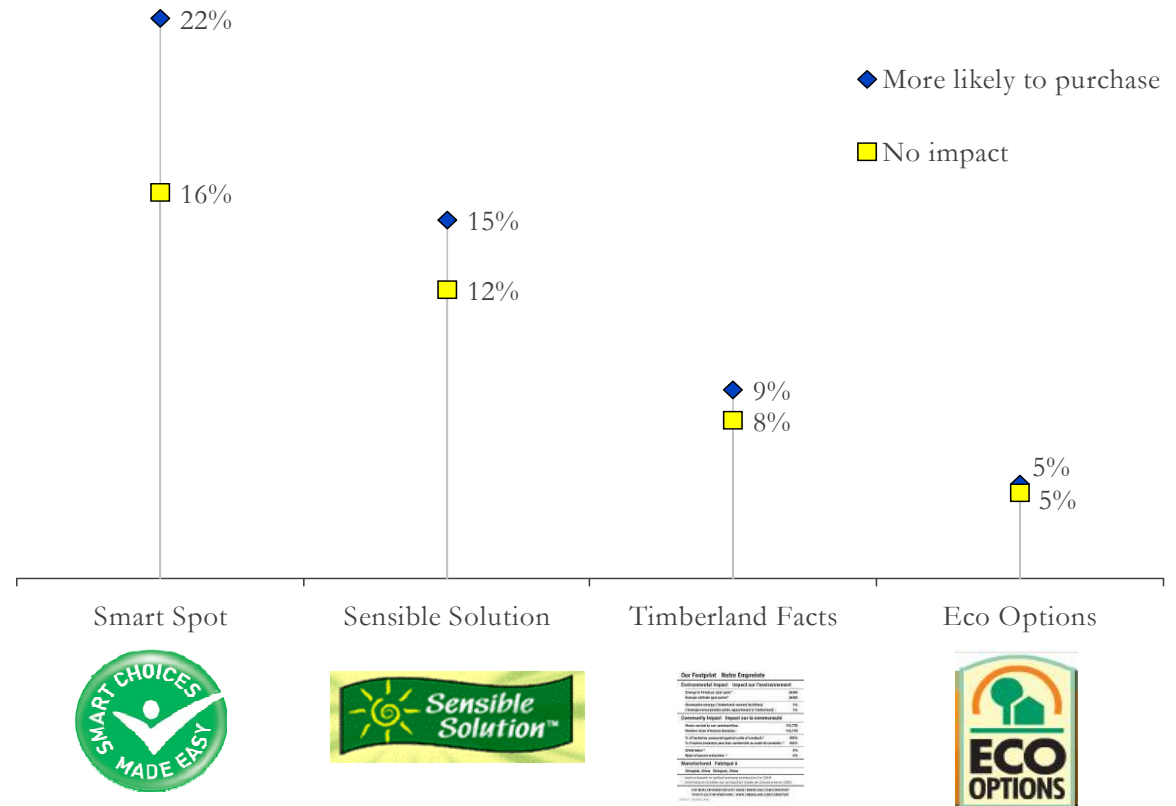
PepsiCo's Smart Spot label shows the highest level of impact on purchases, as over one-fifth of the general population indicates the label increases their purchase likelihood. The Smart Spot label is used on over 250 products, and qualifying PepsiCo products have also been featured in television ads.

Kraft's Sensible Solution label system identifies foods/beverages that promote health or weight control, are kid-friendly, or are otherwise "better-for-you" choices. The Sensible Solution label lists key nutritional content and can be found on the front of over 500 products. Despite its more wide-spread use, consumers are less aware of and motivated by the Sensible Solution logo than by Smart Spot.

The Timberland Facts label mimics a nutritional label but is found on Timberland shoes and boots. The label shows the company's social and environmental impact, the energy consumed to produce the product,

Figure 3-5

(Q. 47-% General population indicating impact of label/certificate on product/services)



and the place of manufacture. Though the label is revolutionary for the clothing industry, it may be too revolutionary for consumers.

Despite the fact that 55% of Americans shop at Home Depot, its Eco Options label, launched in 2007, has not yet gained traction in the market. The label debuted on more than 2,500 products, and Home Depot hopes to increase that number to over 6,000.

Awareness versus Purchase Impact of Labeling and Seals

Figure 3-6 summarizes logo awareness and purchase impact. In general, LOHAS consumers are more aware of and influenced by seals than is the general population (compare the red-outlined logos to those with green outlines).





Government sourced seals have much higher awareness and positive influence on purchases than non-profit seals. For Energy Star, the elevated results are a consequence of the EPA having larger budgets for marketing, compliance, and education programs compared to non-profit organizations. Similarly, use of the USDA Organic seal is regulated, which forces manufacturers to comply. This, in turn, has created consumer awareness.

The recycled logo, though not governed by an agency or organization, has a high level of awareness and purchase impact. This symbol was originally created for paperboard companies to specify the amount of recycled content in their products. It has become very common and, in some cases, misused. It also has two meanings, referring either to the amount of *recycled content* present in a product, or to whether or not the product *can be recycled* when its useful life is over.

Figure 3-6

(Q. 46-% General population and NMI segments recognizing the following seals/certificates; Q.47 - % general population and LOHAS consumers indicating impact of label/certificate on product/services)



-  General population
-  LOHAS consumers
-  Recycled logo
-  Fair Trade Certification
-  Energy Star
-  Marine Stewardship Council
-  USDA Certified Organic

Media's Role in Communicating About the Environment

Environmental issues have become so integrated in today's society that they have moved from niche to everyday status. Some consumers, one-third of the general population, go so far as to say they can not escape talk about the environment.

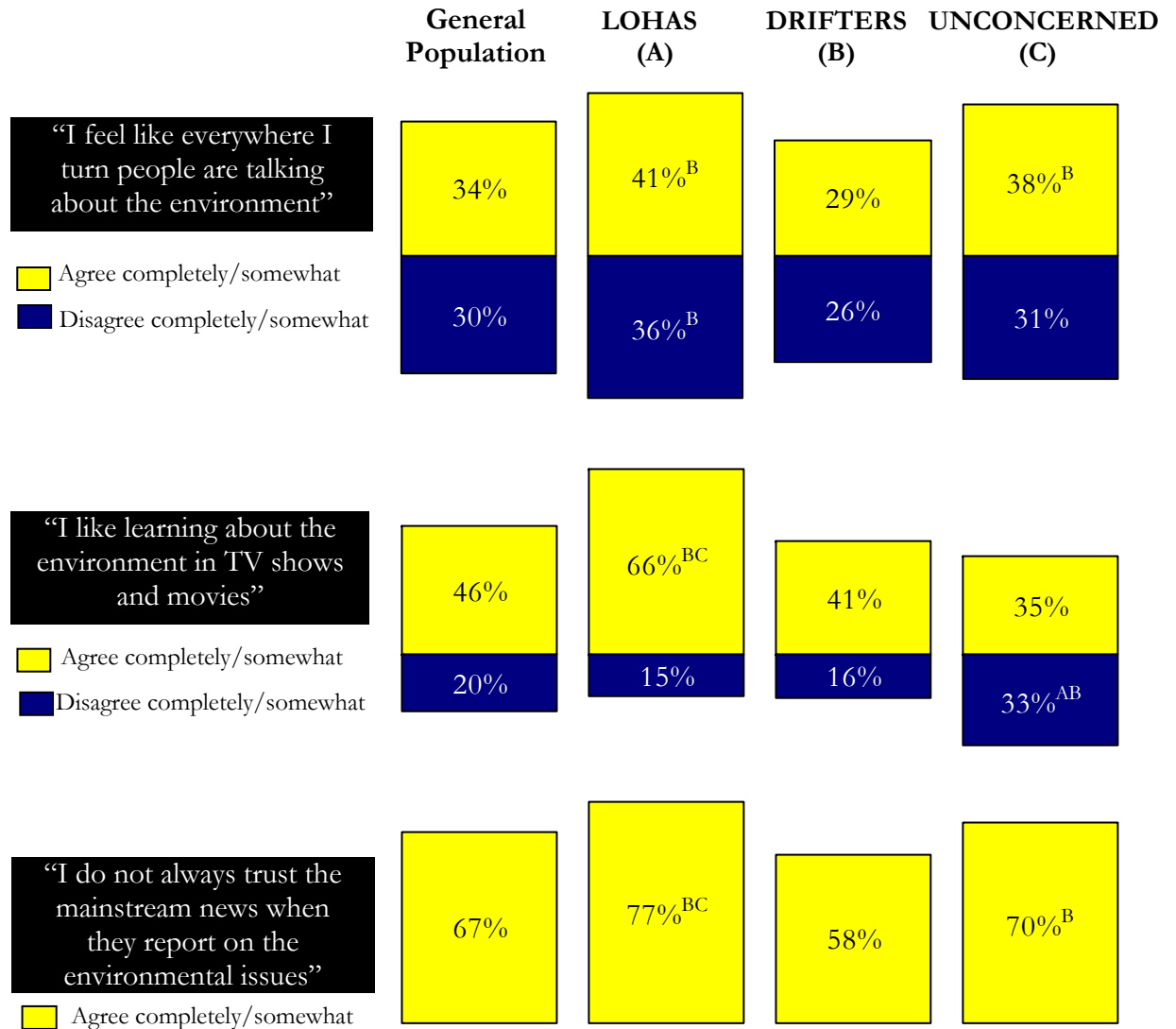
LOHAS consumers and UNCONCERNEDS agree that environmental talk is commonplace, but they have opposite opinions on the matter. While UNCONCERNEDS are likely tired of hearing about eco-issues, LOHAS consumers always have more capacity. LOHAS consumers' embrace of the focus on the environment may be due to a belief that it has not reached the level of importance it deserves.

When it comes to entertainment, LOHAS consumers are much more likely to want to learn about environmental issues from movies and television, identifying more opportunity for Hollywood to play a role.

Environmental popularity may be at an all-time high, but two-thirds of consumers do not completely trust the mainstream media. Media trust (disagree completely/somewhat) is comparably low among all segments.

Figure 3-7

(Q. 22-% General population and NMI segments indicating level of agreement with the following statements)



The Role of Self-Discovery

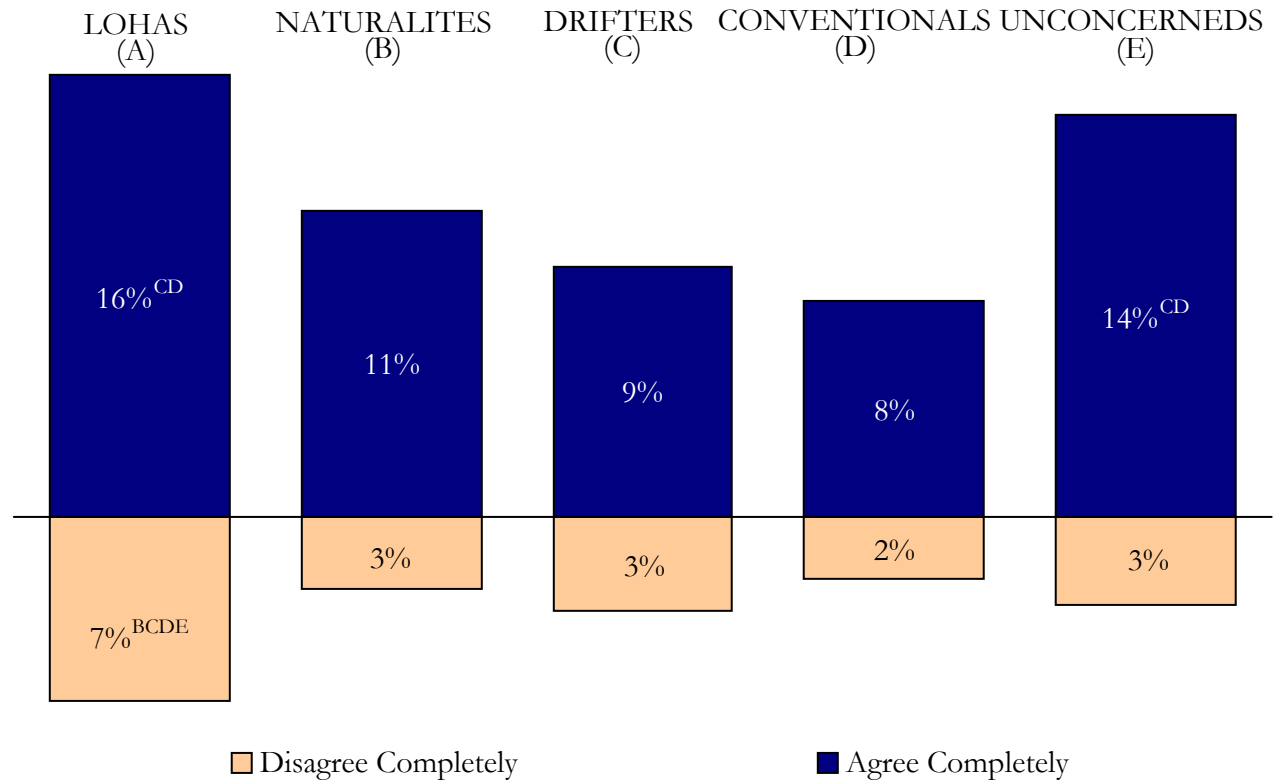
The distrust in mainstream media shown on the previous page has forced some consumers to do their own investigation on products and services, especially those concerning the environment, corporate social responsibility, or social consciousness.

LOHAS consumers are significantly more likely than other segments to agree (completely/somewhat) that they would rather find new products on their own. But, when looking at the strongest conviction level (agree completely only), the differentiation is limited to DRIFTERS and CONVENTIONALS. In this case, LOHAS and UNCONCERNEDS have similar viewpoints. NATURALITES' opinion of self-discovery is aligned with the general population's.

Consumers' low willingness (less than two out of five) to find products and services on their own illustrates the need for meaningful and relevant outreach. Manufacturers should realize that traditional advertising must be utilized to reach even the more discerning LOHAS consumer. As will be shown on the next few pages, LOHAS consumers not only draw on more traditional advertising, they are heavier users of all media sources.

Figure 3-8

(Q. 22-% NMI segments indicating level of agreement with "I would rather find out about new products/services on my own compared to traditional advertising")



Top Magazine Readership Patterns

Popular magazines are read with even more regularity by LOHAS consumers than by the general population. LOHAS consumers show higher indices for all magazines listed in Figure 3-9 and are significantly more likely to read *Consumer Reports* and *Time* compared to all other segments.

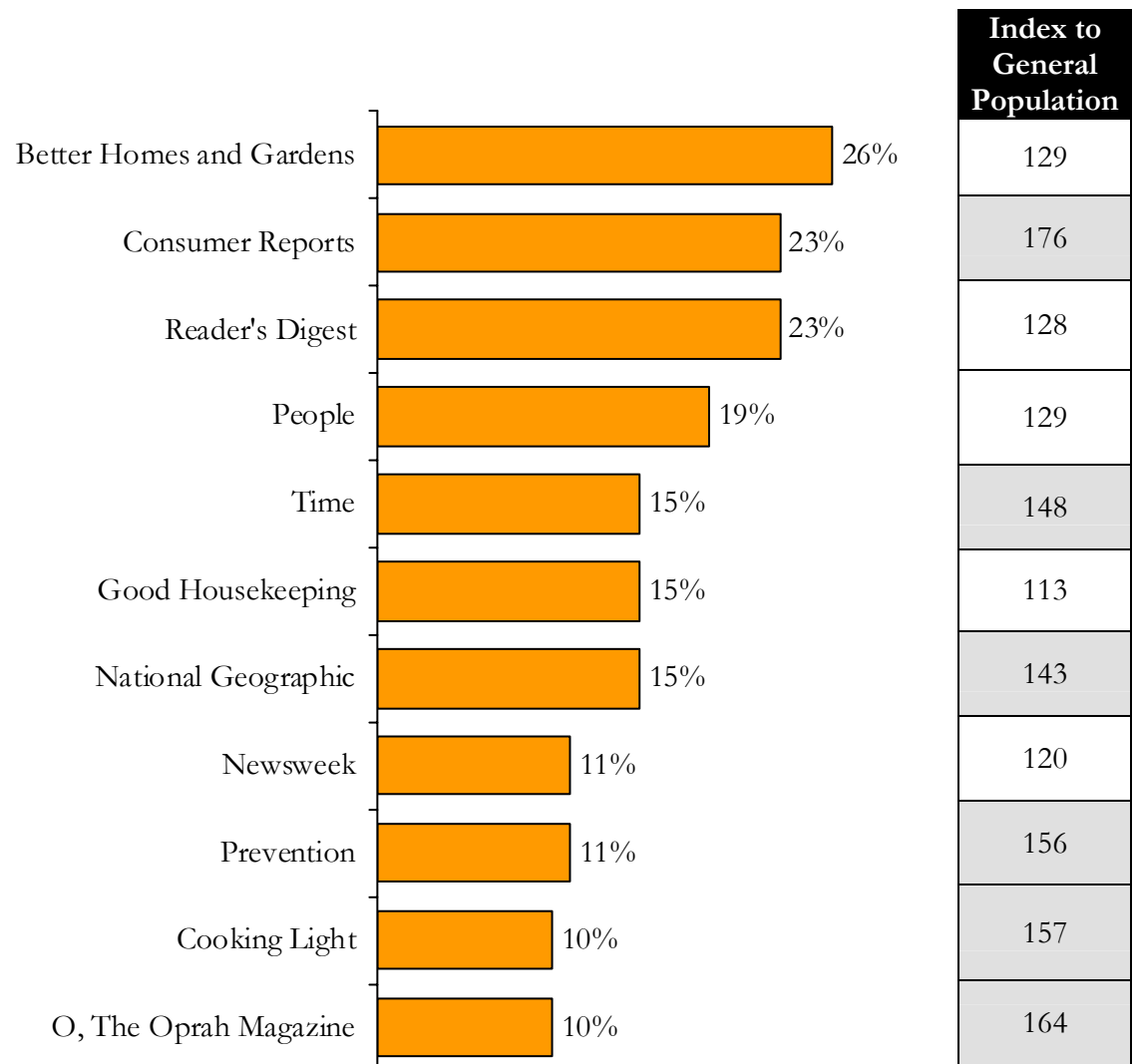
When developing a media plan to target LOHAS consumers in print media, these behavior patterns allow media buyers to choose magazines with high reach *and* high frequency. Certainly, other consumers also read these publications, but a well-designed ad can appeal to them as well.

LOHAS consumers are also reading more specialized magazines such as *Bon Appétit*, *The New Yorker*, and *Vanity Fair* more than the general population. For magazines with strong health, environmental, and political editorial content such as *Natural Health*, *Vegetarian Times* and *Mother Jones*, LOHAS consumers have significantly higher readerships than all other segments.

CONVENTIONALS, with their frugal and practical nature, are aligned well with *Consumer Reports* and are reading it significantly more compared to all segments except LOHAS consumers.

Figure 3-9

(Q. 129-% LOHAS consumers indicating which of the following magazines they (or someone in the household) has read in the past 3 months; Index of LOHAS consumers to general population) (Shading represents indices greater than 130)



Other Media Sources

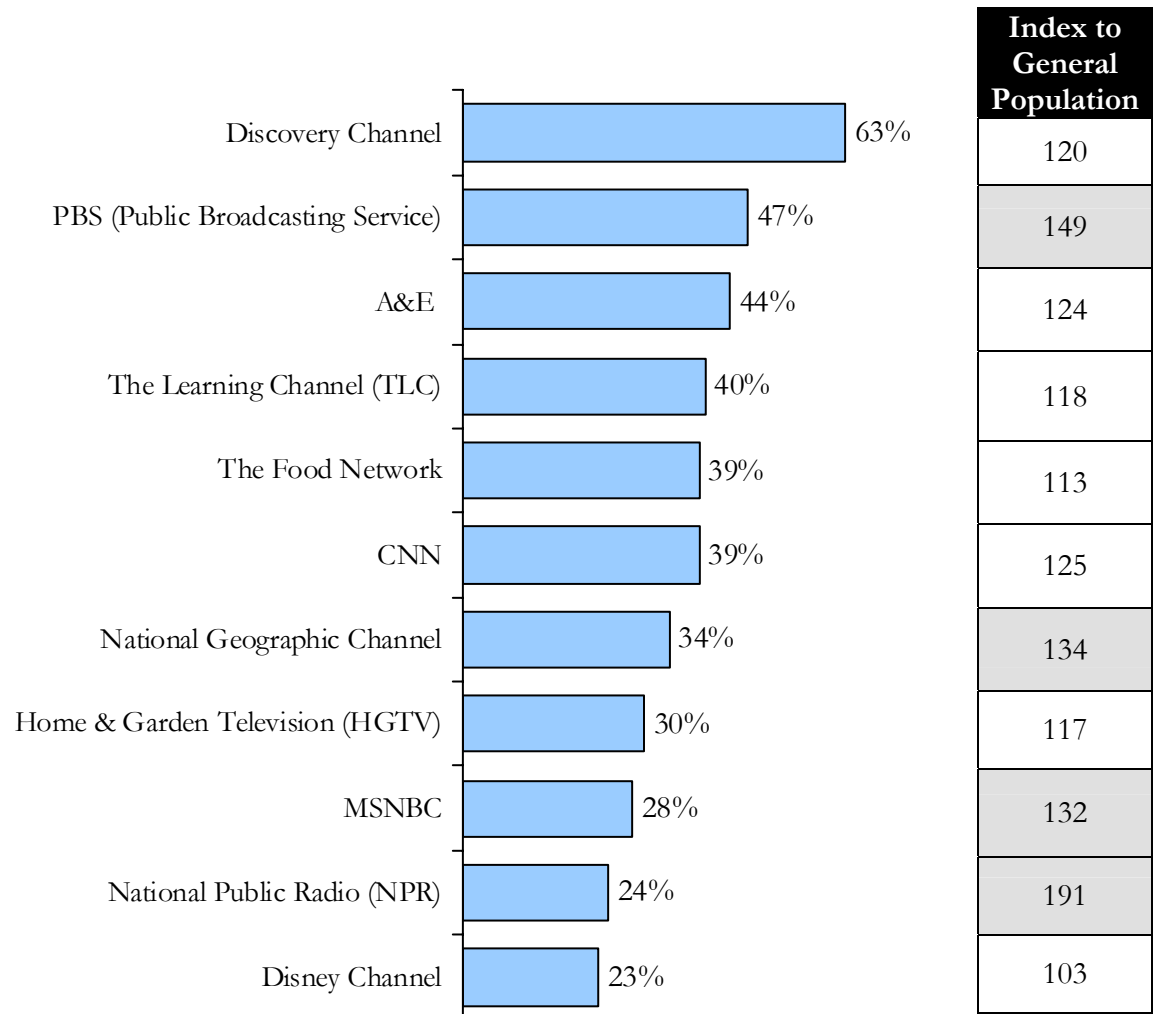
LOHAS consumers also use media such as television and radio to obtain information (and as entertainment vehicles). Media sources that have programming related to news (MSNBC) and the outdoors (National Geographic Channel) are watched significantly more by LOHAS consumers than by other segments. The National Geographic Channel attracts LOHAS consumers through programming, certainly, but also by creating promotions such as “Preserve Our Planet,” a contest for college students to create videos or public service announcements to inspire people to take action to protect the environment.

National Public Radio (NPR) and the Public Broadcasting Service (PBS) also have programming and political leanings that align well with LOHAS consumers. LOHAS are significantly more likely than other segments to watch/listen to these media sources. These, and similar outlets, would be wise to not only design their editorial content to meet the needs of LOHAS consumers, but also to approach LOHAS-related advertisers and underwriters.

CONVENTIONALS also rely heavily on NPR and PBS compared to NATURALITES and UNCONCERNEDS. Programming such as “This Old House,” “Yankee Workshop,” and “Car Talk” most likely generate interest among CONVENTIONALS. They may also be attracted to the “no frills” news style.

Figure 3-10

(Q. 130-% LOHAS consumers indicating which of the following media they watches, reads or listens to regularly) (Shading represents indices greater than 130)



The Impact of the Internet

In its short life span, the Internet has completely changed how consumers go about their daily lives. Whether they communicate with each other, purchase goods and services, or research literally anything, the Internet has increased consumers' global connectivity.

LOHAS consumers use the Internet more than other consumers for a diverse range of activities. As shown in Figure 3-11, LOHAS consumers, driven by their endless appetite for information, are reading news, researching products, and reading blogs on the Internet significantly more than any other segment. LOHAS consumers see the Internet as way to find products and services that they may not be able to find in conventional stores, as almost two-thirds would use the Internet to buy environmentally-friendly products.

DRIFTERS, being younger and more Internet-savvy, use the Internet more than general population for downloading music and watching videos.

CONVENTIONALS, much like LOHAS consumers, use the Internet for gathering information but they do not show LOHAS consumers' high purchase rates.

NATURALITES use the Internet less than other segments, revealing a low-tech orientation. More traditional media will remain important for communicating with this target.

Figure 3-11

(Q. 132-% General population and NMI segments indicating which of the following activities they do online on at least a weekly basis)

	GP %	Index to General Population				
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)	UNCONCERNEDS (E)
Use email	93%	106 ^{BCDE}	97	96	103 ^{BCE}	98
Use a search engine	76%	111 ^{BCE}	95	93	104 ^{BC}	99
Read the news	66%	121 ^{BCDE}	90	96	108 ^{BCE}	88
Play games	46%	102	93	102	104	98
Research products prior to purchase	44%	131 ^{BCDE}	100	86	104 ^{CE}	85
Purchase products/services	33%	127 ^{BCDE}	98	93	91	92
Watch videos	30%	116 ^{BD}	85	107 ^B	91	97
Read or post to blogs	23%	130 ^{BCE}	76	98	103 ^B	91
Download music	15%	100	77	121 ^B	99	89
Meet people through social networks or personal matching services	8%	140 ^{CD}	100	88	76	90
Invest	6%	159 ^{BCE}	73	86	111	65

Specific Internet Site Patterns

The most frequented Internet sites for the general population are Google and Yahoo!, with over 50% of consumers using each of them weekly. Other top used sites are eBay, MSN, Amazon, and The Weather Channel, as each is visited by over one-fifth of consumers.

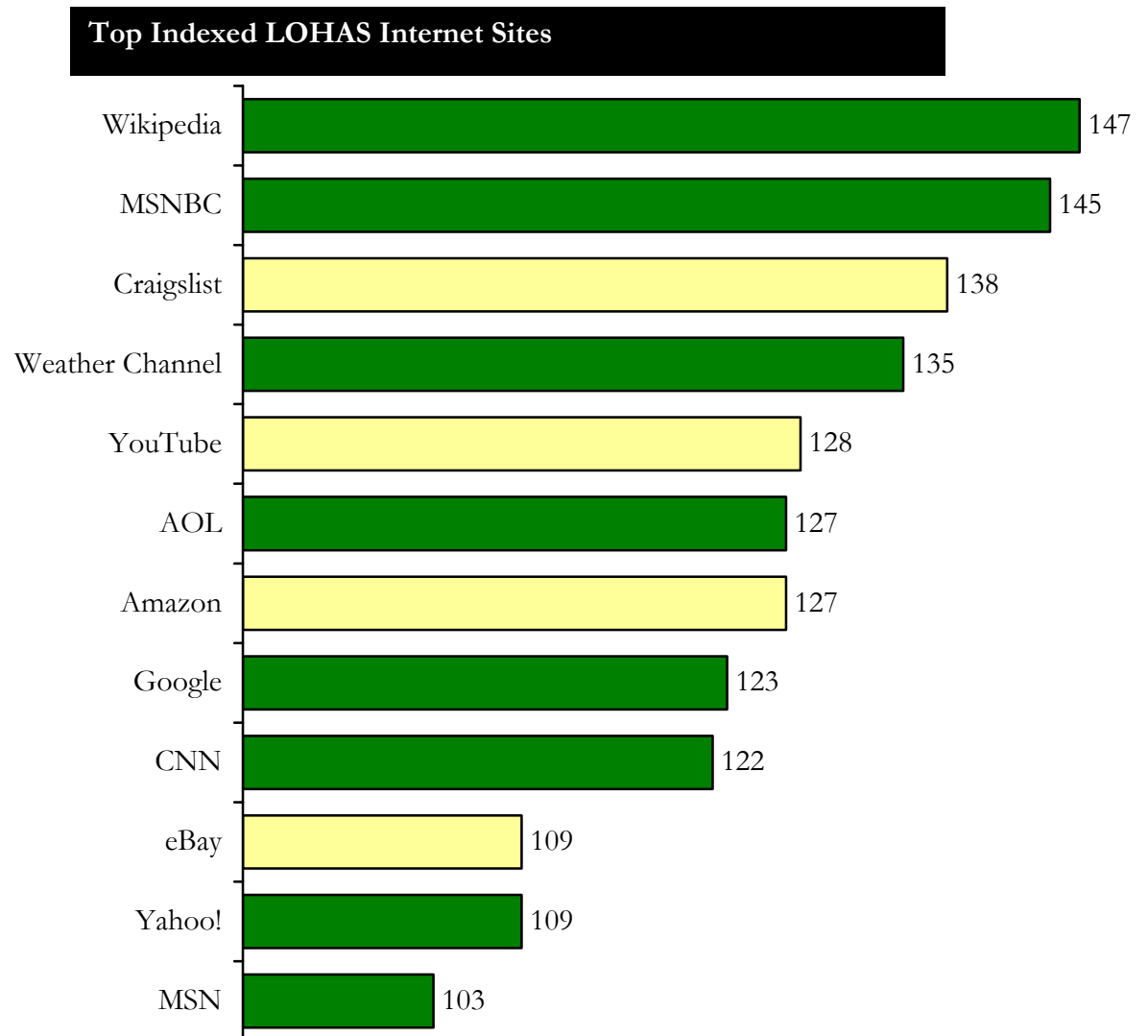
LOHAS consumers visit the Internet sites shown in Figure 3-12 more frequently compared to the general population. Wikipedia and MSNBC are the top indexed sites for LOHAS consumers, once again showing their desire for information. In fact, eight of the top twelve LOHAS indexed sites are informational, with three others being merchant/shopping sites, and the final one being an entertainment site (YouTube).

CONVENTIONALS also visit Wikipedia and Google significantly more than NATURALITES and UNCONCERNEDS. In addition, they visit blogging sites such as Live Journal and Blogger more than the general population.

UNCONCERNEDS visit MySpace significantly more than do LOHAS and CONVENTIONALS; in fact, MySpace is the third most popular site for UNCONCERNEDS after Yahoo! and Google.

Figure 3-12

*(Q. 134- Index: % LOHAS indicating if they visit any of the following Web sites at least once a week versus general population)
(Darker shade indicates news, weather, or other informational Web site/search engine)*



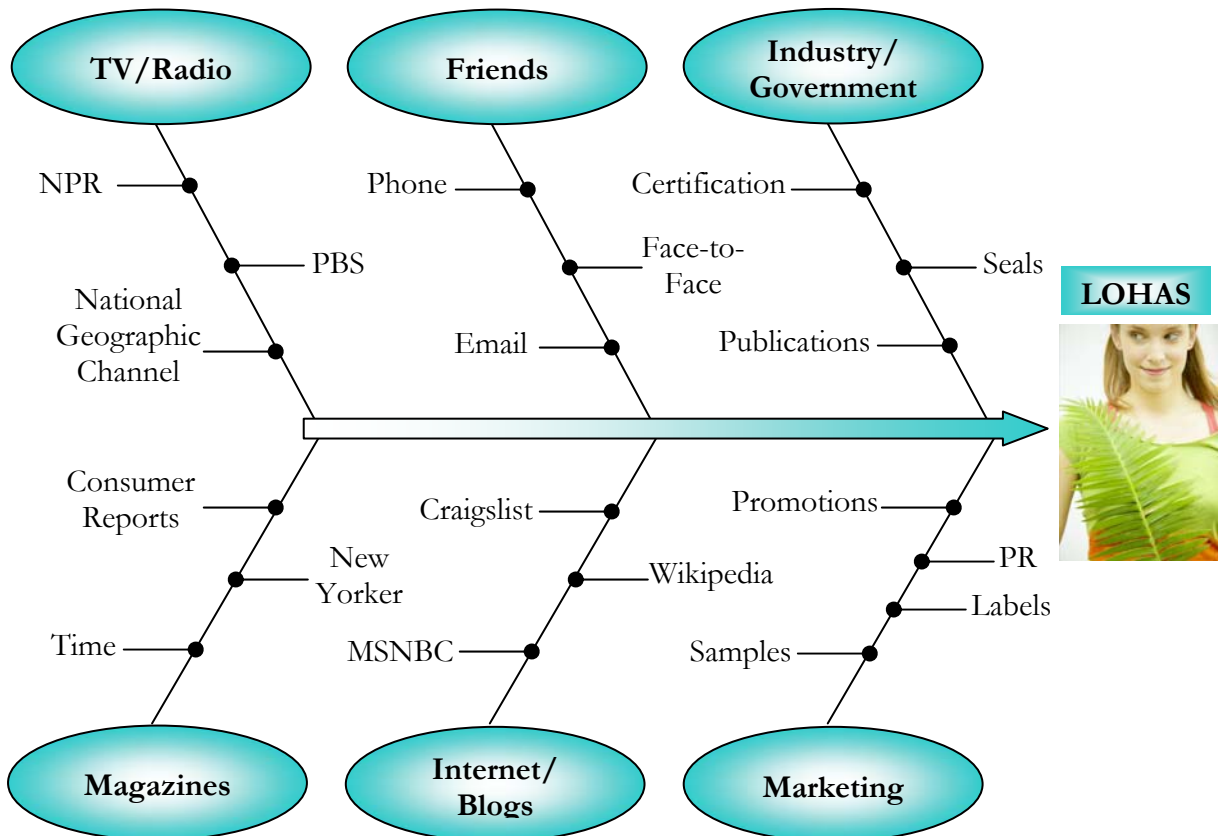
Summary of Environmental Sources of Influence

As has been demonstrated in this chapter, LOHAS consumers are “information junkies” who consistently look for media and communication vehicles that will provide them with the most current, trustworthy, thorough and transparent information. They also look to external sources as they relate to LOHAS consumers’ values and lifestyle.

The sources of information (shown in Figure 3-13) used by LOHAS consumers range from those that align with LOHAS’ early adopter mentality (blogs, samples, news and PR) to more traditional outlets (TV, promotions, and magazines). Some of the sources may be easier to control (such as advertising), but independent sources are best.

Marketers must understand that reaching LOHAS consumers can not be achieved through only a few sources — they are multi-channel media consumers. Consequently, a diversified but consistent campaign utilizing multiple sources of influence will provide optimum results. However, the level of communication should be weighed against perception so that consumers do not feel bombarded by green marketing. Only the most credible and sought-after offers will be accepted and acted on by LOHAS consumers and other segments.

Figure 3-13
(Methods of influence for LOHAS consumers)



Additionally, marketers must be conscious of the diverse and multifaceted make-up of LOHAS consumers. They are not easily identified by demographics alone or by what magazines they read, but as a function of attitudes, psychographics and behavior patterns.

Trends in Consumer Actions to Protect the Environment

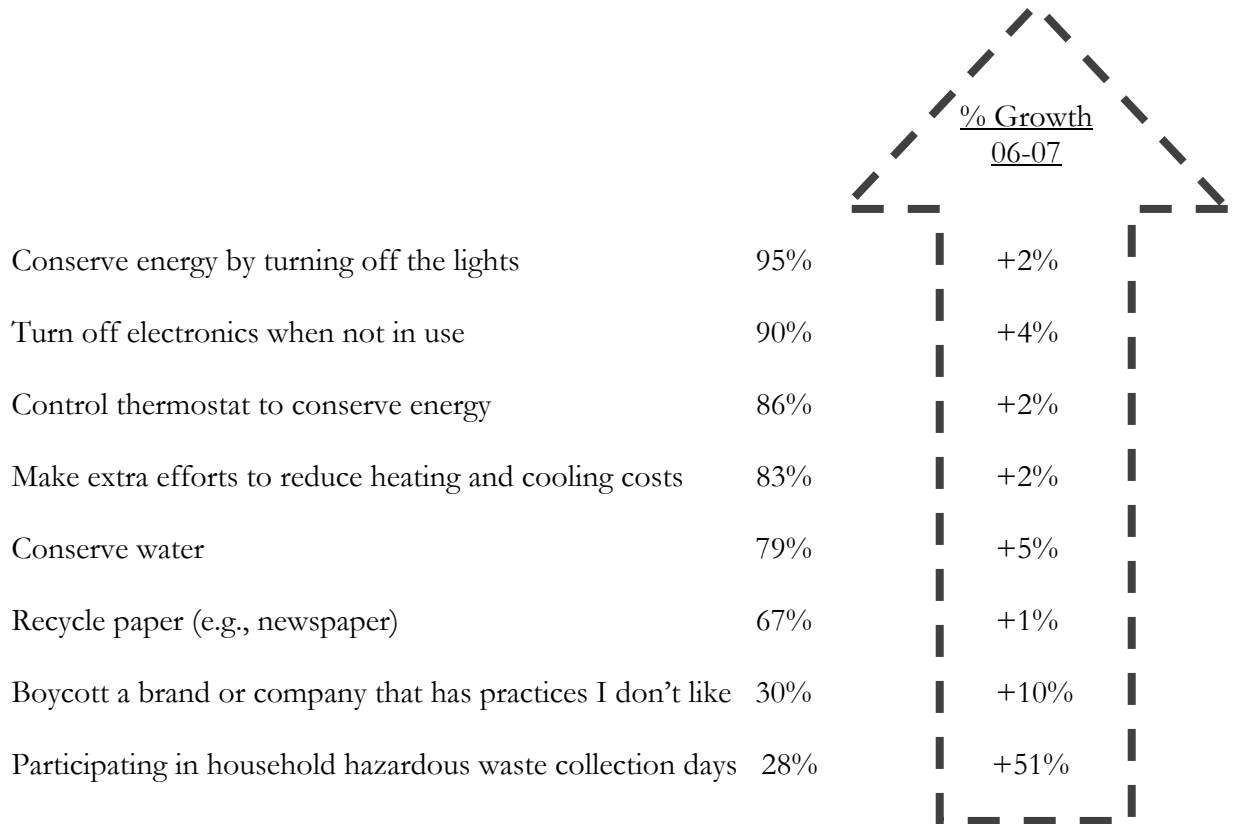
The cornerstone of the LOHAS movement is environmental stewardship. Figure 4-1 exemplifies how consumers integrate various environmental protection practices into their daily lives. The general population has slightly increased their energy and water conservation efforts (e.g., turning off the lights and electronics when not in use) compared to 2006. With energy prices continuing to climb, a variety of energy-efficient products now more readily available, and a better understanding of the environmental impact of energy, consumers have numerous motivations for changing their behavior. However, for non-LOHAS consumers, the impetus to make changes may be linked to social mores and financial gain rather than an internalized motivation to truly protect the environment.

Notably, boycotting a brand or company increased 10% since 2006. Consumers seem to be holding companies more accountable for their actions in terms of environmental protection and ethical practices. Perhaps this is a manifestation of the “new” activism? Consumers tend to believe that their individual efforts are not as effective as those broad-based efforts made by companies.

About three in ten consumers report they participated in a household hazardous waste

Figure 4-1

(Q. 12-% General population indicating they regularly (daily/weekly/monthly) participate in...)



collection day — an increase of *more than 50%* since 2006. Consumers may be more motivated to participate as they learn from the media about the dangerous health effects of hazardous waste and witness the municipal focus on hazardous waste collection activities, and as municipalities better-advertise these events.

Consistent with previous years, Gen Y consumers are the least likely to participate in any of these activities (generally speaking). Due to their age and stage in life they are simply focused on other activities.

Segments' Environmentally Conscious Behavior

As would be expected, LOHAS consumers are more likely than any other segment to actively protect the environment as part of their lifestyle (Figure 4-2). Their activism is driving the general population growth in participation from 2006, and further exemplifies LOHAS consumers as the early adopters and influencers of the population as a whole.

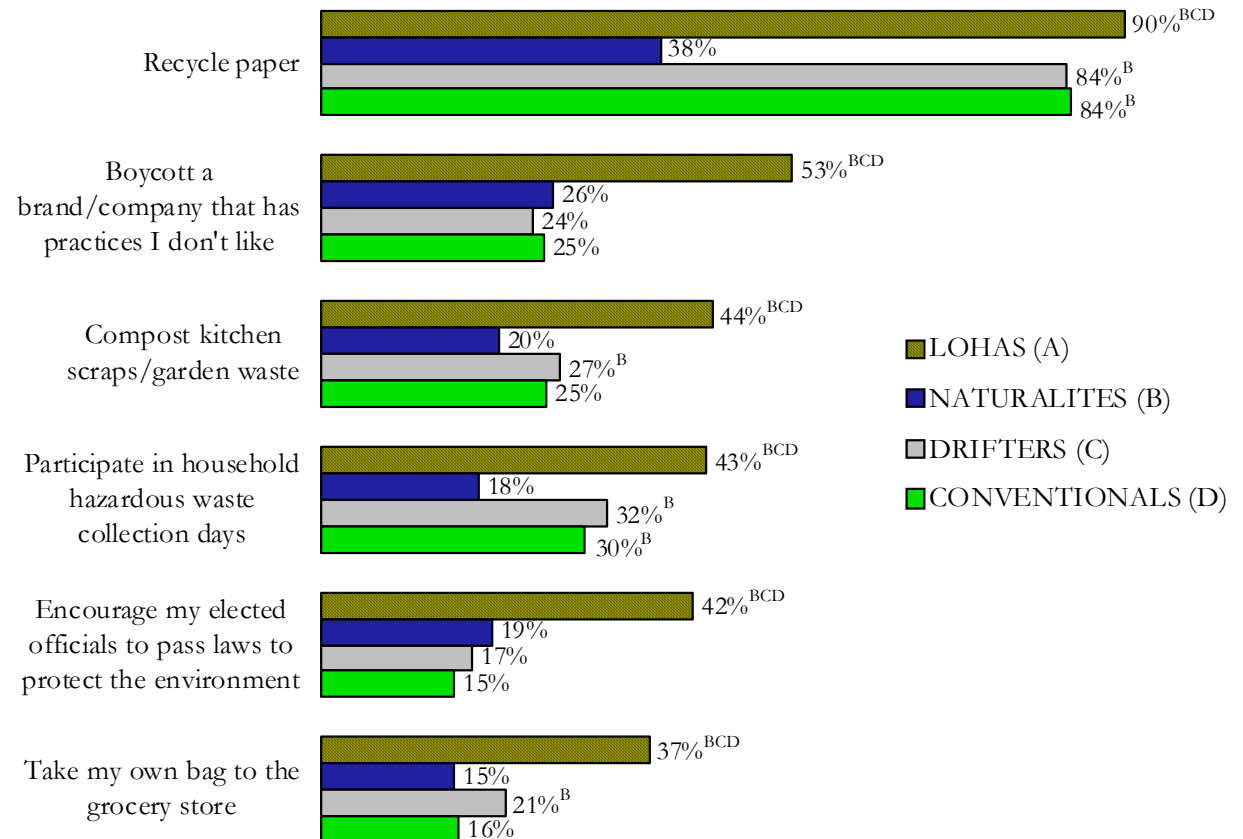
Besides recycling paper, a majority of non-LOHAS segments do not seem to value participating in many of these environmentally conscious behaviors. As stated on the previous page, they may not believe that doing so could make a difference.

Considering that many of these activities are inherently niche, it is not surprising to observe lower participation levels among the other segments. However, with 15–32% of these segments showing some level of participation, this behavior should not be overlooked, but seen as a beginning.

Neither DRIFTERS nor CONVENTIONALS are overly environmentally-active, though, both are recycle regularly. Recycling is easy for CONVENTIONALS to integrate into their practical and frugal lifestyle. It is interesting to note that DRIFTERS recycle at approximately the same rate as CONVENTIONALS but for

Figure 4-2

(Q. 12-% NMI segments indicating they regularly (daily/weekly/monthly) participate in...)



very different reasons. While appearing environmentally-conscious to their peers is important to DRIFTERS, perhaps they recycle more as a result of eco-guilt—a feeling of failing spawned by wasteful behavior or because they grew up in households that recycled, and old habits die hard.

Seniors are the most active in these activities; they are the most likely to participate in hazardous waste collection and to encourage elected officials to pass environmental protection laws. Seniors translate their care for the environment into action, as opposed to Gen Y and Gen X who admit they care, but just do not do much.

Detailed Recycling Behavior

Beyond cans, the general population's recycling rates are moderate (Figure 4-3). Two-thirds of consumers recycle cans or other metal all/most of the time. NMI has not asked this question previously, but recycling is a fundamental green behavior, and this trend is insightful for the future of the green movement. Environmental behaviors need to be easy and convenient to engage consumers.

Figure 4-4 shows the differences in recycling behavior among the segments. As expected, LOHAS take the overall lead: they recycle significantly more paper than other segments, for instance. However, it is interesting to note that CONVENTIONALS and DRIFTERS recycle cans at the same rate as LOHAS consumers. As shown on the previous page, few NATURALITES recycle. This is potentially due to three factors:

- 1) Lack of access: while half of the U.S. had access to curbside recycling in 2002,* it is less common in the South, where most NATURALITES reside**
- 2) Disbelief that they can personally make a difference
- 3) Primary focus on personal health.

