

Finding the green in today's shoppers
Sustainability trends and new shopper insights





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Executive summary

Overview

The Grocery Manufacturers Association (GMA) enlisted Deloitte* to conduct a study to examine the behavior of consumers related to the purchase of sustainable products. We conducted a direct study of more than 6,000 shopper experiences in 11 major retailers of varying formats to understand the characteristics of the green shopper and to examine their shopping responses to sustainability issues. We will examine the characteristics and the behaviors of this shopper in greater detail to understand the emerging green shopper and the market opportunity to serve them.

What did we learn from this study?

"Green Shoppers" may not fit the granola stereotype. Demographically, *they are diversely spread along all income ranges, age brackets, education levels and various household sizes*. On average green shoppers are a little older, tend to have higher income, and more education, but you will find substantial numbers of green shoppers can be found distributed across the consumer population.

Green shoppers are a great customer target, representing a high value segment who buy more products on each trip, visit the store more regularly, and demonstrate more brand and retailer loyalty in their purchasing behavior. *They are active consumers who buy more and shop more* often as opposed to the image of an austere minimalist. They are less price sensitive than the average shopper and they are generally not bargain hunters.

Sustainability considerations either drive or influence the buying decisions of more than half the shoppers interviewed in our study. However, for most green shoppers, sustainability considerations are an important purchase driver, but secondary to other dominant purchase drivers. For most shoppers *sustainable considerations become a tie-breaker* when other factors are in relative parity. Because of this effect, sustainability characteristics *drive a relatively large amount of product switching*. Once a more sustainable product has captured the shopper's commitment *it tends to create brand stickiness* by retaining the shopper's loyalty through repurchase.

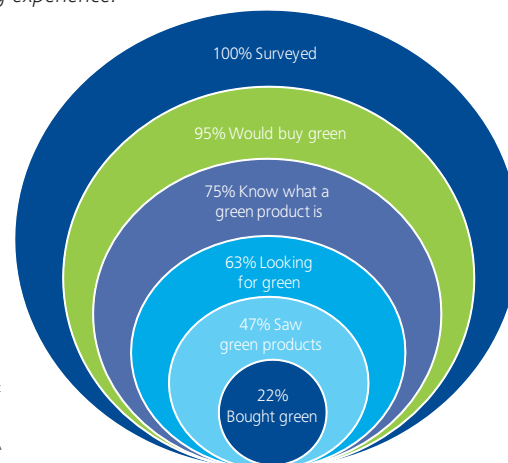
We found that *green shoppers are still on a learning curve*. They do not always understand the social and environmental benefits and they need help at the point of purchase. They are continuing to be educated by the media and the product information that is available to them. We found the rate of *green purchase was very sensitive to the use of in-store communication and information*.

A significant minority of *committed and proactive green shoppers are willing to pay more* for green products, however, the *larger potential population of shoppers that lean towards green want price and performance parity* for sustainable products because it is not their dominant purchase driver.

We learned that there is *an unfulfilled, latent demand for green products* that could be realized through increased product development, in-store communication, and product availability. We found that almost all shoppers are open to buying green products and many know what a green product is or found themselves looking for a green product during their shopping trip. Despite the openness and willingness of shoppers to buy these products, *only 22 percent of people surveyed purchased a green product in their surveyed shopping experience*.

Figure 1

There is a large opportunity for companies to fulfill the latent demand for green products



Source: 2009 GMA/Deloitte Green Shopper Study

Sample Size is 6,498 Shoppers Interviewed; Percent figures indicate portion of respondents who indicated that they a) would purchase a green product (q14) b) answered "Yes" to knowing what a green product is (unaided q9) c) were looking for a green product (yes or no to seeing green products q10) d) saw green products (q10) and e) purchased a green product (aided) (q11). A sample questionnaire provided to shoppers is in Appendix A

Overview of study and methodology

Awareness of sustainability issues continues to grow, and the influence of sustainability on consumer behavior and product choices continues to evolve. Sustainability considerations are emerging as a key product attribute influencing shopper decisions. The GMA Sales Committee commissioned this study, conducted with the assistance of Deloitte, to better understand the influences of sustainable or green considerations on shopping behavior. Specifically, the study focused on addressing the following key questions:

- Who is the sustainable consumer?
- How does sustainability influence the purchasing decision?
- How would the consumer like to be communicated to about sustainability?
- How does the retail environment influence sustainability purchasing decisions?
- What are the key lessons in the area of sustainability consumer trends?

This report follows the widely cited GMA-Deloitte reports on *Sustainability, Sustainability: Balancing Opportunity and Risk in the Consumer Products Industry (2007)*, and *Sustainability: From the Boardroom to the Breakroom (2008)*. The 2007 report established and defined the sustainability movement across retail and consumer goods sectors, and it provided senior leadership with a perspective about best practices and strategies for sustainability initiatives. The 2008 report covered best practices for sustainability in manufacturing and distribution operations. While the initial focus of sustainability efforts centered around cost savings and risk management, the possibility for greater gains are emerging as a result of consumer demand for green products.

This study confirms that a significant portion of consumers are now considering social and environmental benefits as part of their calculation of product value and purchasing decisions. This 2009 report highlights the shopper insights needed to bring new sales and marketing best practices to consumer product companies and their retail partners.

More than 6,000 shopper intercepts at 11 leading retailers

Sustainability as it relates to consumer purchasing decisions is a challenging topic to study. It is particularly difficult to get to the truth concerning consumer behavior when studying a social responsibility issue like sustainability. Many consumer studies are based on focus groups, online surveys or phone interviews conducted retrospectively—outside the store, often days or even weeks after the shopping trip. At that point, most shoppers will talk about their aspirations rather than their actual practices. After a short period of time the recollections of a shopping experience can be selectively remembered or blended with other experiences. Given these tendencies, it is understandable that critics have viewed past consumer studies of sustainability with skepticism. To overcome these challenges, we decided to use a more direct and immediate method to study the effect of sustainability on the shopper's shopping experience.

To get closer to the truth, we chose to use *Deloitte's Customer Experience Methodology* to collect high-quality primary data that reduced the bias and distortions of retrospective methods. We randomly intercepted and interviewed shoppers at the stores immediately as they finished their shopping experience. At that point, the shoppers' purchasing decisions were fresh in their minds and their actual purchases provide insight into their true shopping behaviors.

We conducted 6,498 shopper intercepts nationwide at 11 of the nation's leading retail chains.

The research covered a full range of shopper demographics, locations, store formats and product categories. The retail formats covered are representative of the diversity of shopping experiences in the marketplace, including grocery, specialty and discount retailers. The retailers were given anonymity as a condition of participation.

Although the Customer Experience Methodology is more time and resource intensive, it delivers several key benefits:

- **Accuracy from immediacy:** We interviewed shoppers about their current experience, reducing the distortions resulting from recollecting and blending past shopping experiences.
- **Accuracy from high response rates:** We achieved 60 to 80 percent participation rates from shoppers that we approached, minimizing self-selection effects.
- **Accuracy from consistency:** We validated shopper responses and purchases as we interviewed them with a complete consistent definition of green products.

Responses from intercept interviews were entered into a wireless PDA device containing the survey. The survey results were uploaded to a remote server for quality assurance, review and analysis. Each retail format represents a similar portion of the sample and each major geographical region of the U.S. was represented.

The data collected included: demographic data, purchasing intent, purchasing decision criteria, brand perception, impact of the retail environment and actual purchases. The survey was designed with neutral, fact based questions and responses to reduce leading or prompting of responses. The interviewer provided shoppers with a list of typical green product categories found in each participating retailer and defined product characteristics that would qualify a product as green. A sample questionnaire used as a shopper guide is also included in Appendix A.

