



EXECUTIVE SUMMARY

Sustainability:

THE RISE OF CONSUMER RESPONSIBILITY

JANUARY 2009

Sustainability: The Rise of Consumer Responsibility

As the forecast for the economy remains gray, this new report sheds light on how consumers find the silver lining by living responsibly.

OVERVIEW

Since 1989, The Hartman Group has been painting the evolving picture of the American consumer and providing data, findings and counsel to companies on consumer habits, adoption pathways and aspirations in the environmental products arena.

Sustainability: The Rise of Consumer Responsibility goes beyond today's "green" hype and compiles the most comprehensive, immersive information and implications for understanding the consumer side of the complex issue of sustainability. It describes consumers' familiarity with sustainability, as a term, and way of life, and how the myriad of attitudes and behaviors across economic, social, corporate and environmental responsibility is reflected in their consumption patterns. It sheds light on the increasing desire among consumers to live more responsibly.

Fielded at the onset of the current economic downturn, the report offers insight into the negative outlook consumers have for the economy and the positive outcome they feel will result by making sustainable purchase decisions.

Sustainability: The Rise of Consumer Responsibility is the definitive roadmap plotting consumer behavior and purchases in the new culture of sustainability and adjusting to new economic realities. The report examines consumers' evolutions, adoptions and aspirations in the environmental and social values marketplace and offers insight into key product categories tied to economic, environmental and social responsibility objectives and long-term sustainability strategic planning.

INTRODUCTION

As cultural observers, you can imagine our rapt attention as the American economy began to unravel in August and September 2008 just as we fielded the ethnographic and quantitative portions of this study. In fact, the quantitative portion of Sustainability Outlook 2008 fielded and was collected from consumers the week of September 19th to the 24th, just days after the collapse of Merrill Lynch and Lehman Brothers on Wall Street and coincided with the unveiling of the Federal financial rescue plan. Thus, to say the least, consumers at the time of this study's data collection were just beginning to readjust to new economic realities, yet at the same time were still living out their lives, and interestingly enough, effusive on all topics linking to the still murky concept of "sustainability."

We say effusive, because as some industry pundits have pointed out, some of the only bright lights in the otherwise gloomy economic realities of late 2008 lie in those topics that intersect with sustainability (two examples common to both consumers and industry alike, being "saving energy" and another, "hope for a better world"). We also say effusive, because many of the sustainability-related attitudes, practices and behaviors voiced and confirmed by consumers in this study serve to underscore the depth and breadth of attitudes that, while commonly lumped under the aegis of "green" or "environmental," now include at the consumer level much broader expectations and knowledge of topics relating to individual as well as corporate responsibility.

"Sustainability" is not a household word

Not only is the word sustainability seldom used in consumer circles, but when pressed, many individuals are unsure of what it means. In fact, consumer familiarity with the term "sustainability" is virtually identical in both 2008 and 2007: Slightly more than half (56%) of respondents indicate that they are familiar with the term today versus 54% in 2007.

Underscoring their unfamiliarity with the term and issues tied to it, almost three-quarters (71%) of consumers say they don't know or were uncertain which companies support sustainable values and a full 75% say they don't know or were uncertain which products are sustainable.

We say murky in referencing consumer views on the term sustainability if only to underscore that the term, like it was in last year's sustainability study, is still largely not a household word and means many different things for a diversity of consumers.

The Rise of Responsibility

Regardless of whether or not consumers are acquainted with "sustainability," or can supply a formal definition for it, we find that they often point to words and phrases that reference the *greater good*. Recurring terms such as "responsibility" and "doing the right thing" emerged from interviews as ways described by consumers to achieve the greater good and link economic, social, and environmental issues important to them. Thus we find that sustainability is reflected at the consumer level in a myriad of behaviors, from purchases and non-purchases, to voting and volunteerism. The notion of responsibility underscores the idea of connectedness, and addresses consumer beliefs that the right thing in one area has effects in other areas. Consumers say today that for something to be truly responsible in one way, it should not cause great detriment in another.