Recycling programs designed to engage and motivate consumers may change this. Recycle Bank created a successful, incentive-

Figure 4-3

(Q. 13-% General population indicating they recycle the following materials all/most of the time)

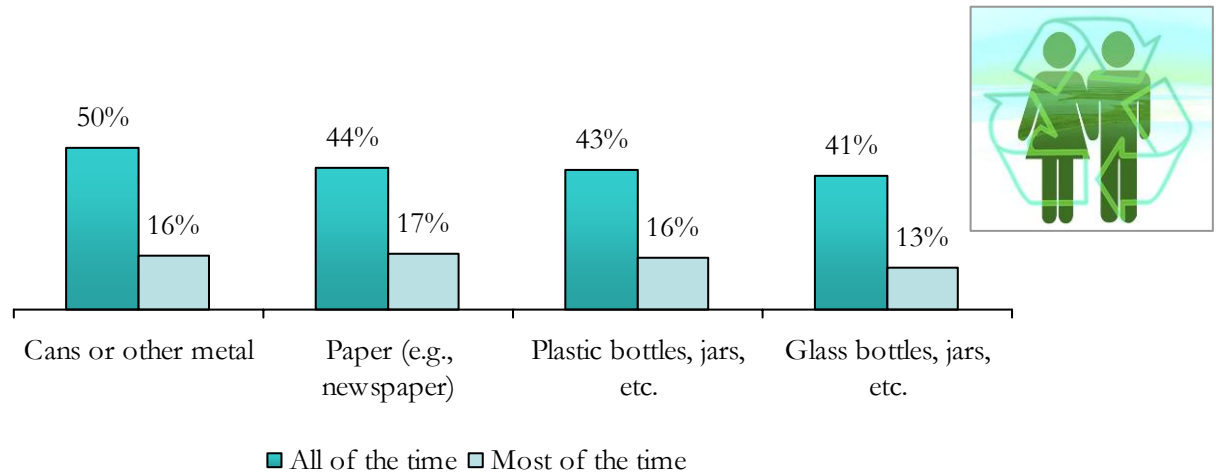


Figure 4-4

(Q. 13-% NMI segments indicating they recycle the following materials all of the time)

	NMI Segments %			
	LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)
Cans or other metal	74 ^B	11	70 ^B	74 ^B
Paper (e.g., newspaper)	68 ^{BCD}	14	59 ^B	60 ^B
Plastic bottles, jars, etc.	66 ^B	9	62 ^B	60 ^B
Glass bottles, jars, etc.	66 ^{BC}	3	59 ^B	62 ^B

based program in which participants receive a special recycling bin that is weighed upon collection. In exchange for their recyclables, consumers are rewarded with points to redeem at participating retailers.

*Container Recycling Institute © 2006 <http://www.container-recycling.org>

**U.S. Census 2000 Curbside Recycling Programs – Number and Population Served, by Region

http://allcountries.org/us/census/398_curbside_recycling_programs_number_and_population.html

Recycling Behavior By Generation & Income

Figure 4-5 shows the rates at which different age groups recycle. Seniors tend to recycle the most while Gen Y consumers recycle the least. Comparatively, seniors appear to have higher ability, but this behavior may also be driven by the accessibility and ease of recycling.

The income-based differences in recycling behavior are exhibited in Figure 4-6. Those with higher incomes (\$75K+) tend to recycle the most, while those with a lower incomes (<\$35K) report the lowest amount of recycling. Again, this may be a function of the availability of curbside service or simply time.

These differences may be explained, at least in part, by the dichotomous observation of home owners versus renters. Consumers in the higher income brackets are more likely to own their homes and take a sense of pride, duty and community partnership in recycling. Many are provided with a city-issued, curbside recycling bin which is emptied weekly, at the same time as their trash. Those with lower incomes are more likely to be renters without such access. If recycling is offered to renters at all, they are less likely to take advantage of the opportunity due to the extra steps involved. For example, they may have to bring their recycling to the basement of an apartment building and separate it into specific bins.

Figure 4-5

(Q. 13-% General population by generation indicating they recycle the following materials all of the time)

	Generations %			
	Gen Y (A)	Gen X (B)	Boomers (C)	Seniors (D)
Cans or other metal	42	49	51 ^A	58 ^{ABC}
Paper (e.g., newspaper)	30	41 ^A	46 ^A	60 ^{ABC}
Plastic bottles, jars, etc.	35	43 ^A	43 ^A	51 ^{ABC}
Glass bottles, jars, etc.	35	42	40	50 ^{ABC}



Figure 4-6

(Q. 13-% General population by income indicating they recycle the following materials all of the time)

	Income %				
	<\$35K (A)	\$35K-\$50K (B)	\$50K-\$75K (C)	\$75K-\$100K (D)	\$100K+ (E)
Cans or other metal	46	48	50	54 ^A	52
Paper (e.g., newspaper)	38	39	44 ^A	48 ^A	50 ^{AB}
Plastic bottles, jars, etc.	37	40	42	50 ^{AB}	50 ^{ABC}
Glass bottles, jars, etc.	34	37	39	49 ^{ABC}	50 ^{ABC}

It's Election Time: LOHAS Consumers & Politics

Ninety percent of the general population says they typically vote, as shown in Figure 4-7, and a plurality (one-third) typically vote for a Democratic candidate. Almost the same percentage of consumers vote Republican as those who vote independent (25% and 22%, respectively).

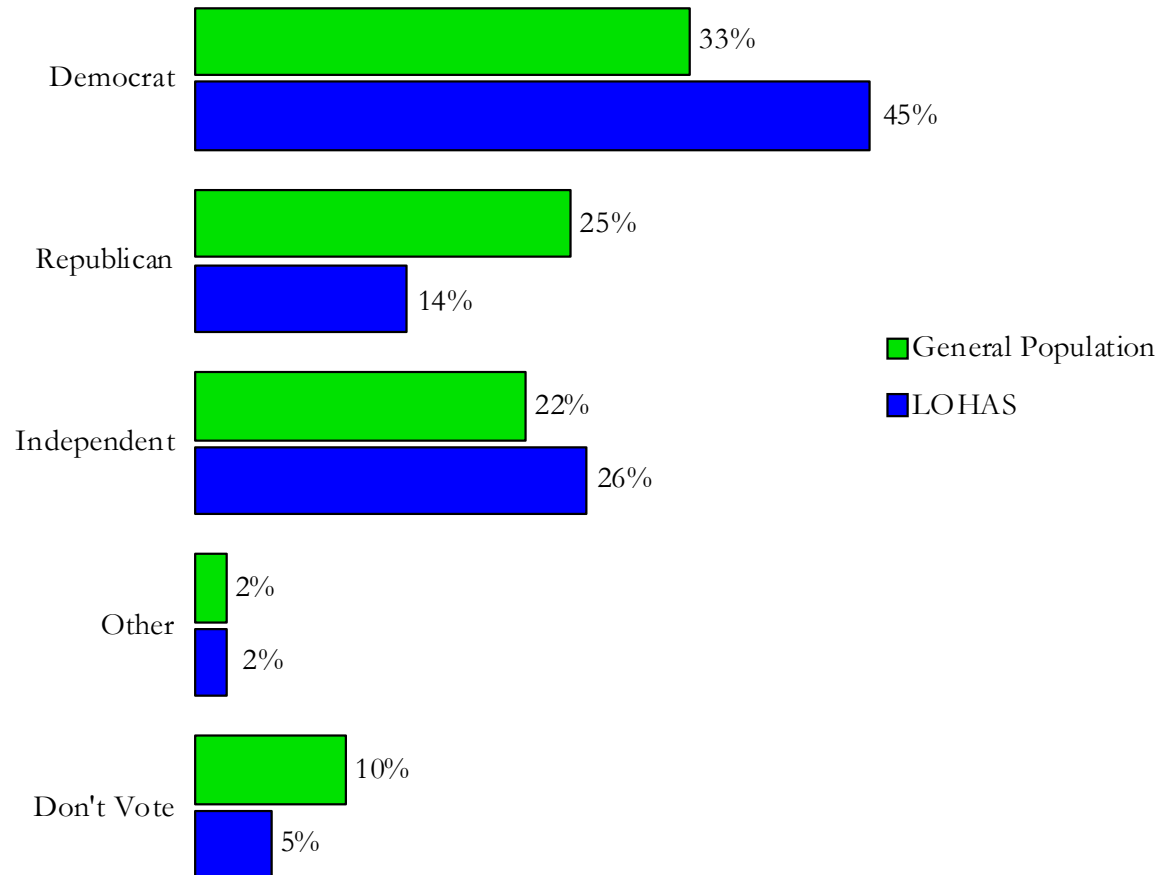
While most segments tend to vote Democrat, LOHAS consumers vote heavily on the Democratic side (45%) — more than any other segment. LOHAS consumers also vote independent in the highest percentage (26%). As previously stated, political activism for environmentalism is a hallmark of the LOHAS lifestyle. Democrats and independents tend to be more interested in environmental concerns.

Women are more likely to vote Democrat than men (36% and 30% respectively), while men typically vote Republican (28% versus 22%) or independent (25% versus 18%) more often than women. Boomers typically vote for a Democratic candidate (38%) while seniors most often vote Republican (34%).

UNCONCERNED, NATURALITES and DRIFTERS report above-average percentage of non-voters (16%, 12% and 11% respectively). In various instances throughout this report, they have appeared more inwardly

Figure 4-7

(Q. 145-% General population and LOHAS consumers indicating which political party they typically vote for)



focused, which may make politics seem irrelevant to them. It is also interesting to note that UNCONCERNEDS report they vote for a Republican candidate more than any other segment (31%).

While a topline analysis, these data suggest this segmentation lends itself to political applications, and could help political groups better understand voter attitudes and behaviors in order to better tailor campaign strategies and messaging.

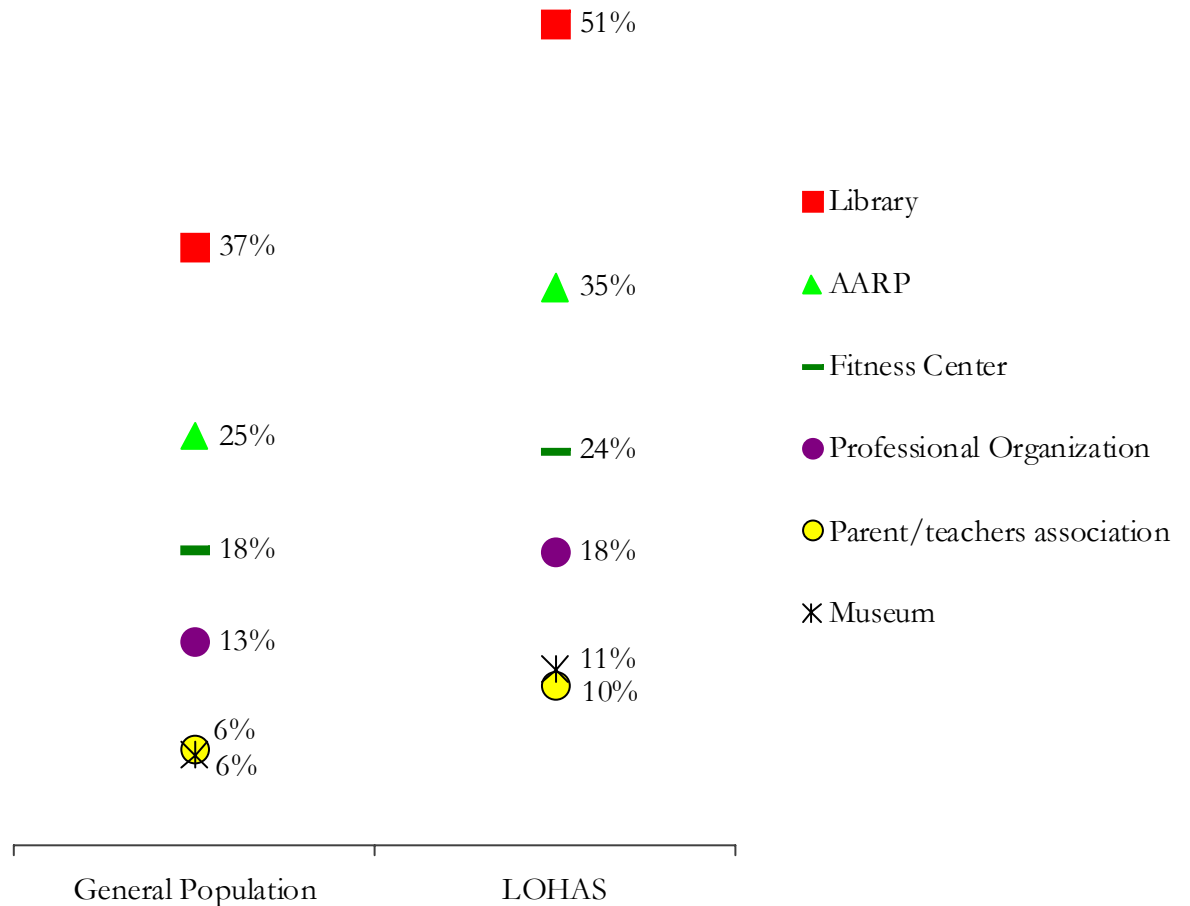
Organizational Memberships

Figure 4-8 details a sample of the types of organizations consumers belong to. LOHAS consumers are much more likely to have memberships in all of these organizations when compared to the general population. In fact, only 14% of LOHAS consumers do not belong to any [measured] organizations compared to 25% of the general population. In particular, LOHAS consumers are significantly more likely to have a library card, to be a member of AARP, and to hold a membership at a local museum. Again, this shows the fervor with which they live their lives, actively participating in numerous types of experiences.

NATURALITES tend to have the lowest membership rates for many of the organizations listed. For example, only 9% belong to a professional organization and only 3% are members of the parent/teachers association. Furthermore, one-third of NATURALITES report they do not hold any memberships at all. NATURALITES continue to be inwardly focused, a characteristic perhaps not unrelated to their interest in their own personal health and wellness.

Figure 4-8

(Q. 126-% General population and LOHAS indicating membership in any of the following organizations)



Charitable Donation Patterns

Figure 4-9 shows consumers' philanthropic endeavors. An impressive 63% of the general population made a charitable donation in the past year. Compared to 2006, fewer consumers have donated to the organizations measured. Consumers may be less generous this year due to a slowing economy or donation fatigue due to the sheer number of recent national disasters (e.g., 9-11, Hurricane Katrina). Some consumers may also be frustrated by the reported misappropriation of funds in these disasters.

As previously stated, LOHAS consumers have the most organizational memberships. They also are the most generous with their money. They make more charitable donations than any other segment. They are most likely to support civic-oriented charities and medical research. While their income is slightly higher, it is only by a modest amount. Therefore, they appear to be diverting funds from normal lifestyle expenses to support organizations consistent with their values.

Seniors' donations rival those of LOHAS consumers. They donate at a significantly higher rate than other age groups to entities such as civic-oriented groups (41%), medical research (38%), and animal rights groups (21%).

Figure 4-9

(Q. 127-% General population and NMI segments indicating organizations they have made charitable donations to in the past year)

	GP %	NMI Segments %			
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)
A civic-oriented group (e.g., Goodwill or The Salvation Army)	27	37 ^{BCD}	24	27	29
A medical research group (e.g., the American Lung Association or the American Cancer Society)	23	35 ^{BCD}	17	23	28 ^B
A religious based group (e.g., Catholic Charities or United Jewish Appeal)	21	24	20	20	24
A relief agency (e.g., The Red Cross)	18	26 ^{BC}	13	19 ^B	21 ^B
An animal rights group (e.g., the Humane Society)	15	29 ^{BCD}	12	12	14
A children's organization (e.g., Big Brothers/Big Sisters or The Boy Scouts)	12	16 ^{BC}	10	11	11
A wildlife charity (e.g., the World Wildlife Fund or Defenders of Wildlife)	9	19 ^{BCD}	6	8	7

The Importance of Building a Sense of Community

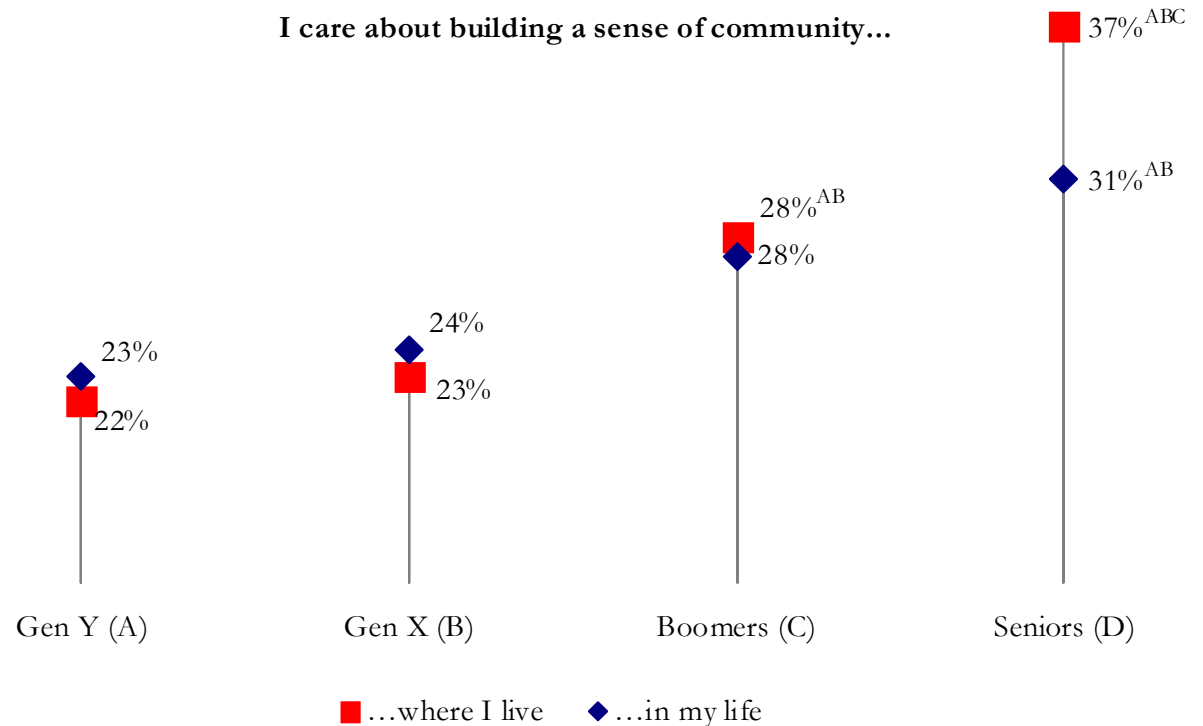
Figure 4-10 explores the value consumers place on building a sense of community for themselves. Many people want to feel *personally* connected to others, particularly as they age. However, for seniors it is more essential to find that sense of community *physically*, where they live. This mindset is perhaps why the active living retirement community is so popular.

Also, older generations are more likely to have been more stable geographically than younger generations. Younger consumers see little difference between the two types of communities. They move more frequently, live in more places, and may be more comfortable connecting virtually (they do not know their neighbors; they make “friends” through the Internet, etc.).

Among the segments, LOHAS consumers have the strongest ties to building a sense of community — perhaps due, in part, to their activities with membership organizations — and are directly followed by NATURALITES. Much like younger consumers, these segments do not differentiate between building a sense of community in their lives and where they live. Nearly half (47%) of LOHAS consumers agree that building a sense of community where they live is important and 45% believe

Figure 4-10

(Q. 8-% General population by generation indicating that in terms of their personal beliefs, they agree completely that they care about building a sense of community)



building a sense of community in their lives is important. Just one-third of NATURALITES (32%) agree that building a sense of community where they live is important and 31% agree that building a sense of community in their lives is paramount. This “LOHAS Community” mindset should be a fundamental building block of marketing strategies across any business.

Motivated by building a sense of community online, as witnessed on such sites as MySpace and Facebook, consumers who look for a sense of community online are prime candidates for viral marketing. By taking advantage of these consumers’ aim to be the “go-to” person for information among their peers, marketers will be able to send tailored messages to an extensive, ever-growing and evolving set of potential customers.

The Role of Religion and Spirituality

The role of religion and spirituality in consumers' lives is exhibited in Figure 4-11. LOHAS consumers are the most spiritual of the segments with 92% stating they agree with the idea of a mind, body, spirit connection. It is also interesting to note that while organized religion does not play a role for more than 60% of LOHAS consumers, 37% report that they or someone in their household is a member of a religious organization. Perhaps some LOHAS consumers belong to a religious organization as an additional way to build community.

Surprisingly, UNCONCERNEDS, who are non-committal to aspects of environmental protection and personal health and wellness, do seem engaged in religion. Forty-two percent state that organized religion plays an important role in their lives and 33% belong to a religious organization. Perhaps one way to communicate environmental protection messages to UNCONCERNEDS is to sponsor educational programs at their places of worship.

Figure 4-12 shows that by age, seniors pray much more than the balance of the population (74%). As the family elders, seniors may fill the role of protector of generations. Seniors may also feel closer to death and develop a deeper spiritual life. Interestingly, LOHAS and NATURALITES pray the most and at the same rate (64%).

Figure 4-11

(Q. 22-% NMI segments indicating they agree completely/somewhat with the following statements... Q.126 - % NMI segments indicating membership in religious organizations)

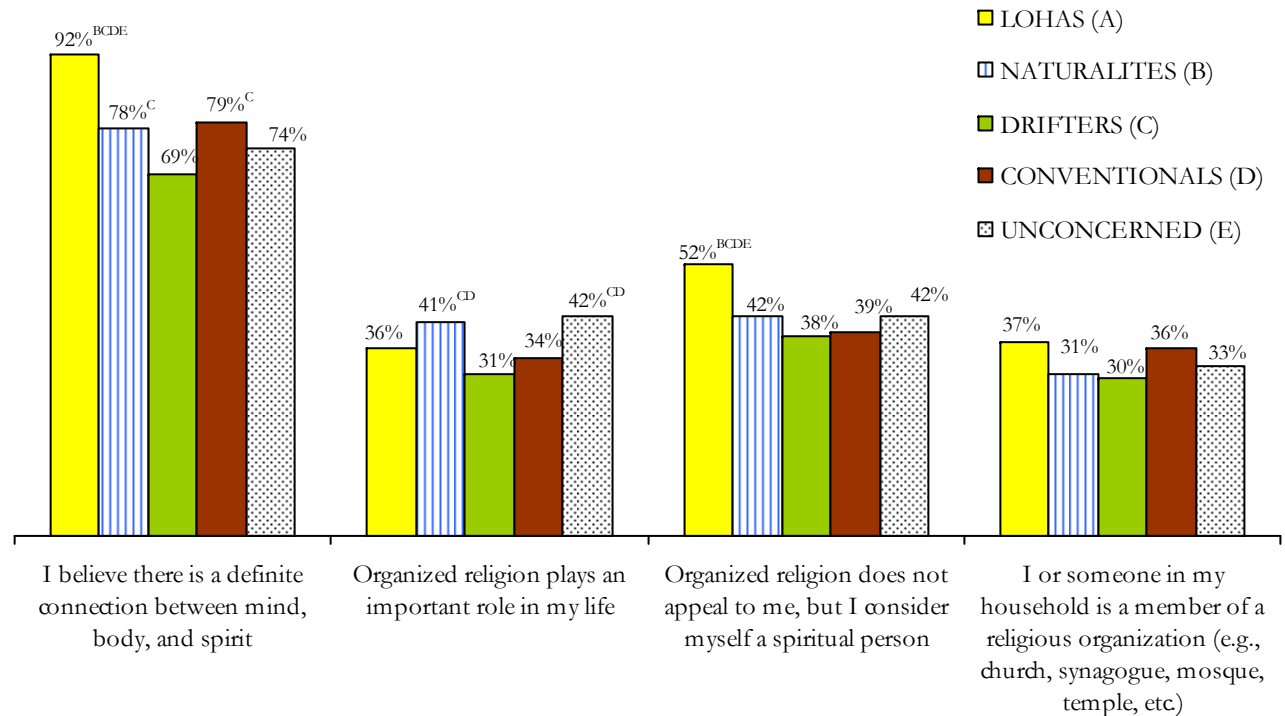
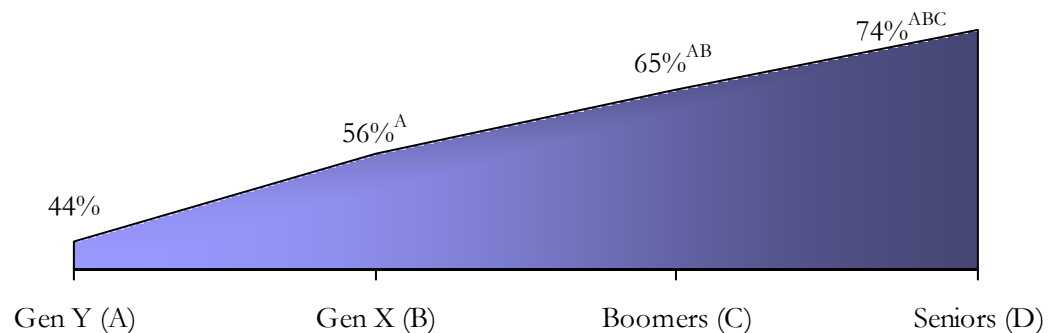


Figure 4-12

(Q. 131-% General population by generation indicating they pray regularly)



The Role of Physical Fitness

The general population regularly enjoys physical fitness of various descriptions (Figure 4-13). For most activities except weight training and Pilates/tai chi, consumers have increased their level of participation over 2006.

Physical fitness is a significant part of LOHAS consumers' healthy lifestyle. Moreover, it is a way that these consumers bring a sense of balance to their lives. For the most part, LOHAS consumers are significantly more physically active than other segments. The only exceptions are Pilates and playing a team sport — an activity in which DRIFTERS are most likely to participate (13%).

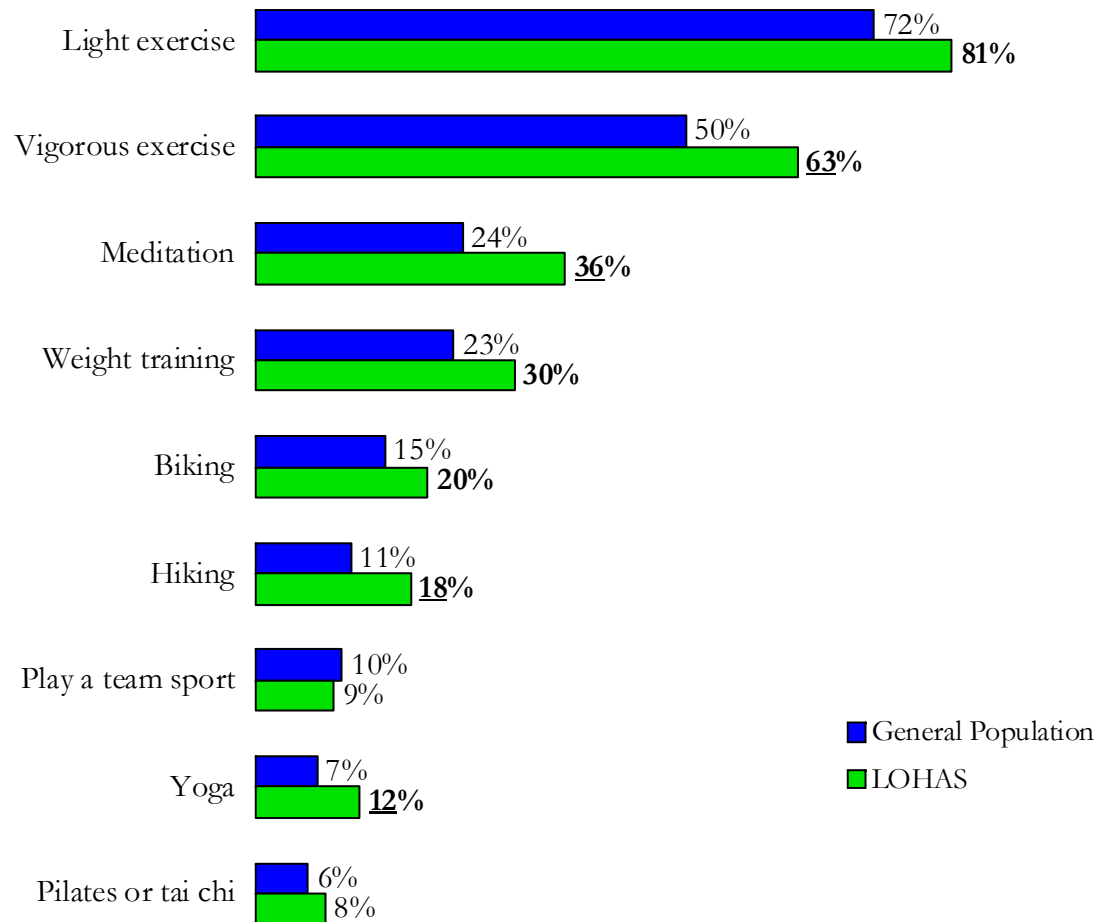
UNCONCERNEDS are the least active segment, with the lowest participation in all areas except hiking and playing a team sport (where NATURALITES are the lowest). Again, this segment seems unconcerned with the benefits of physical fitness.

As befits their age group, Gen Y and Gen X participate more in high impact activities. Boomers and seniors are more likely to do less strenuous activities, such as meditation.

Marketers can map the psychographic characteristics of their users to these activities to identify opportunities to engage consumers based on their lifestyle. For example,

Figure 4-13

(Q. 131-% General population and LOHAS indicating they participate in the following physical activities regularly)



promoting a brand like FUZE at sport and social club events combines the image and physical activity that appeals to DRIFTERS.

Note: When LOHAS percentages are significantly higher than *most* NMI segments the percentage is in bold font - it is underlined and in bold font when the percentage is significantly higher than *all* other NMI Segments.

Hobbies and Interests

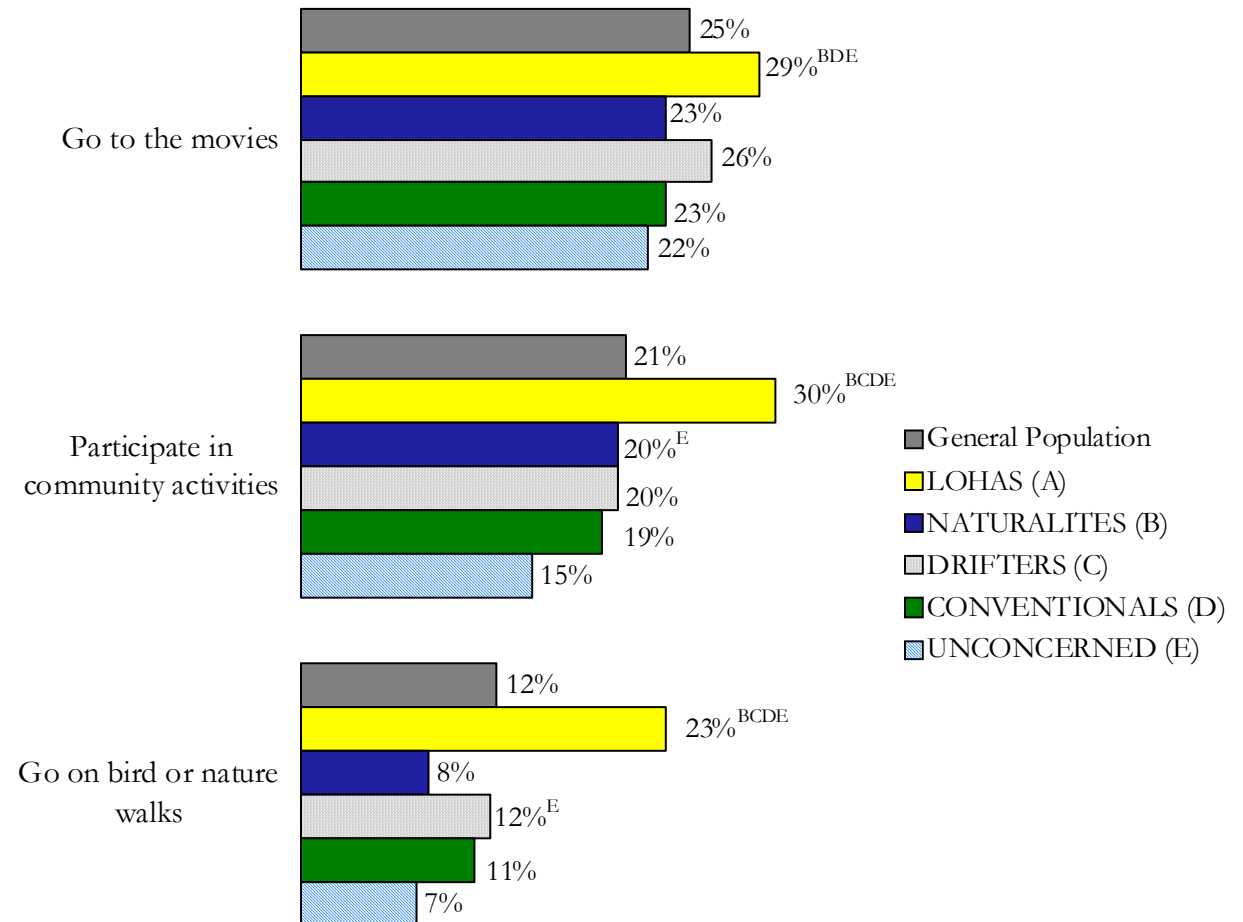
In addition to physical fitness, consumers tend to enjoy a variety of recreational activities, such as those exhibited in Figure 4-14. Though movie-going is most common, consumers attended community events more often in 2007 than in 2006.

Among the segments, LOHAS consumers once again are the most involved. It is no surprise that LOHAS consumers enjoy participating in community events because it helps to build the sense of community that has been identified as an important part of their lifestyle. Doing so also allows them to lead and influence others: two important roles that differentiate this segment of the population.

Gen Y consumers are more likely to go to the movies and on nature walks. These activities can be done alone or in a small group, which is more in line with Gen Y consumers' seeming disinterest in physical community. Seniors tend to participate in community events (perhaps at senior centers) most often, exemplifying their need to build a sense of physical community where they live.

Figure 4-14

(Q. 131-% NMI segments indicating they participate in the following activities regularly)



Meat Consumption Dynamics

Vegetarian diets are motivated by interest in animal welfare, environmental protection, and healthier diets. Some consumers choose to alter their diet due to their interest in one or more of these factors (Figure 4-15). In fact, 40% of American adults have changed the amount of meat they consume: 35% limit their red meat intake and an additional 5% engage in a variety of vegetarian diets.

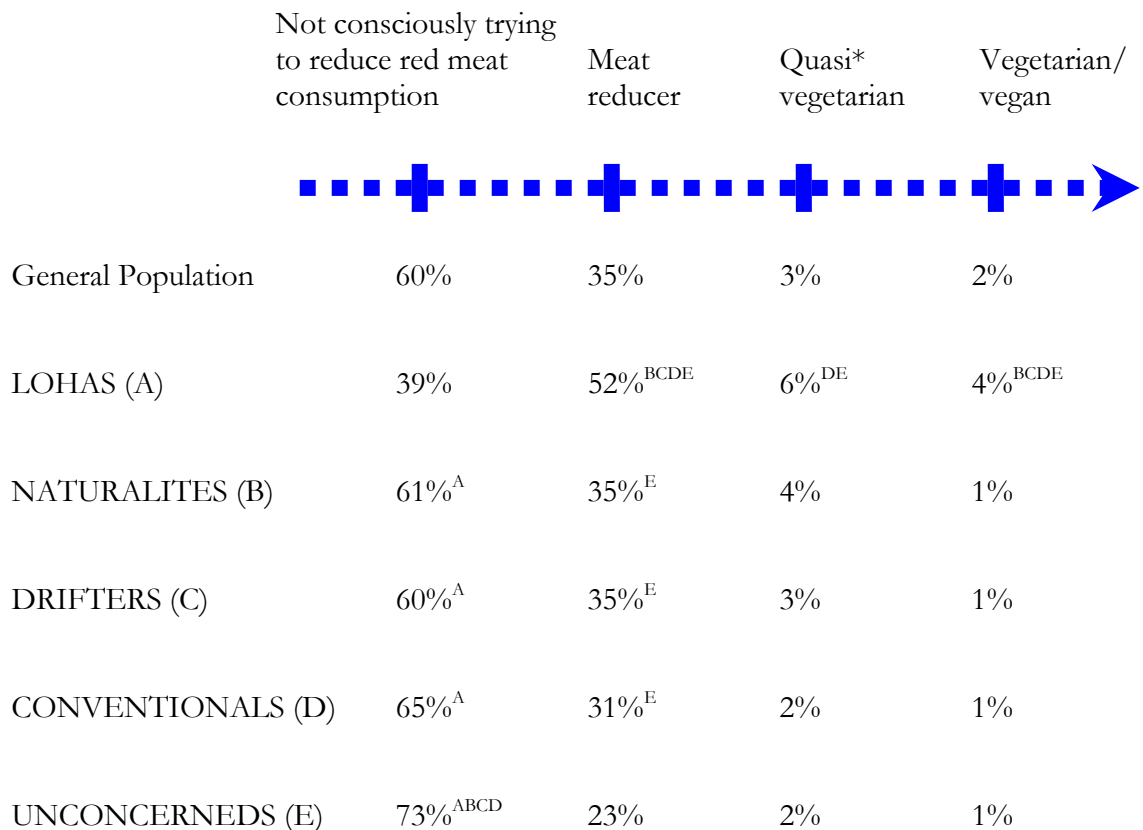
LOHAS consumers continue to be the most likely segment to either be reducing red meat consumption or be vegetarian/vegan. This stance is in line with their overall healthy lifestyle and is linked with environmental protection. However, most LOHAS consumers (90%) still consume some meat.

UNCONCERNEDS, predictably, are the least likely segment to have changed their meat consumption. They seem truly unconcerned with the potential health, animal welfare, or environmental benefits of doing so.

Gen Y consumers are more likely to be vegetarian/vegan (5%). It might be easier for these young consumers to be vegetarian because they are preparing meals primarily for themselves, not a household. In addition, seniors and boomers are the most likely to consciously limit red meat in their diets (42% and 41% respectively). Their impetus for limiting red meat is likely personal health.

Figure 4-15

(Q. 51% NMI segments stating which of the following options best describes their diet...)



*Note: Quasi-vegetarian includes those who consider themselves vegetarian but occasionally eat red meat, fish and/or poultry and those who eat fish but not red meat or poultry.

LOHAS Consumers are Not Healthy Across All Behaviors

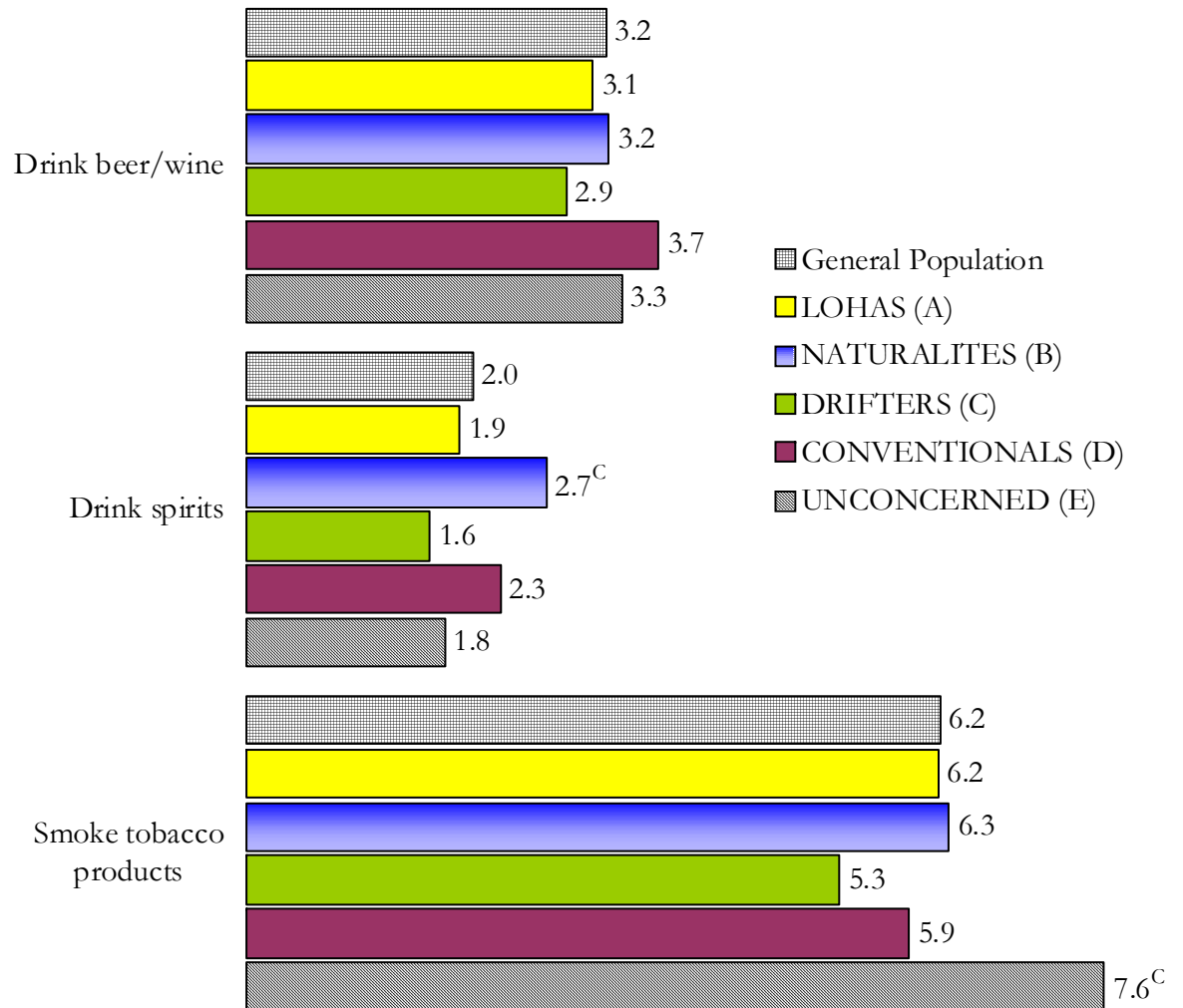
The LOHAS lifestyle is seen as intrinsically wholesome, with a number of LOHAS consumers reducing their meat intake or engaging in other healthy behaviors. However, LOHAS consumers are not healthy all of time; in fact, they drink and smoke at the same rate as the general population (Figure 4-16). It may seem counterintuitive for LOHAS consumers to live such a healthy, environmentally-sound lifestyle on one hand and to drink and smoke on the other; however, these behaviors can easily be linked to their social activities, where personal nutrition and health are less of a concern. Many consumers may also believe that modest alcohol consumption is healthy. This may especially be true for NATURALITES, who are concerned about personal health and wellness but report the highest usage of spirits among the segments (2.7 times per month).

Contrary to the belief that young generations indulge in drinking and smoking more than older people, DRIFTERS, the youngest segment, appear the least likely to use alcohol and tobacco. It will be interesting to watch this segment over time to see if the behavior holds, or if age affects consumption.

While their alcohol usage is similar to that of the general population, UNCONCERNEDS

Figure 4-16

(Q. 131-% Mean times per month NMI segments indicating they drink and/or smoke)



far surpass all the other segments of tobacco usage. This behavior is in line with their general disregard for healthy living.

Premium Green/Eco-Luxury Attitudes

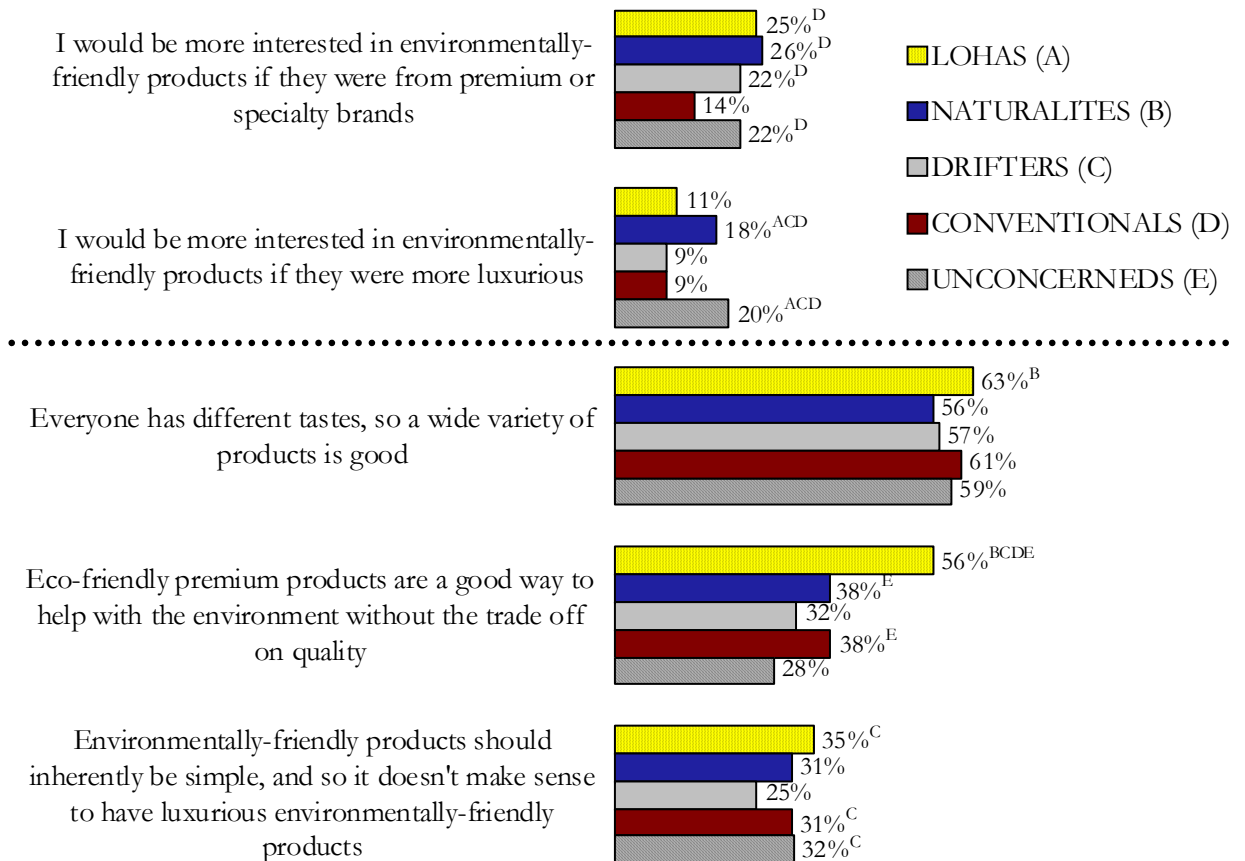
Many consumers' purchasing patterns are affected by the phenomenon of trading up: a willingness to pay more for a product that is emotionally satisfying in terms of the perceived quality, performance, brand image, and stature it provides. Green products are no exception. Many consumers feel that premium green products are a way to both improve the environment and improve their stature, particularly if they like to be seen as the kind of person who makes a difference.