Acknowledgements

Deloitte would like to thank the GMA Sales Committee for the opportunity to assist with this critical research and analysis for the industry. In particular, Deloitte would like to express gratitude to the members of the GMA project sub-committee:

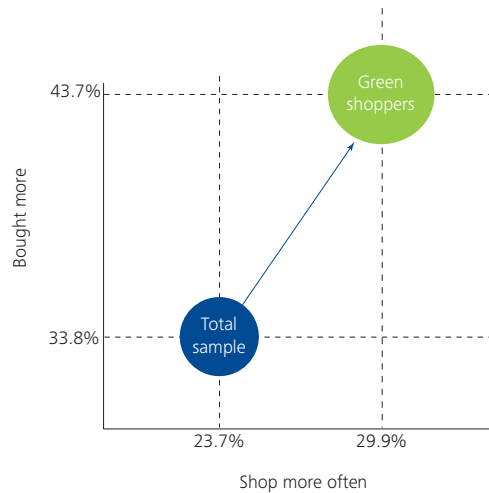
Damon Hart	Vice President, Sales and International	Welch Foods, Inc.
Monica Hysell	Division Vice President, Consumer Products Sales	Abbott Nutrition
Brian Lynch	Director, Sales and Sales Promotion/Industry Affairs	Grocery Manufacturers Association
John Saidnawey	Chief Operating Officer	The Johnson O'Hare Company
Scott Siegel	Vice President, Customer Teams	Welch Foods, Inc.
Tracy VanBibber	Senior Vice President, Sales	The Dial Corporation
Dan Vucovich	Vice President, Global Chief Customer Officer	The Hershey Company

The GMA and Deloitte also thank the participating retailers for their support and participation and for allowing access to their shoppers to complete the data collection. Their combined intelligence, integrity and cooperation made this report possible. Additionally, we thank the consumer products manufacturing and retail executives who shared their experiences and lessons learned with us for this report.

Who is the Green Shopper?

Green shoppers are a large, high-value segment of importance to retailers and many manufacturers. Green shoppers visit stores more frequently, buy more products on each trip, and demonstrate more brand and retailer loyalty. This suggests that shopper marketing insights dealing with green shoppers will prove particularly attractive to many retailers.

Figure 2
Shopping behaviors of green shoppers versus all shoppers interviewed



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 6,498 Shoppers Interviewed; green shoppers is 1,410 (respondents that indicated they purchased a green product today). When asked if they would shop more often, less often or about the same (q16) 23.7% of all shoppers (6,498) indicated they would shop more often. 29.9% of green shoppers (1,410) indicated they would shop more often than their current rate of visits. When asked if they bought more, less or about the same as expected on this shopping trip (q15), 33.8% of all shoppers (6,498) indicated they bought more than expected. 43.7% of green shoppers (1,410) indicated they bought more than expected.

Based on our lifestyle segmentation of the surveyed population, we estimate that green perceptions drive or influence some purchase decisions for more than half of all the shoppers surveyed. One in five shoppers surveyed considers sustainability to be a dominant or primary decision-making factor in many merchandise categories. An additional one in three shoppers was influenced by sustainability as a consideration. In total, 54 percent consider sustainability to be one of their decision-making factors in product and store selection.

Figure 3
Fifty-four percent of shoppers interviewed consider sustainability to be one of their decision making factors and are 'Leaning Green'



Source: 2008 Deloitte GMA Sustainability Consumer Study

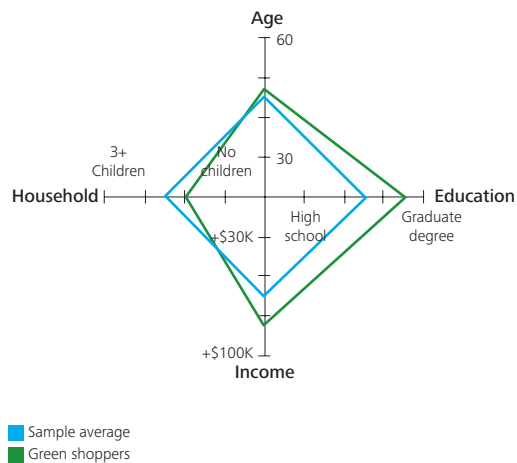
Note: Sample size is 6,498 shoppers interviewed, based on answers to a series of lifestyle questions (q8 - reference Appendix B)

Green shoppers are not who you think they are

Contrary to the popular myth that the green shopper is an austere idealist, *they actually buy more and shop more often* than the typical shopper. Green shoppers said that they bought more than their planned purchases (29 percent more often than the total surveyed population) and that they would shop more frequently 26 percent of the time (see Figure 2). This lift in market basket and loyalty held up in every retail format we studied. Green shoppers identified themselves as being among the most active shoppers and consumers. Our hypothesis is that these shoppers buy green to help reduce the social impact of their consumption. We also found that the most typical green shopper tended to be a routine, weekly shopper. They were also less price sensitive and more likely to repurchase products. They tend to stick with a green product once they have adopted it. All the data suggests that this is a very desirable target shopper that defies traditional segmentation approaches because of their diversity on other lifestyle and demographic attributes.

Some findings of our research were surprising. The highest demographic concentrations of green shoppers are in the older baby boomer generation. The other generations have slightly smaller proportions of green shoppers. We intuitively expected younger shoppers to be the greenest demographic, but instead found that younger green shoppers place a higher importance on green issues, but have not fully integrated it into their actual shopping practices. We believe that these younger shoppers will become more green in their purchasing behaviors than their parents over time because they reported feeling strongly about the importance of sustainability. The oldest generation of shoppers is somewhat less green than the average, probably because of a different generational set of core values and because of the price sensitivity from fixed income constraints.

Figure 4
Demographics of the green shoppers



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 6,498 shoppers Interviewed; green shoppers is 1,410

The most typical green shopper is somewhat older, has more income than average, has fewer people in their household, and is better educated than the averages of the total sample population. However, it would be a mistake to use the average as the basis of a marketing strategy because of the inherent diversity and wide distribution of this shopper among traditional shopper segments.

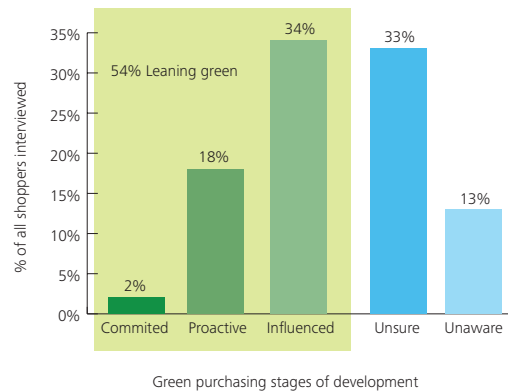
Consumers are on a learning curve

The green consumer can be better understood by looking at stages of development rather than static segments. *Consumers are on an adoption curve based on their awareness and understanding of sustainability issues.* We classified our shoppers into five segments or stages of development: unaware, unsure, influenced, proactive or committed.

To better understand these consumers' attitudes and behaviors, we tested and scored them based on demonstrable, sustainable lifestyle attributes. On the surface, almost everyone recognized the long-term importance of preserving the environment and developing corporate responsibility, so we designed a more rigorous lifestyle test for assessing green shoppers' commitment to sustainability.

The test placed our sample of 6,500 shoppers along a continuum of “greenness” that matched their purchasing behavior. Sustainable lifestyle choices are a strong predictor of purchase behaviors. Furthermore, green lifestyle choices that require effort and commitment are the best predictors of the propensity to buy green products.

Figure 5
Breakdown of shoppers by green purchasing development level



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 6,498 Shoppers Interviewed; Stage of Development based on answers to a series of lifestyle questions (reference Appendix B)

There are several levels of green shoppers across all demographic categories. At the highest level is a small 2 percent minority of *committed* shoppers surveyed that make most of their purchasing decisions based on sustainability considerations whenever possible. At the next level is a larger minority of 18 percent of shoppers surveyed who *proactively* integrate sustainability considerations with other purchasing values into most of their buying decisions. An even larger group that represents more than one third of the sampled population is *influenced* by sustainability as a secondary purchasing value. For these shoppers, recognized sustainability benefits are a tie-breaker. In total, approximately 54 percent of shoppers surveyed use sustainability as part of their personal formula for recognizing product value. A third of our sample was *unsure* or neutral to sustainability considerations. The remaining 13 percent of shoppers surveyed were either *unaware* or rejected sustainability considerations, but still buy green products at a lower rate when the products meet other purchasing criteria.