Living Sustainably During the Downturn

Although it was not the primary focus of this study, we find that even the best intentioned, most committed sustainability consumers are not immune to changing financial conditions. In such cases when consumers are forced to make tradeoffs, cutbacks are more likely to be made in product categories that consumers view as less essential. Some of the categories researched in this study, such as food, personal care, and household cleaners, typically remain consistently purchased as consumers perceive them to be most important to their quality of life. Economizing behaviors that consumers associate with sustainability — going to thrift stores, repurposing goods, and opting out of certain purchases — may increase since they dovetail with the zone of personal benefit in terms of economic interests: For example, the simplicity trend entailing the choice to generate less waste through less consumption not only has implications for the greater good, but is also economically empowering.

Responsibility as a Response to the Challenges of Today and Tomorrow

As detailed in the report, a tremendous range of topics falling under the rubric of "sustainability" link by dotted and solid lines to this unwieldy concept. While concepts and ideas like "local," "Fair Trade," "cruelty free," and "transparency" can now be said to be fully operating in the cultural domain, the consumer notion of doing the right thing for the common good is an even stronger guiding principle that establishes hope, even in what seem to be hard times. Importantly, we see consumers seeking out those products, services and retail outlets that they feel represent forward-thinking, higher domain experiences within which sustainability has profound connections at personal, social and global levels. Going forward, what we find fascinating, and of great value to manufacturers, retailers and service providers, is that many of the core beliefs and aspirations surrounding sustainability behaviors represent personal journeys for consumers: These philosophically and objectively-driven travels are inspired by not only individual hope for higher quality experiences and standards of living for themselves and their communities, but are quickly becoming a broadly focused expectation to find such qualities reflected in the stores, employees, brands and products they buy, interact with and use on an everyday basis.

EXECUTIVE SUMMARY

Sustainability Outlook 2008 addresses five key areas comprising a broad consumer-centric view of the sustainability landscape. Key questions addressed in the following chapters include:

1. If the term "sustainability" fails to cohere the personal and societal concerns of consumers, is there a word that does?
2. What are the attitudes that consumers have about sustainability, and how does this translate into behavior?

3. Within a consumer framework surrounding sustainability, what products and services are relevant and what motivates consumers to purchase them?
4. What makes a company "good" or "sustainable" and how does that translate into patronage?
5. What aspects of retail, including in-store experience, as well as behind the scenes practices, do shoppers consider when evaluating retailers?

Chapter 1: Sustainability from the Consumer Perspective

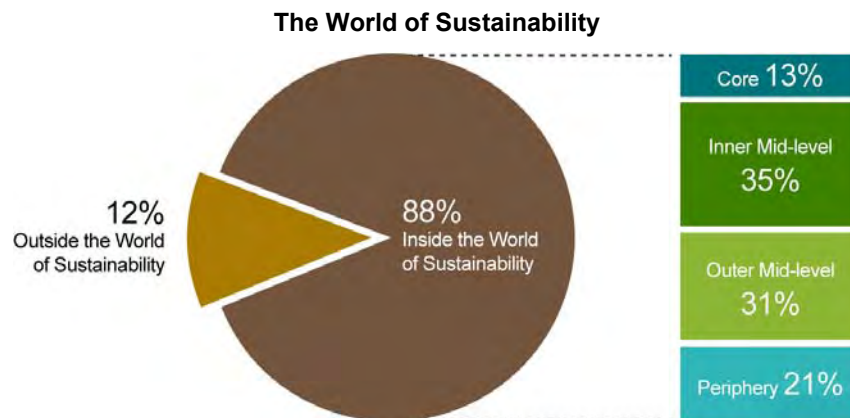
Chapter One examines consumer perceptions of what sustainability means and finds that despite an increased social presence of issues pertaining to the term, “sustainability” itself is still not a household word and means many different things for a diversity of consumers. Not only is the word sustainability seldom used in consumer circles, but when pressed, many individuals are unsure of what it means. Sustainability is reflected in a myriad of behaviors, from purchases and non-purchases, to voting and volunteerism.