When marketing to consumers, the words "premium" or "specialty" are better received than "luxury" (Figure 4-17). Consumers are driven to trade up to premium/specialty brands which are perceived as high quality and somewhat differentiated, but are less interested in luxurious products, which may be equated with overindulgence (and overconsumption).

Premium and luxury may be viable strategies to bring NATURALITES and UNCONCERNEDS into the market. Eighteen percent of NATURALITES and 20% of UNCONCERNEDS indicate interest in luxurious green products — the most likely segments to do so. The only segment that has little potential to join the premium or luxury markets is CONVENTIONALS. Due to their practicality, they are disinterested in both premium and luxury items whether

Figure 4-17

(Q. 22-% NMI segments indicating they agree completely/ somewhat with the following statements... Q.27-% NMI segments stating their opinion of green premium products)



environmentally-friendly or not.

Few consumers believe green products must be simple. Variety is the spice of life. Although luxury green is not appealing to all, consumers believe there should be green products to fit varying tastes. In fact, more than half of LOHAS consumers see this as a good way to help the environment without sacrificing quality.

Premium Green/Eco-Luxury By Income

Income tends to affect consumer perception of premium green. As shown in Figure 4-18, consumers with a household income of \$100K+ are the most interested in luxurious green products. Higher income groups are also most likely to state interest in a *variety* of green offerings and a desire to feel like they are helping the environment without sacrificing quality.

On the other hand, consumers with a lower household income tend to believe premium green is a contradictory concept. They are more apt to believe in the inherent simplicity of environmentally-friendly products. Across the board, the attitudes of this target group support the fact that they are less likely to trade up, and less likely still to purchase premium or luxury eco-friendly products. In practicality, many simply cannot afford them.

It is interesting to note that although the *perception* of premium/specialty green is more appealing to wealthier consumers, no income group stands out as having a higher level of *interest* in these products. This universal appeal indicates there is an opportunity for premium-positioned green products at a range of price points.

Figure 4-18

(Q. 22-% General population by income indicating they agree completely/somewhat with the following statements... Q. 27-% General population by income stating their opinion of the following products...)

	% Income				
	<\$35K (A)	\$35K-\$50K (B)	\$50K-\$75K (C)	\$75K-\$100K (D)	\$100K+ (E)
I would be more interested in environmentally-friendly products if they were from premium or specialty brands	21	19	23	22	26
I would be more interested in environmentally-friendly products if they were more luxurious	12	8	12	16 ^B	22 ^{ABC}
Everyone has different tastes, so a wide variety of products is good	55	59	60	60	67 ^{AB}
Eco-friendly premium products are a good way to help with the environment without the trade-off on quality	35	34	41	40	44 ^{AB}
Environmentally-friendly products should inherently be simple, and so it doesn't make sense to have luxurious environmentally-friendly products	33 ^E	32 ^E	31 ^E	32 ^E	23

Importance of Corporate Citizenship

Simply put, socially-responsible business is the integration of societal and environmental interests within everyday business practices. Coupling social/environmental responsibility with corporate values appeals to many consumers, who in turn “vote for values with their dollars.”

As Figure 5-1 illustrates, 44% of the general population feels companies should be mindful of their impact on the environment and society. The LOHAS consumer response is far above other segments’, at 81%, and in fact LOHAS consumers are about twice as likely as other segments to care about companies’ impact on the environment and society. Consequently, they are the primary target for socially-responsible business endeavors.

Demographics have a slight impact on this perspective, as shown in Figure 5-2. Women are 20% more likely than men to agree that companies should be concerned with their environmental/social impacts. The concern also increases with age and peaks with Boomers: Generation Y has the weakest response (at 38%) and Boomers have the strongest (at 48%). This implies that individuals most concerned with companies’ environmental/social impacts are female Boomers, while the least concerned are men in Generation Y.

Figure 5-1

(Q. 33a-% NMI segments agreeing completely that...)

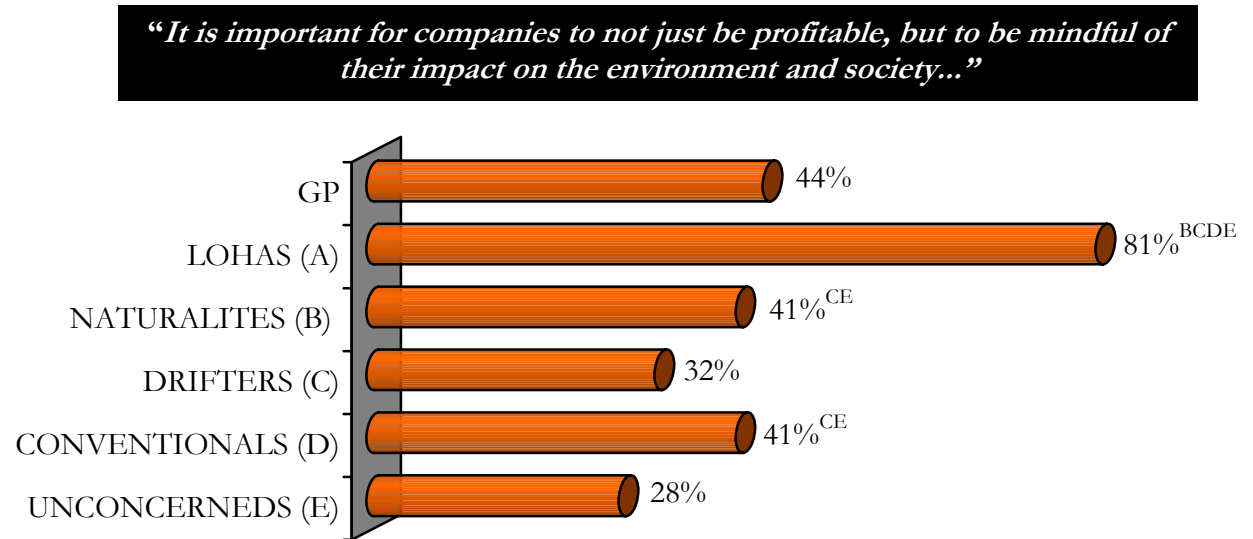
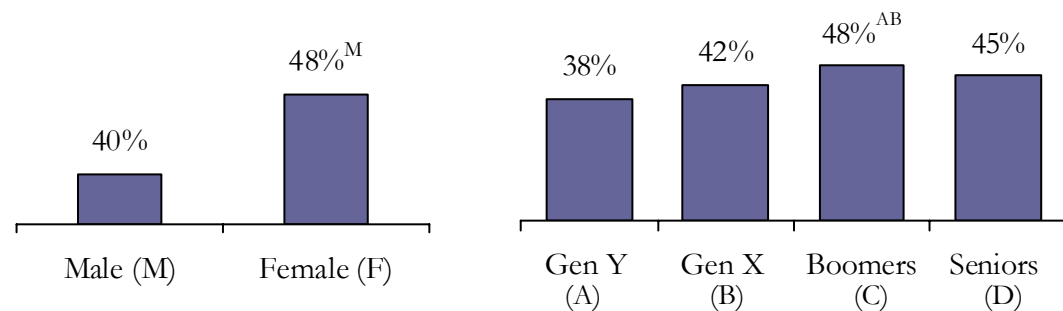


Figure 5-2

(Q. 33a-% General population by gender and generation agreeing completely that it is very important for companies to not just be profitable, but to be mindful of their impact on the environment and society)



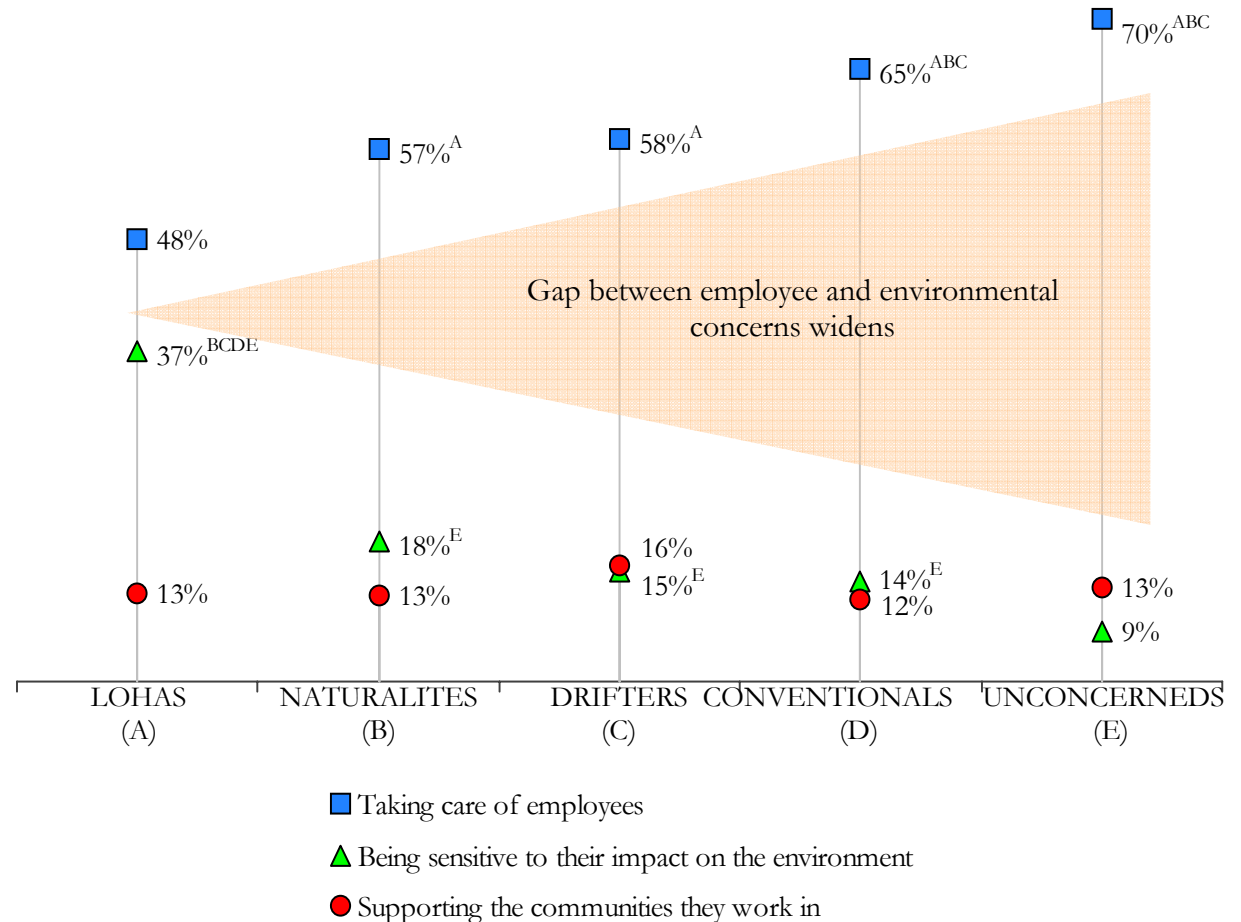
Importance of Specific Types of Corporate Social Responsibility

When comparing companies' sensitivity to environmental impact and taking care of their employees, the latter wins across all segments. Environmental impact is secondary for all segments, including LOHAS (Figure 5-3). It is very noteworthy that while LOHAS consumers are the most environmentally-concerned segment, employee care is still more important to them. Companies should consider including unique and meaningful employee benefits in the corporate PR efforts, such as time for volunteering during work days.

There is also a steady decline in interest in environmental sensitivity and a corresponding increase in interest in employee considerations as the segment becomes less engaged in LOHAS issues (i.e., moving from NATURALITES to UNCONCERNEDS). This results in a growing gap between the two considerations across the segments. NATURALITES have a 39 percentage point difference between their concern for the environment and employees, while DRIFTERS showed a 43 percentage point difference and the last two segments illustrate over a 50 percentage point difference. Consumers may simply be self-motivated, as many consumers are also employees; however, not all consumers think the environment affects them directly.

Figure 5-3

(Q. 35% NMI segments indicating that aside from making money for their shareholders, the following is most important for companies to focus on)



Another segment difference is that all segments, except LOHAS, view environmental and community impact very similarly. As companies consider the type of CSR programs to implement, these consumer preferences may play a role in determining the best approach.

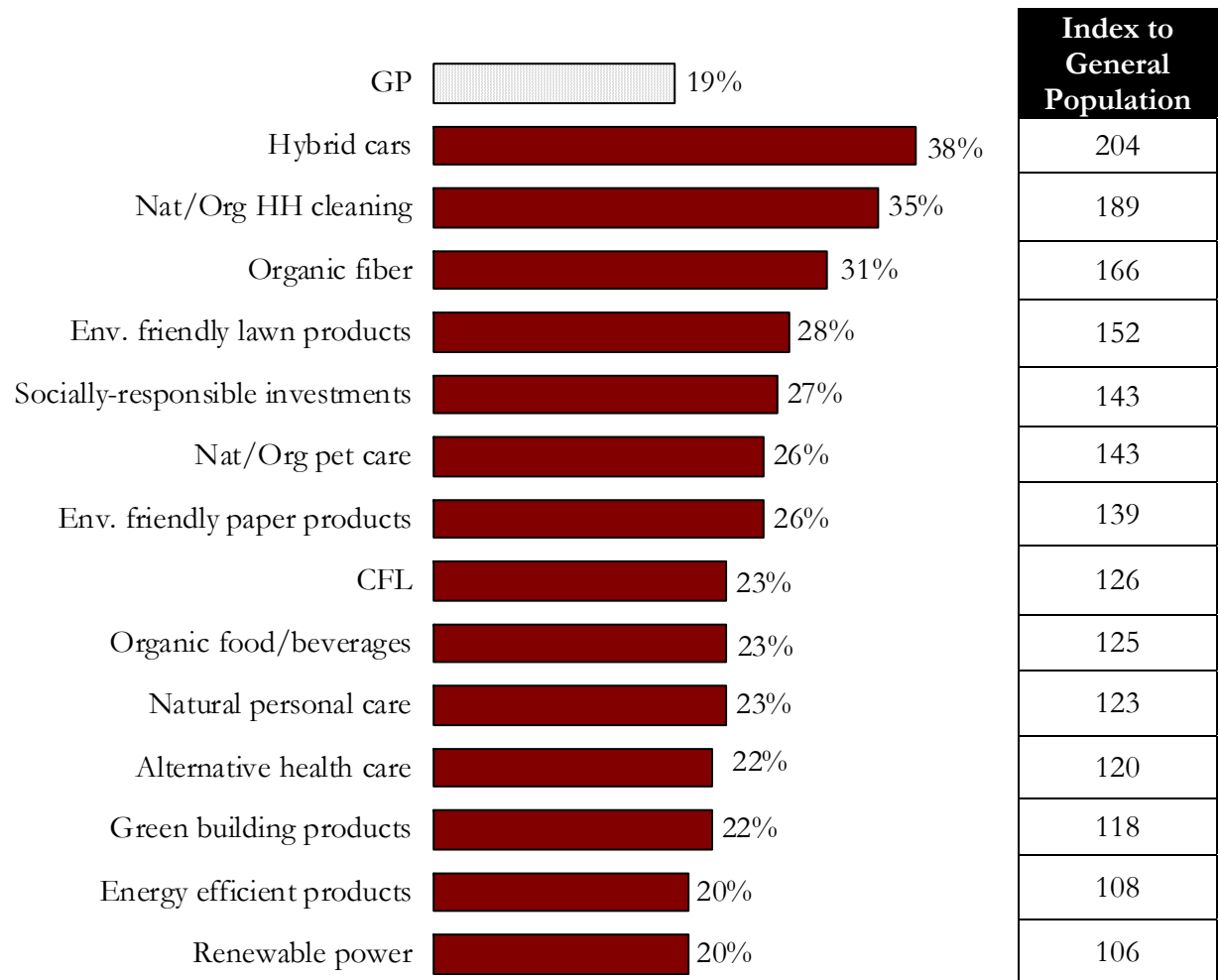
Impact of CSR Among Green Product Buyers

Continuing the topic discussed on the previous page, compared to the general population, users of various green products indicate more interest in companies' environmental impact (as high as 38% among Hybrid Car Owners). Other opinion leaders on this topic include users of socially-responsible investments, environmentally-friendly lawn products, organic fiber, and natural/organic household cleaning products. These products are some of the most LOHAS-aligned, and as such these consumers exhibit a high affinity to caring for corporate environmental action.

The least interest is shown by Energy Efficient Product Users, Green Building Product Users, and Alternative Healthcare Users, each indicating a 20–22% interest level. These users may be engaged in the respective markets for costs savings or other, non-environmental motivations, which would depress their driving interest in corporate environmental action.

Figure 5-4

(Q. 35-% Users of product categories indicating that aside from making money for their shareholders, it is most important for companies to focus on being sensitive to their environmental impact)



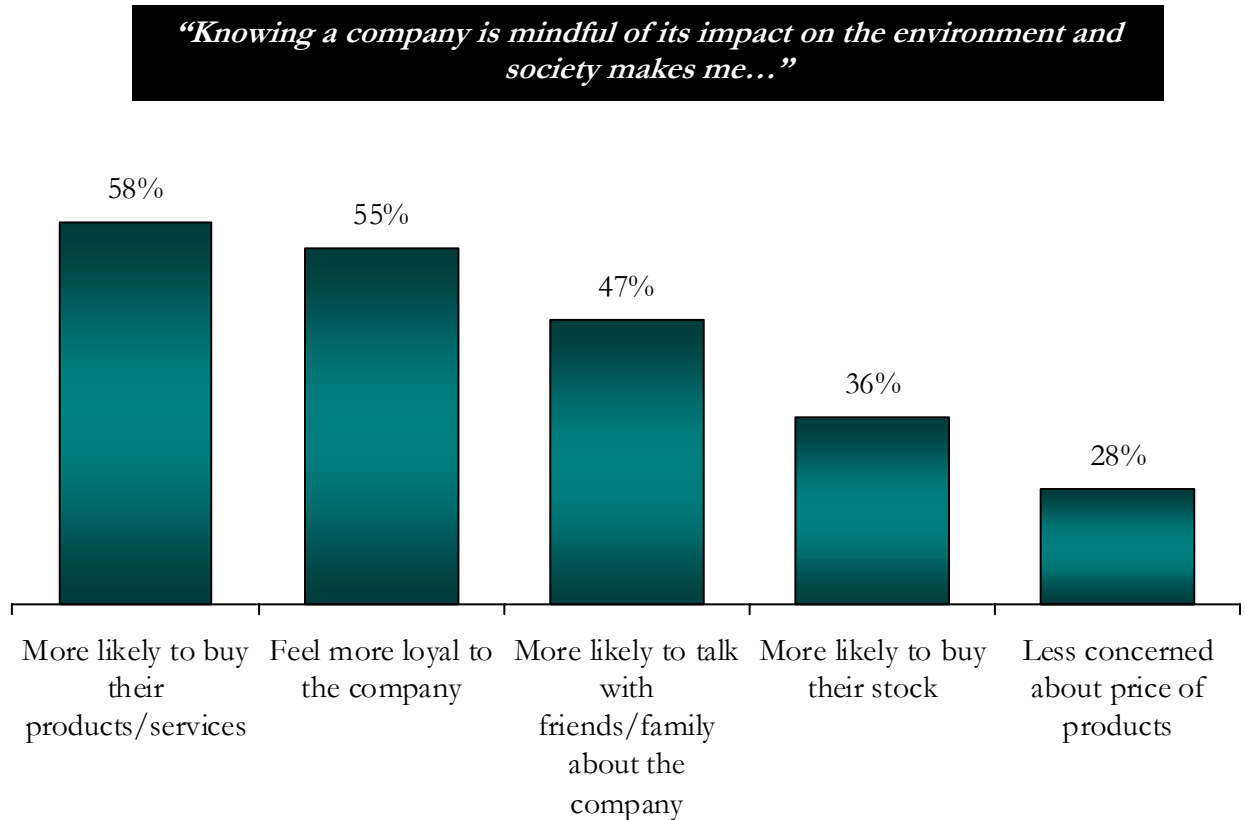
Behavioral Effects of CSR

The data in Figure 5-5 illustrate that the general population's purchasing power and loyalty are swayed toward companies that are mindful of their environmental and societal impacts. In fact, 58% of the general population is more likely to buy the products/services of a company that is mindful of its impact on the environment and society. Similarly, 55% said such a company would gain their customer loyalty. These are obviously two critical consumer behaviors marketers yearn to achieve. Combining corporate responsibility behaviors and effective messaging can clearly be a critical piece of fostering these behaviors.

Decreased price sensitivity is the least likely behavior change to result from CSR activities, though almost 3 in 10 consumers do state CSR brings pricing insensitivity. This factor has declined significantly from 2006 to 2007 (the 2006 level was 38%), consistent with other price sensitivity findings NMI has observed (see Chapter Two). In a slowing economy, with a pinched middle class, uncertain job market, and a volatile stock market, many consumers feel they have less discretionary income. This may be particularly true if the added cost does not deliver a direct, personal benefit. Consequently, CSR activities should be made as personal and meaningful to consumers as possible to ensure alignment of consumers' values with those of brands and companies.

Figure 5-5

(Q. 33-% General population agreeing completely/somewhat with the following...)



Effects of CSR Among Segments

As expected, LOHAS consumers show the highest likelihood to act based on a company's environmental and societal impacts (Figure 5-6). Nine out of 10 LOHAS consumers are more likely to purchase the products/services offered by a mindful company and nearly as many state increased loyalty to that company. Concurrently, LOHAS also show the lowest propensity (13%) to *not* change behavior based on a company's impact.

NATURALITES exhibit the next highest support of a mindful company, and are quite strong in likelihood to purchase, influence, and invest, though only moderately higher in loyalty and price sensitivity. Manufacturers of healthy and natural consumer packaged goods should take special note of this behavior: those targeting both LOHAS and NATURALITES should have different expectations of these segments and not treat them uniformly. This will have implicit implications for price premiums and other marketing mix elements.

For the other three segments (DRIFTERS, CONVENTIONALS and UNCONCERNEDS) there seems to be little effect on purchasing behavior based on company mindfulness. This is true especially for the UNCONCERNEDS, of which 72% responded that they were not affected by the

Figure 5-6

(Q. 33-% NMI segment agreeing completely/ somewhat with the following...)

Knowing a company is mindful of its impact on the environment and society makes me...	LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)	UNCONCERNEDS (E)
Positive Behaviors Toward Companies					
More likely to buy their products or services	91% ^{BCDE}	60% ^{CDE}	49% ^E	51% ^E	40%
Feel more loyal to the company	85% ^{BCDE}	54% ^E	48% ^E	52% ^E	39%
More likely to talk with my friends and family about the company	80% ^{BCDE}	48% ^{CDE}	38% ^E	39% ^E	31%
More likely to buy their stock	60% ^{BCDE}	38% ^{CDE}	28%	28%	24%
Less concerned about the price of their products	49% ^{BCDE}	28% ^{CE}	20%	23%	20%
Neutral Behaviors Toward Companies					
I like knowing a company is mindful of its impact on the environment and society, but it does not change what I do	13%	43% ^{AC}	32% ^A	48% ^{AC}	72% ^{ABCD}

mindfulness of a company. This segment has been shown throughout this report to be unmotivated by sustainability or corporate citizenship, and that does not appear poised to change.

The Importance of CSR by Education Level

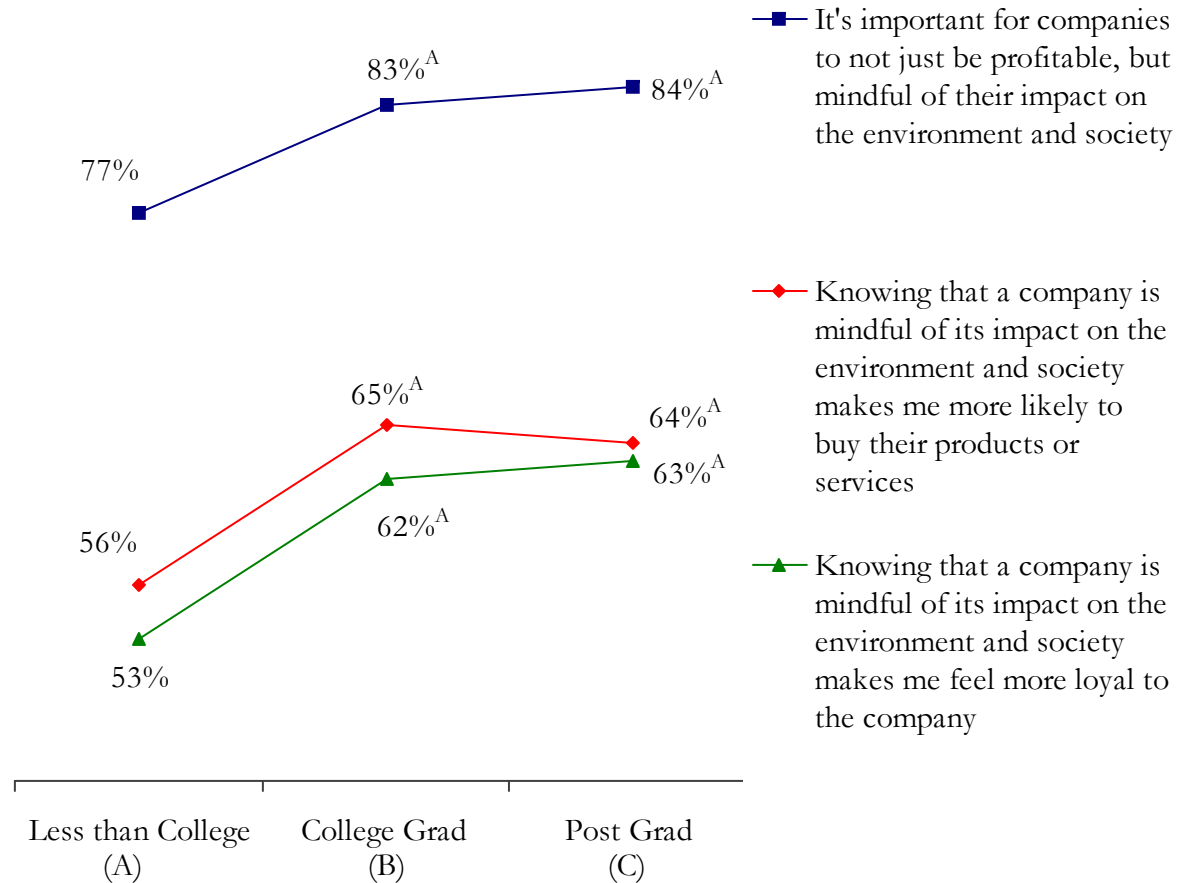
Educational achievement affects interest and behavior related to CSR (Figure 5-7). CSR is a complicated topic, and one that may seem esoteric to many consumers. To that point, once a consumer has achieved a college degree, CSR appeals to and motivates them much more than less-educated consumers. Well-educated consumers are also typically higher-income consumers, which makes them more appealing to marketers.

Though consumers with less than a college education want to know a company is mindful (77%), their lower likelihood in purchasing and loyalty (56% and 53%) illustrates there are other factors affecting their purchasing decisions. College graduates and post graduates displayed both higher interest in knowing a company is mindful of its societal and environmental impacts (83% and 84%) and higher actual behavioral change.

These data suggest that current messaging on corporate responsibility should be designed for higher-education levels. Engaging consumers in a sophisticated, yet clear, conversation may attract the target consumer. While doing so would restrict the target audience (only 26% of the population has a college degree), this may be necessary in the short run, as simplistic messaging breeds skepticism.

Figure 5-7

(Q. 33-% General population by education agreeing completely/ somewhat with the following)



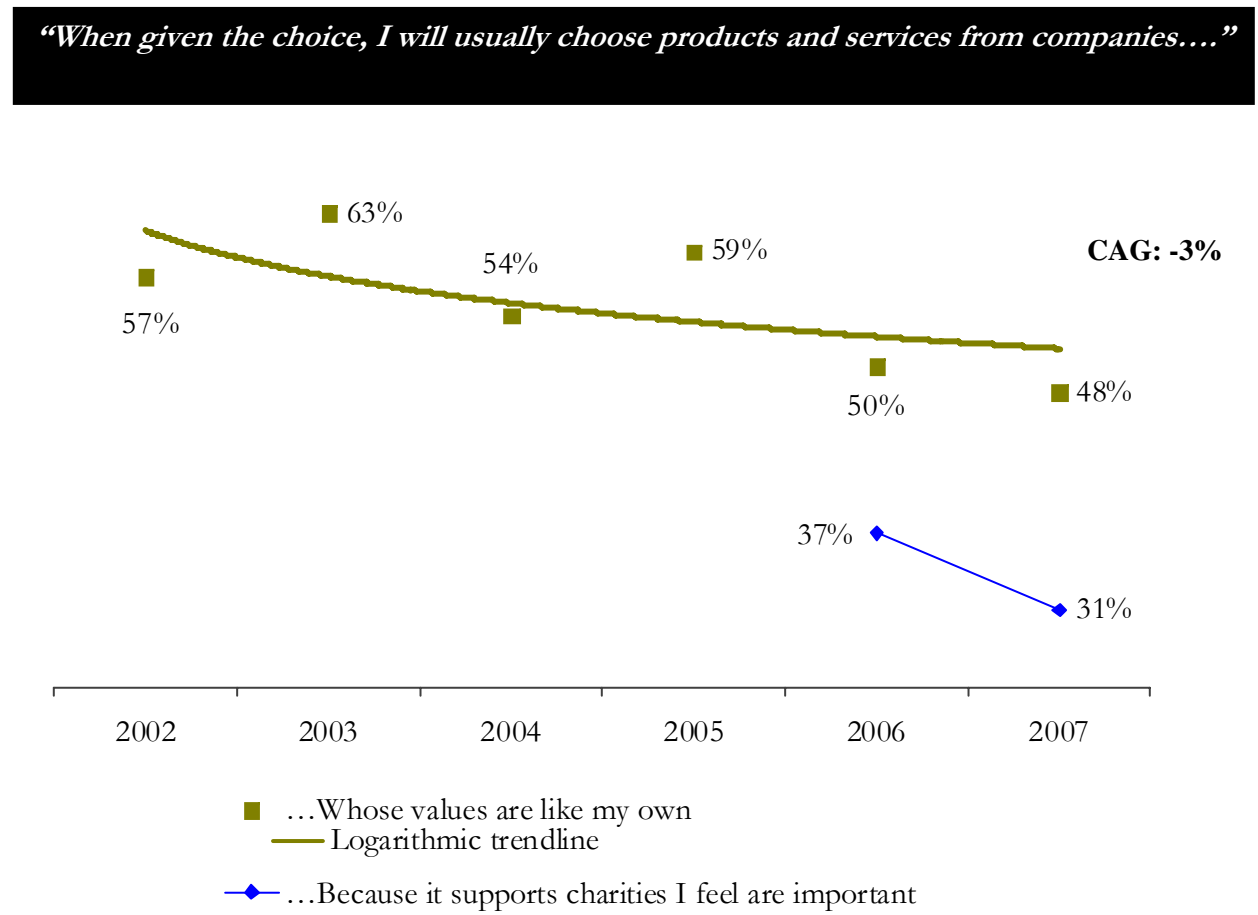
Trends in Behavioral Impact of CSR

When choosing products and services, the portion of the general population requiring a company share their values has slightly declined from 2002 to 2007. Figure 5-8 shows the values for these years: 2002 at 57% decreasing to 48% in 2007. The percent of the general population concerned with a company supporting charities similar to their own has also dropped in the past year from 37% to 31%. The decline may be a result of the increased number of companies now talking about their values and charitable activities. In 2002, this was distinguishing behavior, though it is much less so now. However, considering almost half the general population is still concerned with the values of a particular company, both measures remain important for marketers to consider.

The steady decrease in the general population's concern about corporate values and charity work shows that corporate social responsibility efforts should not focus solely on shared values or support of charities to gain *consumer* trust. In totality, it is important to connect a much wider array of constituencies, including community, employees, suppliers, stakeholders, and others.

Figure 5-8

(Q. 40% General population agreeing completely/somewhat with the following)



Impact of CSR on Each Segment's Behavior

As shown previously, nearly half of consumers choose to purchase from companies with similar values to their own. The LOHAS segment, the values-based environmental steward, has the highest likelihood to do so: 74%. The NATURALITES' response, while lagging LOHAS, still leads other segments. This information is a powerful reminder of the importance of eco-marketing and showing the "softer" side of your brand, particularly for companies targeting LOHAS consumers. It is important to keep in mind that each type of consumer has a different set of values, and it is important to investigate a given brand user's particular interests to ensure alignment.

Although companies' charitable contributions are important to many consumers, the alignment of values takes precedence. Values can be demonstrated in other ways, such as through partnerships (e.g. Avon's Walk for Breast Cancer or Starbucks' Fair Trade certified coffee). The more substantial and multidimensional the effort is, the greater the opportunity for both partners to realize success, and the greater the likelihood for a long-lasting relationship. Doing so also helps to overcome the "Greenwashing Washout" trend.

Figure 5-9

(Q. 40-% NMI segment agreeing completely/ somewhat with the following)

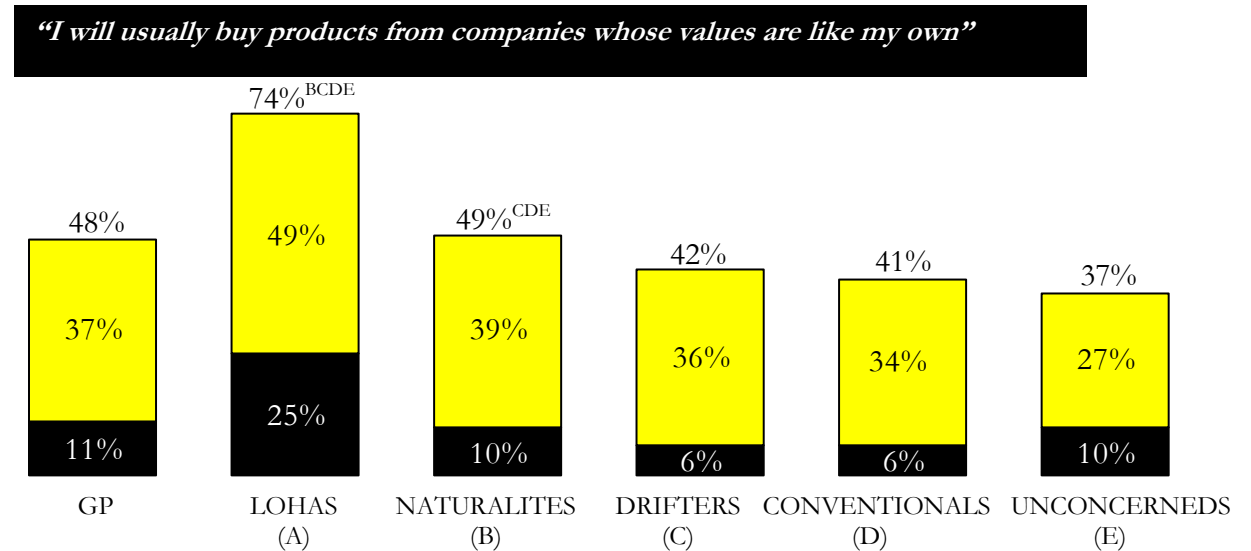
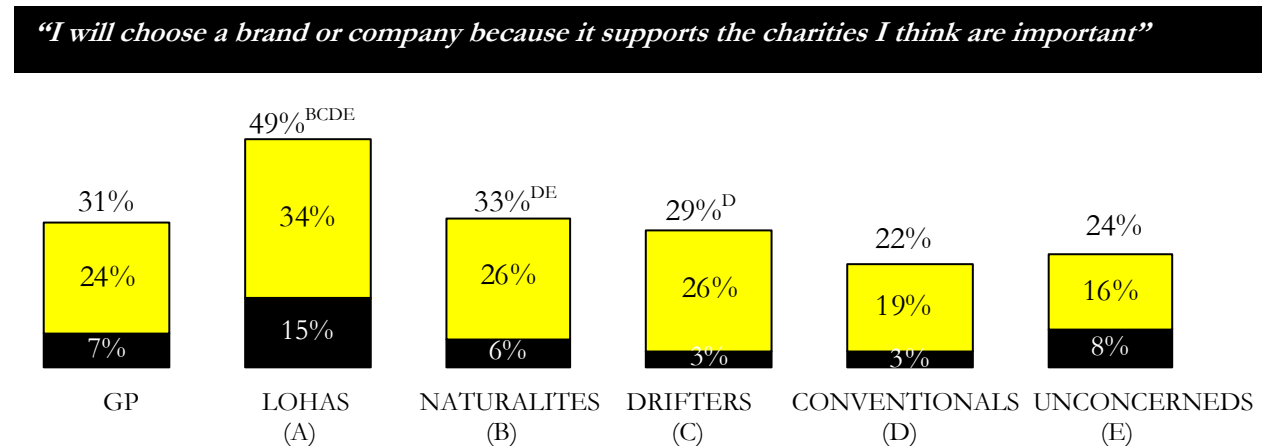


Figure 5-10

(Q. 40-% NMI segment agreeing completely/ somewhat with the following)



Impact of CSR by Product Users

CSR affects users of various LOHAS products differently. The more innovative and niche the product, the more commitment is required from consumers, which is associated with a need for deeper understanding of the respective product or service. The indices in Figure 5-11 are the average of five CSR measures for the users of 14 product categories versus the general population. These averages led to the three commitment levels of CSR impact: low, medium and high.

At the lowest commitment level, products such as CFLs and natural personal care are used by more mainstream consumers. These types of products are used by consumers for reasons other than pure environmental sustainability, which appears to diminish interest in CSR. Products in the medium commitment level show some amount of extraordinary consumer commitment, such as hybrid cars and organic food. Consumers in these user groups also show more commitment to CSR. Those highly committed to CSR are using much more differentiated products, such as organic fibers and renewable power, that require consumers to go significantly out of their normal routines. These sub-populations are engaged in virtually all elements of the LOHAS lifestyle. Marketers of each product group should be mindful of where their consumer is in this spectrum, and design their CSR strategies accordingly.

Figure 5-11

(Q. 33-% Index of product users to general population for statements...)

Knowing a company is mindful of its impact on the environment and society makes me more likely to...

- buy their products and services
- feel loyal to the company
- talk about it with friends/family
- buy their stock
- be less concerned with their prices

Impact of CSR

High Commitment Products:

Socially Responsible Investments -154
 Organic Fibers - 151
 Natural Household Cleaning - 149
 Renewable Power - 149
 E-Friendly Lawn Care - 144

Medium Commitment Products:

Organic Food/Beverage - 140
 Natural/Organic Pet Products - 134
 Hybrid Cars - 135
 E-Friendly Paper Products - 132

Low Commitment Products:

Natural Personal Care - 122
 Alternative Health Care - 120
 CFLs - 119
 Green Building Products - 116
 Energy Efficient Products - 108

General Population Interest in Types of CSR

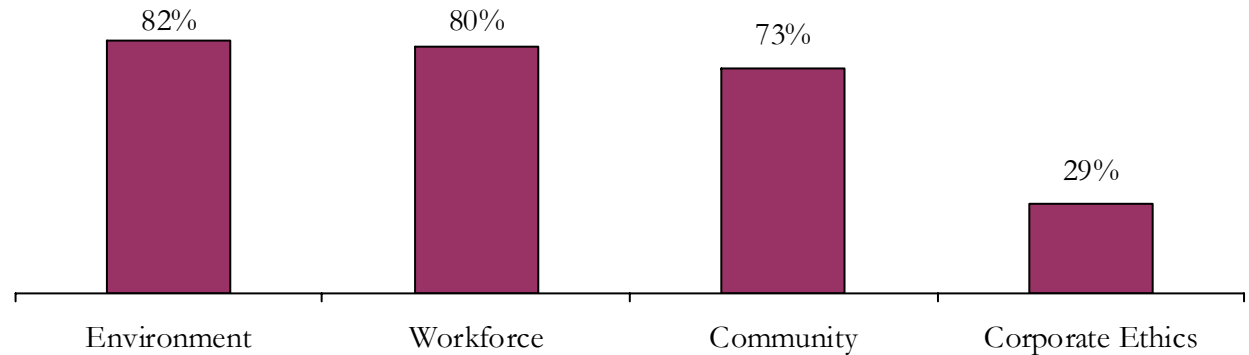
Considering consumer interest in different types of CSR is important in developing a corporate CSR strategy. Doing so ensures relevance and meaning for consumers, and enhances the probability of success. Figure 5-12 illustrates interest in broad CSR issues. The highest interest is in environmental programs (82%), followed closely by workforce (80%), and finally community (73%). These three issues are more important than the lagging corporate ethics category (29%) to the general population.

As shown in the table, the general population typically gravitates toward basic issues like recycling, keeping jobs in the U.S., and cleaning up the communities in which they work. These are all activities the consumer can relate to on a personal level. While other activities may actually be more beneficial, they may be too esoteric to consumers (e.g., “open space”) or be expected to come at a cost the consumer is not willing to bear (renewable energy).

Notably, product user groups have different preferences for CSR information; for example, CFL users are more interested in companies’ reduced energy consumption. Understanding unique differences between user groups will ensure a campaign that is strategically viable.

Figure 5-12

(Q. 34% General population indicating they are interested in learning about what companies are doing to...)



Composition of Nets – *in order of importance*

Environment	Workforce	Community	Corporate Ethics
<ul style="list-style-type: none"> • Recycle • Protect the environment • Reduce amount of waste • Reduce amount of air pollution • Reduce energy consumption • Treat animals humanely • Make products that are more easily recycled • Use more recycled content in the products they produce • Prevent global warming • Use less packaging • Use materials from renewable resources • Increase use of renewable energy • Reduce water consumption • Build new facilities in areas already industrial (i.e., not open space) 	<ul style="list-style-type: none"> • Keep jobs in the United States • Create a safer workplace • Support worker rights • Provide above-average or unique employee benefits • Increase diversity in the workforce • Increase the number of women in management positions 	<ul style="list-style-type: none"> • Clean up the communities they work in • Support the community • Support children’s education in the communities in which they work • Provide job training skills to the people that live in their communities • Support employee volunteer activities • Provide assistance to underprivileged children • Provide assistance to minority groups • Buy from minority-owned businesses 	<ul style="list-style-type: none"> • Avoid accounting problems • Support political parties

Specific CSR Interest

Figure 5-13 shows additional detail in the general population's interest in companies' activities. Keeping jobs in the U.S. remains the number one priority of general population consumers, with two-thirds stating so. Interest in other top concerns has increased over the past year, likely due to the boosted media coverage of companies' environmental issues/impacts.

Figure 5-14 shows which interests have increased the most of the 30+ measures studied: interest in global warming, employee volunteer activities, and reduced water consumption have each grown by at least 10%. As with the above, much of the increase in global warming interest can be attributed to increased media attention, as well as public relations campaigns by some companies on these issues.

The motivation behind increased interest in volunteer activities and reduced water consumption is less obvious. Consumers may be looking to companies to leverage their size with volunteering, which is much more impactful than an individual acting alone. Many consumers are also becoming aware of the limited freshwater resources. A group of companies that include Nestlé's UK division and Unilever have pledged to reduce their water waste 20% by 2020. Other companies have also established water related initiatives.

Figure 5-13

(Q. 34-% General population indicating they are interested in learning about what companies are doing to...)

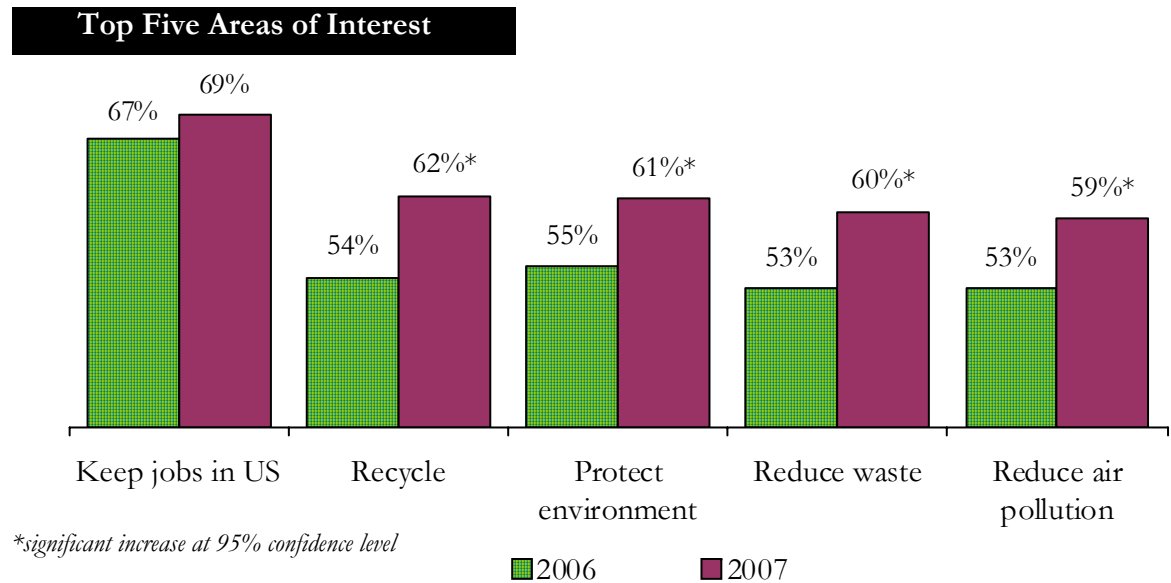
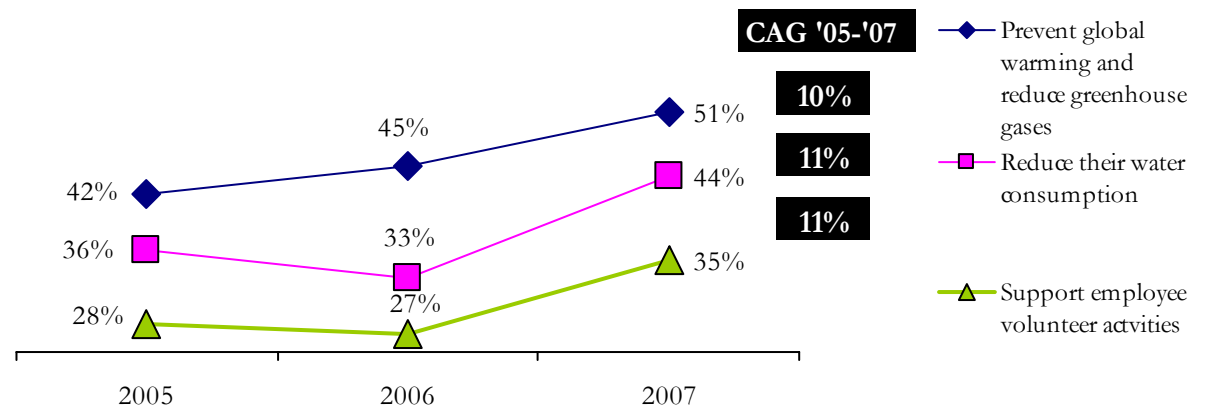


Figure 5-14

(Q. 34-% General population indicating they are interested in learning about what companies are doing to...)