However, it would be a mistake to put these shoppers permanently into a box. As we will go on to explain in great detail! The distribution of green shoppers is in a state of flux. We believe that there is substantial movement in the middle stages of development from unsure to influenced, and toward the proactive group. We believe that the extreme segments are more static and less likely to change dramatically. By their very nature, sustainability issues will create a larger market opportunity over time. By looking at the maturation of consumer behavior by product category, we noticed that shoppers gradually grow their share of wallet towards green products as the value that they place on sustainability increases.

Shoppers in the early, influenced stage of green purchasing buy products in one or two product categories. Over time, they add other green products into their routine purchases, probably as they learn more and recognize the social benefits. Most shoppers have different purchasing behavior across categories based on factors including category maturity, availability of green products, brand loyalty and retail location. While the proactive and committed shoppers adopt green products across categories at a faster rate, each shopper segment is on an adoption curve and developing new purchasing patterns. There is risk in assuming that green shopper segments will be constant over time and across categories. Sustainability as a product attribute puts people on a learning curve and creates a dynamic marketing environment.

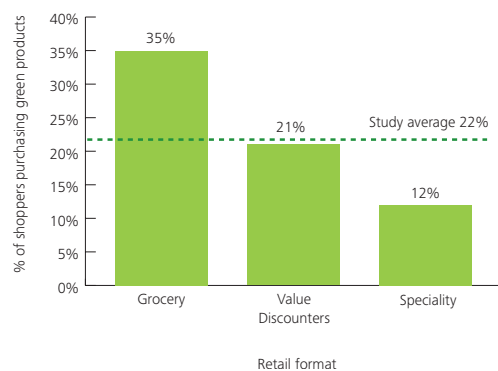
Finding the green in consumers

Our research indicates that the largest market share opportunity is in the middle with shoppers that are moving from the *unsure* group to being *influenced*, and then to the *proactive* stage of development. These middle three segments of development represent 85 percent of the population surveyed. Appealing to the static fringe segments at the top and bottom of the development stages has limited value. It is not necessary to evangelize consumers at the most committed level and futile to market to the most resistant segment; both of those segments are relatively locked into their beliefs and behaviors. The *influenced* segment is already leaning towards greener purchases and the *unsure* is open to be recruited. These consumers are open to considering green as part of their purchases and we identified significant latent demand that could be unlocked with communication, education and improved visibility.

Green purchase rates

The study found that 22 percent of the shoppers surveyed actually purchased a green product during their shopping trip. This percentage of green purchasers varied across retail format and by category. The Grocery format had the highest number of green product purchasers followed by the Value Discount format and Specialty retail format. The difference in purchase rate is likely attributable to the prevalence of green product categories and the effects of the market basket size in each of the retail formats.

Figure 6
Green purchase rate by retail format



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 6,498 shoppers interviewed; % represents respondents who indicated they purchased a green product today (aided with sample list of products Q11) See Appendix C

Insights into Green Shoppers' behavior

We defined green to represent a broad set of product attributes that are more environmentally and socially sustainable. These characteristics included: low water usage, reduced packaging, organic, locally grown, fair trade, energy efficient, biodegradable, non-toxic and low volatility organic compounds, and recyclable materials or content. We asked the surveyed shopper if they agreed with this definition of green and understood these product characteristics. Then we provided them with a list of examples of these products to further clarify the definition and achieve a consistent understanding with our surveyed shoppers. A sample of this product guide is found in Appendix C.

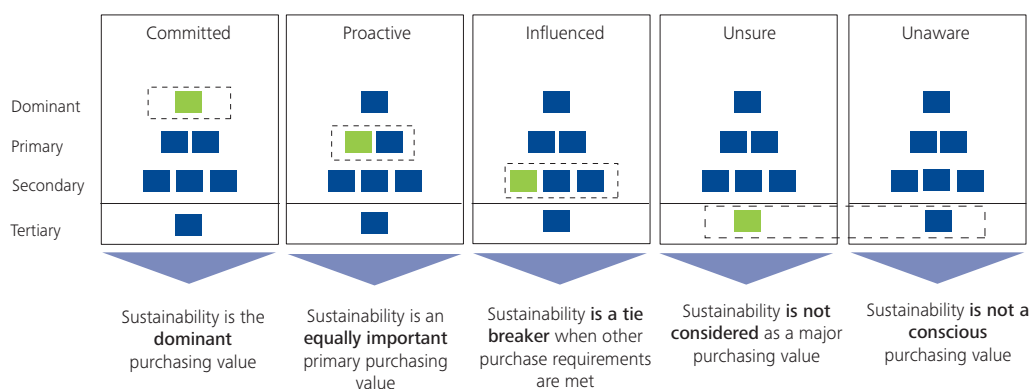
These sustainable product characteristics directly affect many shopper decisions at the store shelf. While green is not the dominant purchasing driver for the majority of green shoppers, **green is emerging as an important brand differentiator**. It adds recognized social benefits to the value proposition for many shoppers. It also acts as a frequent tie breaker that tips the balance when other purchase drivers are in parity.

Based on the results of this study, we have developed a behavioral model (Figure 7) that explains the interaction and effect of sustainability with other purchasing drivers. Green shoppers develop through each stage or segment based on the positioning of sustainability in their value hierarchy. The model helps explain the behaviors observed at each stage of development.

Every Shopper has their own value equation and weighs purchasing factors, including price, brand, quality and sustainability. Their purchasing behavior depends on where sustainability is positioned relative to the other purchase drivers in the shopper's hierarchy of values. For example when sustainability is the dominant value, shoppers fall into the *committed* to green segment that accounts for 2 percent of the population surveyed. When sustainability is a primary value with relative equal weight to other important purchasing values, the shopper becomes the *proactive* purchaser that represents 18 percent of our surveyed shoppers. When sustainability considerations are a secondary purchasing value, the shopper is *influenced* towards green products when other primary considerations are in balance. This group constitutes the 34 percent of shoppers surveyed who are influenced by sustainability concerns. When sustainability considerations fall out of the value hierarchy of the behavioral model, shoppers fall into the *unsure and unaware* segments. Other values drive the purchasing decision and green products are purchased coincidentally.

Figure 7

The behavioral model illustrates green as a purchase driver relative to its position in the shopper's value hierarchy



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 1,410 green shoppers interviewed (Q11). Possible responses for green purchase drivers were Competitive Price, Quality, Environmental Reasons, Reputation/Brand, Sale/Promotion, Value or Other. Green as a Dominant, Primary, Secondary value were based on % responses for environmental reasons.

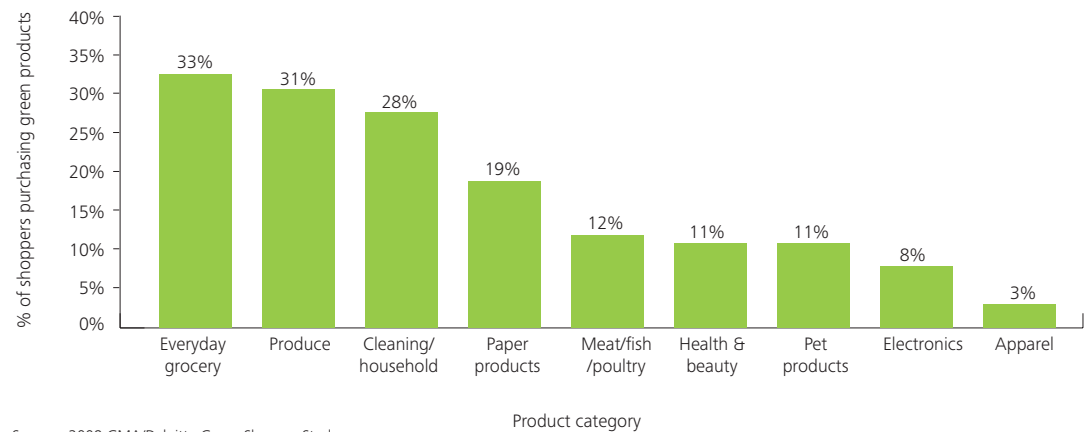
Using this behavioral model you can see why green is often a tie-breaker when there is significant cost and quality parity in the category. The reality is that competition tends to create relative parity in products over time, so a differentiated secondary purchasing value like sustainability can play a strong influencing role in shopper decisions. Another obvious example is at times when price is most often a dominant or primary factor and this condition defines the bargain hunter or price sensitive shopper.