Chapter 2: Consumer Attitudes

Chapter Two introduces The Hartman Group’s world perspective (i.e., the World of Sustainability), consumer attitudes toward sustainability and triggers to developing a sustainability frame of mind. Using a world perspective allows us to conceptualize consumer behavior within a world of activity, such as sustainability. Consumers are not simply “born” into the World of Sustainability. Participation in the World of Sustainability is a journey that begins attitudinally and eventually manifests through behavior. In other words, before consumers ever express their participation through behaviors and purchases, they first must develop a frame of mind to even participate in the World. As it was a year ago, we find that the notion of risk is still an important facet of sustainability consciousness for many individuals. Many consumers are concerned that something they value – be it the condition of the environment, the economy, the ethical treatment of others, and so on – is indeed at risk. Although the notion of risk is an element influencing attitudes in the realm of consciousness, risk is not the whole of sustainability consciousness. Our recent conversations with consumers reveal that consciousness may also be inspired by a sense of hope for the future, and a desire to do and to feel good.

Chapter 3: Consumer Behavior in the World of Sustainability

Chapter Three explores consumer behavior within the World of Sustainability and finds that an individual’s behavior or purchase to some degree must be motivated by a desire to positively impact society or the environment in order for it to be a reflection of sustainability mindedness. Each area of sustainability—environmental, social, economic and personal benefit—comprises its own pathway through which consumers may adopt various activities and purchases germane to that zone. Activities and purchases along each sustainability pathway reflect a gradual intensifying of participation and commitment.



Source: Sustainability: The Rise of Consumer Responsibility report. The Hartman Group, Inc. January 2009.

Chapter 4: Sustainable Products

Chapter Four examines how consumers evaluate whether or not a product is sustainable, and also behavior during the economic downturn. We discuss how interpretations are influenced by a myriad of factors including the type of product, how and by whom it is manufactured, its packaging, certification, messaging and communications. Different product categories have unique implications for how consumers evaluate sustainability in light of social, economic, environmental and personal benefits associated with them. The economic crisis of fall and winter 2008 presents a poignant opportunity to observe how consumers make tradeoffs between their personal economic interests and sustainable product choices that affect the greater good. Response to such economic conditions, largely depends on how committed a consumer is to sustainability.

Chapter 5: Sustainable Food & Beverages

Chapter Five probes the food and beverage category and finds it central to consumer perceptions of sustainability. Consumers view the category as salient to all zones of sustainability, and in fact consider the category as one of the most important sustainability issues. The direct connection made by consumers between food and the earth make the environmental zone of sustainability top of mind for consumers inside the World of Sustainability.

Chapter 6: Sustainable Personal Care

Chapter Six finds that the personal care category is thought of as uniquely intimate, and consumer motivations for adoption lie primarily in meeting personal health and wellness needs, with sustainability considerations being secondary. Adoption of sustainable personal care products typically initiates in the zone of personal benefit and follows the in, on and around the body continuum and is often subsequent to the adoption of foods and beverages.

Chapter 7: Sustainable Household Cleaners

Chapter Seven analyzes consumer behavior in the household cleaning category and reveals a shift in the way consumers think about why and how they clean their home. Formerly, the act of cleaning was a form of “germ warfare,” and resembled a combative relationship between consumers and their environment. Today, consumers talk about the idea of working with nature, not against it, to naturally restore balance to their home environment.

Chapter 8: Sustainable Over-the-Counter Medications and Supplements

Chapter Eight examines the over-the-counter (OTC) medication and supplement category and finds that increased media coverage regarding tainted medications has generated greater consumer awareness about the lifecycle and potential impacts of such products. Consumers consider social and environmental zones as salient to their evaluation and purchase of sustainable versions of such products.

Chapter 9: Sustainable Home Décor and Improvements

Chapter Nine surveys the broad range of products found in home décor, improvements and electronics and their relation to sustainability. This category is distinct from other product categories in that consumers associate products in the category almost exclusively with the environmental zone of sustainability and consider it vital to the current call to “go green.” Consumers are calling for more transparent information regarding personal and environmental safety in home décor and related goods.