Interest in Specific Environmental Issues

As discussed in the previous two pages, consumers are increasingly interested in learning more about what companies are doing to protect the environment. Figure 5-15 provides more specifics about various environmental efforts, and quantifies LOHAS consumers' commitment to corporate environmental sustainability. LOHAS consumers have greater interest in each activity than the general population, as is evident in their high levels of interest, for example, in reducing water consumption. Of particular note is that LOHAS consumers index over 70% higher than the general population for interest in increasing the use of renewable energy. These issues may seem less relevant to a company's products, and while they have tangible benefits, they would not be immediately obvious to all consumers. That LOHAS consumers are interested shows the depth of engagement LOHAS consumers hope to find in companies and the wide array of initiatives that would appeal to them.

Interestingly, LOHAS consumers rank prevention of animal cruelty below the general population (#12 vs. #6, respectively). While still more important to LOHAS consumers than the general population in an absolute sense, other CSR activities will better capture LOHAS consumers' attention.

Figure 5-15

(Q. 34% General population and LOHAS indicating they are interested in learning about what companies are doing to...)

	GP	LOHAS	INDEX
Environmental (NET)	82%	98%	120
Recycle	62%	90%	145
Protect the environment	61%	88%	144
Reduce waste	60%	89%	148
Reduce air pollution	59%	85%	144
Reduce energy consumption	56%	87%	155
Treat animals humanely	54%	76%	141
Make products more easily recycled	53%	85%	160
Use more recycled content in products	52%	85%	163
Prevent global warming, reduce greenhouse gases	51%	82%	161
Use less packaging	50%	79%	158
Use materials from renewable resources	49%	82%	167
Increase use of renewable energy	47%	81%	172
Reduce water consumption	44%	73%	166
Build new facilities in areas already industrial (i.e., not open space)	38%	61%	161

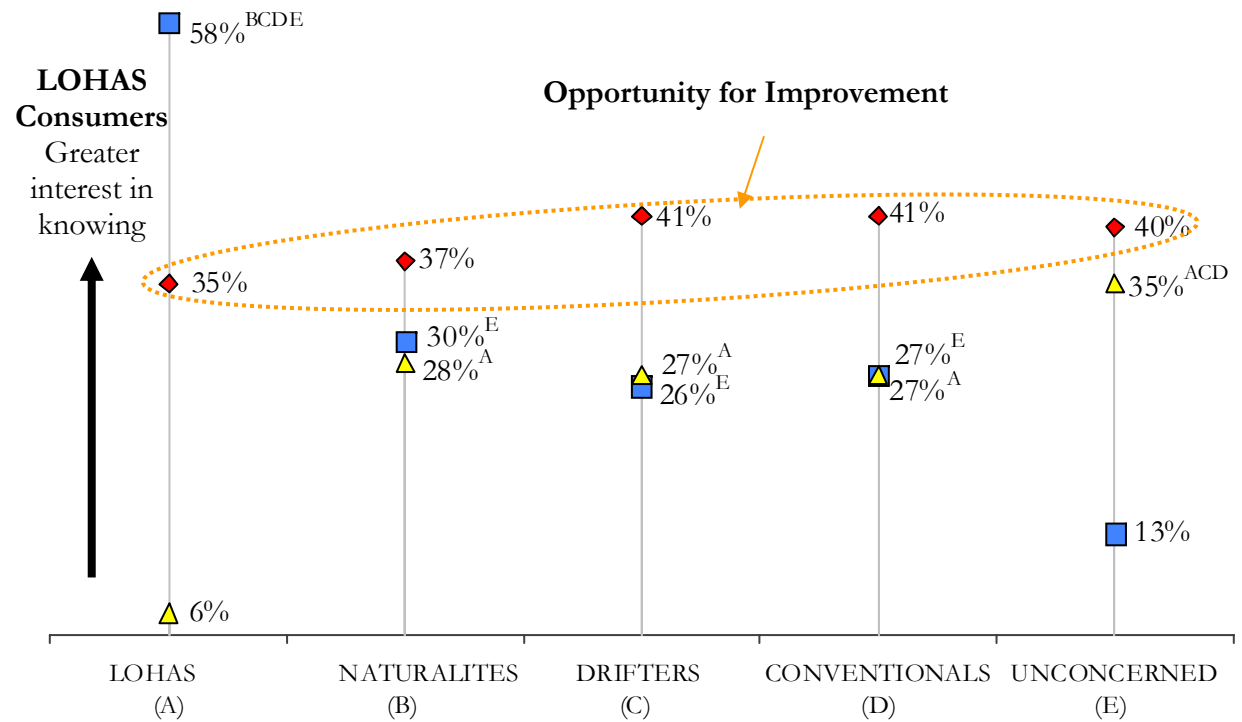
Is the Devil in the Details?

There is always room for improvement when communicating with consumers. Currently, many companies are struggling with what and how much (if anything) they tell consumers about their CSR programs. While some consumers revel in the details, others are overwhelmed by meticulous explanations. Figure 5-16 shows that, on average, consumers are most likely to say that they want to know more about companies' environmental and societal impacts, but do not understand the benefit a company's effort is really providing. Even one-third of LOHAS consumers have a hard time understanding the environmental and societal impacts. Often, the environmental impact of an initiative, such as tons of carbon emissions reduced, may seem esoteric to consumers. Translating the reduction to the number of cars taken off the road is an often-used metaphor that makes this impact more meaningful and understandable to consumers.

Figure 5-16 also shows the LOHAS segment as the most interested in all of the specifics (58%). LOHAS consumers have a better understanding of and familiarity with environmental issues, and so are not as overwhelmed by the details. They may also think that with greater detail comes greater reliability and trust in the message, which may soothe their nature.

Figure 5-16

(Q. 32% NMI segments indicating how much they want to hear about companies discussing their environmental consciousness)



- I like to know all of the specifics - often more than what they tell the public
- ◆ I am interested in the specifics, but sometimes have a hard time understanding exactly what the environmental impact is
- ▲ I am not interested in the specifics, just whether or not they are generally doing something about the environment

Trust in CSR: Fact or Fiction?

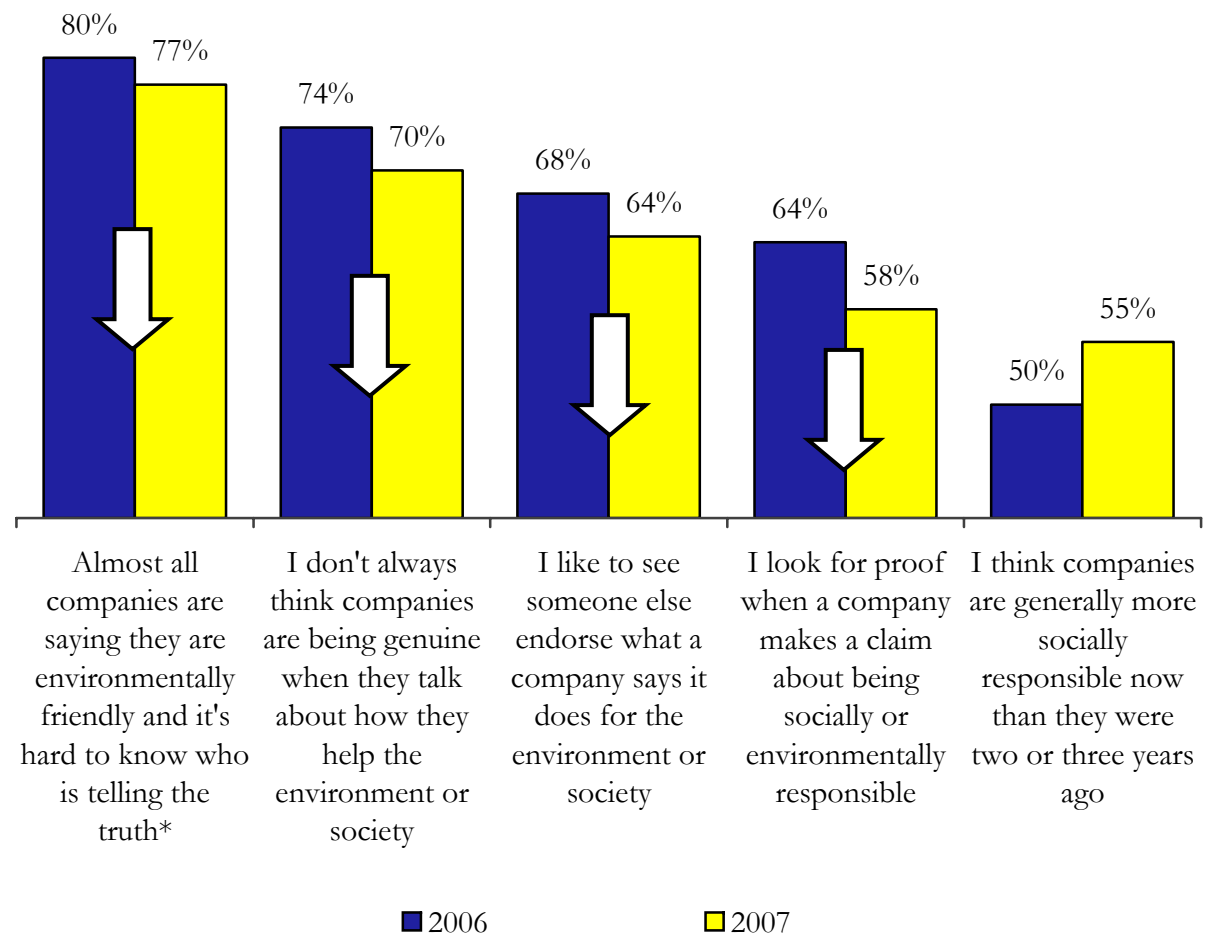
It is not only important for companies to make their CSR values known and aligned to the consumer, but to do so in a way that promotes trust in the brands/products. Overall skepticism in companies' CSR initiatives has decreased from 2006 to 2007, as denoted by the arrows (Figure 5-17). And, there has been a simultaneous increase in the number of consumers who think companies are more responsible now than several years ago. While many consumers remain unsure of the details, the corporate world does, as a whole, appear to be making some progress.

The media is likely to have played a role in these shifting attitudes. As an independent source, the media can provide a sense of authenticity to the consumer. And, environmental consciousness is currently a fashionable subject for the media, as newscasts celebrate breakthroughs in eco-friendly buildings or major publications devote cover stories to eco-topics.

Though skepticism is on the decline, the majority of consumers are still more skeptical than convinced that companies are completely truthful when touting their environmentalism. More than 7 out of 10 consumers are unsure which companies are telling the truth and more than two-thirds do not think companies are being genuine.

Figure 5-17

(Q. 39-% General population stating they agree completely/somewhat with the following)



**Note: In 2006 question wording was "socially responsible" instead of "environmentally friendly"*

Demographic variables affect trust in CSR: men want more proof than women, as do Seniors and those with a college degree or higher. Brands with a high concentration of these demographics will want to pay particular attention to this need.

Trust in CSR — by Segments

Among NMI's segments, those that are most skeptical about whether companies are actually being honest are LOHAS consumers (88%). LOHAS consumers are known for being somewhat cynical, being more inquisitive, and wanting verifiable proof of benefits, and CSR is no exception. Additionally, the proliferation of greenwashing is causing LOHAS consumers' skepticism to escalate compared to previous years, whereas other segments are becoming a bit more trusting.

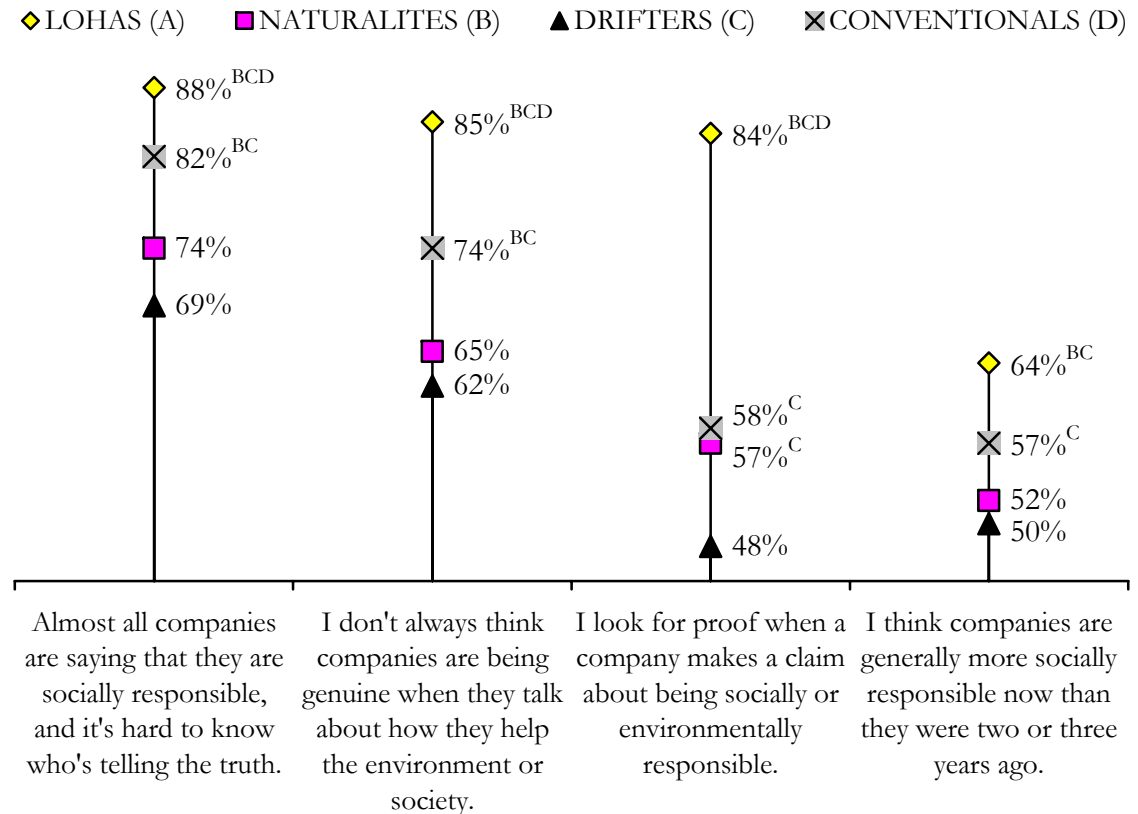
CONVENTIONALS are more differentiated in these measures than in others in this study — their responses are second behind LOHAS consumers'. Their practical nature may lead to needing proof and being skeptical as well.

On the other hand, NATURALITES and DRIFTERS are not as doubtful. These two segments may take information more at face value, or may simply be more trusting of companies.

These data suggest that companies may need to alter their CSR communications based on who their target consumer is. Those that target LOHAS and CONVENTIONALS will need to be much more thorough and credible in their communications, while communicating with NATURALITES and DRIFTERS can be more cursory.

Figure 5-18

(Q. 39% NMI segment stating they agree completely/somewhat with the following)



Consumer Awareness of Specific Company CSR Strategies

Earlier pages in this chapter discuss the importance of communicating CSR activities. Many companies, of course, are doing this, and some are listed in Figure 5-19. As shown, a rift appears in consumer awareness of company environmental and societal responsibility efforts: only 69% of the general population is aware of any measured company having tried to improve its environmental and social image. Those rating the highest are McDonald's and Wal-Mart, at 31% and 29%. This is notable in contrast to companies that have made a more public media commitment to corporate environmental management, such as General Electric and British Petroleum. The LOHAS segment showed greater awareness (83%) of any company making an effort to improve its environmental/social image, as well as greater awareness for each individual company, though for those communicating CSR, these awareness levels may seem quite low.

This ranking shows that current CSR messaging is not breaking through the clutter in consumers' lives — it suggests instead that consumers are associating CSR with companies that are top of mind rather than actual CSR performance. Marketing and advertising agencies will need to make their campaigns more memorable and meaningful for consumers to retain the information.

Figure 5-19

(Q. 38-% General population and LOHAS indicating the following companies have tried to improve their image as it relates to the environment and society)

	GENERAL POPULATION	LOHAS
Any Company (net)	69%	83%
McDonald's	31%	38%
Wal-Mart	29%	33%
Toyota	26%	39%
General Electric	21%	30%
British Petroleum (BP)	20%	30%
Johnson & Johnson	14%	14%
SC Johnson, A Family Co.	14%	20%
Home Depot	13%	17%
Starbucks	11%	21%
Lowe's	11%	12%
Hewlett Packard	11%	13%
Kraft Foods	10%	15%
Con Agra	7%	12%
Nike	6%	8%
Ikea	6%	9%
Merck	5%	7%

Sources of Influence for CSR

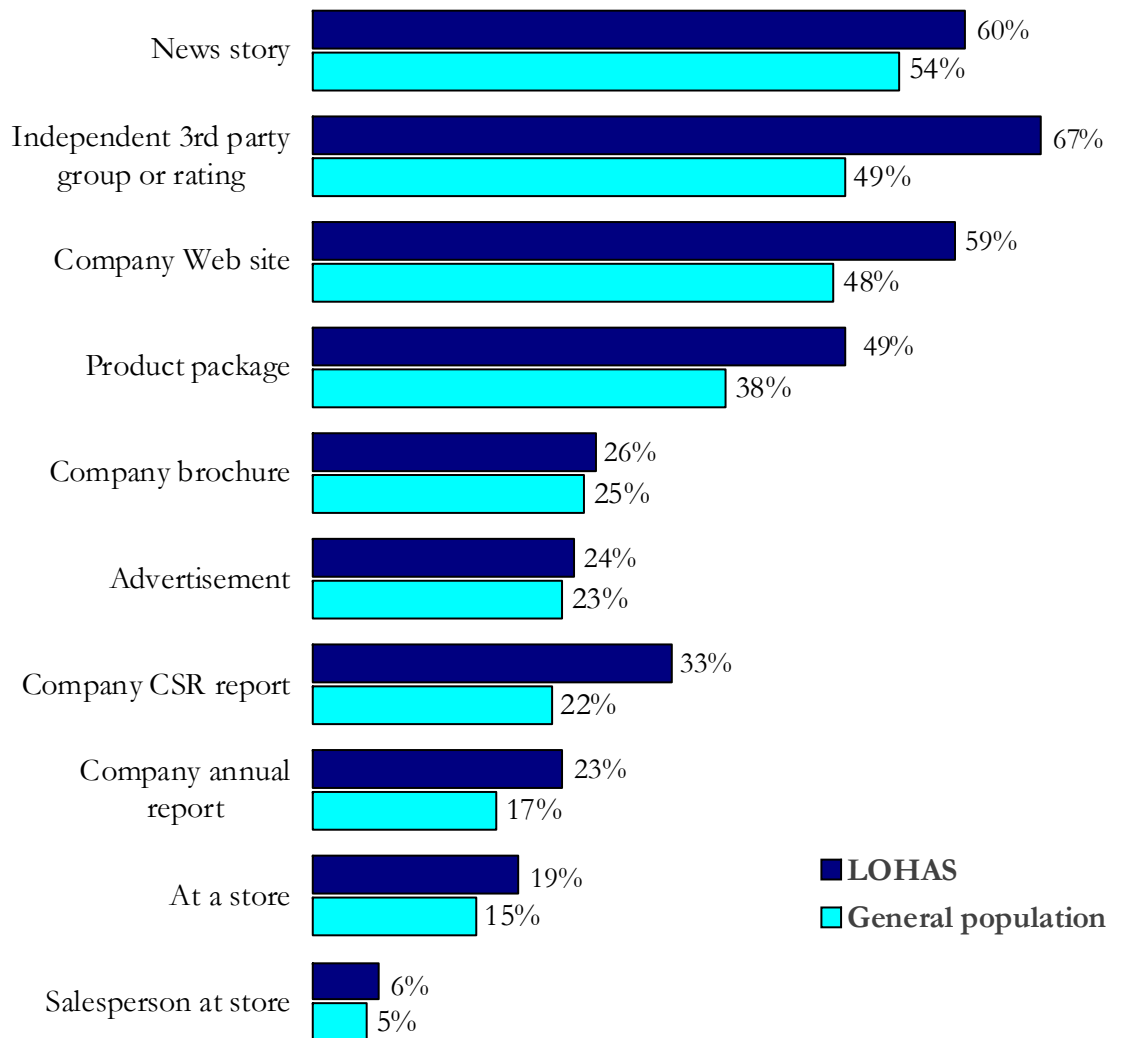
Successful CSR communication is in part about the right message and the right amount of information, and also about the right vehicle. Most consumers prefer to learn about CSR through media, a favoring likely due to the media's overall role in consumers' routines. LOHAS consumers, on the other hand, rely more heavily on independent third party groups due to their skepticism and lack of trust in companies. Additional information about LOHAS consumers' perception of the media can be found in Figure 3-7.

Company Web sites and product packaging also play very important roles for consumers. That these are both vehicles the company controls makes them much easier to utilize. Incorporating some mention of CSR in product packaging — packaging being highly influential at the point of purchase — can be a very effective tool in affecting consumer behavior. While there is limited “real estate,” it is an important place to remind consumers of what the brand stands for.

Packaging can also be used to drive consumers to the Web site, where they can find additional detailed CSR information. The Web content should be designed to provide consumers as much (or as little) information as they want, and also link to other outside resources on the topic. Additionally, Web sites can provide consumers, especially LOHAS consumers, a

Figure 5-20

(Q. 36-% General population and LOHAS stating how they would like to learn more about companies' social and environmental activities (among consumers who indicated they would like to learn more)



vehicle for their CSR reports, thereby providing both transparency and substantiation of environmental and social efforts.

Importance of Environmental Impact of Products

This chapter explores several dimensions of consumer behavior — purchase behavior as well as other non-consumptive behaviors. To start, Figure 6-1 shows consumers’ concern with the environmental impact of various products. Consumers are currently being barraged with marketing about how companies are “going green” or how their products now include environmentally-friendly benefits. This amplified green marketing has increased consumers’ awareness of the impact purchase decisions have on the environment.

As shown, as many as four in ten consumers feel that the environmental impact of any given product matters when considering purchase. The environmental impact of light bulbs is of primary concern. A driving force behind this is the current mainstreaming of compact fluorescent light bulbs (CFLs). Large retailers have made the sale of CFLs not only a revenue objective but an environmental objective as well. In their promotions, retailers have drawn consumer attention to the matter by stressing the amount of energy (and hence dollars) that can be saved by switching to CFLs.

LOHAS consumers view the environmental impact of all products with greater concern than does the general population. In many cases, they are nearly twice as concerned. The

Figure 6-1

(Q. 43% General population indicating the environmental impact of following products matters “a lot”; Index: LOHAS versus general population; shading indicates an index over 190)

Products	General Population %	LOHAS Index to General Population
Light bulbs	43	173
Electricity	40	171
Household cleaning products	38	179
Cars/trucks/vans/SUVs	37	181
Appliances	36	183
Lawn and garden products	35	188
Foods	34	195
Household paper goods	33	195
Home building products	28	197
Personal care products	27	195
Electronics	23	209
Beverages	20	205
Home furnishings	15	197
Travel	13	193
Furniture	13	209
Clothing	12	185
Financial investments	10	222

perceived environmental impact of products that are just emerging in green versions, such as furniture and financial investments, is lower compared to other products/services, but are still twice as likely to be important to LOHAS consumers as to the general population.

Trends in the Importance of Products' Environmental Impact

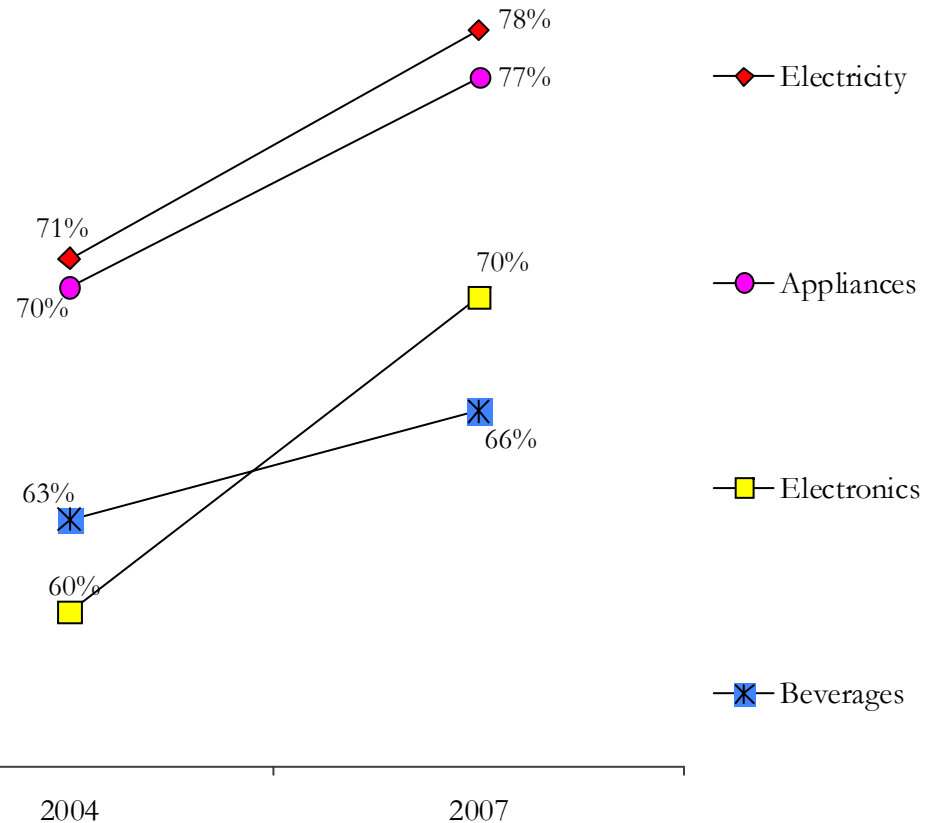
The products listed in Figure 6-2 all show significant growth in consumers' concern for their environmental impact. Concern for the impact of other products, such as foods, household paper goods, and travel, remained stable.

The importance consumers place on the environmental impact of electricity has grown by 3% (CAG) since 2004. Many consumers are now able to choose a percentage of their electricity to come from renewable resources. Other options, such as purchasing Renewable Energy Credits (RECs), give every consumer access to the renewable power market. These alternatives likely contribute to consumers' increasing concern with electricity's impact, which in turn puts pressure on energy companies to provide additional choices. The question is, will this concern translate into behavior?

The growth in concern for electronics' and appliances' environmental impact correlates with increased availability of Energy Star qualified products, more than two million of which have been purchased since March 2006 (Source: energystar.gov). More information on consumer awareness of the Energy Star seal can be found in Chapter Three.

Figure 6-2

(Q. 43% General population indicating the environmental impact of following products matters "a lot/a little")



The concern about beverages' impact on the environment has also grown, perhaps as a result of the current debate surrounding the plastic used to package most bottled drinks. Companies such as Deer Park are experimenting with plastic containers that use up to 30% less plastic, are 100% recyclable, and weigh less than other plastic bottles. Other manufacturers have designed bottles that are efficient within the manufacturing process itself. Additional information on the impact of bottled water can be found later in this chapter.

Interest in Green Products

Moving from concern to interest in green alternatives, the highest interest in purchasing green resides with LOHAS consumers. They are twice as likely as the general population to be interested in environmentally-friendly financial investments (34% of LOHAS are interested versus 14% of the general population); travel (38% versus 17%); and home furnishings (52% versus 23%).

As strong as these differences are, LOHAS consumers' main interest is for green household cleaning products, with over 81% interested. NATURALITES and DRIFTERS ranked this product second, as shown in Figure 6-3. However, there has been some softening of consumers' opinions toward environmental impact of household cleaning products, so usage of green versions has declined (see Figure 6-7). In the past, green household cleaning products were not as effective as conventional versions, which ultimately led to buyer abandonment. The high level of interest currently shown by consumers should incent manufacturers to come to the marketplace. Brands such as Clorox Green Works utilize natural ingredients like coconut, lemon and corn-based ethanol, and they have positioned themselves to capitalize on consumers' desire to clean without toxins.

CONVENTIONALS appear to be a good target for environmentally-friendly vehicles.

Figure 6-3

(Q. 44-% NMI segments very interested in purchasing the following products in green or environmentally-friendly versions...)(Top 10 Ranked for each NMI segment)

LOHAS	NATURALITES	DRIFTERS	CONVENTIONALS
1. Household cleaning products	1. Light bulbs	1. Light bulbs	1. Light bulbs
2. Light bulbs	2. Household cleaning products	2. Household cleaning products	2. Cars/trucks/vans/SUVs
3. Foods	3. Electricity	3. Household paper goods	3. Electricity
4. Lawn and garden products	4. Household paper goods	4. Electricity	4. Appliances
5. Household paper goods	5. Foods	5. Lawn and garden products	5. Household cleaning products
6. Electricity	6. Lawn and garden products	6. Foods	6. Lawn and garden products
7. Appliances	7. Cars/trucks/vans/SUVs	7. Appliances	7. Household paper goods
8. Cars/trucks/vans/SUVs	8. Appliances	8. Cars/trucks/vans/SUVs	8. Foods
9. Personal care products (e.g., haircare, skincare, bodycare, etc.)	9. Home building products (e.g., wood, windows, paint, etc.)	9. Personal care products (e.g., haircare, skincare, bodycare, etc.)	9. Electronics
10. Home building products (e.g., wood, windows, paint, etc.)	10. Personal care products (e.g., haircare, skincare, bodycare, etc.)	10. Electronics	10. Home building products (e.g., wood, windows, paint, etc.)

Vehicles are ranked second (below light bulbs), with over 40% of CONVENTIONALS interested in a green alternative. The reason behind this interest may be partly economical, as the potential fuel cost savings for hybrids appeals to CONVENTIONALS' practical nature. Diesel or flex-fuel vehicles should also attract CONVENTIONALS for the lower overall ownership costs compared to hybrid vehicles.

Eagerness for Green and the Market Opportunity

LOHAS consumers remain a key target for many new green product introductions, as they show significantly more drive to buy such products. As shown in Figure 6-4, three-quarters of LOHAS consumers buy “as many green products as they can.” This equates to 30 million consumers who are eager for the latest and greatest green products/services.

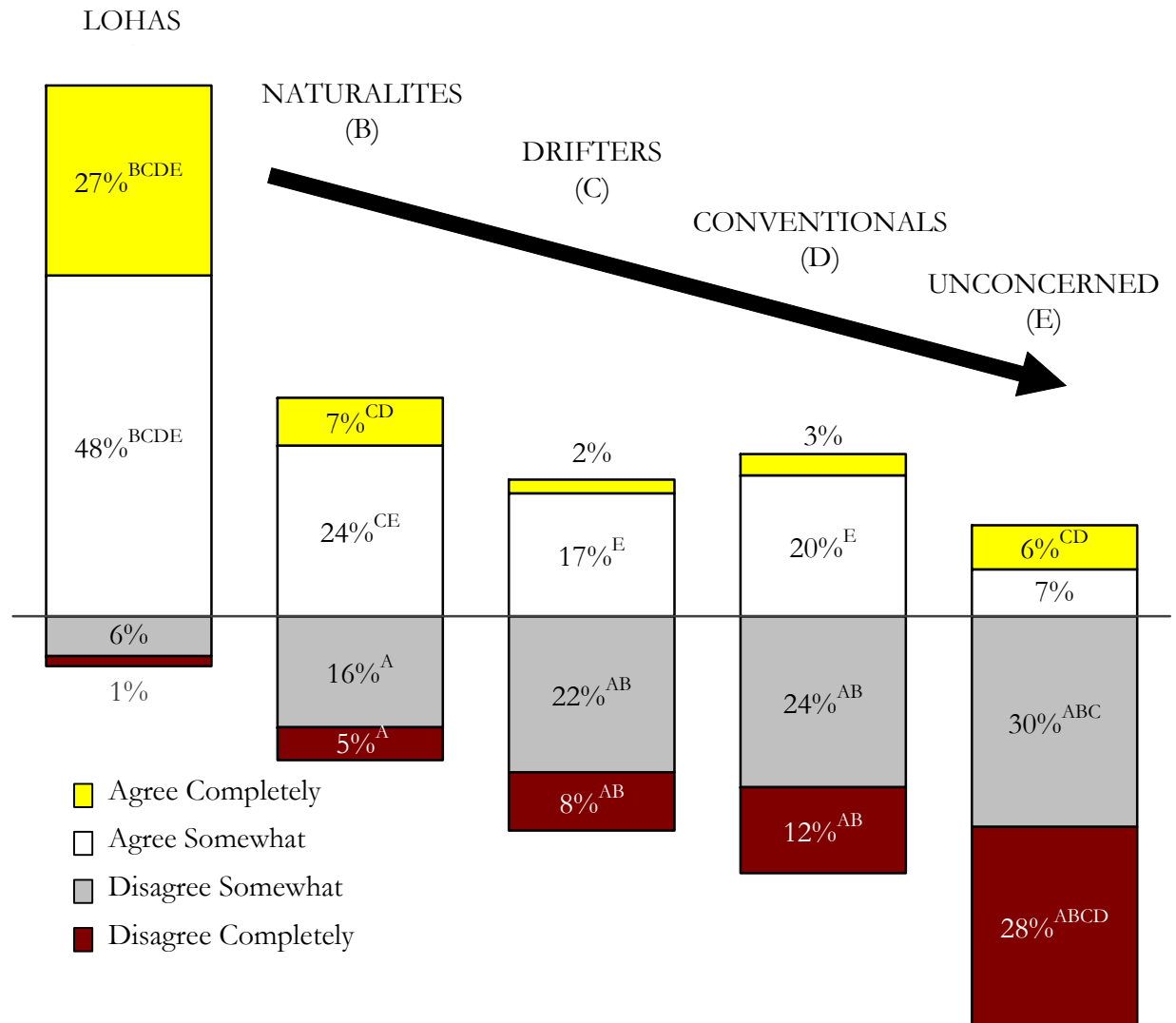
Other segments show diminished, but still significant, eagerness to buy environmentally conscious products. As the only other segment whose appetite outweighs their resistance, NATURALITES are a secondary target. Thirty-one percent indicate agreement toward buying as many green products as possible versus 21% who disagree.

DRIFTERS and CONVENTIONALS respond similarly, with one-third not willing to buy as many green products as they can. DRIFTERS’ disagreement stems from their lack of commitment; CONVENTIONALS do not find all green products practical.

When comparing LOHAS consumers to UNCONCERNEDS, the LOHAS segment is eight times as likely to buy as many green products as possible.

Figure 6-4

(Q. 22-% NMI segments indicating level of agreement that they buy as many “green/eco-friendly” products as they can)



Is Buying Green a Sacrifice or a “Feel Good?”

When consumers are making purchasing decisions they often consider multiple alternatives, and ultimately decide based on many internal and external factors. One such internal factor is the level of sacrifice a consumer is willing to make. Potential sacrifices for environmentally-friendly products include price, convenience (to buy or use), brand perception, style, product quality, and effectiveness.

LOHAS consumers are significantly more willing to make such sacrifices, particularly in comparison to CONVENTIONALS. As shown in Figure 6-5, 14% of LOHAS consumers are willing to sacrifice versus only 2% of CONVENTIONALS.

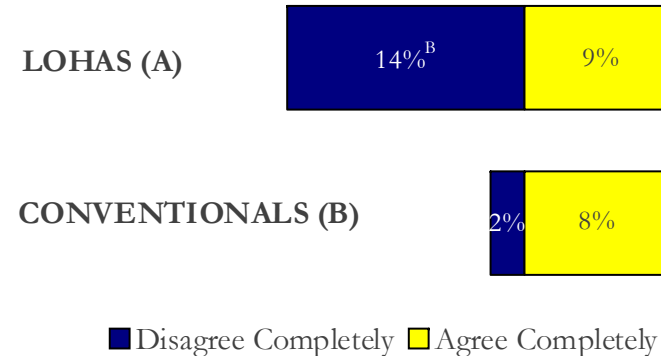
Not only are LOHAS consumers willing to sacrifice, they are less likely to think they *are* sacrificing when they use environmentally friendly products. In other words, the sacrifices that other segments perceive do not feel like sacrifices to LOHAS consumers.

That said, very few consumers — fewer than six million LOHAS consumers — are willing to sacrifice for green. Product designers and marketers will be better situated if they can meet all of consumers’ expectations, traditional and green alike.

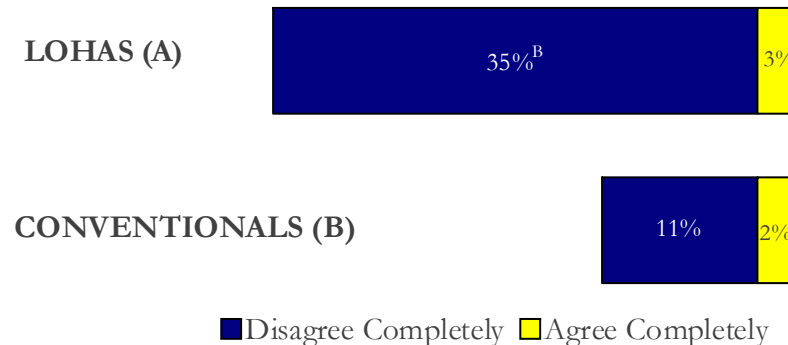
Figure 6-5

(Q. 22% NMI segments agreeing completely with the following statements...)

"I do not want to sacrifice anything when buying environmentally-friendly products"



"I feel like I'm making a sacrifice when I use environmentally-friendly products"



Usage of LOHAS Fast-Moving Consumer Goods

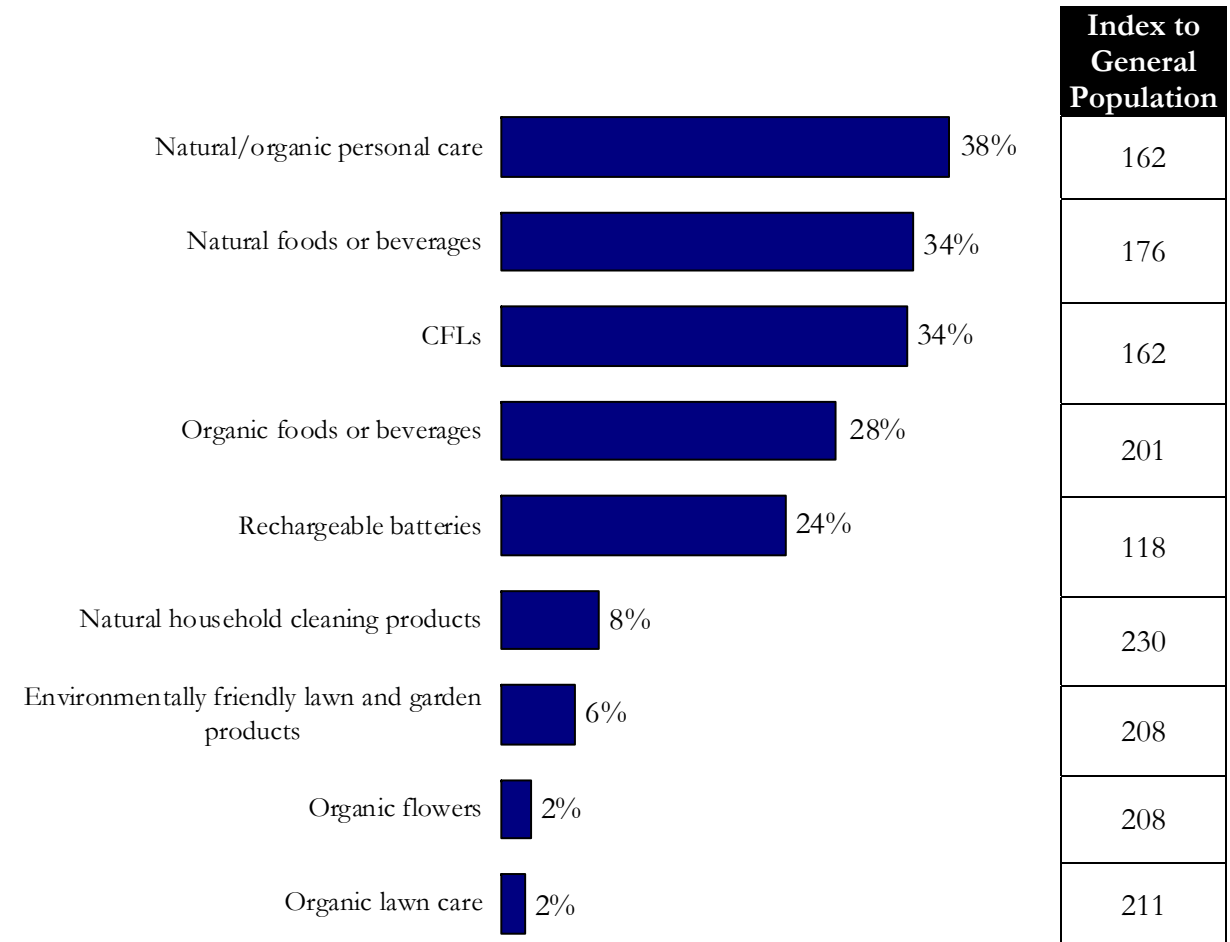
Some environmentally-friendly consumable products are being used by a significant portion of the general population. More than one-third of consumers are purchasing natural/organic personal care products, natural foods and beverages, and CFLs.

Though LOHAS consumers index higher for all listed products, they are twice as likely to use emerging eco-friendly products like organic flowers and organic lawn care. For natural household cleaning products, LOHAS consumers index even higher: they are 2.3 times more likely to use than the general population. Driven by their avoidance of harmful fumes and dangerous chemicals, NATURALITES are more likely than CONVENTIONALS to use natural household cleaning products. The importance NATURALITES place on personal health and the non-toxic qualities of natural cleaning products make them a perfect fit for manufacturers.

Among the more popular products across all segments are CFLs and rechargeable batteries. Thirty-four percent of the general population has purchased CFLs in the past year. More than half of LOHAS consumers, over one-third of CONVENTIONALS, and almost

Figure 6-6

(Q. 52, 70, 90, 113-% General population indicating purchase of the following products; Index: LOHAS versus general population)



one-quarter of UNCONCERNEDS consumers also use CFLs. As with CFLs, different benefits of rechargeable batteries appeal to different segments. Over one-quarter of LOHAS consumers use rechargeable batteries, likely due to their sustainability attributes. Just as many CONVENTIONALS use, but presumably because rechargeables' total cost (in the long run) is less than that of disposable batteries.

Trends in LOHAS Fast-Moving Consumer Goods

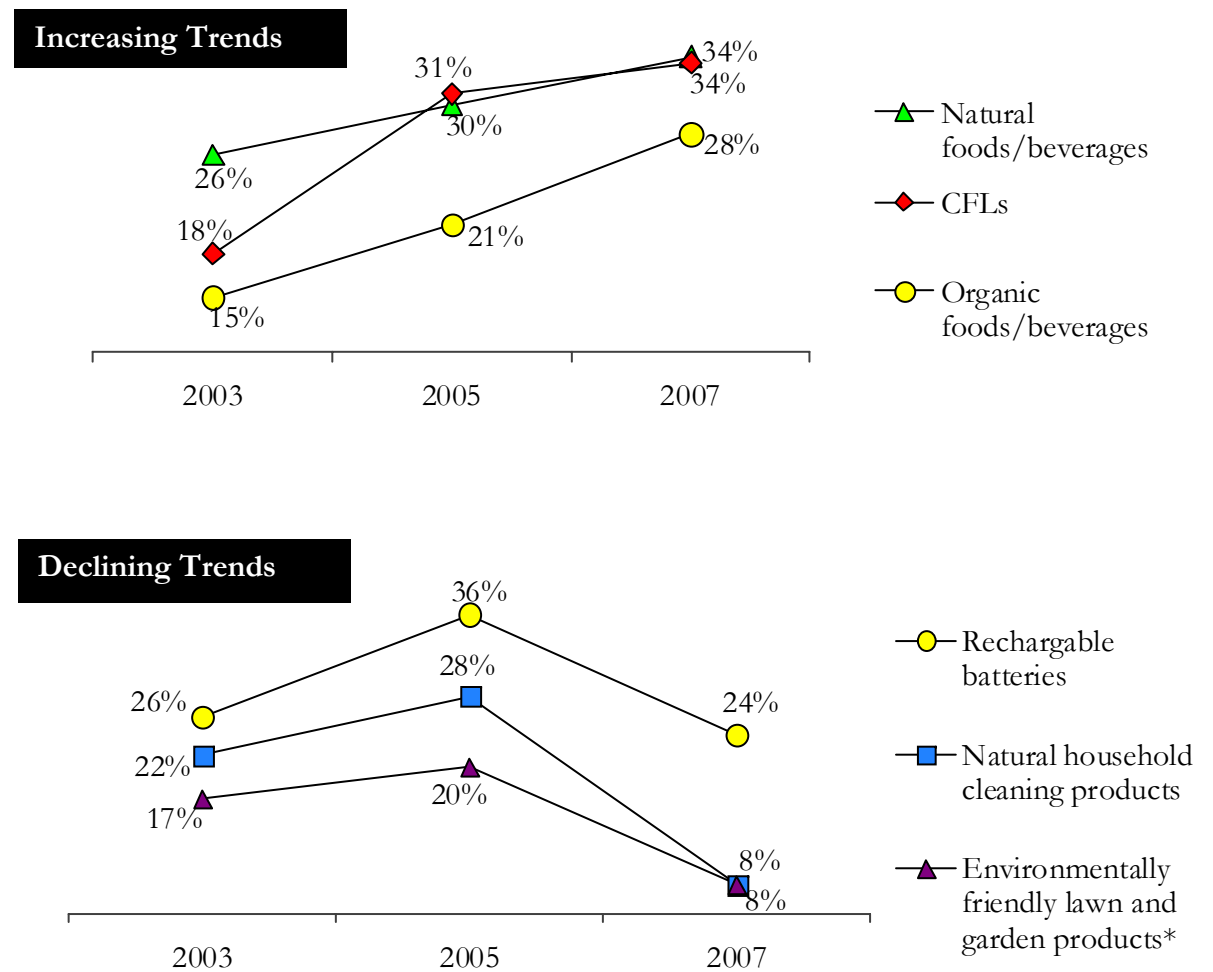
A few niche environmentally-friendly products have migrated to the mainstream. As shown in Figure 6-7, usage of organic foods and beverages grew by 18% (CAG) between 2003 and 2007. Natural food and beverage usage has also grown substantially — 7% within the same period. Both categories are being used by almost one-third of all consumers, and new products are consistently being launched. In fact, over 3,400 “organic” or “all-natural” products were introduced in 2007 (Source: NMI PATI Data).