This simple behavioral model does a good job of explaining the results in our shopper research. Products present the strongest value proposition when they effectively integrate several major purchase values into the primary position rather than a single dominant characteristic. **Green products are most effective when they represent a broader value proposition that encompasses multiple purchase drivers.**

Even though the top tier of green shoppers will frequently pay more, most shoppers would like green products to be price competitive. They often don't understand or buy into the rationale that a green product should be more expensive. **Shoppers don't understand why a green product should cost more if it was manufactured with less packaging or it was transported less distance.**

In general, green characteristics are more important in consumable products such as those produced by the CPG industry. Consumers are more conscious of their impact on the environment and resources when they buy and use a product regularly. Sustainable characteristics are less important to the consumer for categories of merchandise that are more durable.

Figure 8
Green purchases are far larger in more consumable categories



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 6,498 Shoppers Interviewed. Percentage represents respondents purchasing a green product in that category on this shopping trip. Percentages don't equal 100% as respondents could select more than one category. Samples of green products offered in each category can be found in Appendix C.

We found that the green shoppers exhibited some unique and interesting behaviors that should be taken into consideration in developing and executing a sustainable product strategy.

Fifty-seven percent of green purchasers surveyed intentionally bought more sustainable products and 78 percent of these intentional purchasers switched to the green product because of its characteristics. It appears that **once someone has made the switch to a green product, they are very likely to stick with it and buy it regularly.** We theorize that when a shopper makes a conscious selection of a green product that they are making a personal contract that implies social responsibility and they are less likely to change products in the future.

A little more than half of our intentional green purchasers surveyed indicated that they would pay more for green products. We also believe that in general our top two green segments (committed and proactive) which represent 20 percent of the shopping population will pay more for many green products. The majority of shoppers are looking for parity in pricing related to more sustainable products. In the shopper's mind, using fewer resources is not usually more expensive.

Our green shoppers tested as slightly more responsive to advertising and slightly less sensitive to promotions. Our interpretation of the statistics is that shoppers need more information related to green products and in general respond more favorably to an Every Day Low Price strategy than cyclical promotional strategies. This closely aligns with the strong evidence of a loyalty effect connected with sustainable characteristics.

Opportunities to engage the Green Shopper

Consumer businesses are missing a substantial opportunity to market and provide greener products. Ninety-five percent of shoppers surveyed indicated they are ready and willing to consider more sustainable products, but green products were only purchased in 22 percent of the shopping trips. There are substantial gaps between the market's readiness for sustainable products and the delivery of those products to the shopper's market basket.

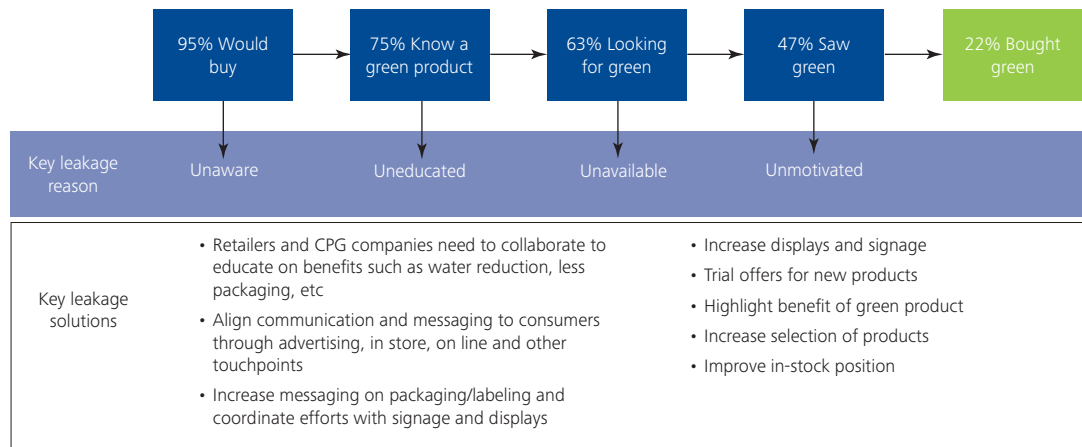
Many shoppers want green products, but retailers and brand marketers are losing green sales at several key points along the path to a purchase. The largest opportunities to capture shoppers interested in green products involve building awareness, educating shoppers, making green products easier to find and recognize, enhancing in-store communications and inspiring shoppers at the store shelf.

Where marketers lose green

The 2009 GMA/Deloitte Green Shopper study identified where retailers and manufacturers are losing a portion of potential green sales.

Figure 9

The lost opportunity on the path to purchase



Source: 2009 GMA/Deloitte Green Shopper Study

Note: Sample Size is 6,498 Shoppers Interviewed; Percent figures indicate portion of respondents who indicated that they a) would purchase a green product (q14) b) answered "Yes" to knowing what a green product is (unaided q8) c) were looking for a green product (yes or no to seeing green products q10) d) saw green products (q10) and e) purchased a green product (aided) (q11)

Shoppers are becoming turned off about purchasing green at the last step. Although 47 percent of shoppers surveyed looked for and found green products, only 22 percent of the shoppers surveyed actually purchased one. Retailers and manufacturers are losing potential green sales from a quarter of shoppers at the store shelf. Inspiration and information will yield better conversion at the shelf level decision. **For some shoppers, credibility and concerns about product performance enter into the equation.**

Green products are getting lost in the store. Although 63 percent of shoppers surveyed looked for green products, only 47 percent actually found them. Surveyed shoppers often couldn't find the green products they wanted in the store. It is very possible for green products to become lost in the assortment. A good sustainable product strategy provides clear visibility and selling cues to the shopper to highlight green products in the assortment. Retailers and manufacturers need to work together to determine the appropriate assortment of green products, minimize out-of-stocks, and clearly identify green products in the store. Utilizing shopper marketing programs and leveraging vehicles to draw attention to green products will help increase the green conversion rates.

One-third of shoppers surveyed who would buy green products indicated that they are not yet inspired to look for them. **Awareness and education move people along their "green learning curve"**. Shoppers do not always understand the social and environmental benefits of products and are often confused by the messages in the media. Many are unaware of what makes a product sustainable versus merely "good for you." A large number of shoppers remain unsure of what is green, and some are still unsure of the whole green movement.

In-store communication strongly influences green purchasing. Some shoppers remain unsure of product performance or product quality; they assume sustainable products would not perform as well. Shoppers at this stage are questioning the product, so communicating brand and product attributes via in store signage and product packaging drives shoppers to purchase. The top three means of identifying a product as green for shoppers surveyed were through packaging/labeling, in-store signage and brand advertising. Retailers and manufacturers can leverage these vehicles to address quality and performance questions and motivate shoppers to become purchasers.

To address these issues, retailers and manufacturers need to provide more coordinated communication and education about sustainability. They need to make the business case for buying green to the shopper. Education on product benefits, social and environmental benefits, and actions that shoppers and consumers can take are needed from both retailers and manufacturers. Consistent, aligned messaging in stores, online, in advertising and involving other touchpoints is a critical step to driving shoppers from interested to purchasers.

Summary of recommendations

Sustainability benefits associated with operational efficiency improvement and risk management are well established and accepted by most retail and consumer products companies. However, the results of this study indicate a significant near term opportunity to leverage sustainability as a driver of incremental revenue. With sustainability being a factor in the purchasing decisions of 54 percent of shoppers surveyed, it's an opportunity that can not be ignored.