Chapter 10: Sustainable Food Service

Chapter Ten explores the food service category ranging from fast food and fast casual to food served at conventions and planned meetings. The food service category is unique in that an eatery is judged both as a retail environment and as a purveyor of food experiences. Consequently we examine this category from a two-fold perspective, unpacking sustainability's significance as it relates to spatial and experiential elements of the restaurant as well as its food. The economic, environmental, and social zones of sustainability are relevant for the full range of food service providers: They are considered in light of a restaurant's food products, physical space, and company ethos.

Chapter 11: Sustainable Companies

Chapter Eleven focuses on how consumers define a sustainable company, and finds that this is not a simple exercise for consumers, but instead involves a weighting of a variety of factors. Many consumers do not believe that a company can, in fact, be truly sustainable. Consumers are doubtful that big businesses – by virtue of their size, the broader economic landscape in which they exist, their primary objective to maximize profit and the business practices necessary to do so – are able to be environmentally, socially, and economically sustainable.

Chapter 12: Sustainable Retail

Chapter Twelve finds that retailers are an important aspect of consumer participation in sustainability in that they are the most prominent intermediary between suppliers and consumers seeking to adopt more responsible goods and services. However, the retail role extends beyond passively facilitating transactions to providing both meaningful experiences for consumers and the setting for a partnership in sustainability. Consumer concepts surrounding quality retail experiences have high relevance to the topic of sustainability. Consumer experiences in-store have the biggest influence on overall perceptions about the retailer and its relation to sustainability.

Chapter 13: Concluding Thoughts and Recommendations

The final chapter provides concluding thoughts and recommendations and outlines marketing and communications tenets that provide guidance for creating messages that resonate with consumers and also function as guardrails for helping companies to avoid perceptions of green-washing.

WHAT'S NEXT FOR SUSTAINABILITY AND YOUR COMPANY?

To help you understand the consumer side of the complex picture of sustainability — how it relates to their everyday lives and translates into purchases — and design a sustainability strategy for your organization, please contact Alison Worthington, Managing Director of Sustainability, to arrange for a customized onsite presentation of this report's findings.

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METHODOLOGY

Quantitative Methods

Quantitative National Survey

This report presents results from an online survey of 1,856 U.S. adults conducted in September 2008 to understand consumer attitudes and behaviors related to sustainability—its practices, products and companies. Methodological details of how the data were collected and how key measures were developed are provided below.

Sampling Frame

The sample for this study was drawn from a panel of adult U.S. consumers with online (i.e., Internet) access. The sample for this study was designed to provide good representation of the U.S. population according to geographic area, age, gender, race and income. Although the sample provides full coverage of these characteristics, sample weights were developed to adjust for small departures from current US Census estimates of the population. Quality-assurance cleaning of the data from an initial set of 1,991 respondents resulted in a study sample of 1,856 respondents living in the U.S. and aged 18 or older.

The sampling error for the full sample of 1,856 respondents is less than ± 2.3 percentage points at the 95% confidence level; the sampling error for the sample of 1,591 significant shoppers inside the World of Sustainability (a sample we used frequently for this report) is less than ± 2.5 percentage points at the 95% confidence level.

Segmenting Sustainability Consumers

The procedure for classifying respondents into segments within the World of Sustainability was a two-step process. The first step involved constructing summary measures corresponding to the key attitudes and behaviors described above; the second step used these summary measures to classify each of the survey respondents into one of the consumer segments.

For this study, we defined such “**Outside** consumers” as those respondents who said they either:

- Never base their purchasing decisions upon their concerns for environmental or social well-being issues or
- Rarely base their purchasing decisions upon their concerns for environmental or social well-being issues AND fail to do so (at least in part) because they’re “not really concerned.”

We have divided the World of Sustainability into four consumer segments defined by their level of participation in the World. The construction of these segments made use of several pieces of data regarding: attention to information about Sustainability, attitudes toward Sustainability, price sensitivity, and reasons for participation in the World of Sustainability.