CFLs show the strongest growth: 17% since 2003 as mentioned previously in this report. Consumers’ perception that CFLs save money and are good for the environment makes them a win-win for consumers. Wal-Mart’s goal to sell 100 million CFLs in a year, which they exceeded by more than 40%, also helped to make this product more accessible than it otherwise might have been.

Other environmentally-friendly products have seen significant declines in usage. Rechargeable batteries and natural household cleaning products are among them, possibly due to an inability to overcome poor perceptions of their effectiveness and value. For example, the first rechargeable batteries took a long time to charge, and also developed a “memory,” which

Figure 6-7

(Q. 52, 70, 113-% General population indicating purchase of the following...)



*Note: Data for 2007 is the net of “environmentally-friendly lawn and garden products” and “organic lawn care”

reduced battery life over time. It is up to manufacturers to develop products that offer both traditional and LOHAS-related benefits, and to not overstate their products’ benefits, especially those related to performance.

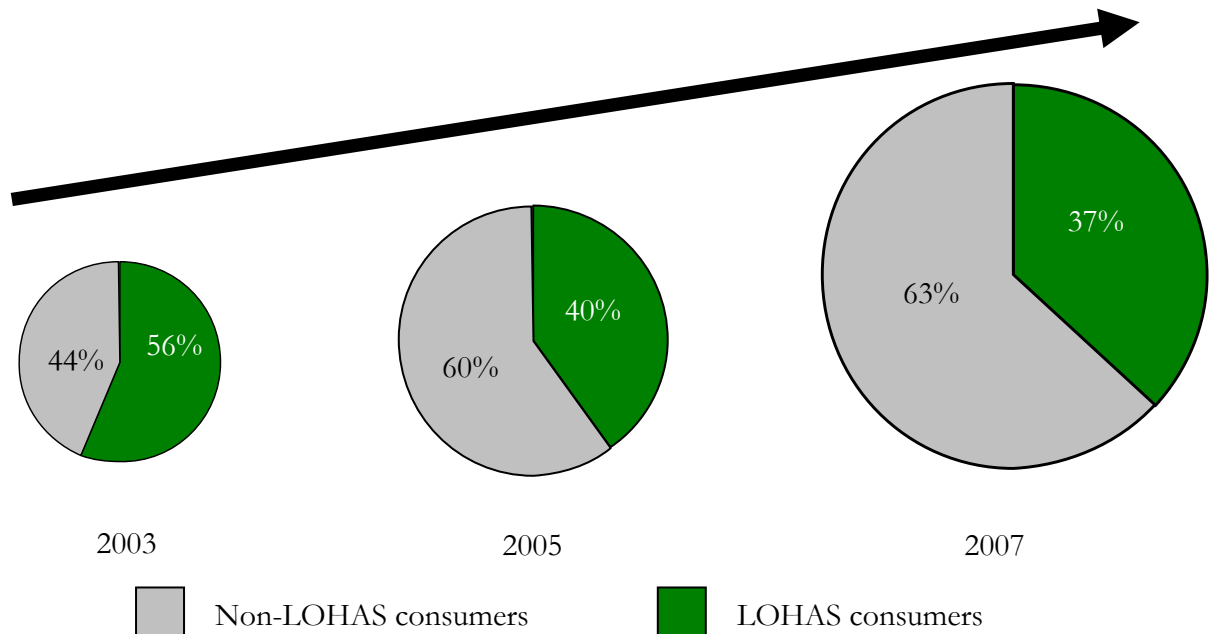
LOHAS Segmentation of Organic Usage Over Time

Figure 6-8 displays several dynamic qualities of the organic product market. First, the increasing size of the pie represents the overall growth in the organic product marketplace. Secondly, with the growth and respective mainstreaming, non-LOHAS consumers' usage of organics also grows. Consequently, the percentage of LOHAS consumers in the user group has declined since 2003. In 2003, LOHAS consumers comprised 56% of organic food users, a proportion which has declined to 37% in 2007. Non-LOHAS consumers conversely have increased their share from 44% in 2003 to 63% in 2007.

The impact of non-LOHAS consumers joining the marketplace was felt in many organic categories, as a new-found craving for organic products strained organic supplies. Organic ingredients like nuts, spices and beans are now being imported from India and China and African countries. This has spawned a debate as to whether the environmental impact of transportation negates the positive impact of organics; some consumers are also concerned about quality, especially given the recent issues in China.

Another impact of the growing market is product shortages. In some cases, high demand has created supply shortages, such as those that

Figure 6-8
(% Organic food user in NMI defined consumer segments)



Note: Size of pie represents size of the organic product market (Source: Organic Trade Association)

impacted Stonyfield Farm's organic yogurt production. Similarly, demand for organic milk has led some dairy farmers to convert conventional milk production to organic milk, thereby reducing supply of conventional milk and increasing its cost.

Consumers' growing interest in organic products has not been lost on retailers. Wal-Mart and other large retailers are increasing their organic offerings and allocating more shelf space to organic products than ever before. NMI expects these trends to continue as both the health and sustainability benefits are sought by consumers.

Bottled Water Backlash

In 2007, exposure of bottled water's environmental impact gained momentum due to a plethora of issues, such as toxic chemicals leaching into the water from the plastic, high bacterial content if the bottle sits too long, and various environmental costs.

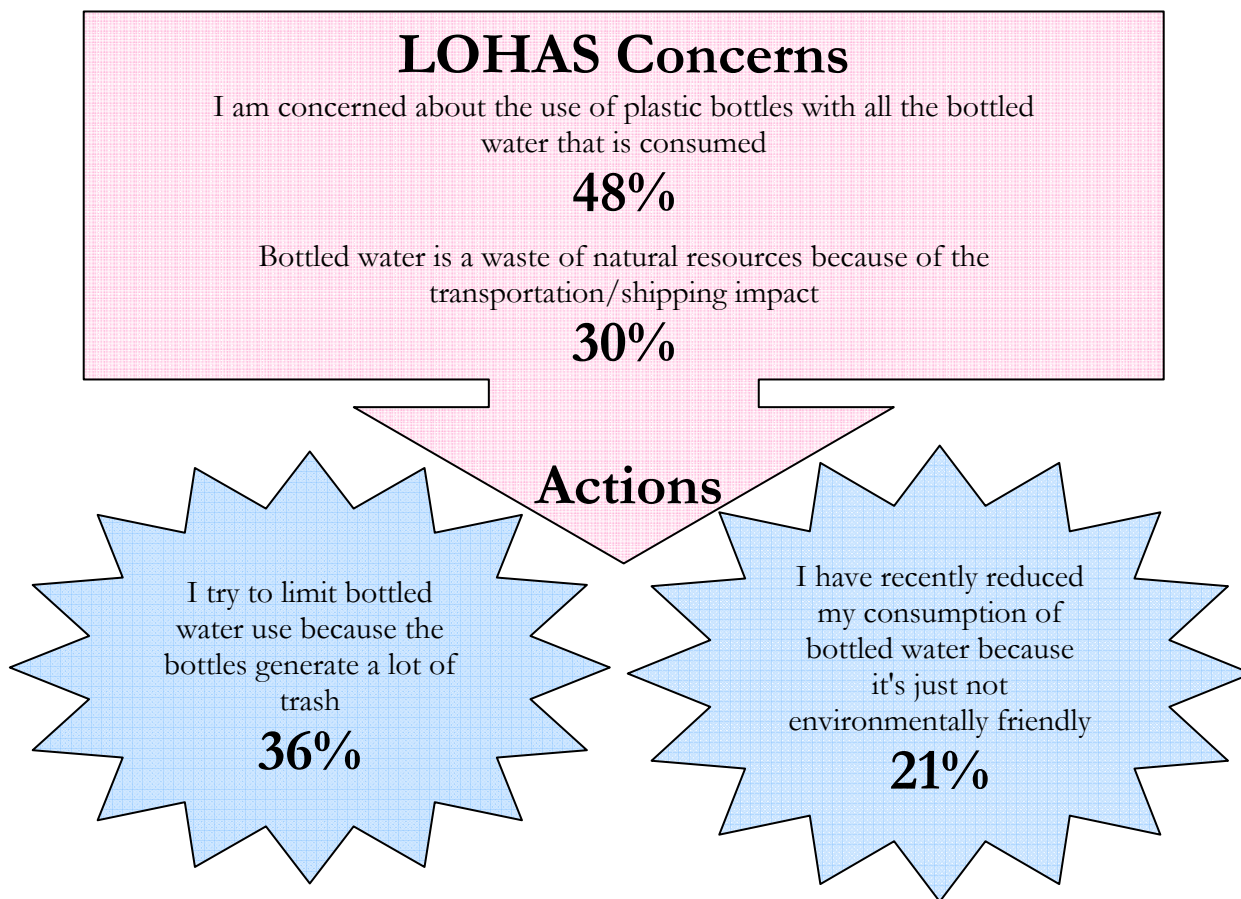
It is estimated that 80% of plastic water bottles end up in landfills (Source: Container Recycling Institute). Consumers have become conscious of these solid waste and other environmental costs, like the amount of energy consumed and waste created to manufacture the bottles, energy used to transport the bottles from manufacturer to supplier to retailer, and the wasted packaging of the bottles themselves.

As would be expected, LOHAS consumers are interested in this issue due to the bottles' great environmental footprint. As shown in Figure 6-9, almost half of LOHAS consumers are concerned about the use of bottled water. They are also willing to take action to improve the situation, as over one-third are trying to limit use because of the waste generated.

However, there is underlying tension in these figures; LOHAS consumers' concern about their environmental impact conflicts with their desire for the perceived health benefits of drinking bottled water. This gives rise to manufacturing opportunities to provide

Figure 6-9

(Q. 112% LOHAS consumers agreeing completely with the following statements...)



reusable bottles, such as SIGG bottles; or those with filtration options, like New Wave's corn-based bottles with built-in filters.

Several municipalities have taken action on the growing concern over bottled water. San Francisco, Los Angeles and Salt Lake City have begun banning city departments from buying bottled water. And, the city of Chicago has proposed a city-wide tax of \$.10 on each plastic bottle sold.

Perceived Environmental Friendliness of Packaging Materials

Packaging has been an important and fervent topic for those concerned with environmental issues, and it recently has propelled to a top agenda item in many companies due to Wal-Mart’s evaluation of its suppliers’ packaging.

Few consumers perceive the packages listed in Figure 6-10 as “extremely” environmentally friendly. More specifically, one-third or less of the general population consider packaging such as aluminum cans and glass bottles to be “extremely” environmentally-friendly despite the ability to recycle or reuse them. Knowledge of and participation in recycling has instilled LOHAS consumers with more favorable views on each package, except for plastic bottles.

LOHAS consumers indicate a higher degree of environmental friendliness for aseptic containers compared to CONVENTIONALS. LOHAS consumers may better understand the benefits of aseptic containers: lighter weight resulting in lower transportation and fuel costs; efficient manufacturing; reduced packaging volume; and lack of need for refrigeration. CONVENTIONALS, who may take a narrower view than LOHAS consumers, likely perceive aseptic packaging negatively, as recycling it poses a challenge in most communities.

Figure 6-10

(Q. 28-% NMI segments rating the following types of packaging as extremely environmentally friendly)

Type of Packaging	General Population %	Index to General Population	
		LOHAS (A)	CONVENTIONALS (B)
Paperboard (cereal boxes)	35	114	102
Corrugated cardboard	35	122 ^B	97
Aluminum can	34	109	110
Glass bottle	31	127	119
Steel or tin can	20	117	106
Plastic bottle	19	86	98
Gable-topped containers (such as orange juice or milk cartons)	14	105	92
Aseptic containers (such as juice drinks or soy milk containers)	14	118	71

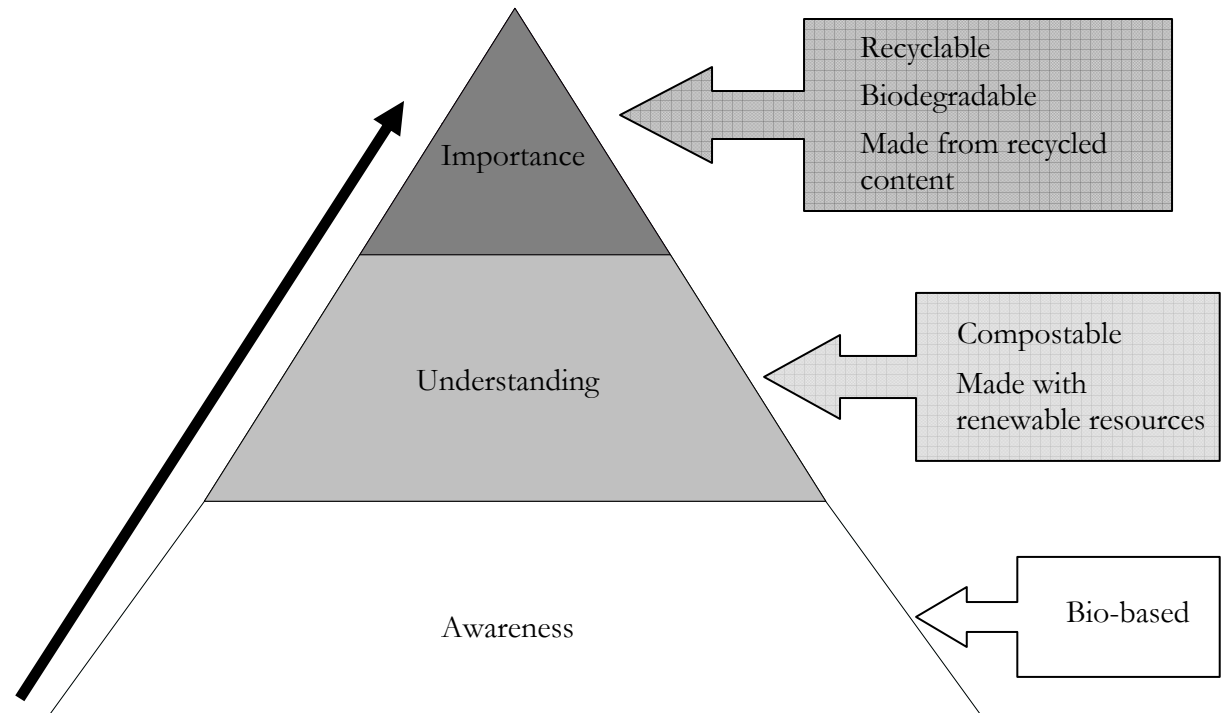
Awareness, Understanding and Importance of Environmentally Friendly Packaging Terms

While other market forces may prompt companies to reconsider their packaging, consumers also plays a role. Awareness of environmentally-friendly packaging terminology is extremely high for terms such as “recyclable,” “biodegradable,” and “made from recycled content,” with over 90% of consumers indicating awareness. This leads many consumers to find it important for products to come in this type of packaging. Newer, more innovative types of environmentally-friendly packaging, like “bio-based,” have not yet permeated a mainstream audience (awareness in the general population is only 29%), though LOHAS consumers are significantly more aware of and interested in such packaging.

Over two-thirds of the general population feels it is important for products they buy to be packaged with recyclable material, biodegradable material, or material made from recycled content. For LOHAS consumers, these sentiments are exacerbated. Specifically, recyclable packaging is a must for LOHAS consumers, as over 98% feel it is important. Even cutting-edge packaging that the general population has not embraced, like “bio-based,” is deemed important by 51% of LOHAS.

Figure 6-11

(Q. 29-% General population indicating awareness, understanding and importance of the following terms applied to types of packaging...)



Note: Terms higher in the above pyramid meet the lower level criteria. Read: The term “recyclable” has achieved a level of understanding and awareness in the general population, whereas “bio-based” has not yet moved beyond awareness.

As consumers become aware of, and then understand, the implications of various types of environmentally-friendly packaging, many ultimately see the importance of buying products that utilize friendlier alternatives. When the numbers grow, a tipping point will be crossed, and it is at this point that companies will be compelled to use environmentally-friendly packaging. It is possible that “importance” will occur before complete understanding has been achieved. This may be a result of media pressure bringing issues like biodegradability to the forefront, thus arousing concern even among those consumers who do not understand the source of their concern.

Attitudes Toward Packaging of Products

Figure 6-12 shows the attitudes and behavior of consumers concerning various dimensions of packaging. Importantly, almost half of all consumers feel that companies over-package their products, and an equal amount would like companies to use less. This compares to one-third who think that current amounts of packaging are necessary (for safety).

Even though these attitudes are focused on minimizing packaging, most consumers are not yet willing to change their purchasing habits. Less than 1 out of 10 consumers is willing to select another product based on over-packaging. Certainly, brand loyalty, price, and other primary reasons consumers buy a product affect this behavior. Nevertheless, manufacturers are likely to find that package minimization also reduces the material cost and therefore can be beneficial in its own right.

It is not surprising to see that LOHAS consumers have the strongest convictions against over-packaging. But, for the vast majority, this does not change behavior. Only 13% will look for another product with less packaging.

Wal-Mart has addressed waste by directing suppliers to reduce packaging by 5% by 2013.

Figure 6-12

(Q. 30-% NMI segments agreeing completely with the following statements...)

	General Population %	Index to General Population		
		LOHAS (A)	NATURALITES (B)	CONVENTIONALS (C)
Attitudes				
I would like to see manufacturers try to reduce the amount of packaging they use	48	158 ^{BC}	97	110
I think many products are over-packaged	46	148 ^{BC}	96	109
I like products to be well-packaged so that the product is safe	35	118	110	90
Behavior				
When I see a product that is over-packaged, I look for something else to buy	8	170 ^C	112	76

If successful, this will eliminate 200,000 trucks from the road and save 66.7 million gallons of diesel fuel.

The trend toward individual serving sizes of convenience foods is one cause of packaging waste. Due to shifting lifestyles, consumers are looking for on-the-go products; over-packaging is a side effect of companies' answer to that call. Many products, such as snack foods, have gone from one multi-serving bag or container to single-serve packages, each with its own inner and outer wrap. It is unlikely that consumers' desire for convenience will diminish, but switching packaging material (e.g., biodegradable packaging) may reduce some of the impact.

Expectations for Manufacturers on Environmentally-Friendly Packaging

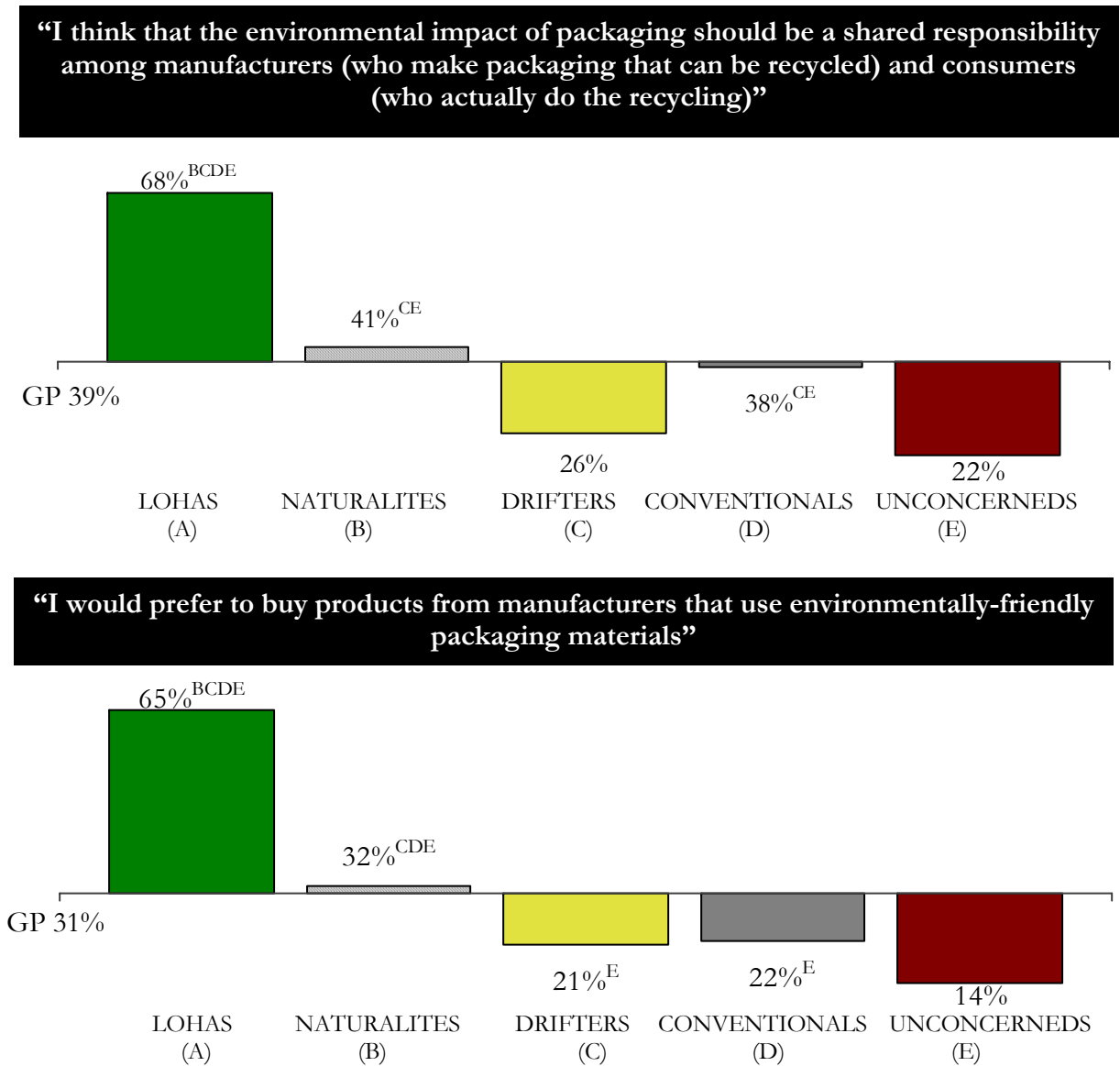
As shown in Figure 6-13, more than two-thirds of LOHAS consumers believe that the environmental impact of packaging should be shared between manufacturer and consumer.

Furthermore, LOHAS consumers utilize environmentally-friendly packaging as one of the deciding factors to buy a product. LOHAS consumers are twice as likely as NATURALITES and more than three times more likely than other segments to prefer buying products from manufacturers who use environmentally-friendly packaging materials.

LOHAS consumers' overwhelming environmentally-friendly packaging preference (compared to other segments) is an extremely important position that manufacturers should recognize. Particularly when products are targeted to LOHAS consumers, the outside is nearly as important as the inside. Marketers targeting other segments may also wish to incorporate these considerations. One example of a company that has done so is Aveda, which has minimized the amount of packaging and also made it recyclable, reusable, or compostable.

Figure 6-13

(Q. 30% NMI segments agreeing completely with the following statements...)



Usage of LOHAS Durable Products

As shown in Figure 6-14, more than three-quarters of the general population own energy-efficient appliances and almost half own energy-efficient electronics. The Energy Star program has effectively motivated consumers to purchase electronics and appliances by utilizing both environmental and cost-saving marketing messages. Additional information on Energy Star can be found in Chapter Three. Whereas LOHAS consumers are passionate about the environmental benefits of Energy Star (reduction of greenhouse gases and energy conservation), other consumers, such as CONVENTIONALS, are motivated by the cost savings. This same motivation prompts CONVENTIONALS to also use low-flow showerheads, energy-efficient windows, and other green home improvement products.

Other durable goods, such as organic cotton products, are used predominantly by LOHAS consumers. Another possible target for organic cotton products would be NATURALITES, provided that manufacturers persuade consumers of these products' health benefits over conventional cotton products' (hypoallergenic and less residual pesticides and herbicides).

Even though non-toxic or low-fume paint is used significantly more by LOHAS consumers,

Figure 6-14

(Q. 48, 77, 83, 87, 113-% NMI segments indicating usage or ownership of the following products)

Durable Products	General Population %	Index to General Population	
		LOHAS (A)	CONVENTIONALS (B)
Energy-efficient appliances	78	115 ^B	108
Energy-efficient electronics	45	133 ^B	104
Low-flow showerhead for a bath or shower	20	177 ^B	111
Energy-efficient windows	15	155 ^B	112
Non-toxic or low-fume paint	15	175 ^B	74
Clothing made with organic cotton	5	250 ^B	65
Sheets or towels made with organic cotton	4	253 ^B	56
Solar panels for my house	2	100	100
Hybrid vehicle	1	145	91

NATURALITES also make a good secondary target for manufacturers. As with organic cotton, NATURALITES' personal health-driven purchasing behavior makes this product a perfect option for them. Trend-focused retailers could play a significant role in growing the organic cotton marketplace. If, for example, a brand like H&M were to incorporate organic cotton into its products, it would likely draw appeal from DRIFTERS.

Trends in Usage of LOHAS Durable Products

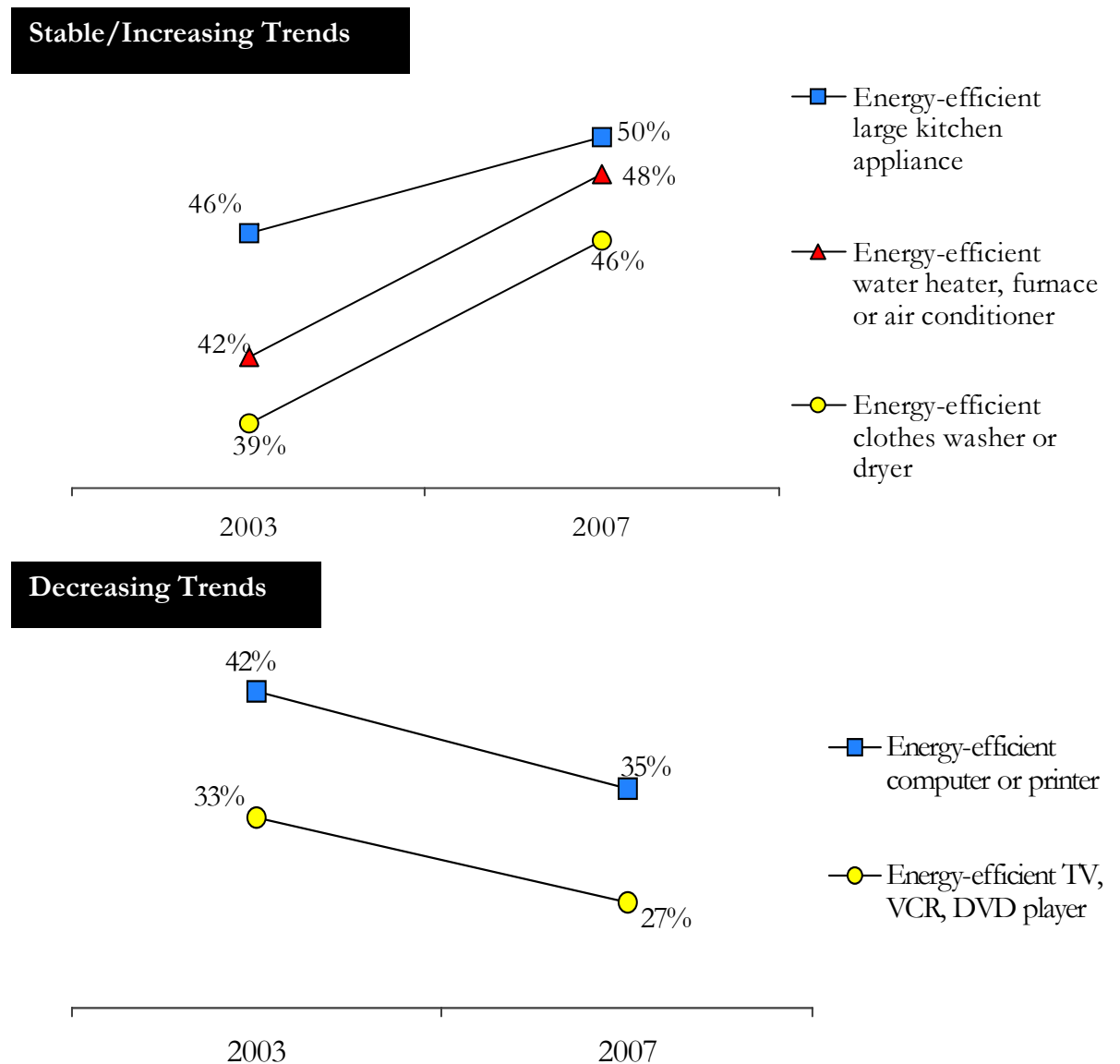
Among the durable goods examined in this study, Figure 6-15 shows which have grown in consumer usage since 2003. The net usage of energy-efficient appliances grew 1% (CAG) over the past four years to 78% in 2007. It is important to note that with such a high usage rate, growth of any magnitude is challenging.

Whereas energy-efficient appliance usage has grown, energy-efficient electronics usage has declined (-3% (CAG), from 52% in 2003 to 45% in 2007). The bigger decline was experienced by energy-efficient TVs, VCRs, or DVD players, which fell from 33% in 2003 to 27% in 2007 (-5% CAG), likely due to increasing functionality and technology out-ranking energy efficiency in consumers' minds.

The purchase of clothing made from organic cotton has also declined. The decline can perhaps be attributed to the higher cost, lack of understanding of the benefits, and lack of product availability. However, with Wal-Mart as the largest buyer of organic cotton, this trend may reverse as availability increases and costs fall.

Figure 6-15

(Q. 48, 77, 83, 113-% NMI segments indicating usage or ownership of the following products)



Usage of Alternative Healthcare

While millions of Americans use alternative healthcare modalities on a regular basis, LOHAS consumers are using significantly more compared to other segments. More than 20% of LOHAS consumers received a massage in the past year, for example, and they are significantly more likely to use a homeopathic remedy or medicine.

Surprisingly, of the alternative modalities listed, homeopathy is the only one NATURALITES use more compared to the general population. More than one-third of NATURALITES state that they do not use measured alternative healthcare compared to 22% of LOHAS; and only 11% of NATURALITES have increased their usage of alternative healthcare in the past year compared to 21% of LOHAS consumers. The lower than expected usage by NATURALITES may be a result of the services being not quite “mainstream” enough for them, either in trust or availability.

Usage of massage, acupuncture/acupressure, and osteopathic medicine remained stable between 2003 and 2007, while homeopathy increased by 14% (CAG) and chiropractic services decreased by -4% (CAG).

In summary, most consumers do not demonstrate commitment and willingness to adopt alternative or complimentary forms of

Figure 6-16

(Q. 113-% NMI segments indicating usage or ownership of the following alternative healthcare services)

	General Population %	Index to General Population		
		LOHAS (A)	NATURALITES (B)	UNCONCERNED (C)
Massage	12	168 ^{BC}	69	76
Chiropractic services	11	145 ^B	87	111
Homeopathic remedies/ medicine	7	226 ^{BC}	116 ^C	39
Acupuncture/ Acupressure	3	204 ^C	96	64
Osteopathic Medicine	2	181	69	181

of medicine. There may be opportunities to capitalize on consumers’ *interest* in exploring Eastern medicine and self care, and to grow usage of these remedies. Practitioners and associations of practitioners may wish to engage in awareness-building consumer campaigns to drive usage. Also, lack of insurance coverage for these types of services is a barrier that must be overcome in order for alternative therapies to gain widespread consumer acceptance.

Usage of LOHAS Services

The increased awareness of environmental and social issues provides market opportunities for the LOHAS services listed in Figure 6-17. The current low usage (under 10%) by the general population and lack of growth of these services since 2005 (see Figure 6-18) indicate providers have not marketed these choices as effectively and persuasively as possible.

As would be anticipated, LOHAS consumers are a primary target for these services. LOHAS values are aligned with the services, and existing user groups are heavily populated by LOHAS consumers. However, even LOHAS adoption rates are low, indicating that significant opportunity remains. In fact, 29% of LOHAS consumers would be more likely to buy stock from companies that are mindful of their impact on the environment and society, though far less state that they actually do buy stock from those companies.

NATURALITES are a good secondary target, at least attitudinally, for socially-responsible investment services, as they have directionally more usage than the three remaining segments. However, this should be balanced with their financial value as clients — NATURALITES income (\$58,000) and net worth (\$151,000) are less than some other segments’.

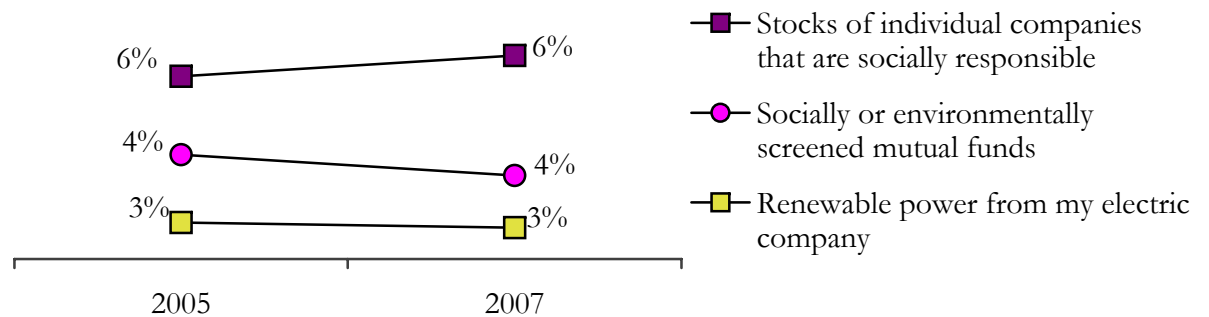
Figure 6-17

(Q. 87, 88-% NMI segments indicating usage or ownership of the following services)

	GP %	Index to General Population				
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)	UNCONCERNEDS (E)
Stocks of individual companies that are socially responsible	6	198 ^{BCD} _E	122 ^C	42	86 ^C	66
Socially or environmentally screened mutual fund	4	181 ^{CDE}	139 ^C	39	83	78
Renewable power from my electric company	3	192 ^{CDE}	96	62	69	85

Figure 6-18

(Q. 87, 88-% General population indicating usage or ownership of the following services)



LOHAS Product Integration

Figure 6-19 depicts consumer usage of several LOHAS products, from the products' market entry to 2007. The bubble size represents the usage growth between 2005 and 2007. The table below the graph summarizes the data used. Notably, time in market does not appear to correlate with consumer integration.

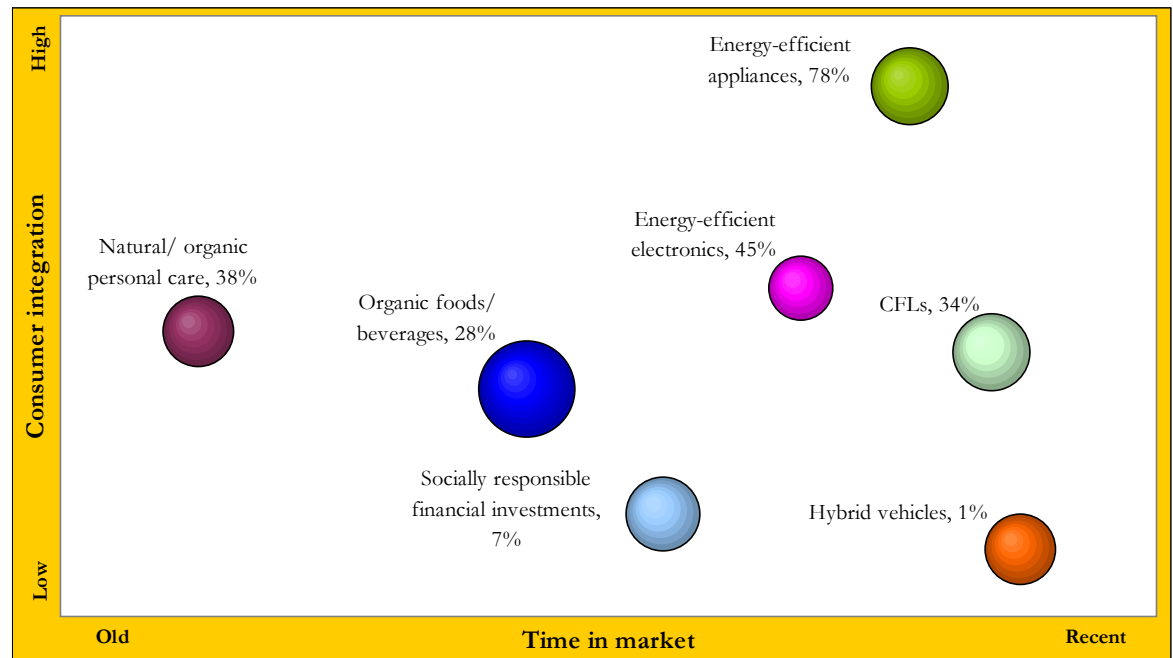
Energy-efficient appliances and energy-efficient electronics have achieved higher levels of integration though their time in the market is rather short. Rapid integration is a result of their benefits. CFLs appear poised for increased integration for similar reasons.

Hybrid vehicles may also see a rise in integration as manufacturers adopt the technology across more models. General Motors has released the Chevy Tahoe hybrid and GMC Yukon hybrid for 2008 (the first full-size hybrid SUVs) and is expected to release an average of one hybrid per month for the next four years (Source: GM.com).

Such products as socially-responsible investments have not become integrated even though they have been available longer. These products have either under-performed conventional versions or do not yet provide sufficient value to mainstream consumers.

Figure 6-19

(% General population using various LOHAS products; time in market: product became available for general population; size of bubble: growth of usage from 2005 to 2007)



Product	Time in Market – Baseline Event	2005 Usage	2007 Usage	Growth
Natural/organic personal care	1970 Tom's of Maine begin selling natural products	37%	38%	2%
Organic foods/beverages	1982 Regional Tilth organic standards	20%	28%	37%
Socially-responsible financial investments	1987 Investment companies offer investment vehicles options excluding South African companies	6.6%	7%	6%
Energy-efficient electronics	1992 EPA standards	48%	45%	-8%
Energy-efficient appliances	1996 EPA and Department of Energy – Energy Star	72%	78%	10%
CFLs	1999 Energy Star qualified	31%	34%	9%
Hybrid Vehicles	2000 Toyota Prius available in U.S.	1%	1%	0%

Barriers to Buying Environmentally-Friendly Products

For more than half of the population, the number one barrier to buying environmentally friendly products is price. Price is a particular barrier for CONVENTIONALS and UNCONCERNEDS (Figure 6-20).

Lack of knowledge and some inherent skepticism are secondary barriers. NATURALITES, CONVENTIONALS, and UNCONCERNEDS need to be better educated about environmentally-friendly products and services.

LOHAS consumers' second barrier is product availability (51% indicated it as a barrier). This is a very telling observation. If products were simply more available, LOHAS consumers are likely to purchase. Retailers can take advantage of this by providing alternative access points, such as the retailer's website. LOHAS consumers' third barrier is skepticism. As more mainstream companies and brands angle for a green position, LOHAS consumers may perceive some of their efforts as greenwashing.

Efficacy, as noted throughout this report, has previously deterred many potential consumers of green products. However, few consumers currently cite this as a barrier, revealing the emergence a new era of green product marketing opportunities.

Figure 6-20

(Q. 42-% NMI segments indicating the following prevents them from using environmentally-friendly products and services)

	GP %	Index to General Population				
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)	UNCONCERNEDS (E)
They are too expensive	57	99	89	94	109 ^{BC}	112 ^{ABC}
I don't know enough about them	38	88	109 ^A	98	104	101
I am not sure they are actually any better for the environment	37	103 ^C	95	81	116 ^{BC}	113 ^C
They are not available at the stores/other places I shop	31	162 ^{BCDE}	101 ^{DE}	88	78	74
I don't know of alternatives that are environmentally friendly	23	125 ^{BCE}	92	82	123 ^{BCE}	84
They do not work as well as the products I usually buy	17	85	80	104	105	121 ^{AB}
They are less convenient to use	12	58	85	104 ^A	122 ^A	135 ^{AB}

Changes in Barriers

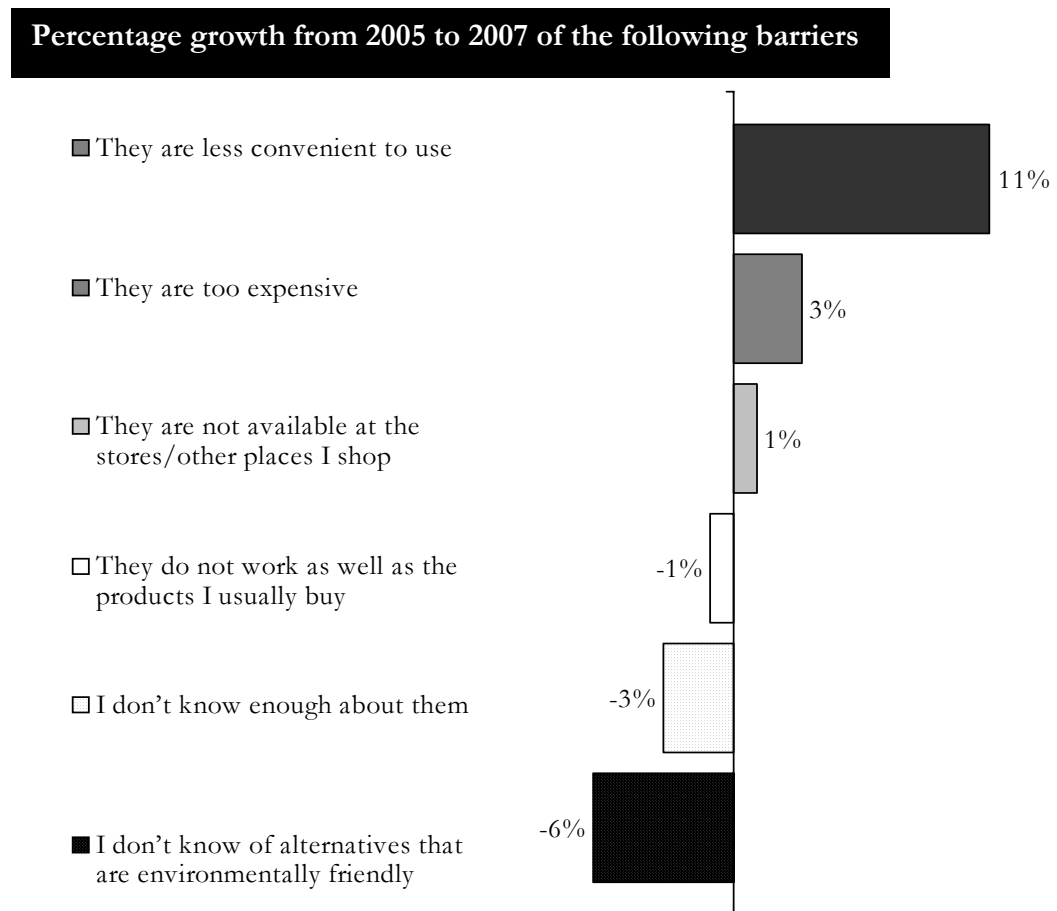
Consumers who had unsuccessfully searched for green products in the past are now finding more alternatives and wider availability. Many conventional manufacturers are now offering natural or green versions of their products (e.g., “Organic Tostitos”). Other companies are using acquisition as a means to enter new categories and markets (e.g., Clorox’s acquisition of Burt’s Bees for \$900+ million). Consequently, barriers are shifting, as shown in Figure 6-21.

Media and corporate attention to environmental causes and products have also helped to break down the knowledge barrier, and is demonstrated by the decrease in consumers not knowing enough about them and not knowing of alternatives.

In today’s society, many consumers are searching for ways to balance family and work responsibilities. This tightrope manifests itself in many aspects of consumers’ lives and plays a role in the green marketplace. Specifically, a perceived lack of convenience is the barrier to usage of environmentally-friendly products that has grown the most since 2005. Manufacturers of green products might benefit from taking a lesson from mainstream product producers by creating “on-the-go” or “ready-to-use” versions of their products.

Figure 6-21

(Q. 42-% Growth in general population indicating the following prevents them from using environmentally-friendly products and services 2005 to 2007)



The prohibitive role of price also grew in the past three years. Environmentally-friendly products have long been viewed by many consumers as being more expensive, but this year, and for the first time, LOHAS consumers joined the other segments in indicating price as the key barrier. While potentially concerning for manufacturers, this barrier may reflect an increased attention to price inherent to increased availability of green products. The growing eco-luxury market may also underscore consumers’ perception that green products are more expensive.

LOHAS Consumers — Retailer Shopping Patterns

Wal-Mart dominates the retail environment, even among LOHAS consumers. In fact, LOHAS consumers are avid shoppers who show a high propensity to shop virtually all retailers more than the general population, as reflected by the numerous indices over 100 (Figure 6-22).