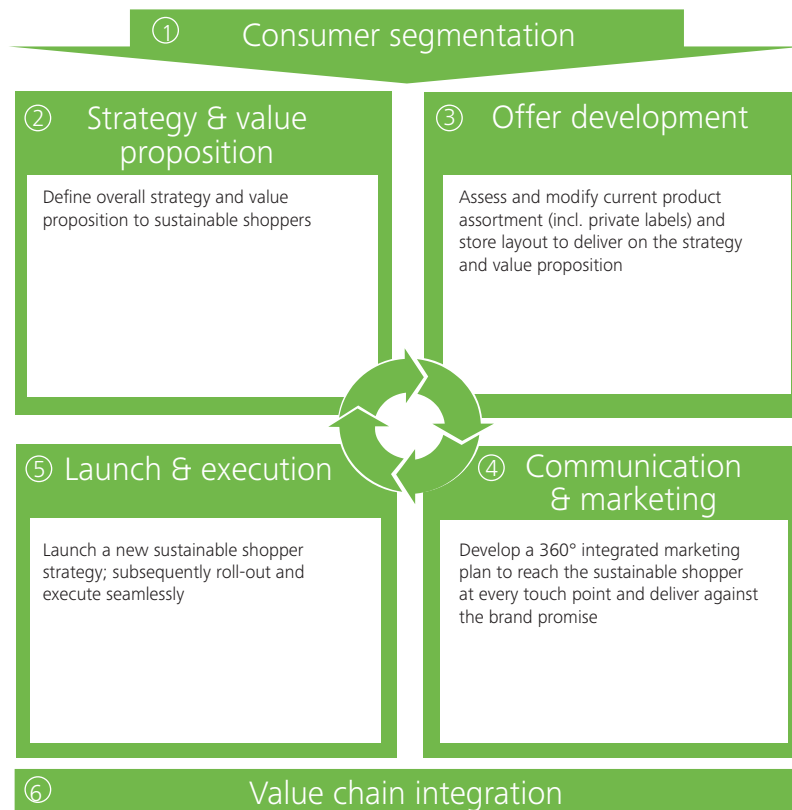
Moreover, since green products generate a relatively high level of product switching—and green shoppers tend to stick with green products once they like them—companies that develop and market successful green products ahead of competitors are much better positioned to gain advantage. Companies that delay will likely face an uphill battle as increasing numbers of shoppers remain loyal to the competitors' products that reached them first. That's why the time to investigate green shopper initiatives for your company is now.

With that in mind, we recommend translating latent demand into revenue by leveraging a new Go-To Market Framework highlighting consumer, brand, product and value chain components by:

1. Defining the size of the prize for green products at your company and understand your high value consumers;
2. Developing overall strategy & value proposition mapped to product offerings and positioning;
3. Collaboratively developing integrated marketing and communication plans to deliver against brand promise; and
4. Integrating sustainability across the value chain

Figure 10

The collaborative Go-To Market Framework



Source: Deloitte, 2009

1. Define the size of the prize for green products at your company and understand your high value consumers

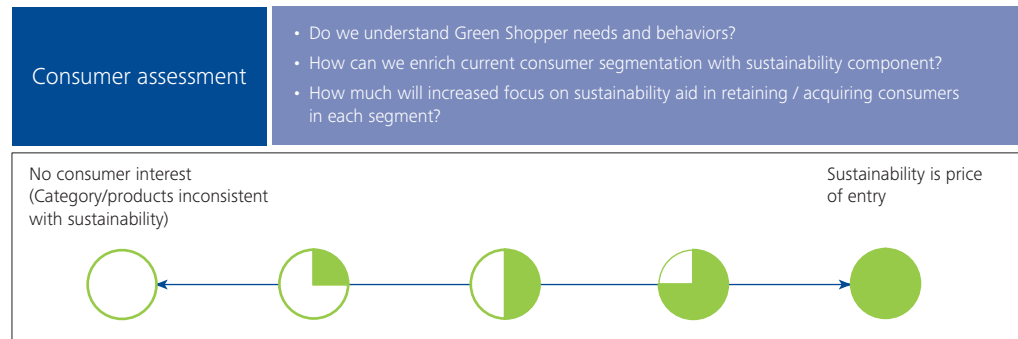
With more than half of shoppers surveyed considering sustainability at the store shelf, the size of the market may seem vast. However, sustainability has substantially different degrees of importance to different target segments, different product categories, and different retailer's target shoppers. Determining the value of sustainability on your product lines and target consumers—as well as the target shoppers of your key retail accounts—is imperative.

Since, based on our survey results, green shoppers shop more frequently, buy more per trip, and are to some degree less price sensitive than the average shopper, they should be perceived as gold in the eyes of executives. Since, again based on our survey results, green shoppers tend to become loyal to green products once they've tried them, they should be perceived as platinum in the eyes of consumer products executives.

To determine your market share opportunity, you will need to understand the positioning of your current sustainable product offering relative to the competition in each category. Understanding the experiences of other manufacturers and retailers will prove valuable to successful brand development.

Figure 11

Key questions to consider when defining consumer segments



Source: Deloitte, 2009

However, numerous potential pitfalls await marketers. While our research clearly identified a large green opportunity, we believe confusion remains widespread because of the breadth and complexity of the sustainability movement.

For example, retailers and manufacturers need to develop a very detailed understanding of how sustainability maps to their existing shopper bases and target shoppers. The analysis needs to cover more than just purchases or buying patterns. Consumer preferences in sustainability vary by sub-category, so it is critical to evaluate your sustainability performance and offer against consumer perceptions and expectations along this dimension. The ever-present danger of assuming there is an "average" consumer across categories is magnified with green shoppers. There are numerous nuances in the green shopper adoption curve that require a deeper understanding of purchasing behaviors and lifestyles. There are different expectations on product performance, price, and quality across categories and consumer segments. There is no black or white, just shades of green.

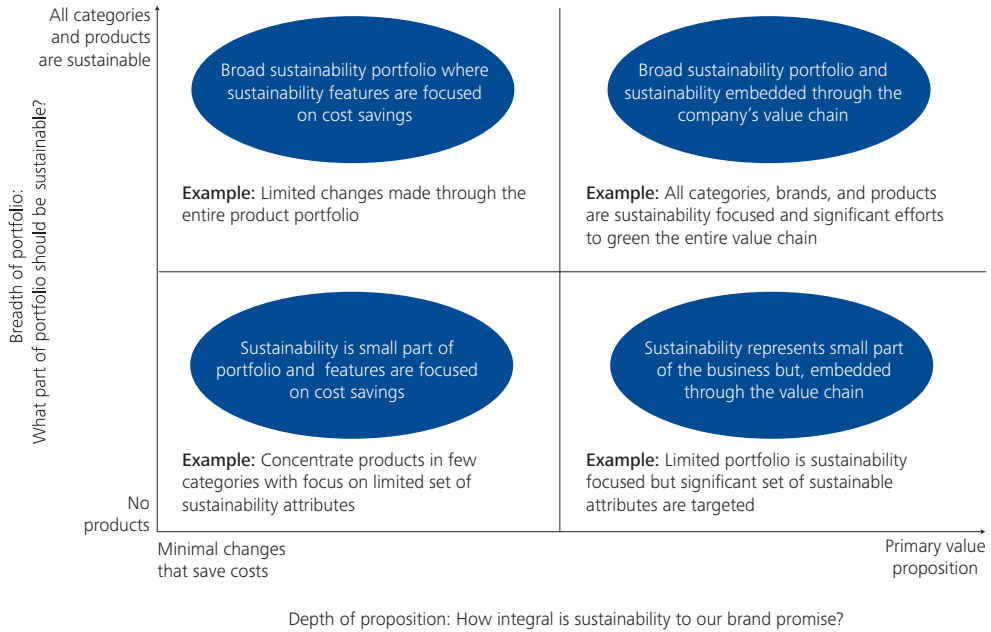
2. Develop overall strategy & value proposition mapped to product offerings and positioning

Companies need to determine how central sustainability is to their current positioning and proactively determine how central it should be in the future. Performing an internal assessment to determine the overall strategy and corresponding value propositions requires a look at the depth and breadth of sustainability within your portfolio.

There is a considerable difference between a company that chooses to offer a few sustainable products in their portfolio and a company that positions sustainability as key to all products and categories. Each individual company needs to assess the role of sustainability across the portfolio, and then specify its priorities.