In doing so, we have expanded the traditional Hartman Group World Model (containing three segments: Core, Mid-level and Periphery) by dividing the Mid-level into two segments: Inner Mid-level and Outer Mid-level. Consumers in the Inner Mid-level display somewhat more involvement in the World of Sustainability than do their Outer Mid-level counterparts. This four-segment model is intended to provide a richer delineation of a large Mid-level segment.

Our procedure for classifying respondents according to these four Sustainability consumer segments was a two-step process. The first step involved constructing summary measures corresponding to key attitudes and behaviors and the second step used these summary measures to identify the four segments.

We determined membership in each of these segments by assessing each respondent’s level of self-identification with six sustainable attitudes or behavior (such as purchasing decisions):

1. I look for products that are not tested on animals.
2. I avoid buying products with excessive packaging.
3. I am aware of local community issues.
4. I avoid buying products from companies with poor labor practices.
5. I support companies that help my local community.
6. I am an avid recycler.

Using respondents' level of (dis)agreement (from "1 Strongly Disagree" to "5 Strongly Agree") with each of these six statements, we scored non-outsider respondents on the basis of their sustainable practices. From these scores we assigned the respondents to one of four consumer segments, from the highest set of scores (Core) to the lowest (Periphery):

- **Core** — These consumers display high involvement in a sustainability lifestyle and adherence to pro-sustainability attitudes.
- **Inner and Outer Mid-level** — Inner Mid-level consumers have a more integrated approach to sustainability, they are likely to have not only adopted many of the behaviors identified as Outer Mid-level, but have likely surpassed them with more intense behaviors and attitudes.
- **Periphery** — These consumers display only minimal, infrequent and less intense involvement in sustainability.

The resulting distribution of consumers within—as well as outside—the World of Sustainability is displayed below:

This segmentation process results in the following distribution:

| | |
|-----------------|------|
| Core | 12% |
| Inner Mid-level | 31% |
| Outer Mid-level | 27% |
| Periphery | 18% |
| Outside | 12% |
| Total | 100% |

Inside the World of Sustainability, the distribution is:

| | |
|-----------------|------|
| Core | 13% |
| Inner Mid-level | 35% |
| Outer Mid-level | 31% |
| Periphery | 21% |
| Total | 100% |

Qualitative Methods

The qualitative research for this study was conducted in three markets: Seattle, Dallas, and Columbus during the month of August 2008. We used consumer ethnography with fifty consumers as the cornerstone of our qualitative research. Ethnographic interviews included one-on-one conversations at an individual's home or at a specific retail setting, as well as group interviews also at consumers' homes. These engagements garnered more than 100 hours of in-depth, revelatory consumer discussion. In addition to interviews, our ethnography used a combination of data collection practices to provide high-quality, insights into consumer behavior.

Ethnography

Consumer ethnography is a holistic approach to understanding the evolution of consumer culture and has its roots in traditional anthropological study. It engages consumers in "real life" settings: home, work, play, and shopping, allowing more open dialogue and greater insight into how consumers interact with brands, products, and services. These ethnographic interviews are concerned not only with consumer attitudes, emotions, and behaviors, but also how product categories, brands, and products themselves are incorporated within wider social and cultural contexts. This qualitative research provides a richer description of consumer perceptions, emotions, and behavior in order to isolate and explain emerging consumer trends. Additionally, consumer ethnography is the best way to uncover the inherent contradictions between what consumers say they do and their actual behaviors. Fieldwork methods for this study included the following:

In-home Interviews

There are many things that people seldom talk about (at least not openly) or that only manifest themselves after intense discussion, particularly as they relate to purchase and consumption habits. For this reason, we carry out in-depth, semi-structured interviews in consumers' homes where trained ethnographers are able to speak in detail with participants. The ethnographer allows the participant to express their opinions and leads the discussion flexibly along pre-structured topics and by asking targeted follow-up questions. Following or in the midst of interviews, we conduct consumer-led "tours" to explore cupboards, bathrooms, and refrigerators when appropriate. These explorations allow us to separate aspirational behavior from real behavior—what people say they do and what they actually do.