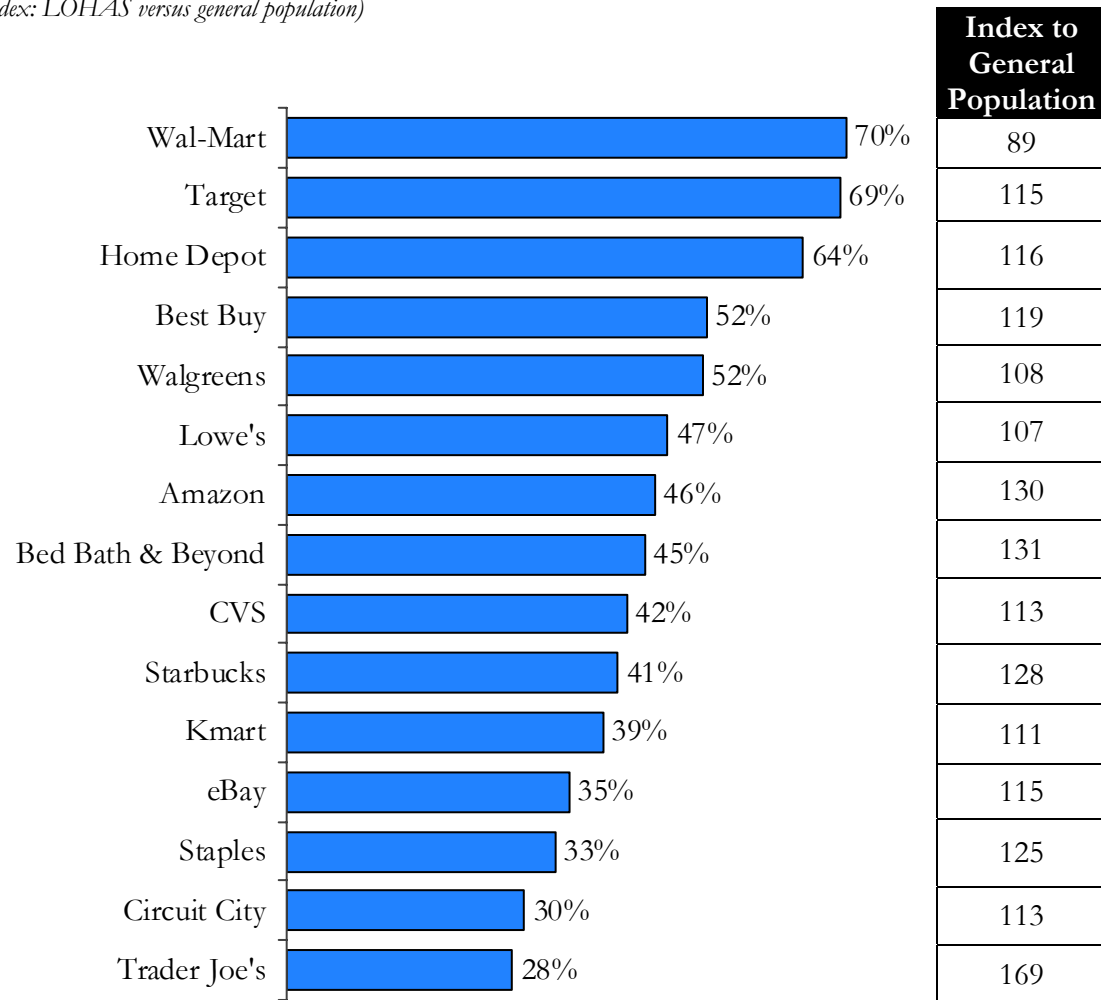
With respect to Wal-Mart, LOHAS consumers' index (89) illustrates that they are shopping Wal-Mart less than are NMI's other segments. While Wal-Mart has many eco-initiatives in place and continues to evolve, some LOHAS consumers remain skeptical. Since LOHAS consumers are the early adopters who influence others, Wal-Mart should specifically be using LOHAS consumers to "spread the word."

Although Wal-Mart has a myriad of green activities, LOHAS consumers' higher likelihood of shopping Target may be influenced by Target's better communication of such eco-initiatives as cutting waste by recycling/reusing plastic hangers, recycling/refurbishing shopping carts, recycling shrink-wrap, providing drop-off locations for rechargeable batteries, and building stores that meet Leadership in Energy and Environmental Design (LEED®) criteria.

Home Depot is also attracting LOHAS

Figure 6-22

(Q. 121-% LOHAS consumers indicating if they or someone in their household has purchased any of the following in the past year; Index: LOHAS versus general population)



consumers by making environmental products a top priority. Home Depot's 2007 introduction of its Eco-Options line allows consumers to find products that offer benefits in areas like sustainable forestry, energy efficiency, healthy homes, and water conservation. And, for the second straight year, Home Depot was named Energy Star Partner of the Year.

LOHAS Consumers — Secondary Retailers

Among the retailers shown on the previous page and in Figure 6-23, Whole Foods Market is the top indexed retailer shopped among LOHAS consumers. Besides being a leader in offering organic and natural foods, Whole Foods Market's corporate philosophy is strongly tied to the environment and sustainability — a clear win for consumers — even beyond the LOHAS segment.

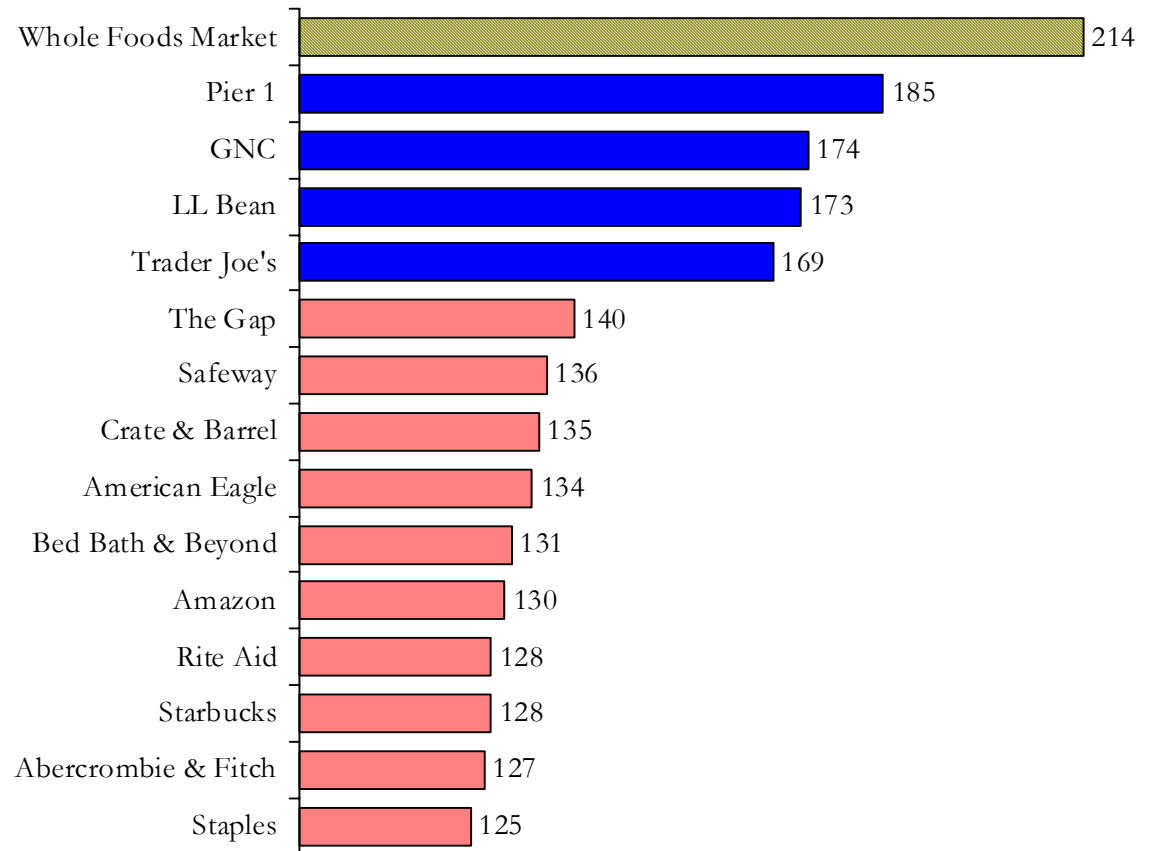
Other top indexed retailers include Pier 1, GNC, LL Bean and Trader Joe's. It is interesting to consider LOHAS consumers' attraction to Pier 1 and GNC, which may be based on the products offered (Pier 1 products have a natural/artisan feel; GNC carries health and wellness products) rather than their corporate responsibility. LL Bean and Trader Joe's offer a more complete environmentally-friendly platform by providing LOHAS products and promoting social and environmental responsibility.

A common misconception of LOHAS consumers is that they are hemp-wearing, style oblivious individuals. Looking at the retailers listed in Figure 6-23, many fashion retailers such as The Gap, American Eagle, and Abercrombie & Fitch are shopped more frequently by LOHAS consumers than the general population. The Gap may attract

Figure 6-23

(Q. 121-Index: LOHAS versus general population in % consumers indicating if they or someone in their household has purchased any products/services from any of the following in the past year)

Top Indexed LOHAS Consumer Retailers



LOHAS consumers by its corporate actions, including gift cards made from recycled plastic, price tags that are 100% post-consumer recycled material, and Gap (Product) Red, (which donates half of its profits to a global fund to help people affected by AIDS/HIV in Africa).

Segments Shop Differently

Figure 6-24 lists the top 10 shopped retailers for the general population and shows how each segment shops them. Wal-Mart is the top retailer, followed by Target and Home Depot, with over half of the general population shopping each retailer. Slight segment differences emerge: CONVENTIONALS shop Target and Home Depot more, whereas NATURALITES and UNCONCERNEDS are less likely to shop them.

CONVENTIONALS are the only segment to shop all the stores listed in Figure 6-24 more than the general population (perhaps a function of their second-highest incomes) and are particularly differentiated for Amazon and Bed Bath & Beyond. Amazon's efficient and no-nonsense online ordering may appeal to CONVENTIONALS' practicality (or frugality). This is also true of Bed Bath & Beyond, as it offers less expensive fixtures and do-it-yourself decorating options.

NATURALITES are less likely to shop many of the retailers listed in Figure 6-24 (also likely a function of their income). Further, their anti-technology tendency may alienate them from some retailers, such as Best Buy. DRIFTERS and UNCONCERNEDS mirror the general population for most of the retailers listed in Figure 6-24.

Figure 6-24

(Q. 121-% NMI segments indicating if they or someone in their household has purchased any products/ services from any of the following in the past year)

	General Population %	Index to General Population				
		LOHAS (A)	NATURALITES (B)	DRIFTERS (C)	CONVENTIONALS (D)	UNCONCERNEDS (E)
Wal-Mart	78	89	102 ^A	102 ^A	101 ^A	106 ^A
Target	60	115 ^{BCE}	84	99 ^B	114 ^{BCE}	88
Home Depot	55	116 ^{BCE}	86	101 ^{BE}	110 ^{BE}	88
Walgreens	48	108	96	94	103	102
Lowe's	44	107	100	93	103	101
Best Buy	44	119 ^{BC}	81	95	106 ^B	103 ^B
CVS	38	113	94	96	104	96
Kmart	35	111 ^{BE}	88	108 ^{BE}	105 ^E	83
Amazon	35	130 ^{BCE}	81	84	115 ^{BC}	97
Bed Bath & Beyond	34	131 ^{BCE}	84	92	112 ^{BCE}	84

Trends in LOHAS Shopping Patterns

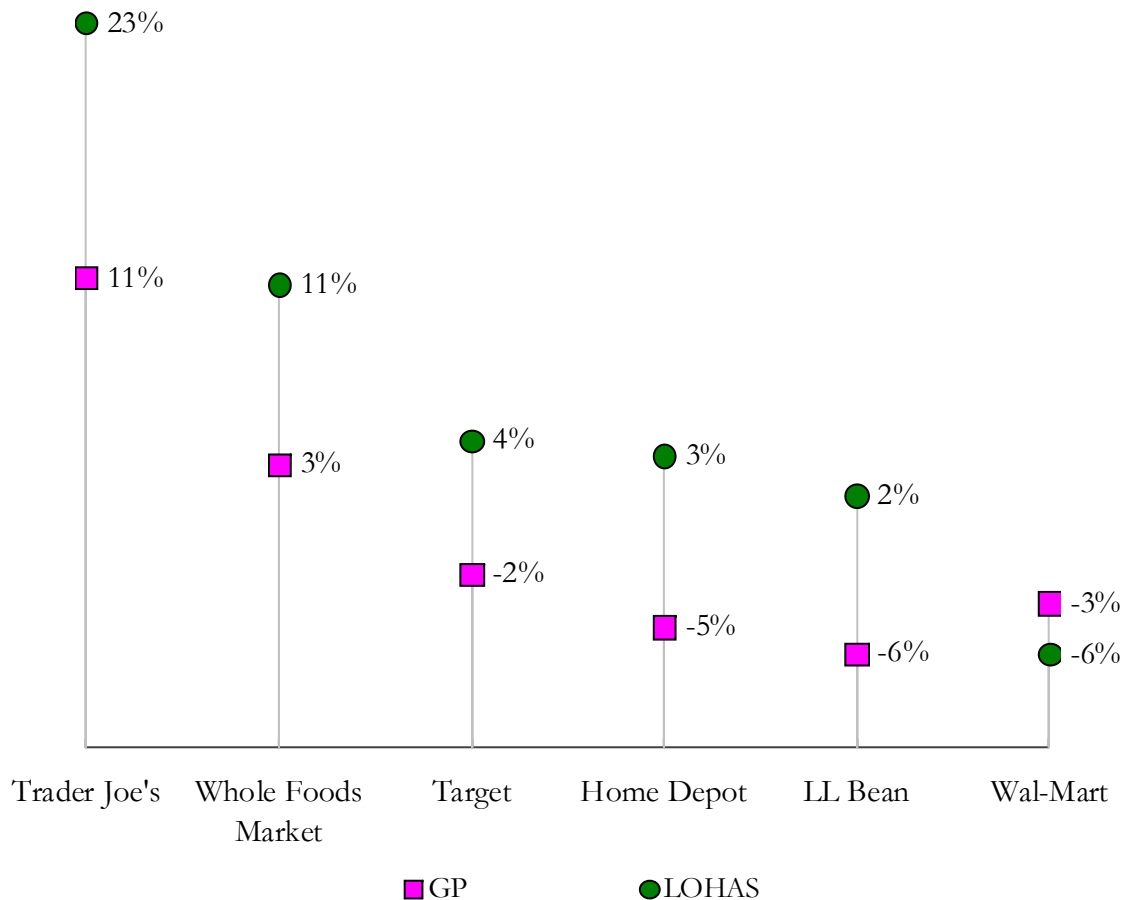
Figure 6-25 compares the changing shopping patterns of the general population and LOHAS consumers. As shown, LOHAS consumers have increased their shopping at Trader Joe's by 23% (CAG) compared to 11% (CAG) for the general population between 2004 and 2007.

Retailers such as Trader Joe's, Whole Foods, Target, Home Depot and LL Bean have adopted or enhanced their environmental philosophies (discussed earlier in this chapter), which has likely contributed to LOHAS consumers' increased patronage. Compared to the general population, LOHAS consumers are shopping more at all retailers except for Wal-Mart. In the case of Target, Home Depot and LL Bean, LOHAS consumers are shopping more while fewer general population consumers are shopping. This is an interesting dynamic with significant implications for these retailers and their vendors.

LOHAS consumers have actually decreased their shopping at Wal-Mart, even though Wal-Mart has become greener in the past few years. LOHAS consumers probably view some Wal-Mart actions as greenwashing, and Wal-Mart's outreach may be ineffective. Further, Wal-Mart historically has had employee issues, which LOHAS consumers care about in addition to green issues.

Figure 6-25

(Q. 121-% CAG '04 - '07 in % NMI segments indicating if they or someone in their household has purchased any products/ services from any of the following in the past year)



The Dynamics of Plastic Grocery Bags

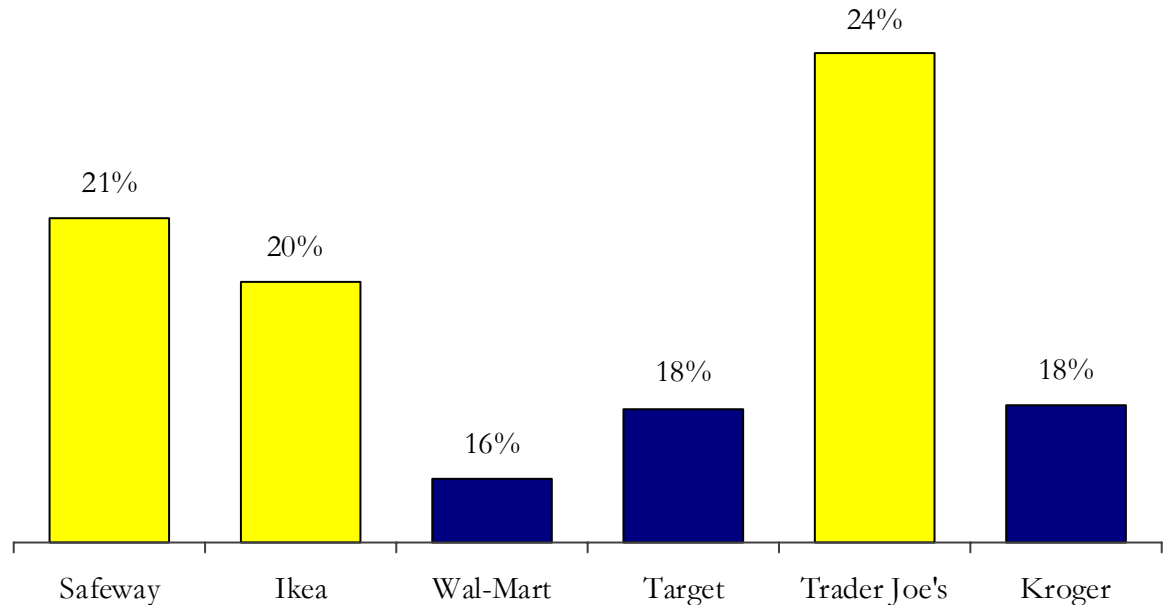
Plastic grocery bags have recently come under heavy scrutiny by governments, consumers, and environmental groups over their negative environmental impact. Specific issues include the natural resources and energy used to manufacture them, creation of litter, impact on marine life, and the contribution to landfill waste. Some estimate the number of plastic bags used globally from 500 billion to 1 trillion, of which a large percentage end up in the garbage (Source: reusablebags.com).

Eighteen percent of the general population completely agrees that plastic bags should be banned. LOHAS consumers are significantly more likely to completely agree, and over one-third do. Many municipalities have begun debating whether to outlaw the use of plastic bags. Boston, Baltimore, Oakland, Portland, Santa Monica and Maui are in various stages of trying to ban plastic bags. In March 2007, San Francisco became the first city to ban their use by large grocery and pharmacy stores.

Many retailers have taken actions to reduce their customers' use of plastic bags, by charging for every bag used (Ikea); by banning them entirely (Whole Foods Market); or by aggressively trying to convince shoppers to switch to reusable canvas bags (Trader Joe's). Timberland has created a branded "Trash is

Figure 6-26

(Q. 22-% General population who shopped specific retailers in the past year, agreeing completely with statement "I think plastic grocery bags should be banned")



My Bag” tote made from recycled plastic bottles and gives a 10% discount to shoppers who reuse the bag at a Timberland store.

As shown in Figure 6-26, some retail shoppers are more supportive of banning plastic grocery bags than others. Almost one-quarter of Trader Joe’s customers believe the bags should be banned, as do one-fifth of Safeway and Ikea customers. Other retailers’ customers, such as Wal-Mart’s, are far less concerned.

Reusable bags give retailers an opportunity to provide their customers with environmentally conscious alternatives that can double as branding vehicles. This also allows retailers to generate repeat business by offering discounts or money back for using reusable bags.

Role of the Internet in Selling LOHAS Products

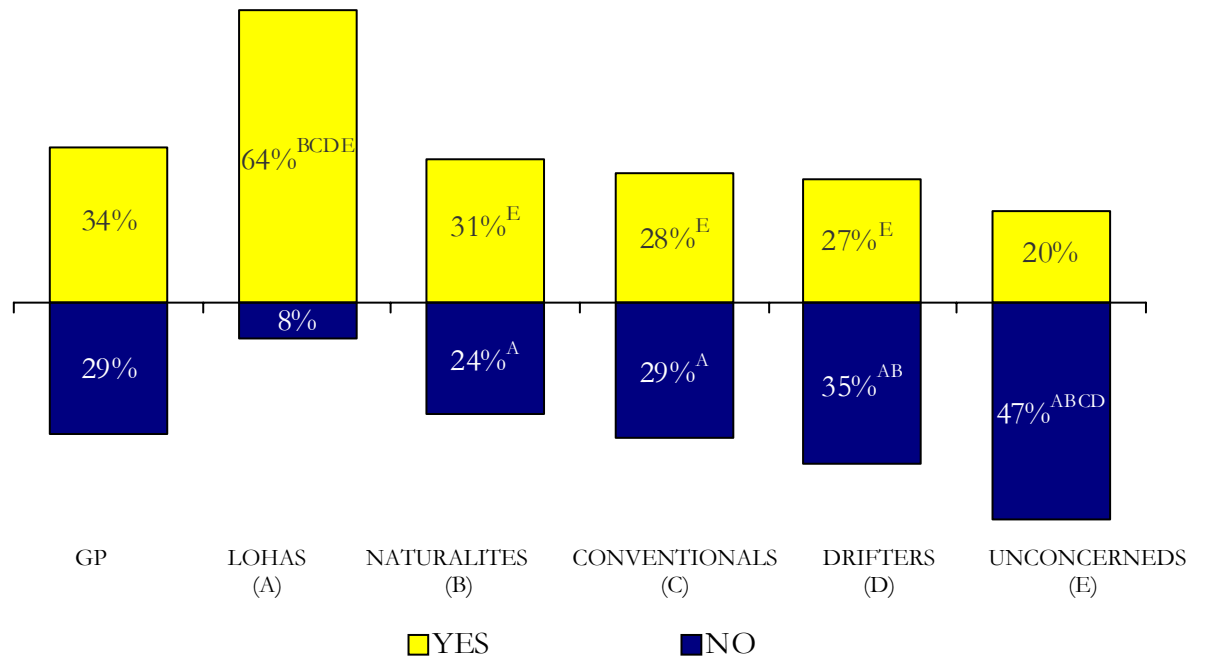
As was discussed in Figure 6-20, almost one-third of consumers list availability as a barrier to purchasing environmentally friendly products. To counteract availability issues, many consumers have turned to the Internet as means to buy products or locate retailers.

As shown in Figure 6-27, over one-third of consumers are interested in using the Internet specifically for buying hard-to-find green products. LOHAS consumers are twice as likely to do so as other segments, showing that an online presence is critical to reaching this segment's full consumer potential.

As the use of the Internet for environmentally friendly shopping has increased, there has also been a growth in the number of green retailing sites. GreenGuide.com, GreenPeople.com and TreeHugger.com act as shopping and information hubs, directing consumers to alternatives for all types of products and categories. Marketers can also use the Internet as a pathway to overcome other barriers, including lack information, concern about high costs, and evidence of effectiveness.

Figure 6-27

(Q. 133-% NMI segments indicating whether they would be interested in using the Internet to buy hard-to-find environmentally-friendly products)



Organic Food Users by NMI Segmentation Composition

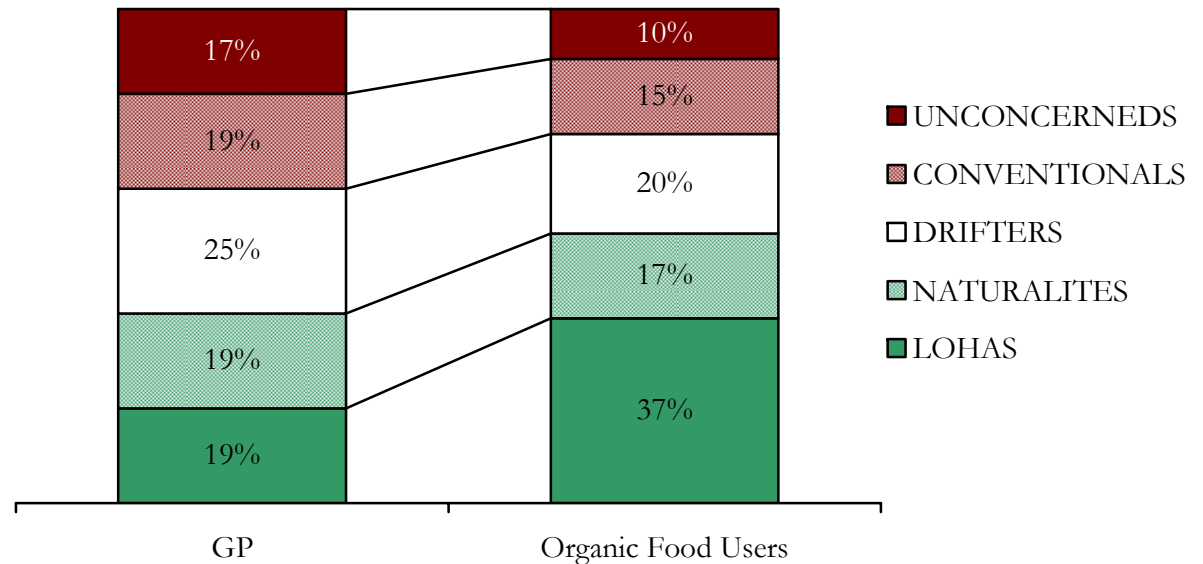
This final chapter will explore how consumers' sustainability attitudes affect their food and beverage buying behavior. In addition to the five LOHAS segments previously referenced, this chapter introduces a new group, Organic Food Users (OFU — those who have purchased organic foods or beverages in the past six months). The size of this group has grown since 2003, as mentioned in Chapter Six.

LOHAS consumers are the most represented segment within OFU, as would be expected. But as shown previously in Chapter 6, as organic usage becomes more mainstream, LOHAS consumers' proportional size in the category has declined. However, LOHAS are the most committed organic users, and one of the facets of their commitment to green living is borne out by their consumption of organics. Organic food usage not only appeals to LOHAS consumers' need for personal health but for planetary health as well.

The DRIFTERS population within OFU has doubled (10% to 20%) in the past year, and is likely driven more by this segment's desire to be on the cutting edge of trends than by a true core belief in organics' values. Regardless of the motivation, DRIFTERS are now a key and valuable target for organic food and beverage products, particularly those with new, novel

Figure 7-1

(% General population, Organic Food Users by NMI defined segment)



product platforms. The proportion of CONVENTIONALS who are OFU has declined from last year (20% to 15%). This decline is most likely driven by the fact that this group is more driven by dollars and sense and less by personal health. They need a “reason” to use organics, and they may not see clear enough benefits to buy in, literally or figuratively.

Usage of Organic and Natural Foods & Beverages

Usage of both natural and organic foods and beverages has trended up over the past five years. While the natural food and beverage category is larger than the organic category, organics have been growing more quickly (their CAG is 2.5 times that of natural).

The higher reported usage of “natural” products may be due to the fact that these products are more widely available and less expensive than organic counterparts. Also, with no regulated limitations or certifications for “natural,” the term can be used widely and freely without specific qualifications (beyond the requirement of nothing artificial). While some brands are pushing the limits of “natural,” in January 2008 the FDA declined to further define natural despite petitioning from various manufacturers and trade groups. The FDA cited other priorities as key reasons for not moving forward on the issue. This inaction gives marketers license to continue to use this term loosely.

Figure 7-3 illustrates that LOHAS are clearly the heaviest users of both organic and natural food and beverage categories. Their usage rates are at least double those of other segments². Also, LOHAS use both natural and organic products at comparable levels, suggesting a

Figure 7-2

(Q. 52-% General population who have bought (for self or family) the following products in the past six months)

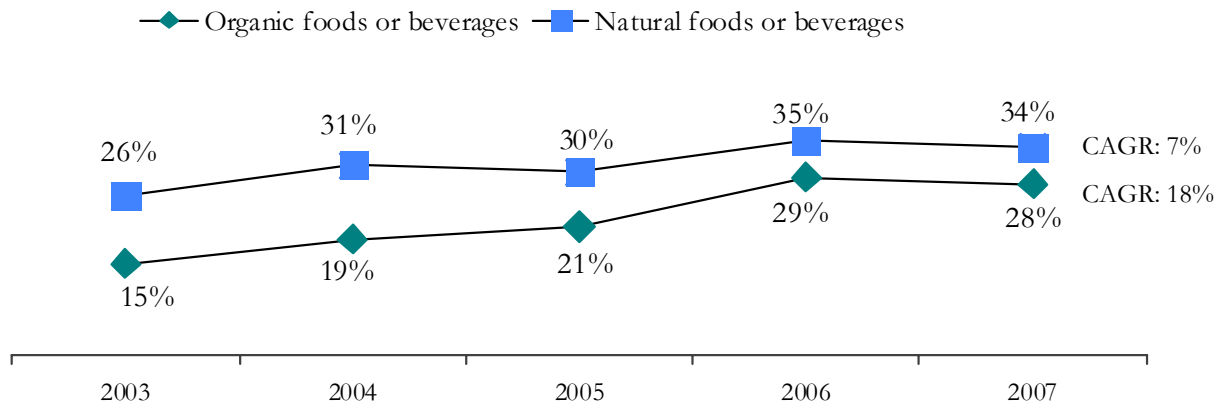
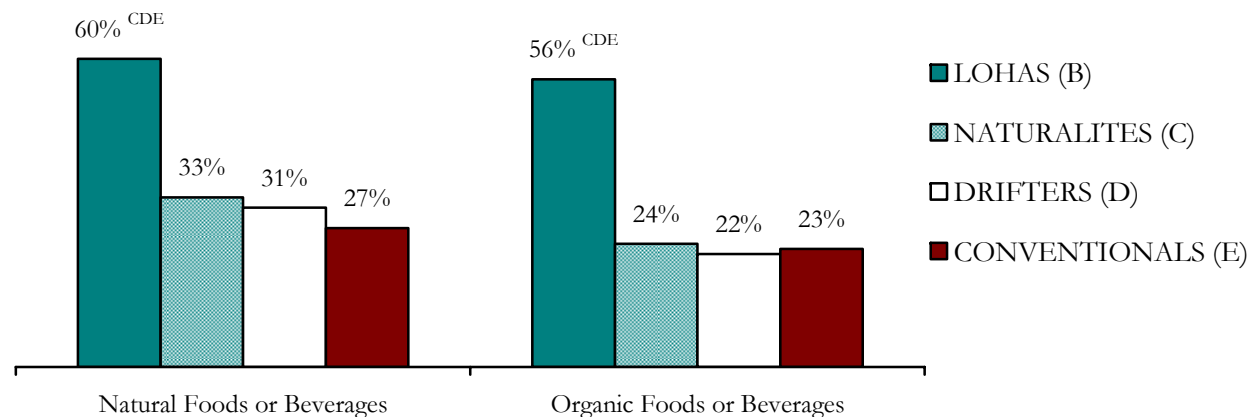


Figure 7-3

(Q. 52-% NMI segments who have bought (for self or family) the following products in the past six months)



strong association between the categories and a broad integration of healthy items throughout their lifestyle.

Usage of Healthy Food Categories Among the General Population

Figure 7-4 depicts the general population’s usage and growth rates among selected “healthy” food categories. Although soy milk/beverages is one of the product groups with relatively low usage levels, it has enjoyed the strongest growth over the past four years. It is notable that this category, once only a niche product, is making significant inroads among the mainstream. Dairy allergies may be driving some of the growth, as may consumers’ desire for soy’s health benefits.

Functional foods, those products with a specific health claim, have also grown in favor among consumers. With an ever-growing array of “food as medicine” options, consumers want to know the exact benefits of the products they use.

Growth in the specialty/gourmet sector speaks to a desire for unique, special offerings that stand out from the regular and mundane choices. It is driven, in part, by the desire to be experiential, rather than just consumptive. Manufacturers, always in search of higher margins, are responding in earnest: gourmet offerings are evident throughout the grocery store, both in the perimeter and center-store categories. More unique frozen entrees, artisan

Figure 7-4
(Q. 5-% General population using category in past 6 months)

	2003	2007	CAGR
Soy milk/beverages	11%	18%	+14
Foods/beverages with specific health claim	19%	26%	+9
Specialty/gourmet foods	23%*	26%	+7
Vegetarian foods	13%	16%	+6
Yogurt	53%	64%	+5
Energy/nutrition bars	30%	35%	+4
Meat substitutes/alternatives	14%*	13%	-3

bread, and elegant chocolates, among many other types of products, are now commonly available at standard grocery stores.

Meat alternatives are the only measured category remaining stable, though usage of vegetarian foods has increased. These opposing trends suggest that consumers seek more “authentic” non-meat choices and that meat alternatives may not be meeting consumers’ expectations regarding taste, texture and other attributes.

Data ranked by CAG
** 2005 data*

Food & Beverage Purchases Among Organic Food Users

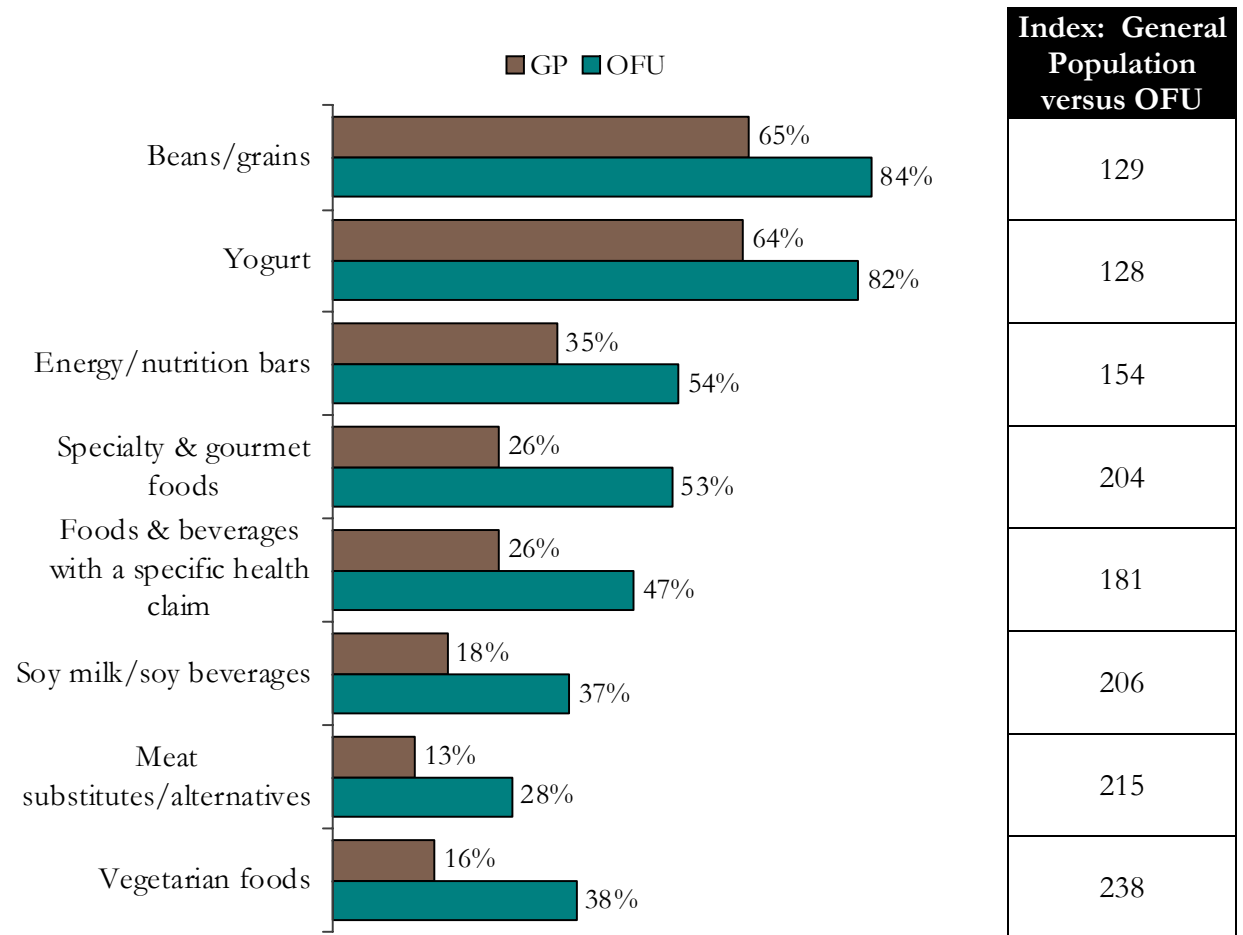
Product categories for which OFU index high versus the general population are all health oriented, and are shown in Figure 7-5. OFU show strong and notable usage of specialty & gourmet foods, soy products, meat alternatives, and vegetarian offerings as compared to the general population. On the other hand, OFU are very similar to the general population in less intrinsically healthy categories such as snacks, juice, crackers, and pasta. While OFU appear drawn to healthy products, they also find occasions to relax their standards.

In general, organic and natural foods are used significantly more by consumers under age 65 than by seniors; by those with a college education or higher; and by those with incomes of over \$100K. Younger, more educated consumers are likely more open to the benefits of these products, and the more affluent are more likely to be able to pay the premium that some organics command.

While OFU use beans, yogurt, energy bars and functional foods more than the general population, there is less of a gap among these more mainstream foods than other categories, indicating consistent (if not universal) appeal.

Figure 7-5

(Q. 52-% NMI segments who have bought (for self or family) the following products in the past six months; products that index high vs. general population)



Food & Beverage Purchases Among NMI Segments

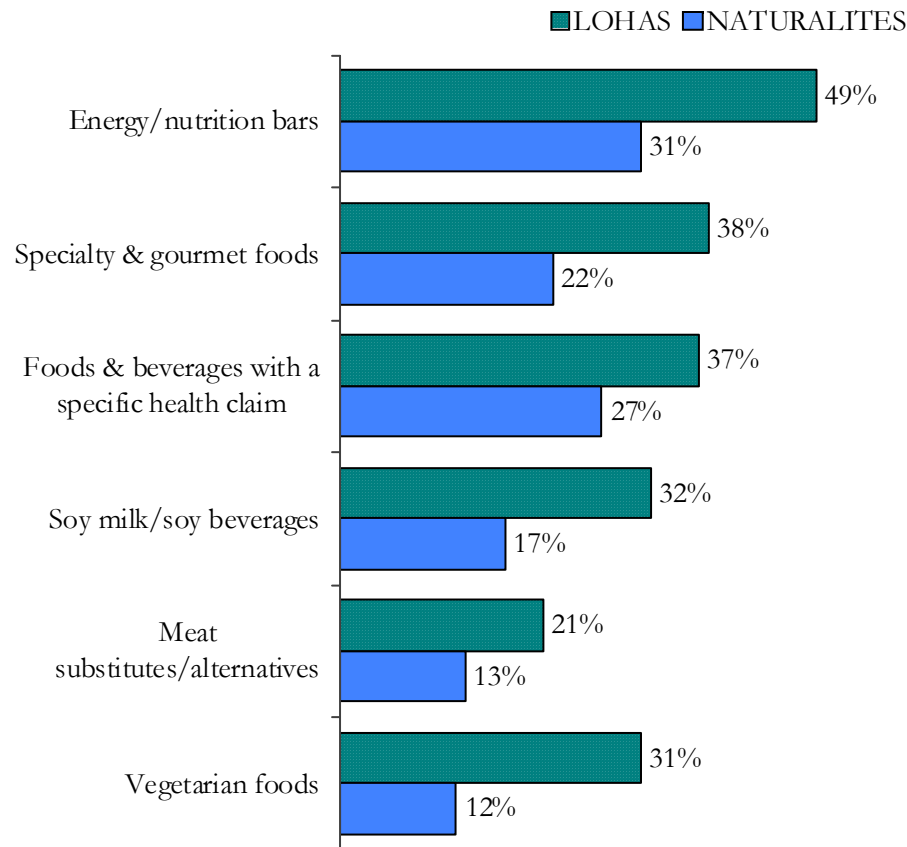
Figure 7-6 highlights the food and beverage product categories LOHAS and NATURALITES purchase more than the general population.

As previously shown in Chapter Two, LOHAS and NATURALITES are the two most health-oriented consumer segments, showing strong focus on physical appearance and on managing weight and maintaining excellent physical health. However, LOHAS are significantly more likely to use all of the healthy food categories measured. Despite some of their strong healthy attitudes, NATURALITES behave more closely to the general population and show no significant differences from the other segments in usage of these categories. One key factor impacting NATURALITES' buying behavior is income: as noted in Chapter One, their income is among the lowest of the segments, likely limiting their spending on healthy foods, many of which come at a premium. As so, LOHAS consumers are the current primary target for health-related food and beverage categories. Despite the constraints, NATURALITES continue to be a good secondary target due to their emphasis on personal health, and they may well become more actively engaged in the future.

The widest gaps between LOHAS and

Figure 7-6

(Q. 52-% NMI segments who have bought (for self or family) the following products in the past six months; products that index high vs. general population)



NATURALITES are among soy and vegetarian food groups, no doubt influenced by LOHAS consumers' strong likelihood to be vegetarians relative to all other segments. (See Figure 4-15 for a detailed analysis of the segments' differences relative to vegetarianism.)

Specific Organic Food Usage Patterns

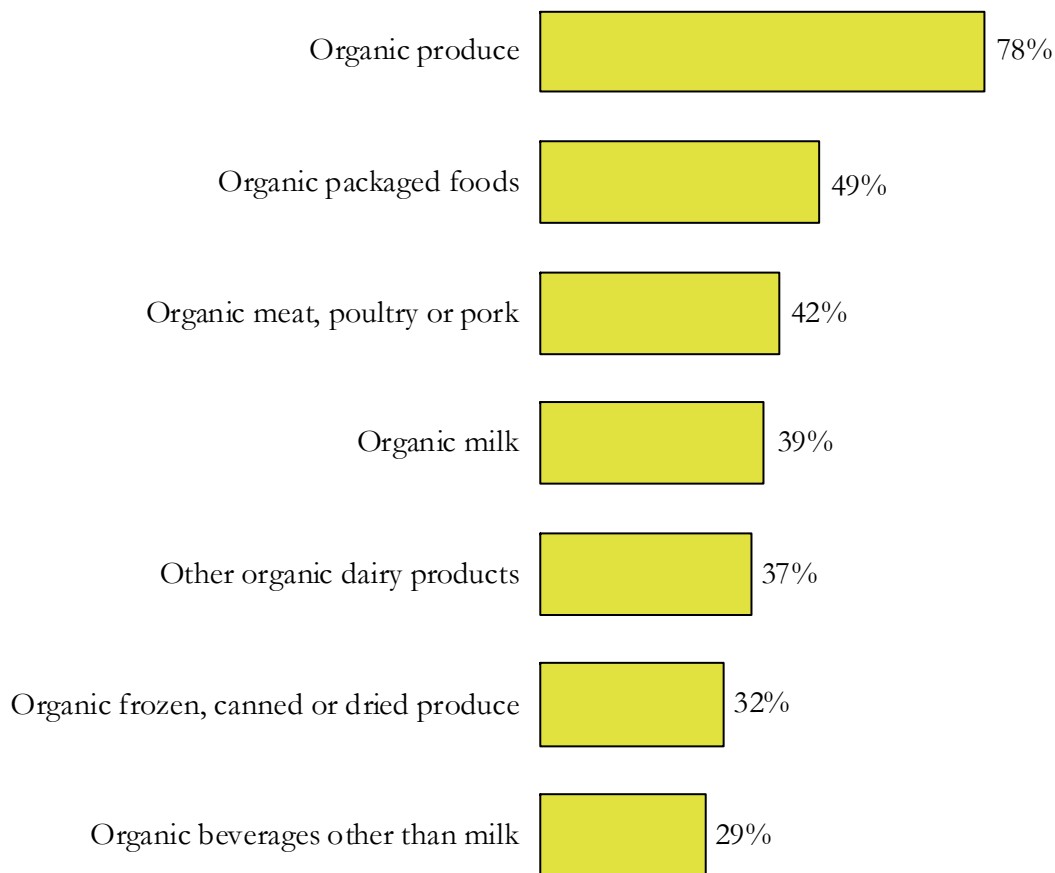
Organic produce is the top organic product purchased among OFU, not surprising given its relatively broad availability and moderate price premium, as well as consumers’ strong concerns with chemicals and pesticides (which are more evident in these “unpackaged” products). Freshness is also a strong benefit for consumers, as fresh fruits and vegetables are preferred over frozen/canned/dried varieties by more than a two-to-one margin. However, it is also important to note that some consumers are interested in prepared products, as seen by the fact that half of OFU purchase organic packaged goods.

Reported usage of organic meat and poultry has increased 13% among OFU from last year. There may be some degree of consumer confusion between organic and natural meats, as these consumer-reported figures are somewhat overstated relative to sales figures. Regardless, concerns about the safety of the food supply, import uncertainties, and hormones, and chemical additives will continue to bolster growth in this category.

Overall, four in ten OFU use organic milk. Certain demographic groups are more likely to use, namely younger consumers (Gen Y and Gen X) and households with kids, suggesting a defined target interested in this product.