Figure 12

Assessment to define breadth and depth of offering

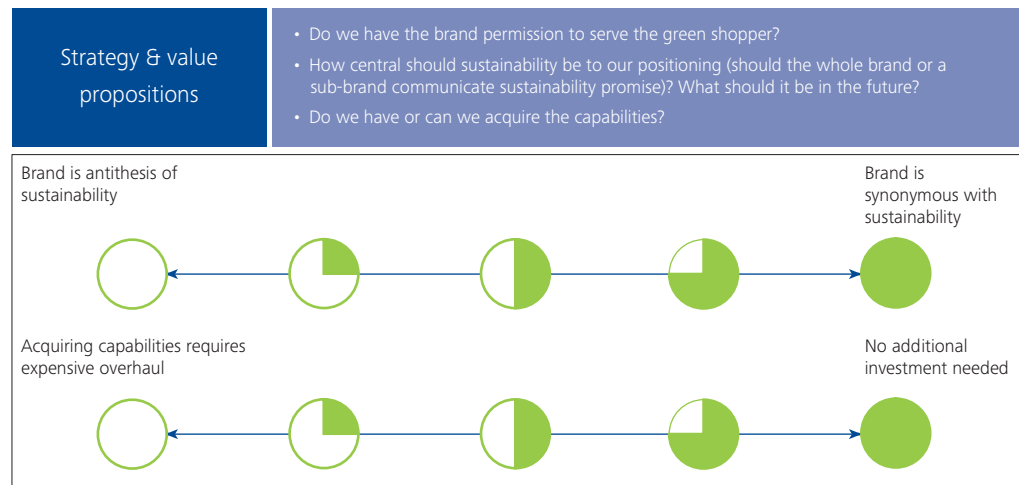


Source: Deloitte, 2009

Like it or not, every company and brand carries a set of perceptions and expectations in the minds of shoppers – some positive and some negative. It is not realistic to expect that a company with a long history will instantly change this perception in the minds of consumers. Any strategy to address the opportunity associated with the sustainable shopper will need to consider this at its core.

Figure 13

Key questions to address strategy and value propositions



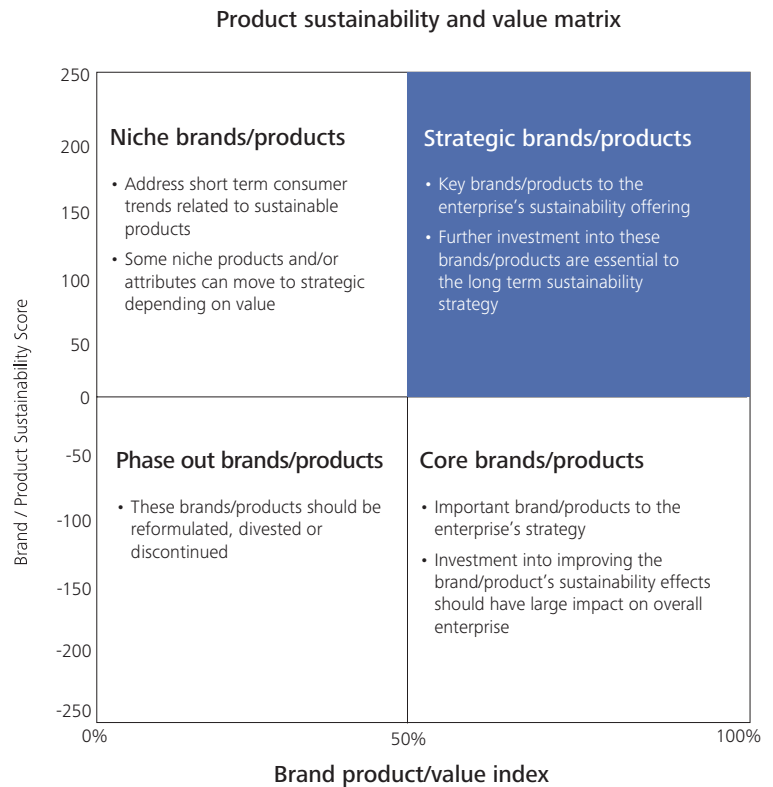
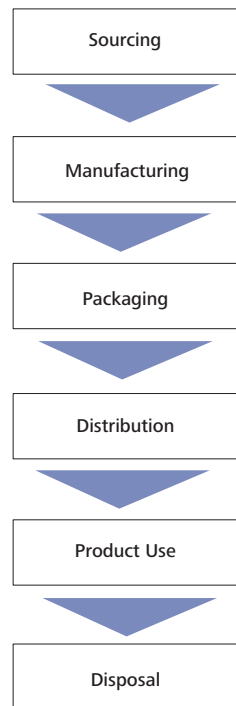
Source: Deloitte, 2009

Based on our survey, many shoppers have not made up their minds about which retailers or brands or products offer the best balance of performance, quality, price and sustainability, so demonstrating your brand commitment to sustainability will be worthwhile. Since green shoppers are more loyal, the ongoing rewards of green success should be greater.

A company's existing organization, supply chain, products, and brands can enhance or undermine the success of a sustainability initiative. After defining the strategy and value propositions, a company needs to assess how sustainable their current product portfolio is. Figure 14 provides a framework for evaluating the relative sustainability performance of existing product portfolios. This assessment may identify opportunities to reposition certain products or it may identify issues and the need to modify certain products. Regardless of the results, this insight will position companies to more accurately and honestly articulate their value proposition to the green shopper in the context of the entire value chain.

Figure 14
Sustainability product portfolio analysis will help develop the offering and positioning

Input includes evaluation of product sustainability within the six major steps of the product life cycle

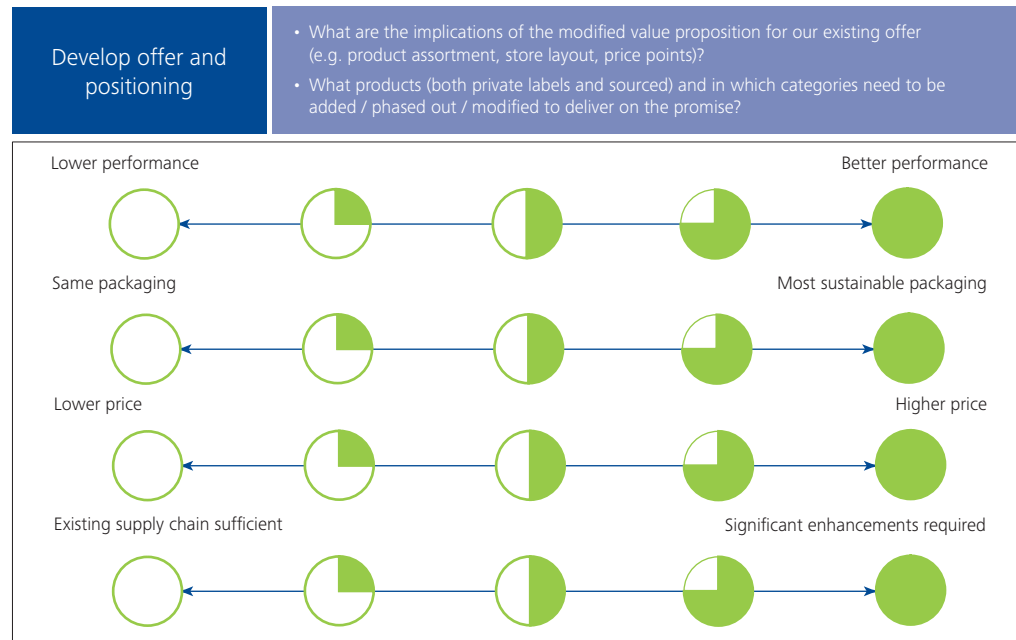


Source: Deloitte, 2009

Of course, a green brand positioning must be tested and refined to learn what resonates best with green shoppers and what delivers the highest environmental benefit at the right price.

Figure 15

Key questions to address when developing product offering and position



Source: Deloitte, 2009

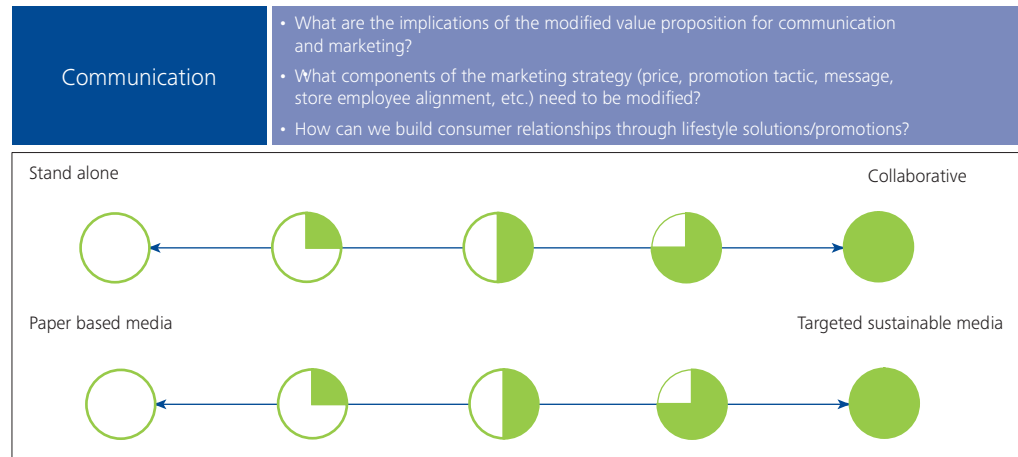
3. Collaboratively develop integrated marketing and communication plans to deliver against brand promise

Since our research indicates that in-store communications are a particularly effective element of the marketing mix for green shoppers, collaboratively developing shopper marketing insights with retailers for reaching green shoppers offers substantial potential for many companies.