Social Network Parties (SNPs)

Social Network Parties take the place of traditional focus groups. SNPs typically occur in the home of one of the participants, who functions as the "host" for the social gathering of friends, neighbors, or family members. Conversations that occur within such groups are markedly different than conversations you will hear in a focus group facility. First of all, participants in a familiar and comfortable environment are typically more forthcoming. SNPs, therefore, allow us to observe group dynamics and gather group language about brands and information gathering and dissemination in a more open and comfortable environment. Secondly, SNPs are useful to understand and assess the differences in how consumers describe their attitudes and behaviors to strangers versus intimates, and helpful to explore the social context for consumer perceptions and values. When we put on a social network event, we not only enjoy the benefits of a group that is already accustomed to interacting with one another, but we also learn how the group shares ideas, practices and preferences.

"Shop and Talk" Tours

"Shop and Talk" tours are in-situ interviews where we "tag along," as unobtrusively as possible, and observe the consumer as they shop. Some techniques deployed here include at-shelf interviews and "shadowing." We rely on these techniques to explore awareness and perception of brands and competitive sets, as well as observe the "at-shelf" decision-making processes behind brand choices. We also analyze the retail experience, exploring product placement, the physical space, communications (internal and external), and consumer expectations about the retailer.

Homework

Homework assignments are used as launching points for further discussion during interviews and to elicit underlying consumer emotions, perceptions, beliefs, and values. For this study, consumers were asked to complete personal collages and/or compile food receipts from the previous month.

COLLAGE

Prior to our interviews, we asked some participants to create a collage representing what "living responsibly" means for them. Collages allow consumers to express their thoughts and associations with topics (concepts, brands, lifestyles, categories, activities, etc.) through both images and words. During the interviews we used these images as springboards for discussion. The collages were then collected for additional analysis upon completion of the interviews. Our visual specialists and ethnographers examined sources, choices, details, and juxtaposition of images and text, looking for patterns expressing values that are important to consumers' decision-making processes. Collages provide insight into consumers' lives that may not be fully revealed by interviews alone.

RECEIPT COLLECTION

We asked In-home participants to compile all receipts from their household purchases for the prior month. Receipt analysis allows for an additional layer of investigation into how consistent a consumer's reported purchases are with what they actually purchase. Receipts give us an avenue to discuss consumers' perceptions about different retailers, their purchase decisions, their financial priorities, and shopping habits.

Product Sets

Consumers were presented with product sets representing a range of products within a variety of categories, from food and beverage and household cleaners, to home décor, over the counter medications, and other categories. Consumers often find it much easier to discuss product attributes and characteristics with examples in-hand, to react to and interact with. Thus, by using product/brand sets as prompts, we were able to probe deeper into awareness of products and brands and their attributes, claims, and sensory experiences.

Advertisement Immersion

In addition to presenting products, we elicited “gut reactions” and meaningful discussions regarding products and company advertisements. Print advertisements, found in magazines and newspapers were chosen to reflect a variety of companies and product categories. In addition to providing “real” examples of product, services and messaging around sustainability, the ads helped foster discussion around what does and does not “work” in messaging and communications. We have found advertisements to be an effective means through which to discuss authenticity relating to the marketing of a company or product as well as a helpful tool to illicit visceral reactions from consumers about what is and is not appealing.

About The Hartman Group, Inc.

The Hartman Group knows consumer culture. We know how consumers live, shop and use brands, products and services within the contexts of real life. We specialize in understanding how consumer attitudes and behaviors lead to purchase.

Since 1989, The Hartman Group, acknowledged as the leading provider of consumer insights and marketing strategy, has helped clients across a diverse set of industries in the marketplace convert consumer knowledge into highly successful outcomes.

We are progressively using new methods of research as the consumer worldview constantly broadens and deepens. Our analysis builds from a platform of quantitative and immersive qualitative information to understand the consumer’s current lifestyle and purchasing patterns. We challenge the status quo and inspire new thinking. We reignite ailing brands, redirect strategies and successfully inform new product development.

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