Figure 7-7

(Q. 53% Organic Food Users who have purchased the following types of organic foods and beverages; based on consumers who have purchased organic food/beverages in the past 6 months)



Organic Food & Beverage Purchases Among NMI Segments

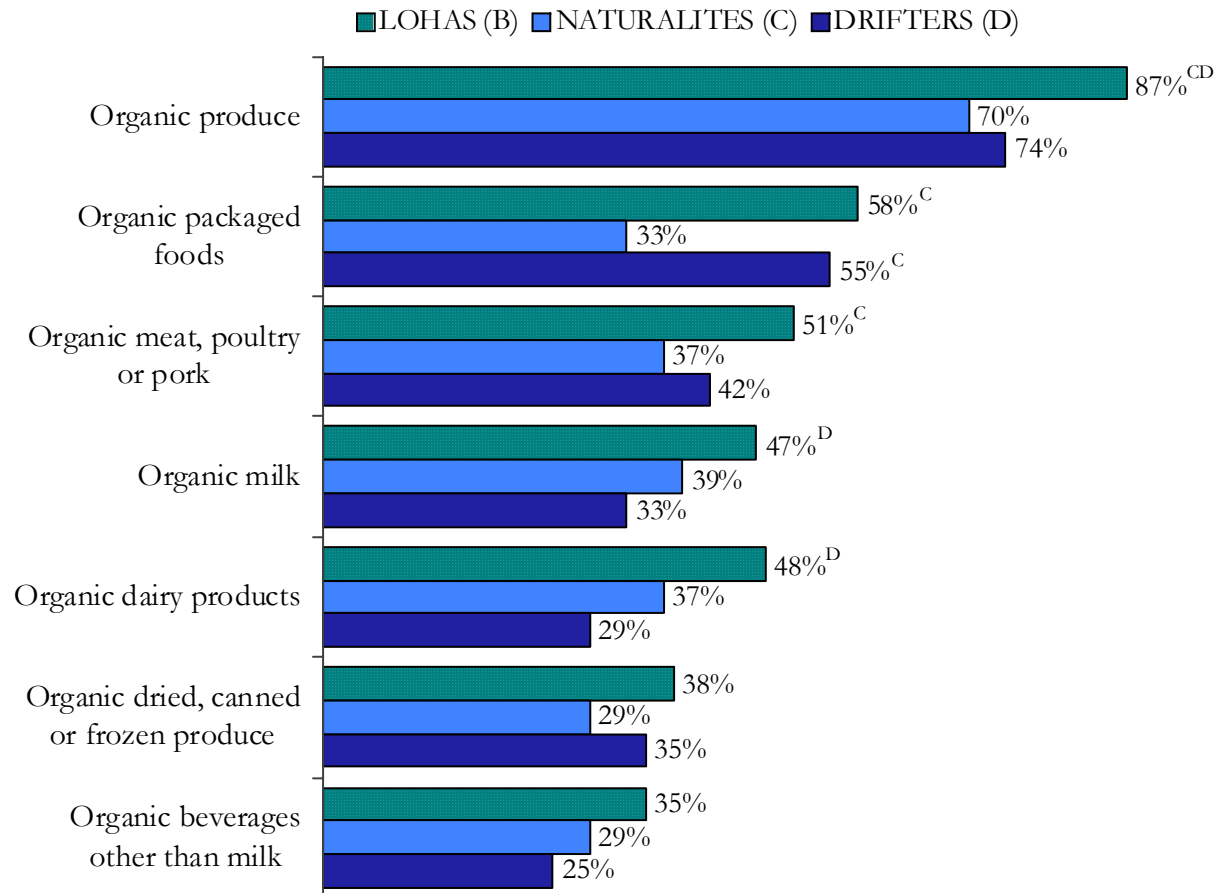
LOHAS consumers are clearly the highest users of organic foods and beverages, outpacing all other segments consistently. This reinforces that LOHAS consumers' attitudes toward healthy living are manifested through the foods they eat, perhaps giving new meaning to the phrase, "You are what you eat."

While produce is the most commonly used organic product category among all segments, LOHAS consumers' usage is particularly outstanding — nearly nine in 10 report using organic produce in the past six months. Interestingly, there is no difference between the segments in usage of dried/canned/frozen organic produce, revealing that it is the *freshness* benefit that LOHAS consumers respond to most.

Of note is that DRIFTERS' usage rate of organic packaged food is similar to LOHAS consumers'. As the category expands with many new "on-trend" offerings, DRIFTERS appear to be intrigued by the choices. And, as younger consumers, they are likely looking for meal solutions that are easy to prepare and appropriate for a small household. This category likely could expand by focusing on DRIFTERS' drivers.

Figure 7-8

(Q. 53% NMI segments who have purchased the following types of organic foods and beverages; based on consumers who have purchased organic food/beverages in the past 6 months)



Length of Time Using Organic Foods & Beverages

Figure 7-9 shows that the majority of LOHAS consumers who use organics have been using them for more than a year. Further, Figure 7-10 shows that LOHAS are more established users of all categories, using all categories for an average of over two years. In data not shown, OFU's duration of usage is less than that of LOHAS consumers for all categories. This reinforces LOHAS consumers as the early adopters and also shows that the OFU group is comprised of new, more mainstream users.

While NATURALITES are equally likely as LOHAS to have been using organic produce and packaged goods for over a year, far fewer are likely to be established users of organic beverages. The higher price premiums (both real and perceived), lack of clear benefits, and availability may be inhibiting NATURALITES' usage of organic beverages.

DRIFTERS' entry to the organic marketplace lags LOHAS consumers' for produce and packaged goods; many are quite new to the organic packaged goods market. Interestingly, however, DRIFTERS' usage of organic beverages is comparable to LOHAS. In fact, DRIFTERS report using organic beverages for a longer period than either produce or packaged goods (unlike LOHAS consumers or NATURALITES). This may be because of

Figure 7-9

(Q. 54-% NMI segments indicating usage of organic foods and beverages for 1 year or more, among those who purchased)

Have been using for 1 year or longer....

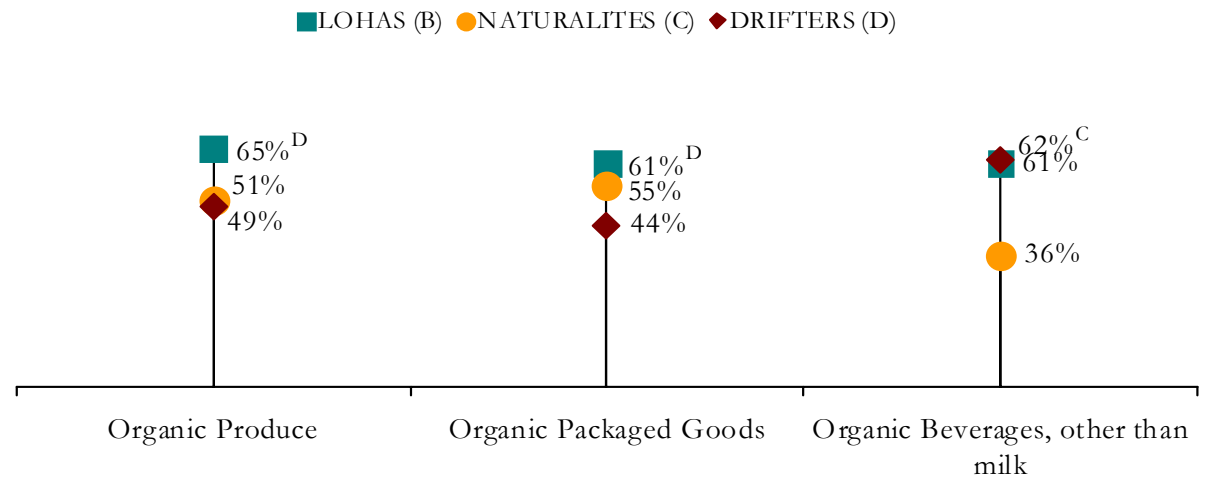


Figure 7-10

(Q. 54-% Mean number of years segment has used organic foods and beverages-among users of the product category)

Mean # Years Used...	LOHAS (B)	NATURALITES (C)	DRIFTERS (D)
Organic Produce	2.38 ^{CD}	1.73	1.57
Organic Packaged Goods	2.14 ^D	1.98	1.46
Organic Beverages, other than milk	2.34	1.59	1.90

single-item purchases, which better suit DRIFTERS' pocketbooks. Also, many organic beverages are marketed as "trendy and hip," thus appealing to DRIFTERS' sensibilities in this regard.

Trends in Health Related Food & Beverage Benefits

Health issues related to heart disease, obesity, and diabetes are pervasive in American society. These concerns are borne out in consumers' interest in foods and beverages that can address these health problems.

Total fat content continues to be of primary importance to consumers and has shown sustained growth since 2003. However, trans-fat-free shows the fastest growth in importance. Given recent media attention, local legislation banning trans-fats in restaurants, and the FDA's ruling that all manufacturers must include trans-fat content on nutritional labels, consumers will likely continue to increase their concern with this ingredient.

Another area showing increasing concern is GMOs (genetically modified organisms). These are plants whose DNA has been modified for various purposes: resistance to pests, protection against harsh environmental conditions; improved shelf life; increased nutritional value — and many more. Even while technological and farming advances allow for greater ability to manipulate crops, and proponents cite benefits such as decreased water and land use, consumers appear poised to respond negatively. This debate is likely to rage for years to come.

Figure 7-11

(Q. 66-% General population who think the following product attributes are very/somehat important when purchasing food and beverage products, ranked on 2007)

	2003	2007	Total Growth 03-07	Annual Growth 06-07
No trans-fats	65%	87%	34%	12%
Low cholesterol	76%	85%	12%	9%
Low fat	78%	84%	8%	5%
Fortified with vitamins and nutrients	78%	82%	5%	9%
Natural	74%	81%	10%	8%
No preservatives	70%	80%	15%	11%
No artificial ingredients	69%	80%	16%	15%
No artificial flavors	65% ^a	76%	N/A	16%
No artificial colors	63%	75%	20%	20%
Low carbohydrate	68%	74%	8%	11%
No genetically modified ingredients	58%	74%	28%	23%
No artificial sweeteners	61% ^b	73%	6%	17%
Low glycemic index	41% ^b	62%	14%	28%
Vegetarian	31%	36%	16%	44%

a – not asked until 2006; b – not asked until 2004

Among all measures, there has been not only sustained growth over time but strong growth in just the past year. With heavy media attention to health issues and marketers continually developing and promoting healthy options, food ingredients are very top of mind for consumers.

Trends in Environmental, Sustainable and CSR Related Food & Beverage Benefits

Figure 7-12 depicts attributes that focus on corporate responsibility issues: how (and where) a product is grown, raised, and packaged. The subject of packaging is of high concern to consumers. They want to see minimal packaging made with environmentally friendly materials, such as those that are biodegradable and recyclable. And, with Wal-Mart evaluating vendors' packaging and factoring that into buying decisions, it is clear this concern has mainstream ramifications. However, these data are not to suggest that basic product benefits like taste, convenience, price and nutrition can be overlooked for the sake of environmentally friendly packaging; instead, products will be more successful when they deliver *all* of these benefits.

“No pesticides” and “locally grown” are also of strong importance to consumers. Pesticide use has both personal and planetary implications. Notable is that this measure ranks higher than organically grown, perhaps because it is explicit and has more easily understood implications than the all-encompassing term “organic.” Rather, these attributes (as well as others on the previous page) communicate the *benefits* of organic. Marketers should take heed of these observations in their marketing strategies.

Figure 7-12

(Q. 66-% General population who think the following product attributes are very/ somewhat important when purchasing food and beverage products)

	2003	2007	Total Growth 03-07	Annual Growth 05-07
Environmentally-friendly packaging materials	73% ^b	81%	4%	13%
Minimal packaging	71% ^a	79%	N/A	12%
Grown without pesticides	72%	78%	8%	9%
Biodegradable packaging	67% ^a	78%	N/A	16%
Recyclable packaging	71%	81%	14%	12%
From farms that practice sustainable Agriculture	64%	72%	12%	16%
Organically grown	55%	64%	15%	17%
Fair Trade Certified ingredients	55%	64%	18%	37%
USDA certified Organic	57%	63%	12%	13%
Free-range	45% ^a	59%	N/A	31%

a – not asked until 2006; b – not asked until 2004

All measures in the above table have shown strong growth over time. In fact, this past year has shown the strongest growth since 2003, indicating these issues are not “fads” and have become a part of the cost of doing business that must be recognized.

Differentiating Healthy Food Selection Criteria for LOHAS and NATURALITES

Figure 7-13 shows how consumers' attitudes toward healthy food attributes differentiate LOHAS and NATURALITES. Last year there were seven features of healthy foods that LOHAS found significantly more important; this year there are only four. This suggests that issues related to healthy food are becoming increasingly mainstream and not just appealing to a core group.

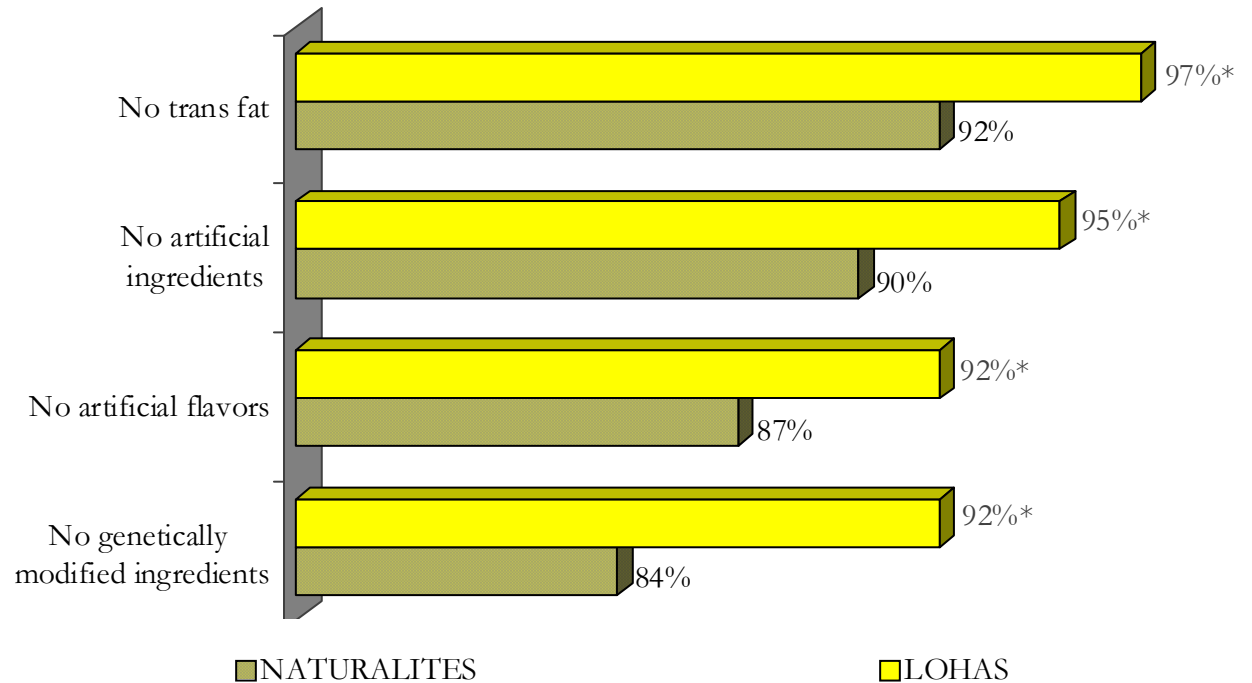
Artificial ingredients and flavors are of particular importance to LOHAS. Not only do these key attributes differentiate LOHAS from NATURALITES, they are the only measures beyond no GMOs for which LOHAS indexes high vs. the general population (>120).

The biggest gap between LOHAS and NATURALITES is for no GMOs. While three-quarters of the population still finds this of interest in relation to other benefits shown, it has not generated the same level of concern among the total population as it has in other countries (namely European countries).

LOHAS and NATURALITES are equally likely to find most other attributes important (e.g., low cholesterol, low fat, fortified, natural, no preservatives, etc.), and more likely to state importance than the other segments.

Figure 7-13

(Q. 66-% NMI segments who think the following product attributes are very/somewhat important when purchasing food and beverage products)



**significantly different at 95% confidence level*

When promoting foods with these benefits, LOHAS and NATURALITES remain the primary targets. Given the category purchase behavior shown in Figure 7-6, there remains a great deal of opportunity to encourage NATURALITES to act on their stated preferences.

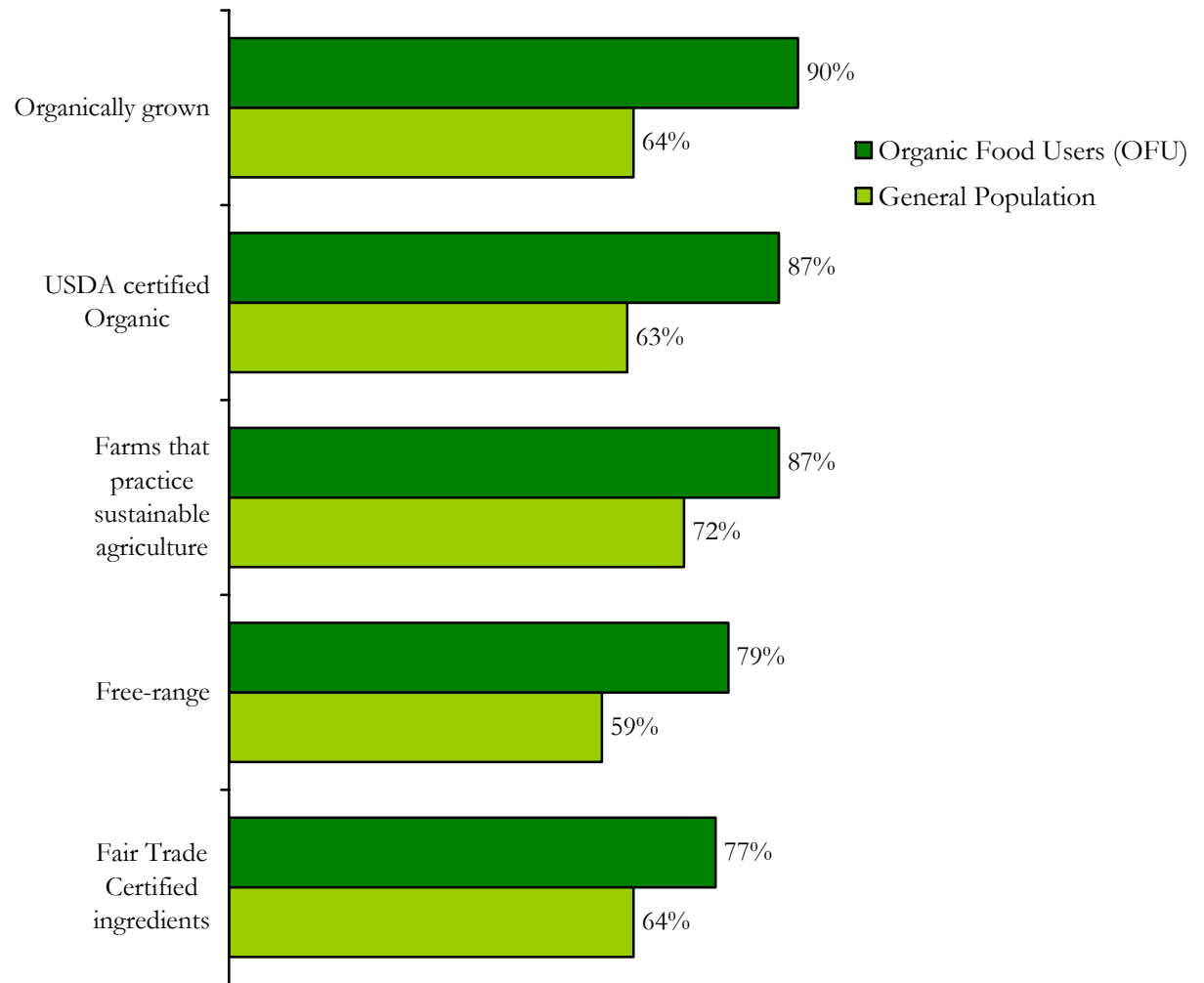
Environmental Criteria Differences Among Organic Food Users

While OFU are not significantly differentiated from the general population regarding *healthy* food attributes, the same cannot be said for various *green* attributes. Figure 7-14 highlights the food and beverage characteristics for which OFU index high (120 or higher) against the general population. Not surprisingly, organic distinctions top the list. Also important to OFU is that their food be from farms that practice sustainable agriculture, indicating they are concerned not only with the impact the food has on their body but also on the environment. This is likely driven by the group's high LOHAS concentration.

These differentiating green attributes highlight some of the less mainstream issues (free-range, fair trade, sustainable agriculture). Notably, the general population and OFUs are *not* distinguished on the more conventional green factors, including packaging issues, locally grown, and grown without pesticides. OFUs are clearly knowledgeable and discriminating consumers for whom detailed green messages will have a significant impact on purchasing behavior. Consequently, brands in this space need to deliver a multi-dimensional green position, and not focus solely on organics.

Figure 7-14

(Q. 66-% Consumer group who think the following product attributes are very/somewhat important when purchasing food and beverage products)



Relative Importance of Food & Beverage Criteria

Consumers were asked to provide a ranked order for four LOHAS-related food and beverage attributes: artisanal, fair trade, organic, and local. This focused list differs from the wide array of attributes previously surveyed, and this concentration is reflected in consumers' responses.

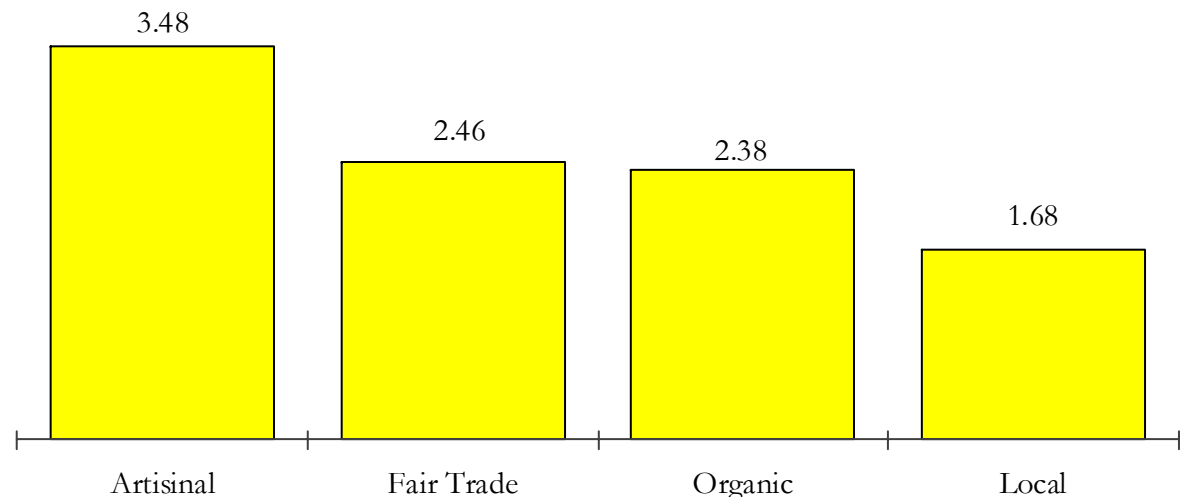
Relatively speaking, artisanal foods and beverages are more important to consumers compared to those that are fair trade, organic or local. This speaks to consumers' desire for foods that are special, unique, and different. Consumers are gravitating away from generic, mass produced products to those that are perceived as hand crafted. To be competitive in this environment, manufacturers can offer and market unique products that provide experiential satisfaction. While both men and women rate artisanal as most important, women are significantly more likely to want artisanal. Men, on the other hand, gave organic a higher rank.

LOHAS rank artisanal higher than all other segments, but are no different on organic, reinforcing the importance of special and unique offerings in the marketplace.

Fair trade and organic are similarly ranked in the general population. This is interesting in that

Figure 7-15

(Q. 65-% Mean score among general population attributed to ranking the following considerations of foods and beverages)



“organic” is a far more mainstream concept and available across many more product categories. Perhaps fair trade’s popularity in this question is affected by a general interest in the notion rather than deeper knowledge of specific certifications.

Local is currently of least importance overall. However, expect this issue to grow as consumers become increasingly aware of the benefits of freshness and the impact of food miles in the overall environmental landscape.

Taste and Safety Perceptions of Organic Foods

Among both the general population and the key LOHAS segments, a majority agree that organic foods and beverages are safer and taste better than non-organics.

About equal proportions of each of the three groups in Figure 7-16 believe that organic foods/beverages are safer not only for the environment, but also for themselves. LOHAS consumers are significantly more likely than NATURALITES to believe in the safety factor, which likely is a key factor in product purchase. However, far fewer believe that organic foods and beverages taste better than their non-organic counterparts. While consumers need not necessarily believe they taste *better*, they should certainly believe that taste is *at parity* in order to justify purchase.

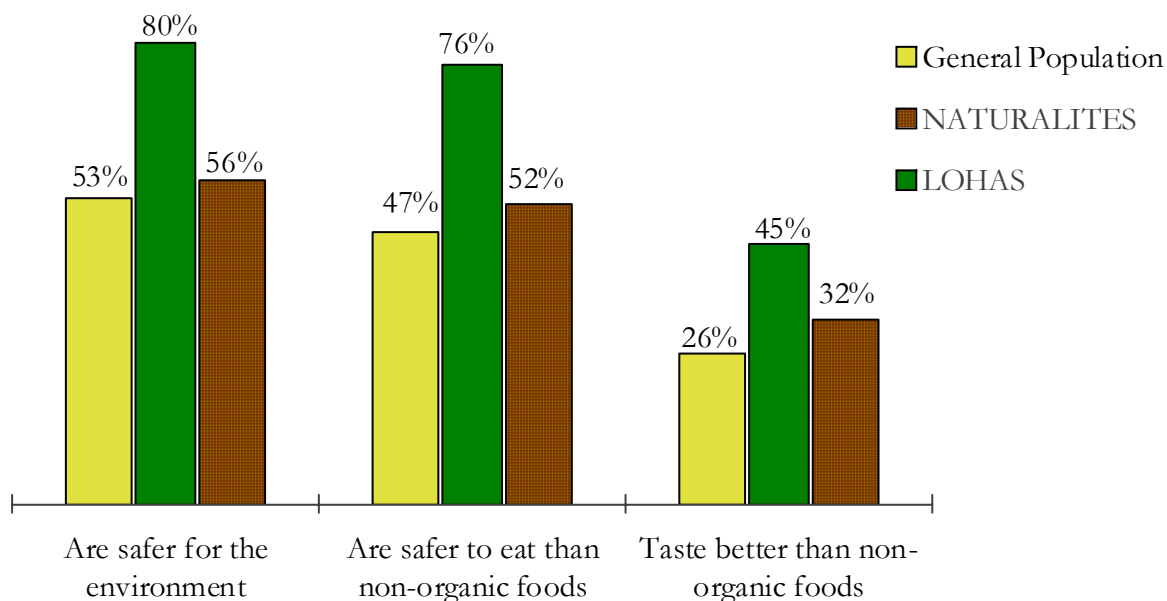
Similar proportions of OFU and LOHAS believe organic foods and beverages are safer. Thus, the safety message is a clear driver to the category for committed users and should be a focus of marketing messages. As NATURALITES' perceptions lag those of LOHAS consumers, marketers may benefit from educating them on the safety benefits, as this is a top-of-mind concern for them.

These data also reinforce the interconnectedness between personal health and planetary health, which offers marketers

Figure 7-16

(Q. 56-% General population and NMI segments indicating they agree completely/somewhat that organic food...)

Organic Foods.....



clear opportunities to broaden their communications to these targets and create messaging that is motivating to a variety of segments.

Mainstream Brand Usage Among Segments

Figure 7-17 highlights usage of select mainstream brands by LOHAS, NATURALITES, and OFU. With the exception of soft drinks, LOHAS report higher usage rates of all brands than do NATURALITES. In fact, for all other brands, LOHAS usage rates are higher than those of all other segments. This may be because recent product offerings directed to the natural/organic space by these brands have caught the attention of LOHAS consumers. From Coke's vitamin/mineral fortified Diet Coke Plus, to Dole's fresh cut organic vegetables in microwave bags or snack trays, to Heinz's organic pasta sauces, mainstream brands are delving into the organic marketplace and finding eager consumers. These offerings are attractive to the LOHAS consumer looking for healthy and convenient options, though brands that also align with their broader values may steal share in the long-run.

As mentioned in Chapter Six, LOHAS are avid shoppers, shopping frequently and at diverse locations. This renders them potential targets for nearly every brand with the right set of benefits (product *and* CSR). Mainstream brands which deliver on the natural/organic attributes will have opportunities to capture market share, including the dedicated LOHAS and OFU users.

Figure 7-17

(Q. 68-% NMI segments who have purchased (either by self or household member) the following food and beverage brands)

Mainstream Brands	General Population	LOHAS (B)	NATURALITES (C)	OFU
Coca-Cola	61%	58%	54%	63%
Pepsi	53%	46%	49%	51%
Heinz	53%	55% ^C	47%	57%
Dole	44%	54% ^C	35%	52%
Quaker	43%	52% ^C	40%	53%
Tropicana	37%	47% ^C	34%	47%
Healthy Choice	32%	43% ^C	28%	49%

Natural/Organic Brand Usage Among Segments

Figure 7-18 illustrates usage rates for select natural and organic brands among LOHAS, NATURALITES, and OFU. Consistent with the trends shown on the previous page, LOHAS usage of all brands is significantly greater than that of NATURALITES and all other segments. NATURALITES, on the other hand, show usage rates similar to DRIFTERS and CONVENTIONALS. NATURALITES have some gaps between their attitudes and behaviors, as usage of these brands and category usage (shown earlier in this chapter) reveal. Attitudes toward health and organic, as well as prioritized product attributes and benefits, would seemingly draw this segment to these brands. However, a range of barriers contribute to this behavior, including cost, convenience, and availability.

While OFU usage was similar to LOHAS in usage of mainstream brands, and in fact LOHAS consumers have been using organic products longer than OFU, OFU index higher in usage of many natural/organic brands, suggesting they have dived recently, but fully, into the organic marketplace. It is rare to find a consumer group more passionate than LOHAS consumers, but OFU's dedication can be used for new marketers to the organic space, or those wishing to grow their market share.

Figure 7-18

(Q. 68% NMI segments who have purchased (either by self or household member) the following food and beverage brands)

Natural/Organic Brands	General Population	LOHAS (B)	NATURALITES (C)	OFU
Ben & Jerry's	23%	38% ^C	14%	38%
Celestial Seasonings	20%	36% ^C	15%	36%
Kashi	19%	33% ^C	13%	39%
Silk	15%	26% ^C	15%	31%
Morningstar Farms	12%	25% ^C	10%	27%
Boca Burger	11%	20% ^C	10%	23%
Stonyfield Farm	10%	22% ^C	7%	25%
Back to Nature	7%	15% ^C	5%	19%
Organic Valley	7%	17% ^C	6%	21%
Horizon Organic	7%	16% ^C	6%	22%
Gardenburger	7%	14% ^C	5%	17%
Odwalla	7%	14% ^C	5%	18%
Naked Juice	7%	13% ^C	7%	18%
Balance Bar	7%	12% ^C	5%	16%
Earthbound Farm	6%	17% ^C	5%	18%
Amy's Kitchen	6%	14% ^C	4%	17%
Cascadian Farm	5%	11% ^C	5%	15%
Clif Bar	4%	8% ^C	4%	12%

Shading represents index > 120 vs. LOHAS

Sources of Influence for Foods & Beverages Among General Population

Consumers state package labels are the most important influence when they purchase foods and beverages, a predictable response given that this happens in “real time” at the shelf. The importance of this source is further evidenced by its continued growth. In light of this, marketers should be cognizant that labels need to be concise and easy to read, and provide the most relevant type of information.

Traditional media sources such as television and newspapers continue to be strong, though magazines have shown a decline versus prior years. Radio, while less important overall, has experienced a notable increase. The Internet also continues to gain in importance as consumers become more Web-savvy and marketers realize the vast informational potential of this medium.

Growth over time is particularly strong for third-party groups, specifically government agencies and consumer advocacy groups. Consumers may perceive these as impartial, authoritative and trusted informants, and in an era of “Greenwashing Washout,” these are important voices.

Figure 7-19

(Q. 69-% General population who report the following information sources influence their purchasing of food and beverage products)

Sources of influence	2007	Total Growth 03-07
Package label	45%	16%
Friend/relative	39%	-13%
Television	33%	10%
In-store signage	27%	-3%
Newspaper	25%	9%
Physicians/doctors	23%	11%
Internet/Web sites	23%	14%
Magazines	21%	-8%
Store newsletters/flyers	20%	13%
Government agencies	16%	56%
Nutrition professional	13%	22%
Radio	11%	42%
Consumer advocacy groups	10%	66%
Books	10%	-26%
Direct mail	8%	4%
Store personnel	7%	-18%
Alternative practitioner	3%	-32%
Celebrities	2%	22%

Sources of Influence for Foods & Beverages Among LOHAS

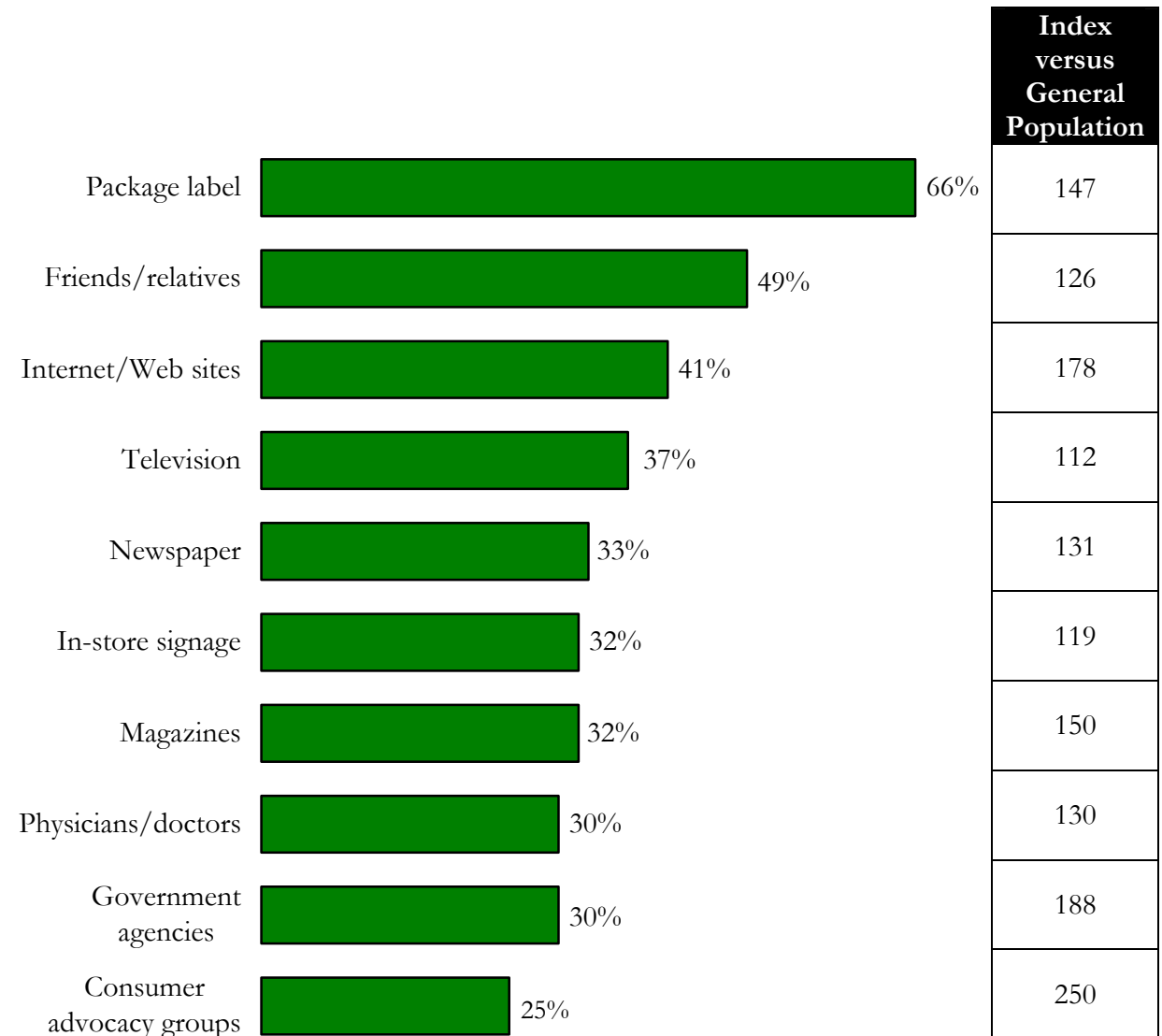
The sources of influence in food and beverage purchasing are different for LOHAS compared to the general population. While LOHAS consumers' top two influences are still package labels and friends/relatives, the absolute percent of mentions is significantly higher. In fact, the proportion of mentions for all measures is higher, indicative of LOHAS consumers utilizing multiple sources of validation. As described in Chapter Three, LOHAS consumers are information junkies who seek a vast array and quantity of information.

The impact of the Internet is notably stronger for LOHAS than the general population. Within this "self-discovery" medium, the detailed background and product information provided on Web sites can appeal to LOHAS targets. This also allows information to be available only to those consumers who seek it out, unlike traditional mass advertising.

Furthermore, LOHAS are clearly more influenced by government agencies and advocacy groups than is the general population, suggesting third-party claims would be a successful marketing approach for this group.

Figure 7-20

(Q. 69% LOHAS segment who report the following information sources influence their purchasing of food and beverage products)



NMI Segment Composition of Natural and Organic Personal Care Users

For the purposes of this report, NMI has defined a Natural/Organic Personal Care User (N/O PC User) as one who indicates that they or someone in their household has purchased at least one natural or organic personal care product* in the past six months. This consumer group comprises 38% of the total U.S. adult population (Figure 7-1), and skews toward younger, more educated women.

Nearly one-third of N/O PC Users are LOHAS, an attractive consumer for marketers of natural and organic personal care products. In fact, nearly two-thirds of LOHAS consumers are N/O PC Users. Further, more than one-third of NATURALITES and DRIFTERS, and one-quarter of CONVENTIONALS and UNCONCERNEDS are N/O PC Users.

The natural and organic personal care market showed double digit sales growth in 2007, and it is expected to continue that pace for the next several years. As the market continues to mainstream, and natural and organic products become more available in conventional retailers, it will become even more important for companies to understand the differences between the segments and market their products accordingly.

Figure 8-1

(Q. 90-% General population who indicate that they or someone in their household has purchased natural or organic personal care products in the past 6 months)*

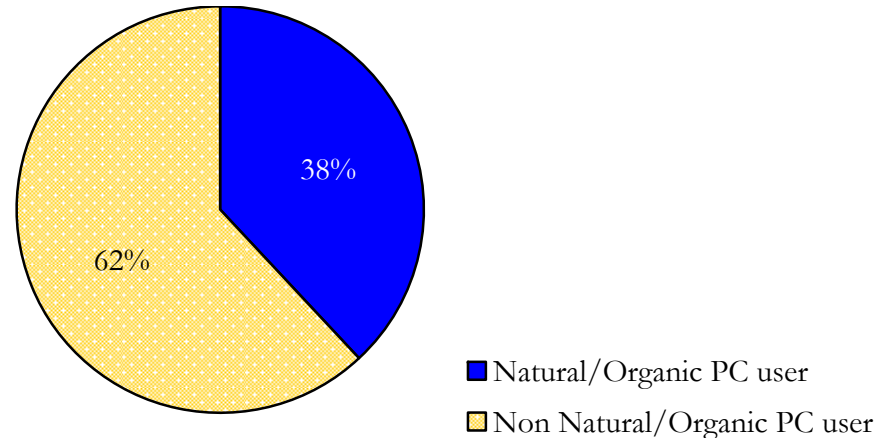
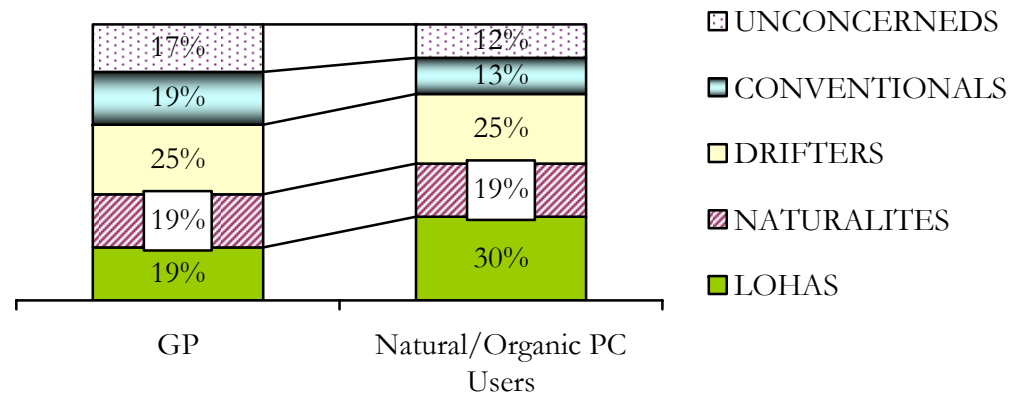


Figure 8-2

(% General population, Natural/Organic Personal Care Users by NMI defined segment)



**Defined as all natural and organic hair care, body care, and oral products, as well as natural cosmetics*

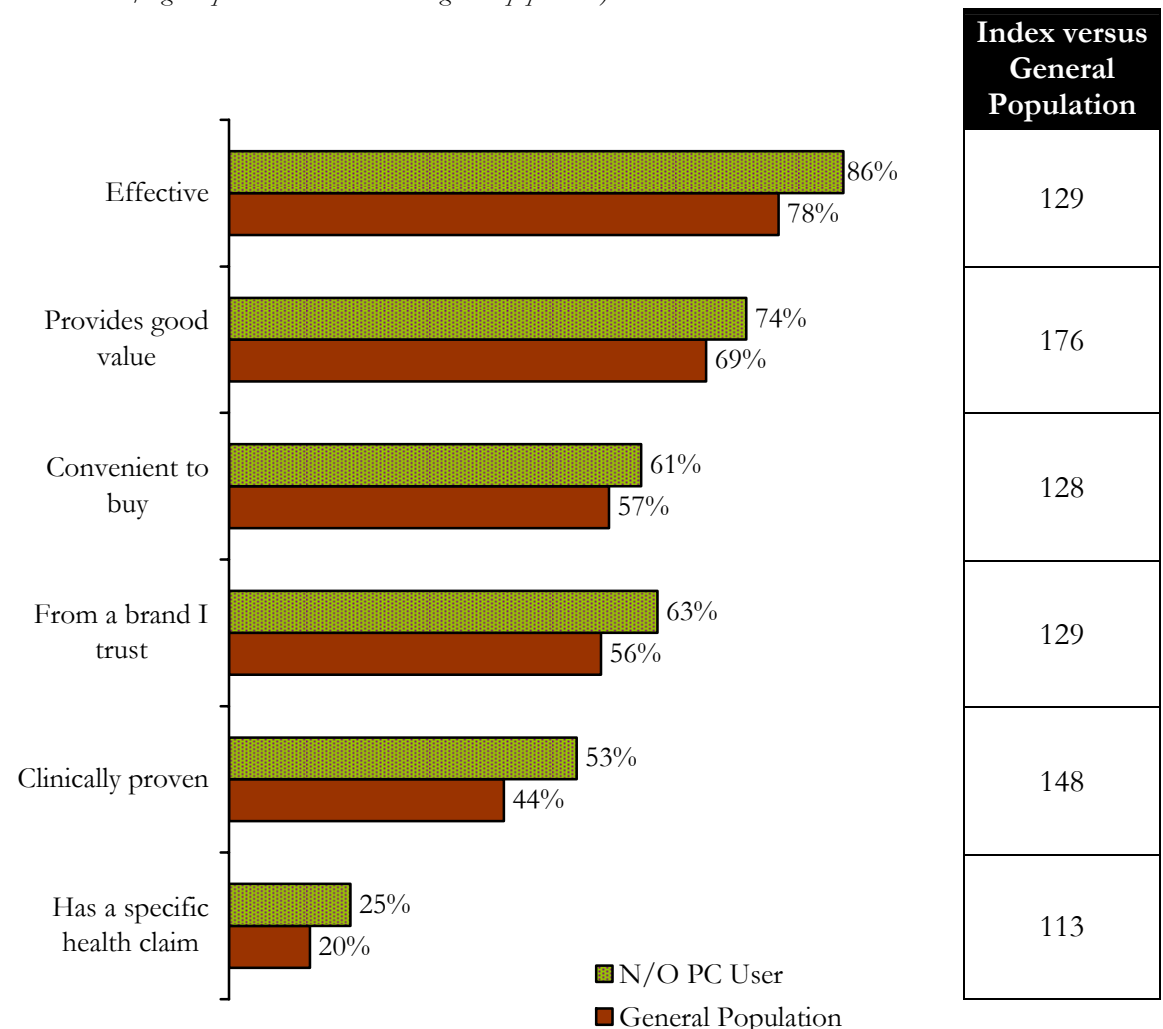
Conventional Product Attributes that Affect Personal Care Choices Among Users

Of all of the personal care product attributes measured in the *LOHAS Consumer Trends Database™* (nearly 30), efficacy is the most important. In fact, when making personal care purchase decisions, efficacy is more important to N/O PC Users than it is to general consumers. The amount of personal care products with result-oriented claims has increased dramatically in recent years, and efficacy is more important than ever. It is expected of traditional personal care items, and some consumers have found that natural and organic versions are effective alternatives. However, certain natural/organic products such as deodorants and sun care items are still in their infancy and need further development before they become as widely adopted as their traditional counterparts. Consumers' interest in efficacy underscores the importance of product development.

Efficacy alone, however, will not grow the market. Value is named as the second most important attribute, followed by convenience and brand trust. Clinical proof is mentioned by nearly half of the general population as a very important attribute, and may provide the feature that helps brands differentiate themselves.