Creating marketing/communications plans collaboratively that control in-store communication will be critical. This would include new communication methods, new promotion methods and a new way to collectively measure results. Manufacturers and retailers need to coordinate communications to and education of shoppers on green products and their benefits. They need to align their messaging and develop collaborative efforts along 360-degree, integrated, shopper-centric shopper marketing initiatives. This would shore up the key areas of leakage of green sales as indicated – by our research (see Figure 9). It would also help shoppers identify green products, find them in the stores and believe in the features and benefits of the products.

Figure 16

Key questions regarding communication and marketing



Source: Deloitte, 2009

There are substantial opportunities for trading partners that creatively address communication efforts with displays, co-promoting of green sections, adding selling cues at the shelf, and promoting green sections in the FSIs, etc. For example, consider adding a special “green” section in the circular promoting green products. Even adding symbols or using labels to highlight products could be an effective way to improve visibility of products and help shoppers move along the learning curve.

Build relationships through lifestyle solutions

There is an opportunity to promote to green shoppers differently, in alignment with their lifestyle both in promotion delivery and promotion content.

There are several greener methods of promotion delivery that would align with a greener lifestyle. For example, instead of sending paper based printed materials, consider leveraging an ‘opt in’ Web site to provide direct mail or circulars online.

Shoppers are researching these key sustainability issues online and leveraging your website as a key source of information and as a promotion vehicle would be beneficial. Additionally, it provides an opportunity to create a relationship with this shopper online and provide non paper based services that would suit their preferences and lifestyle.

Another greener method of promotion delivery would be to develop a green loyalty program. Companies can creatively take advantage of the regular, weekly green shopper with a green loyalty card program as these shoppers are buying replenishment items regularly. Leveraging loyalty card programs and promotions with this group eliminates the need and usage of paper coupons and aligns with their lifestyle.

There is an opportunity to develop and promote green lifestyle solutions and promote products together. Education about greener lifestyle solutions and products can expand sales in other categories. For example, a display of green products from different categories can leverage the adoption and stickiness of more established green products to expand awareness in other categories and areas. Create messaging and communicate how these bundled solutions save time, effort and proactively help the environment. Utilize shopper marketing programs to promote products.

Collaboratively develop the right measurements, metrics and scorecards to monitor progress and drive programs

Retailers and manufacturers are each beginning to undertake significant efforts in sustainability initiatives but developing goals independent of one another may act counter to the end goal of success. Working together to develop metrics for sustainability efforts that align manufacturing and consumer adoption metrics could benefit both retailers and manufacturers.

4. Integrate sustainability across the value chain

After completing the internal assessment of the consumer, company and brand positioning, it is critical to back up the sustainability efforts across all components of the value chain, from sourcing through disposal. The “law of unintended consequences” has already yielded negative consequences at major consumer products and retail companies, ranging from production losses using new sustainable packaging to discovering hidden costs to denunciation in the press for “greenwashing” a not-so-green offering.

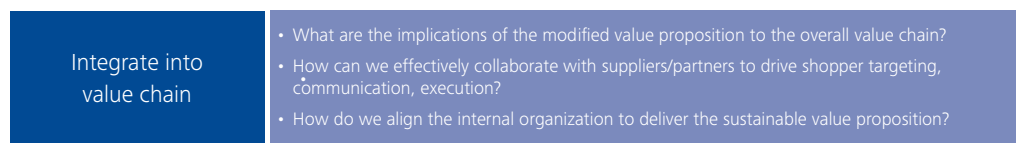
Given this experience, it is critically important to take a full life cycle view of potential impacts associated with offerings to respond to the green shopper – including product performance, pricing, packaging and supply chain. For companies with green brands, embedding sustainability in entire value chain – from sourcing, production and distribution through to consumption and disposal—becomes part of the brand promise. It also helps reduce risk of consumer backlash.

There are significant business and brand implications if the value chain doesn’t change. Consider the potential of developing a green product and marketing the product to consumers as a green alternative. Focusing only on the consumer leaves you exposed as shoppers expand their education. Consumers will find the product may not have greener manufacturing practices or in fact, have unsustainable practices in their supply chain. The impact to the brand and the idea that the brand does not actually have permission to back up the claim of a greener product would ultimately do more harm than good. The brand impact could span across products or throughout a manufacturer.

In addition to the brand impact, there becomes a business implication if sustainability is treated as an individual responsibility within an organization or through the value chain. Often creating green products requires a different approach to procurement of not only the raw materials, but packaging and production and distribution as well. Developing a green product without the entire supply chain support makes the economic value or return on investment of green products very difficult to justify.

In addition to embedding sustainability throughout the value chain, sustainability should be embedded in the organization. It should be more than a department, it should be embedded cross-functionally throughout an organization. Sustainability leaders will need to drive accountability into each functional area of an organization, for example, through operations, supply chain and procurement. Focusing on green as an embedded, not separate, issue should include your entire value chain – from sourcing, production and distribution through to consumption and disposal. We recommend you plan, coordinate and measure your sustainability efforts beyond just your product assortment through a cross-functional effort in the company.

Figure 17 Key questions to consider when integrating sustainability into the value chain



Source: Deloitte, 2009

In conclusion

Sustainability's appeal to shoppers is already large. Nearly all shoppers surveyed would buy green; nearly two thirds actively seek it on each shopping trip. However, since only 22 percent of the shoppers surveyed actually find and buy the green products that interest them, the latent, unfulfilled demand for sustainability-enhanced products must be immense. There is a tint of gold in green.

Based on our survey, the **number of shoppers** interested in green products is larger than most realize and the **value of these shoppers** interested in green products is larger than most realize. Those two facts alone suggest that developing a business case for green is likely a winner at many manufacturers and retailers.

Moreover, we expect the importance of sustainability will continue growing with shoppers. There is a clear adoption curve that consumers traverse, starting with unaware/unsure and moving on to green-influenced, proactively green seeking, and committed to green. As consumers learn more about green products over time, they will likely move along the adoption curve. As they move along the adoption curve, their purchases of sustainability-enhanced products does not just grow—it accelerates.

In addition, shoppers will reward the companies that first successfully offer truly Green products. green shoppers try new green products, yielding higher levels of brand switching. Furthermore, green shoppers remain loyal to products once they know they like them. That's why successful green marketers can gain a first-mover advantage that helps fend off competition in the future. It seems the bountiful benefits of sustainability can be sustained.

The key is *successful* green offerings. Achieving success in this relatively little-known green marketplace will take some work. While green is very large in some product subcategories, some consumer segments, and some retailers, the variations from one to another are dramatic. Companies have to carefully assess their consumer targets to determine the size of their own green prize.

Appendix A: Sample questionnaire

Note: The following was provided to shoppers to follow along as the interviewer conducted the interview. As noted, depending on the response, some questions are skipped

1. Which advertising, if any, influenced your decision to visit the store? (Choose all that apply)	2. How often do you shop at this retailer?	3. Why are you shopping here today?	4. Did you meet your shopping objective?	
Advertising did not play a role	Weekly	Routine store visit	Yes	
Newspaper advertising	Monthly	Returning an item	No (Go to question 4B)	
Radio advertising	Every 3-6 months	Shopping for a specific need		
Television advertising	Once a year	Sale/promotion		
Email advertising	Not routinely	Word of mouth		
Internet websites	This is my first visit	Comparison shopping/research		
Internet advertising		Just looking around/browsing		
Catalog		Driving by or by chance		
Circular				
Direct mail advertising				
4A. What helped you meet your objective?	4B. Why did you not meet your objective? (Choose all that apply)	5. When deciding what store to go to, how IMPORTANT are the following factors to you? Please SCORE each of the factors from a scale of 1-5. 1 = the least important and 5 = the most. 1 - Least important ← 5 - Most important →	6. COMPARE this store to its competitors. Is this store BETTER, WORSE, or IN LINE with its competitors for each of the following factors Worse ← In Line → Better	
Good store layout	Store did not carry it	Social and environmental reputation	Social and environmental reputation	
Available service	Couldn't find items	Convenience and location	Convenience and location	
Easy to find items	Too many product choices	Wide selection of products	Wide selection of products	
Competitive prices	Not enough information	Quality/freshness of merchandise	Quality/freshness of merchandise	
Good signage	Prices were too high	Food/product safety	Food/product safety	
	Lack of service	Service and friendliness	Service and friendliness	
	Wait time was too long	Prices, promotions and values	Prices, promotions and values	
7. The definition of going green is "Making conscious decisions to help protect the environment." Is this in line with yours?	8A. I separate my trash at home for recycling...	8B. I turn off lights when I leave a room...	8C. I use energy efficient light bulbs...	
Yes	Often	Often	Often	
No	Occasionally	Occasionally	Occasionally	
Pretty close	Rarely	Rarely	Rarely	
8D. I know the environmental reputation of the companies that produce my products...	8E. I drive this kind of car...	8F. Given a choice, I prefer this type of transportation...	8G. I prefer to drink this type of water most often...	
Often	Hybrid car	Walk	Tap water/filtered water	
Occasionally	Economical car	Bike	Bottled water	
Rarely	Typical car	Carpool		
	SUV/truck	Public transportation		
	Don't own a car	Drive		
8H. I buy this type of produce most often...	8I. I use this type of bag most often...	8J. I belong to and actively participate in a group that supports environmental issues	8K. I shop at retailers that make a conscious effort to improve the environmental impact of their stores (i.e. Solar panels):	9. Do you know what a "green" product is?
Organic	Paper bags	Yes	Often	Yes
Conventional	Reusable bags	No, but would consider joining one	Occasionally	No
Locally grown/produced	Plastic bags	No	Rarely	Sometimes
All of the above			I don't know	

Please refer to Appendix C to see examples of "green" products

Note: The following was provided to shoppers to follow along as the interviewer conducted the interview. As noted, depending on the response, some questions are skipped

10. Did you see any of these types of “green” products clearly displayed or identified in the store?	11. Did you buy any of these “green” products? Check all the categories that apply.	11A. Why did you not buy a “green” product today?	12. Why did you decide to purchase these “green” products? (Choose all that apply)
Yes	Everyday Grocery Items	Unsure what is considered “green”	Competitive price
No	Health and Beauty	Unsure of the quality of the product	Reputation/brand
Did not notice	Apparel	Unsure of product performance	Value
	Produce	Product is not convenient to use	Quality
	Cleaning and household	“Green” products are too expensive	Sale/promotion
	Pet products	Question the “green” movement	Environmental
	Meat/fish/poultry	I did not need one	Other
	Paper products	Store did not carry it	
	Electronics/appliances	Go to question 14	
	Did not buy “green” product, go to 11A		
12A. Did you buy the products specifically because of its “green” characteristics?	12B. For a “green” product, would you pay	12C. Did you switch to this product because it was “green”?	12D. Will the “green” products be primarily used by:
Yes	More	Yes	You
No (Go to question 13)	Less	No	Your family
	About the same		Someone else (i.e. gift)
12E. How did you identify the products as “green”? (Choose all that apply)	13. What “green” product attributes are most important to you? (Choose all that apply)	14. Would any of the following changes encourage you to purchase “green” products? (Choose all that apply)	15. For your shopping trip today, did you buy more products in general than you expected?
Research	Waste reduction	Competitive price	More
Company websites	Recyclable	Increased availability	Less
Brand advertising	Energy efficient	Clearly identifiable as “green”	About the same
Special section for “green” products	Conserves water	Incentive programs (points, etc.)	
Signage in store	Locally grown/produced	Donations to charities	
Packaging/label	Biodegradable	Trial offers	
	Sustainable agriculture	Would not purchase “green” products	
16. Will you shop here more or less often?	17. Based on your shopping experience today, did your perception of the retailer change?	18. Do you feel this retailer is more or less dedicated to “going green” than its competitors?	18A. Why do you feel this retailer is more dedicated to “going green” than its competitors?
More	Enhanced your perception	More (Go to question 18A)	More products/better selection
Less	No change in your perception	Less	Carefully selected items
About the same	Decreased in your perception	About the same	Better advertising
		I don’t know	Incentive programs
19. What age range do you fall under?	20. What is the highest level of education you have completed?	21. What household income range do you fall under?	22. What best describes your current household status?
18-24	High school/GED	Less than \$30,000	Single with no kids
25-36	Some college	\$30,000 - \$50,000	Household, no kids
37-45	4 year college	\$50,001 - \$70,000	Household, 1-2 kids
46-55	Graduate degree	\$70,001 - \$100,000	Household, 3 or more kids
55 and over	Decline to answer	Over \$100,000	Household, empty nest
Decline to answer		Decline to answer	Decline to answer

Please refer to Appendix C to see examples of “green” products

Appendix B: Green lifestyle behavioral test

How well do these following statements describe you?

A) I separate my trash at home for recycling

- a) Often (2)
- b) Occasionally (1)
- c) Rarely (0)

B) I turn off lights when I leave a room

- a) Often (2)
- b) Occasionally (1)
- c) Rarely (0)

C) I use energy efficient light bulbs

- a) Often (4)
- b) Occasionally (2)
- c) Rarely (0)

D) I know the environmental reputation of the companies that produce my products

- a) Often (8)
- b) Occasionally (4)
- c) Rarely (0)

E) What kind of car do you drive?

- a) Hybrid car (8)
- b) Economical car (4)
- c) Typical car (2)
- d) SUV/ truck (1)
- e) Don't own a car (4)

F) Given a choice, my preference for transportation is

- a) Walk (6)
- b) Bike (6)
- c) Carpool (3)
- d) Public transportation (3)
- e) I do not use other types of transportation (0)

G) What kind of water do you drink?

- a) Tap water/ Filtered (2)
- b) Bottled water (1)

H) I buy produce that is...

- a) Organic (4)
- b) Conventional (1)
- c) Locally grown/ produced (6)
- d) All of the above (4)

I) I use...

- a) Paper bags (3)
- b) Reusable bags (6)
- c) Plastic bags (1)

J) I belong to and actively participate in a group that supports environmental issues

- a) Yes (6)
- b) No but would consider joining one (2)
- c) No (0)

K) I shop at retailers that make a conscious effort to improve the environmental impact of their stores (i.e., solar panels):

- a) Often (4)
- b) Occasionally (2)
- c) Rarely (1)
- d) I don't know (0)

Appendix C: Sample green products

Characteristics of "Green" products



Examples of "Green" products for each category

Everyday grocery items

- Organic foods
- Fair trade coffee
- Reduced packaging soups
- Ecofriendly plastic bottles

Health and beauty

- Non toxic hair spray
- No animal testing lipstick
- Recyclable Razors

Apparel

- Organic cotton skirt
- Fair trade produced shirt
- Natural fibers shirt

Produce

- Organic carrots
- Locally grown tomatoes
- Biodiversity of vegetables

Cleaning and household

- Concentrated laundry detergent
- Non toxic all purpose cleaner
- Biodegradable cleaning spray bottle
- "Natural" cleaning product/solution

Pet products

- Biodegradable cat litter
- Recyclable "regrind" for pet toys
- Corrugated cardboard packaging

Meat/fish/poultry

- Cage-free eggs
- Free range chicken
- Wild caught seafood

Paper products

- Recyclable paper plates
- Paper towels made from recyclable materials
- Biodegradable toilet paper

Electronics/appliances

- High efficiency washer/dryer
- Energy efficient light bulbs
- Energy efficient battery chargers
- Low water usage appliances

For more information

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