Figure 8-3

(Q. 89- % Consumer groups who indicate the following product attributes are very important to their personal care purchase decisions; Index: natural/ organic personal care users versus general population)



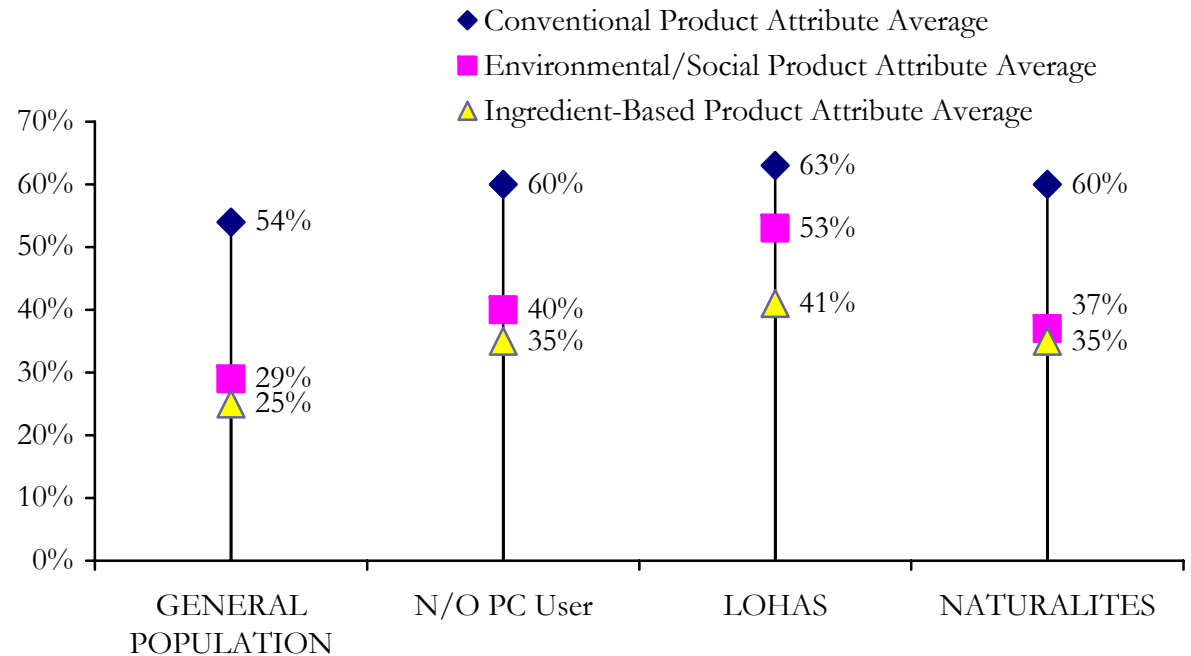
Relative Importance of Product Benefit Groupings that Affect Personal Care Choices

Given the wide range of product attributes and benefits that consumers consider in their personal care purchase decisions, it is helpful to summarize the overall types of drivers (Figure 7-4). Conventional product attributes are most important — regardless of whether the consumer is a N/O PC User, LOHAS, or is more traditional. Efficacy, convenience and value must be met. In fact, even LOHAS consumers are most interested in conventional attributes, indicating the wide range of expectations and demands they have.

Environmental/social- and ingredient-based attributes are relatively close in importance, although much more important to LOHAS. However, recently issued natural standards for personal care products place more emphasis on ingredients used, and will likely have the effect of increasing this category's relative importance.

Figure 8-4

(Q. 89-% Consumer segments who indicate the following product attributes are very important to their personal care purchase decisions)



Conventional attributes include all listed in Figure 7-5 (e.g., efficacy and value)

Environmental attributes include all listed in Figure 7-8 (e.g., no animal testing and earth friendly)

Ingredient attributes include all listed in Figure 7-6 (e.g., no residues and no artificial preservatives)

Conventional Product Attributes that Affect Personal Care Choices Among Segments

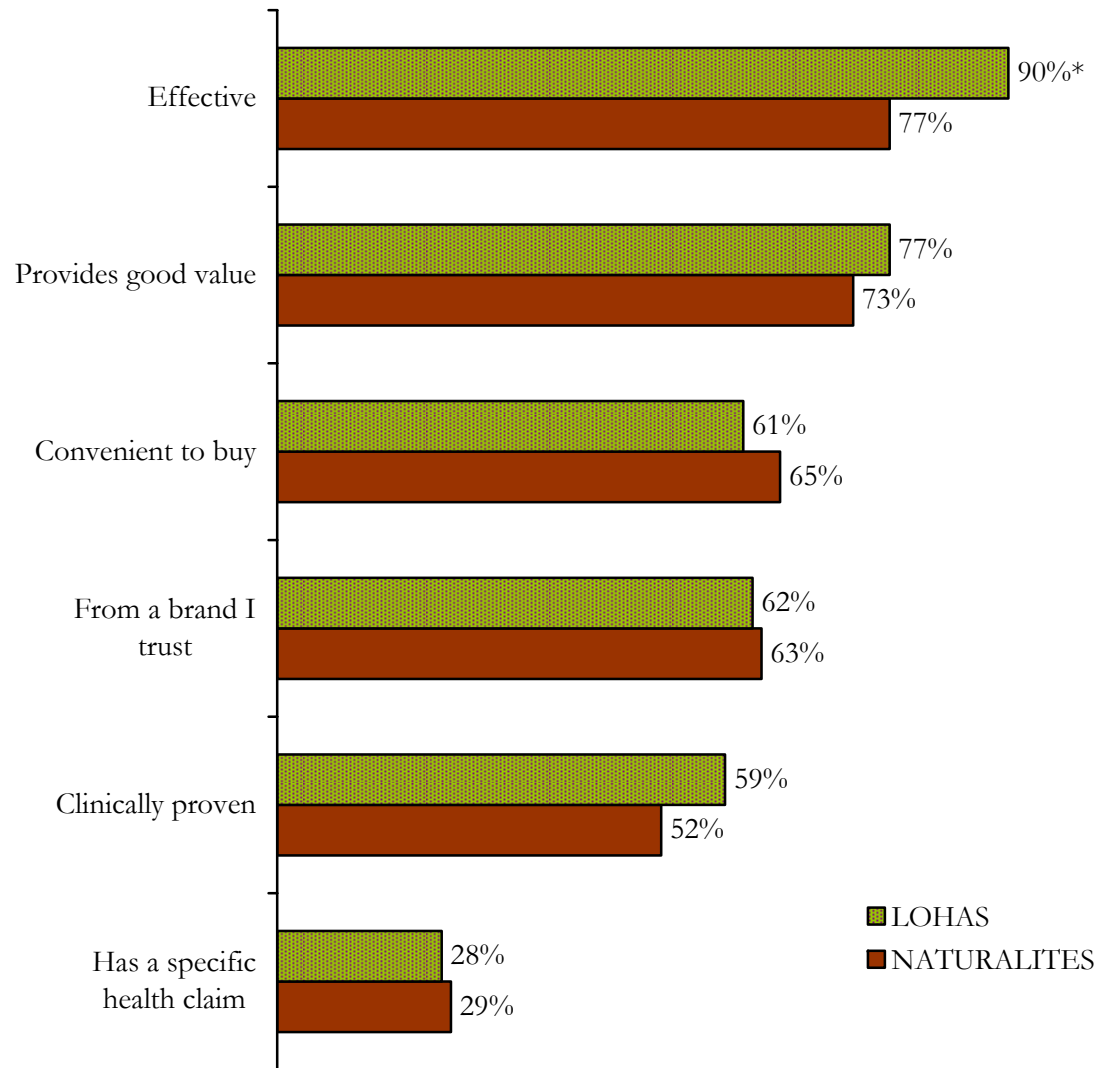
As suggested in Figure 7-4 (previous page), LOHAS consumers are demanding. Figure 7-5 further supports this, as 90% indicate the importance of efficacy. These consumers are *not* willing to compromise product performance for LOHAS-related benefits. Efficacy is an assumed benefit that is important for any product, natural and organic personal care products included. Products that are ineffective will be abandoned.

The introduction of natural and organic personal care product lines into mass market will allow the category to continue its growth pace, while at the same time meet some of these basic desired attributes. In addition to convenience — the importance of which can be seen in Chapter Six — mainstream retailers add a perceived sense of value and credibility to the products.

The majority of LOHAS and NATURALITES find clinical proof important. This could be a valuable distinction for emerging brands in the market. Nivea Baby products are an example of a company using clinical testing to grow its brand; the products state, “skin tolerance clinically and dermatologically proven,” giving mothers a sense of proof that their babies’ skin will be safe.

Figure 8-5

(Q. 89-% Consumer segments who indicate the following product attributes are very important to their personal care purchase decisions)



* denotes significant difference at 95% level

Ingredient-Based Product Benefits that Affect Personal Care Choices Among Users

Regardless of a consumer’s engagement with the natural product marketplace, lingering residues are consumers’ biggest ingredient-based concern. As Figure 7-6 shows, Natural/Organic Personal Care Users are particularly concerned with this issue, with more than one-half indicating “no residues” is an important attribute for their purchase decision. Perhaps their usage of natural personal care products has been driven by this desire, as some conventional products do not readily absorb into the skin.

Consumers also show that vitamins are not just for foods anymore, as nearly one-third indicate that vitamin fortification and enrichment are very important to their purchase decisions. Consumers’ recognition of the role vitamins and minerals play on the body’s appearance — known as beauty from the inside out — has parlayed into increased interest in the benefits vitamins and minerals can play as ingredients in personal care products.

Plant and herbal-based ingredients are important to approximately one in five Natural/Organic Personal Care Users, and can be expected to increase in popularity with increased understanding of health impacts from conventional products’ ingredients.

Figure 8-6

(Q. 89-% Consumer groups who indicate the following product attributes are very important to their personal care purchase decisions; Index: natural/ organic personal care users versus general population)

	General Population	N/O PC User	Index
No residues	40%	53%	134
No artificial preservatives	29%	40%	140
Fortified with vitamins	29%	38%	133
Vitamin-enriched	28%	37%	132
pH-balanced	26%	36%	137
No artificial ingredients	26%	37%	143
Made with premium ingredients	26%	35%	133
No artificial colors	24%	35%	146
No synthetic ingredients	22%	34%	154
Fragrance-free	21%	27%	126
Naturally derived fragrances	20%	30%	148
Plant-based	16%	26%	159
Herbal-based	15%	23%	154

Ingredient-Based Product Benefits that Affect Personal Care Choices Among Segments

As shown on the previous page, consumers are not tolerant of residues in their personal care products. In Figure 7-7, 45% more LOHAS than GP find 'no residues' to be important, with 58% of LOHAS reporting this preference.

After residues, the lack of artificial components, such as preservatives and colors, is a major concern among LOHAS and NATURALITES. This issue is significantly less important among the other segments. However, as early adopters and trend setters, the importance to LOHAS and NATURALITES will likely transfer to the balance of the population.

Healthy ingredients specifically resonate with NATURALITES. They give an almost equal amount of importance as LOHAS consumers do for personal care products that are vitamin enriched or fortified with vitamins. As explained in Chapter One of this report, NATURALITES are concerned with their own personal health and tend to use more healthy consumables as an approach to managing health. Given NATURALITES' high interest in these ingredient-based attributes, natural and organic personal care products can be made more attractive by incorporating these qualities. Leading edge ingredients are vital to staying one step ahead of competition.

Figure 8-7

(Q. 89-% Consumer segments who indicate the following product attributes are very important to their personal care purchase decisions)

	LOHAS	NATURALITES
No residues	58%*	50%
No artificial preservatives	51%*	42%
No artificial ingredients	46%	42%
No artificial colors	42%	38%
pH-balanced	41%	39%
No synthetic ingredients	40%	34%
Vitamin-enriched	40%	39%
Fortified with vitamins	38%	41%
Made with premium ingredients	38%	35%
Naturally derived fragrances	36%*	28%
Plant-based	35%*	24%
Fragrance-free	34%	27%
Herbal-based	32%*	21%

** denotes significant difference at 95% level*

Environmental/Social Product Attributes that Affect Personal Care Choices Among Users

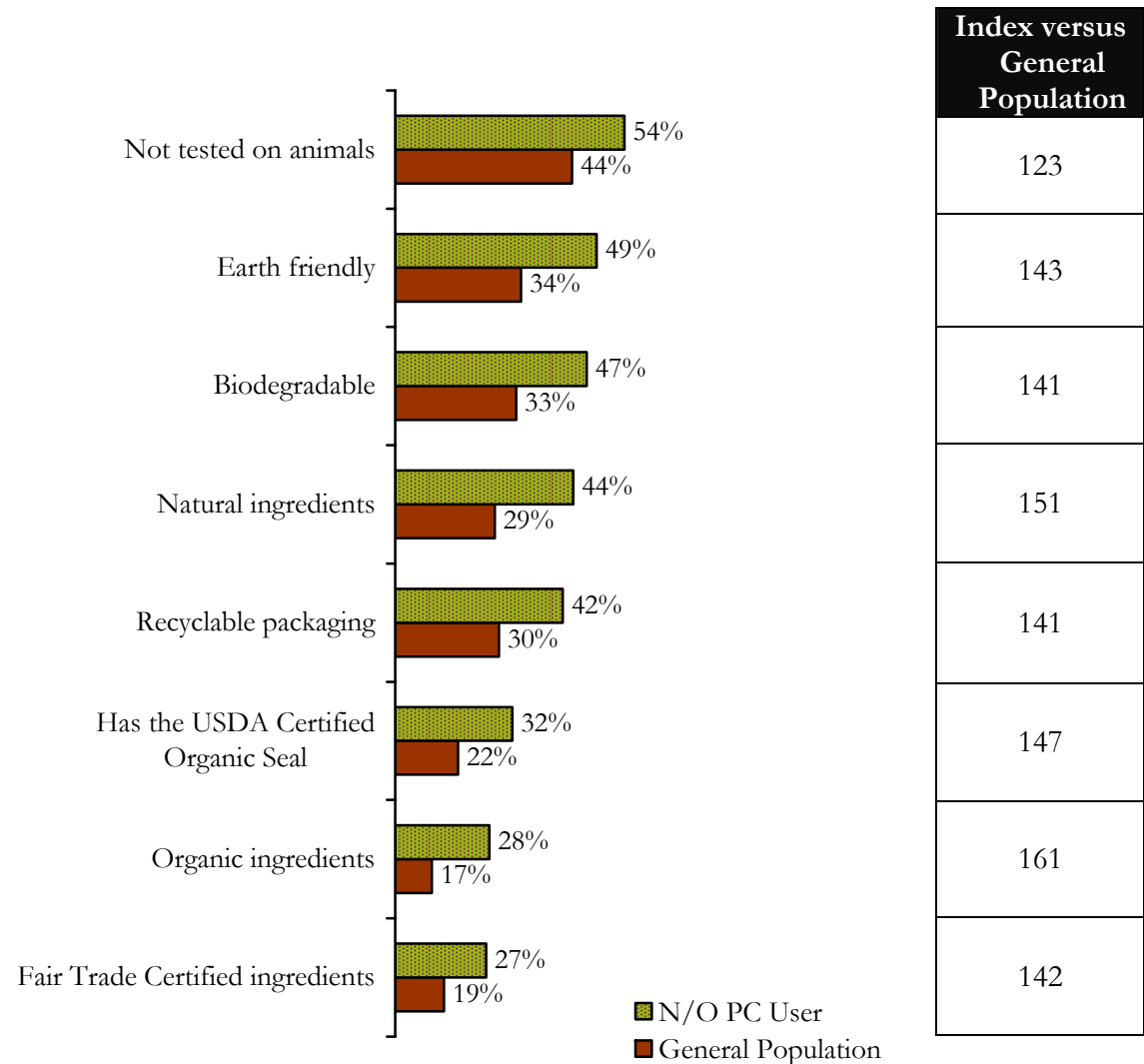
Though it still lags efficacy and value, animal testing is the largest issue among environmental and social concerns. More than one-half of Natural/Organic PC Users state that it is an important attribute when making their purchase decisions, more important than even natural/organic ingredients. This indicates that this user group, while defined based on natural/organic usage, represents multi-dimensional consumers who are interested in a socially and environmentally well-rounded product.

The consortium of companies led by Burt's Bees that compiled the recently launched natural standard understood this, and animal testing is not permitted under this standard.

The USDA Certified Organic seal is also important to nearly one-third of N/O PC Users, and should continue to increase in importance as the industry pushes toward clearer standards definitions. Interestingly, among the general population, the USDA Organic seal holds the same importance (22%) for foods and beverages as it does for personal care products.

Figure 8-8

(Q. 89-% Consumer groups who indicate the following product attributes are very important to their personal care purchase decisions; Index: natural/ organic personal care users versus general population)



Trends in Product Benefits that Affect Personal Care Choices

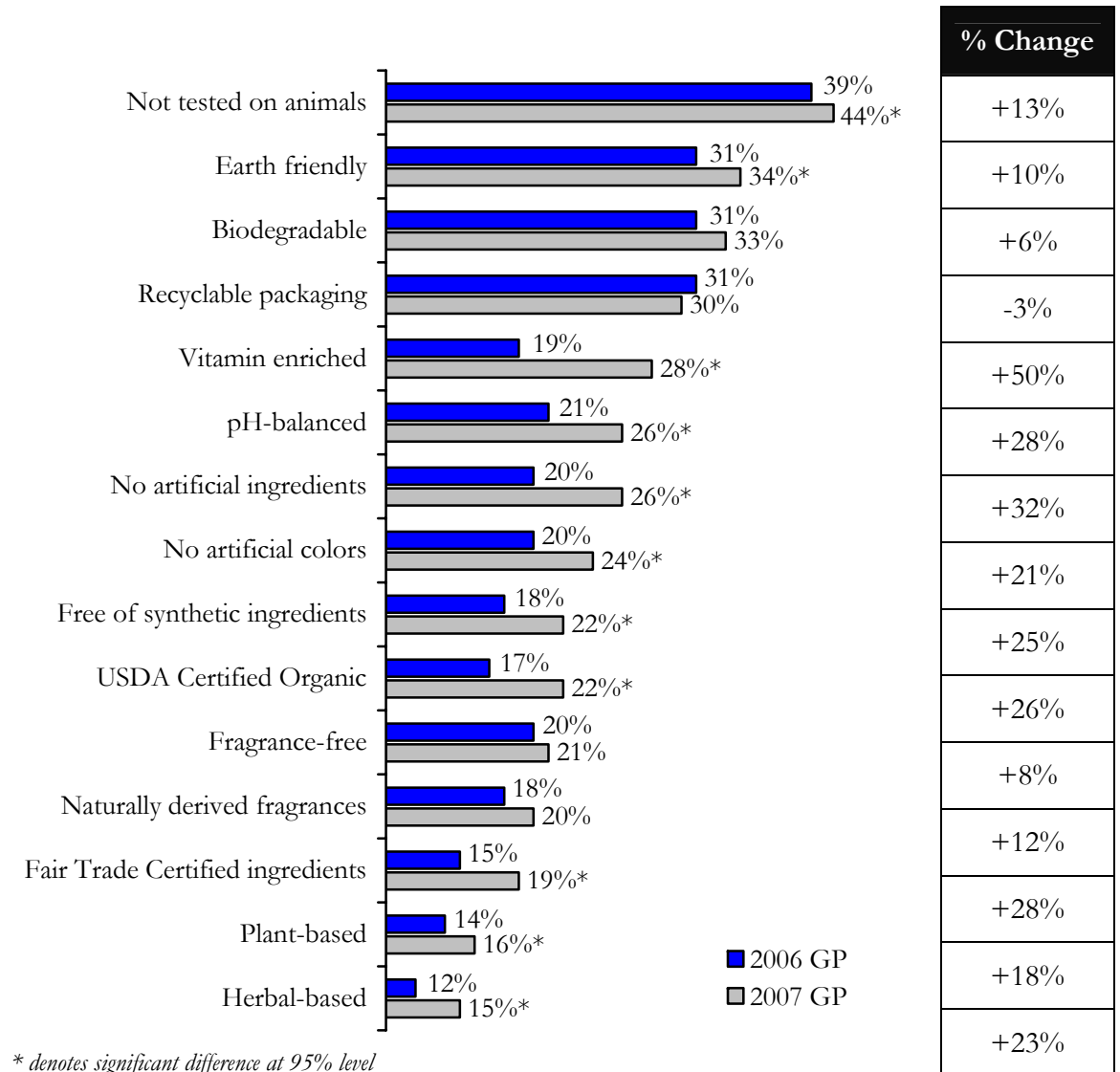
Nearly every product attribute listed in Figure 7-9 has increased in importance versus 2006. While the increases are found among LOHAS and NATURALITES, the real growth in importance of these attributes is being driven by the DRIFTERS who are, in most cases, twice as likely to find these attributes very important to their personal care purchase decision now as they were in 2006. The trends related to sustainability are clearly resonating with this trend-sensitive group; therefore, engaging DRIFTERS will be critical to natural and organic brands.

“Vitamin-enriched” is one of the fastest growing personal care product attributes, as consumers are beginning to recognize the benefits of these added ingredients. Brands like Derma E and Bare Escentuals have realized this and they market accordingly.

Certification seals are also rapidly increasing in importance, an encouraging sign for the natural certification standards that have recently launched (e.g., Burt’s Bees, Whole Foods Market, and Estee Lauder Companies). Also notable is that Fair Trade Certified ingredients and the USDA Certified Organic seal both increased in importance more than 25% since 2006, showing the importance of not just claims, but proof.

Figure 8-9

(Q. 89-% 2006 and 2007 General population who indicate the following product attributes are very important to their personal care purchase decisions)



Natural and Organic Personal Care Purchases

Natural/Organic Personal Care Users, by definition, purchased one of the listed products in Figure 7-10. As so, they are nearly three times as likely to purchase every natural/organic personal care product listed. Further, they are highly integrated consumers who are likely to use multiple natural/organic personal care products across subcategories.

After natural feminine hygiene products, body and hair care products top the list of natural and organic purchases. Previously thought to be less effective than their conventional counterparts, natural and organic personal care products are overcoming those barriers, and categories once dominated by regular versions, such as facial and cosmetics, are now seeing natural versions assume a growing market share.

NATURALITES have purchase rates similar to the general population's. While NATURALITES find the USDA seal particularly important, personal care products with this label may not be available in the stores they shop (since they live in more rural areas), or NATURALITES may not be able to afford the premium. However, this group is deserving of continued product innovation and marketing, as these products do appeal to their preferences.

Figure 8-10

(Q. 90-% Consumer groups stating they or someone in their household has purchased the following in the past 6 months; Index: natural/organic personal care users versus general population)

	General Population	N/O PC User	Index versus General Population
Natural (NET)	36%	94%	266
Natural feminine hygiene	19%	50%	266
Natural body care	12%	33%	266
Natural hair care	12%	33%	267
Natural facial care	10%	25%	266
Natural cosmetics	7%	17%	266
Natural oral care	7%	19%	267
Organic (NET)	11%	30%	265
Organic body care	6%	15%	266
Organic hair care	6%	16%	264
Organic facial care	4%	11%	264
Organic oral care	3%	8%	268

Other Personal Care Purchase Behaviors

Natural/Organic Personal Care Users appear to be more sensory and appearance oriented than the general population, as shown in Figure 7-11. They are nearly twice as likely to be users of aromatherapy, spa treatments, and facials.

As the natural products market increases, also expect the sales of male specific products to rise. There are fewer stigmas about men using personal care products that were once considered for women only. Interestingly, the percentage of men purchasing these products is consistent across all segments.

Additionally, men are only slightly less likely than women to purchase products named in Figure 7-11. Industry sales numbers show that the sales of male specific prestige skin care products (e.g., moisturizers, treatment shaves, facial cleansers, facial exfoliants) are growing faster than those for women. With mainstream companies such as L’Oreal developing moisturizers and other skin products designed for men, this trend should continue. Merging this trend with natural could prove to be a winning combination.

Spa treatments/facials and cosmetics are also cashing in on the natural movement and are becoming more popular for men and women alike.

Figure 8-11

(Q. 90-% Consumer groups stating they or someone in their household has purchased the following in the past 6 months; Index: natural/organic personal care users versus general population)

	General Population	N/O PC User	Index
Cosmetics	40%	54%	133
Any personal care product specifically for men	30%	36%	118
Personal care products for a specific health issue	19%	30%	155
Manicures/Pedicures	19%	29%	152
Aromatherapy	10%	17%	170
Spa treatments/Massage	9%	14%	165
Facials	7%	13%	188
Cosmetic surgery	1%	2%	243

Other Personal Care Purchase Behaviors by Segment

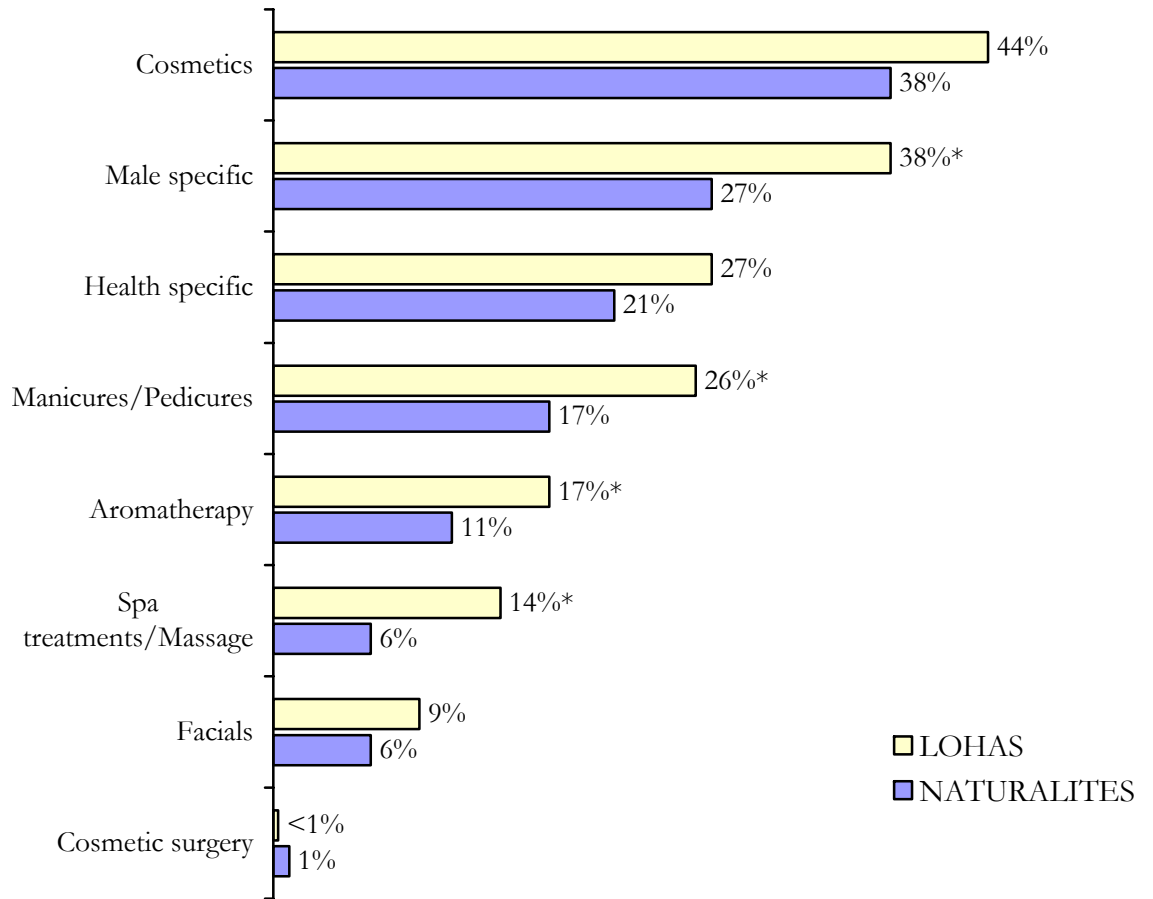
Cosmetics, male specific products, and health specific products are more commonly purchased than luxury products like spa treatments, facials, and cosmetic surgery. LOHAS consumers lead the way for personal care purchases specifically for men, increasing roughly 20% versus 2006. LOHAS are also the most indulgent segment, more likely than all other segments to use manicures/pedicures, aromatherapy, and spa treatments/massages.

Consumers of manicures/pedicures, spa treatments/massages, and facials also have another common denominator: they are all more likely to be Generation X and have higher income levels. There exists a proliferation of small format spas that are expanding upon their traditional offerings to target themselves to this demographic through new, trendy products that appeal to this generation.

Facials and cosmetics are two categories with the most diverse consumer base, as purchase rates are almost equal across all segments. Aside from products specifically for health, DRIFTERS are very similar to NATURALITES, and their usage of these products is increasing faster than NATURALITES'. Consequently, DRIFTERS represent the larger opportunity, and their

Figure 8-12

(Q. 90-% Consumer segments stating they or someone in their household has purchased the following in the past 6 months)



* denotes significant difference at 95% level

concerns and interests should be incorporated into product design and marketing.

Trends in Personal Care Purchases

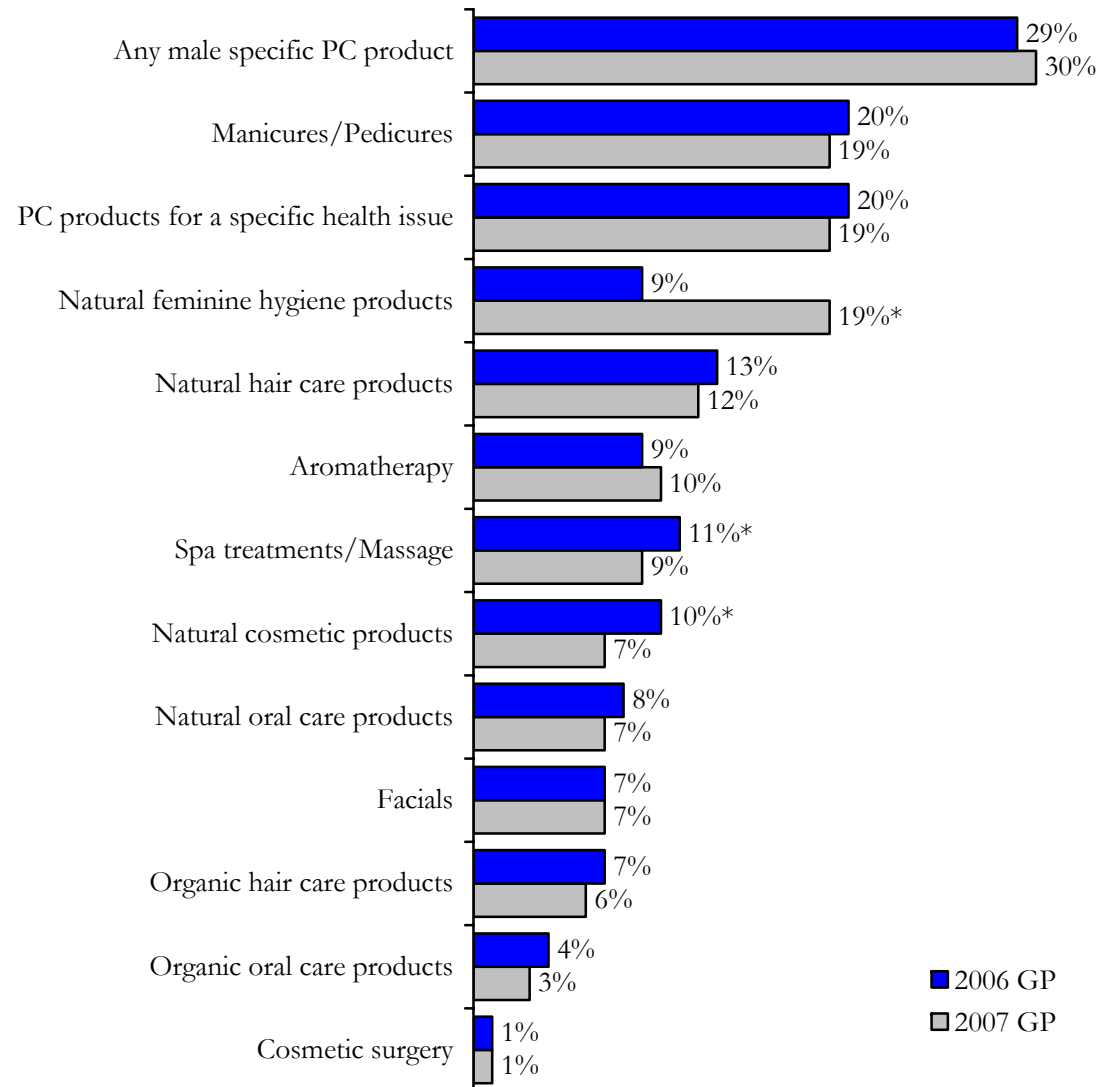
The usage rates of the majority of personal care products remained stable (Figure 7-13) from 2006 to 2007. One exception is natural feminine hygiene products, which showed a significant increase in usage versus 2006 — up across every segment. This is most likely a byproduct of increased education about health risks and the rise in natural product offerings. In fact, one-third of the natural feminine hygiene products launched since 2001 have been introduced in the past two years.

DRIFTERS are becoming prime targets for these types of products. Although overall purchase rates have remained flat, DRIFTERS have increased their usage of many of the products listed in Figure 7-13, signifying that this segment is using more while other segments are using less.

Usage of these products by LOHAS consumers increased the most, particularly among male specific products, manicures/pedicures, and spa treatments/massages.

Figure 8-13

(Q. 90-% 2006 and 2007 General population stating they or someone in their household has purchased the following in the past 6 months)



* denotes significant difference at 95% level

Natural and Organic Personal Care Users' Mainstream Brand Usage

Consistent with their definition and the attitudes explored previously in this chapter, Natural/Organic Personal Care Users are more active users of personal care products in general, which translates to heavier usage of even such mainstream brands as those shown in Figure 7-14. N/O PC Users range from 20% to 50% more likely than the general population to use the listed brands.

In the general population, the usage of many of these mainstream brands has declined or remained stable over the past couple of years. The mainstreaming of once niche natural/organic brands into non-traditional outlets has created increased competition with conventional brands, which may be depressing usage of these long-established brands.

Aveeno's formulation and marketing, which is the most natural-oriented of those listed, may be contributing to its much faster growth rate (see the following page for more information).

Figure 8-14

(Q. 94% Consumer groups indicating which of the following brands they, or someone in their household, purchased in the past 6 months; Index: natural/organic personal care users versus general population)

Brands with a Mainstream Position	General Population	N/O PC User	Index versus General Population
Dove	38%	50%	132
Bath & Body Works	30%	40%	134
Pantene	23%	28%	122
Oil of Olay	22%	30%	137
Aveeno	22%	33%	154
Neutrogena	18%	27%	145
Clairol Herbal Essences	17%	24%	140
Avon	17%	25%	144
Jergens	14%	20%	142

Mainstream Brand Usage by Segment

Looking at mainstream personal care brand usage among LOHAS and NATURALITES, Figure 7-15 shows that LOHAS consumers have a significantly different preference for these brands. Aveeno ranks as their second most purchased brand (it is fifth in the general population). It appears that its more natural product positioning is resonating with the two segments who value that most.

Although overall usage of most listed mainstream brands has remained flat, there has been growth among LOHAS and DRIFTERS. Dove, for example, is separating itself from the pack with its unique messaging. Its “Campaign for Real Beauty” appears to be resonating with LOHAS consumers.

Many of these brands are exploring what the growth in natural personal care means to their brand. Avon is a good example of a brand that is reinventing itself, adding new products to their traditional mix that specifically target a segment through offerings that include wellness related products (e.g., Liiv Botanicals, Healthy Remedies, Planet Spa) and co-promotions with health focused companies such as Curves. NATURALITES, being predominantly female and inclined to use healthy products, make a prime target for such marketing efforts.

Figure 8-15

(Q. 94-% Consumer segments indicating which of the following brands they, or someone in their household, purchased in the past 6 months)

Brands with a Mainstream Position	LOHAS (B)	NATURALITES (C)	DRIFTERS (D)
Dove	44%	37%	42%
Aveeno	36% ^{CD}	20%	20%
Bath & Body Works	33%	29%	29%
Oil of Olay	31% ^{CD}	23%	20%
Neutrogena	30% ^{CD}	16%	15%
Pantene	26%	22%	24%
Clairol Herbal Essences	19%	16%	16%
Avon	18%	22% ^D	16%
Jergens	17%	12%	15%

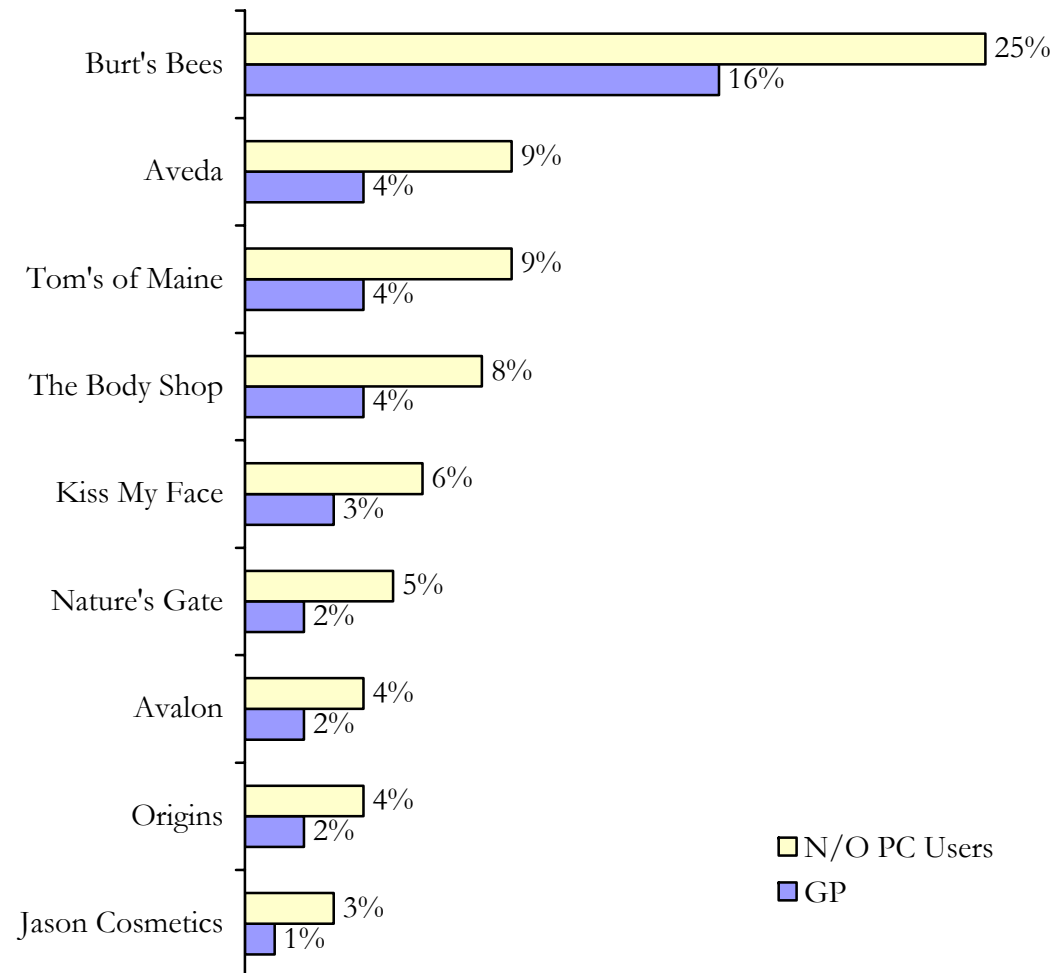
Natural and Organic Personal Care Usage of Natural/Organic Brands

Natural/Organic Personal Care Users are by definition heavier users of natural/organic products, which of course translates directly to particular brand usage (Figure 7-16). Burt's Bees is the foremost measured natural brand used among this segment, with 25% of N/O PC Users having used the brand in the past six months. Its natural product offerings, corporate responsibility efforts, and unique distribution system has enabled the company to grow its customer base to significant levels. As a result, it has one the highest growth rates of not only mainstream brands, but also the natural/organic brands studied in this research.

The consumer push toward natural/organic products is also benefiting such smaller brands as Kiss My Face, Nature's Gate, and Jason Cosmetics, which have all shown strong, double-digit growth. These brands have a significant opportunity to capitalize on these trends further. They, and other brands like them, need to optimize consumer targeting, messaging, and distribution to fully capitalize on the natural/organic personal care explosion.

Figure 8-16

(Q. 94-% Consumer groups indicating which of the following brands they, or someone in their household, purchased in the past 6 months)



Natural/Organic Brand Usage by Segment

Given the variety of information presented in this chapter and elsewhere throughout the report, it is no surprise to see that LOHAS consumers are more likely than all other segments — significantly so in some cases — to purchase natural/organic brands such as those listed in Figure 7-17. Consistent with other data in this chapter, DRIFTERS are more likely to be users of these brands than NATURALITES, and, along with LOHAS consumers, are driving the growth versus last year. DRIFTERS are image focused, and their desire to look good could be driving their increased usage. Their trend sensitivity also aligns with the image that many natural brands portray.

Although UNCONCERNEDS show significantly less usage than LOHAS, they showed increased use of smaller niche brands such as Kiss My Face, Nature’s Gate, and Jason, suggesting that in addition to the natural/organic attraction, these brands offer something that the UNCONCERNEDS crave. This will be an important trend to watch; perhaps this product category will become an important leverage point to bring the UNCONCERNEDS into the LOHAS marketplace more meaningfully.

Figure 8-17

(Q. 94% Consumer segments indicating which of the following brands they, or someone in their household, purchased in the past 6 months)

Natural/Organic Brands*	LOHAS	NATURALITES	DRIFTERS
	(B)	(C)	(D)
Burt’s Bees	31% ^{CD}	11%	13%
Tom’s of Maine	12% ^{CD}	4%	4%
Aveda	9% ^{CD}	3%	4%
The Body Shop	9% ^{CD}	3%	5%
Kiss My Face	7% ^{CD}	2%	1%
Nature’s Gate	5% ^{CD}	1%	1%
Avalon	3% ^C	1%	2%
Origins	3%	1%	2%
Jason Natural Cosmetics	2% ^D	1%	1%

*NMI defined

Sources of Influence for Personal Care Products

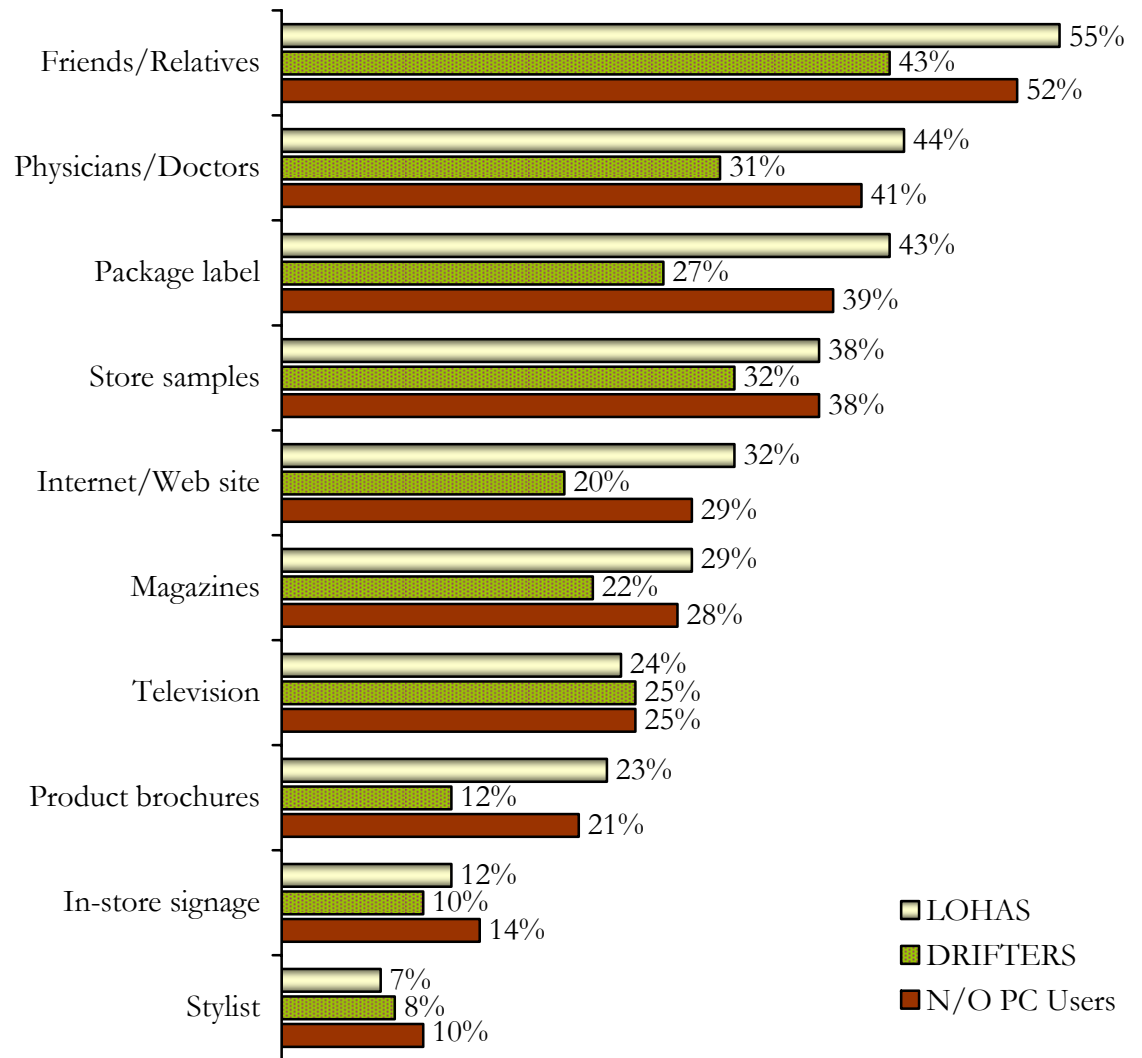
Word of mouth is the strongest influence on consumers when it comes to making their personal care purchase decisions. It has a CAG of more than 10% since 2005. This underscores the importance of product efficacy, as consumers, particularly in the personal care category, are prone to share their product opinions and experiences with their friends and family. It is also particularly important to LOHAS and N/O PC Users, with more than half of each group identifying this as a source. With this segment skewing female, there are natural social circles and “networking” strategies for marketers to target.

Physicians/doctors and the Internet, the fastest growing sources of influence since 2005, also are strongly influential. The importance of a doctor recommendation has increased more than 50% in that time. Given the clutter in the marketplace, doctors’ recommendations may hold more weight than ever.

Package labels are important to roughly one-third of consumers and will become increasingly more important with the introduction of several labels related to natural and organic standards. Magazines and television advertisements influence nearly one in four consumers. Magazines are particularly more influential to LOHAS (see Figure 3-9) and Natural/Organic Personal Care Users.

Figure 8-18

(Q. 103-% Consumer segments indicating which of the following sources of information influence their purchase of personal care products)



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