

Retail Therapy

The Green Consumer



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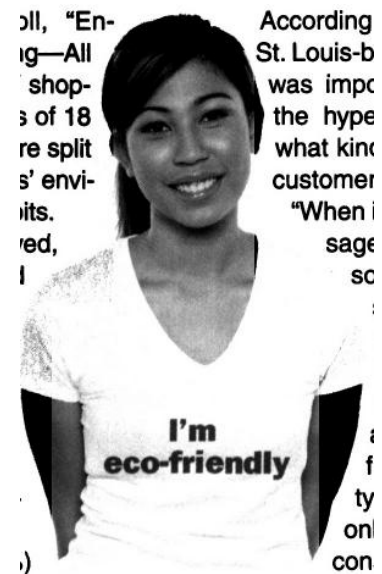
*"The green consumer market is becoming a larger and trendier demographic in Australia."
Green Foot, 2008*

With publicity surrounding the threat of global warming on the rise, environmental consciousness is at an all-time high. Recent years have witnessed an evolution towards environmental considerations and concerns - not just among the public, but within government and corporations across various industry sectors around the globe. In fact, the environment is the most important problem currently facing the world and Australia, according to recent research by Roy Morgan International. As a world problem, 35 percent (up from 14 percent in 2006) of Australians consider the environment the biggest problem, ahead of economic issues and terrorism, wars, safety and security. Thirty percent (up from 8 percent in 2006) of Australians consider the environment the biggest problem facing Australia (Levine, 2008).

In line with the surge in green movements in recent years, a new niche market of consumers has evolved, and they are highly concerned about the environment and are willing to do and spend more to be environmentally friendly. As business becomes more globalised, concern is also rising about the way in which companies operate and the origin of their products, with consumers very aware that their own actions can force governments and businesses to change for the better.

So who is this so-called "green consumer"? Also described as socially responsible, ethical, cultural creatives, and/or environmentally responsible, green consumers are those who consistently and primarily discriminate product purchases in favour of the environment. In choosing a particular brand, these consumers take sustainability into account by seeking out green products or products with eco-friendly packaging, considering fair trade or environmental practices when choosing where to shop, or buying organic products (Euromonitor, 2008). Today's green consumers are most concerned with issues such as:

- Reducing their "carbon footprint": fuel usage (vehicles, aeroplanes)
- Waste management: recycling, packaging
- Natural ingredients: fewer chemicals, organic products



Ecological footprinting has become a popular way for consumers to measure the environmental impact of their life. A consumer's footprint is an estimate of the amount of productive land that would be required to support that person's lifestyle, for example, by growing food, yielding fuel and material resources or burying waste. According to the WWF Living Planet Report (2006), the average Australian footprint is 6.6 hectares per capita. To gain perspective, the global average is 2.2 hectares and currently there is 1.8 hectares per consumer available. This essentially means that Australian consumers are currently living way beyond their essential means (Ha, 2008).

Green consumer market

As green becomes mainstream and increasing numbers of consumers embrace environmentally responsible practices, green consumers are becoming a sizeable and lucrative target market - particularly in North America, Western Europe, Japan, and Australia (Marlow, 2007). In fact, green consumers globally had an estimated annual buying power of US\$500 billion in 2008 (Berry, 2007). Green consumerism is also expected to grow rapidly over forthcoming years despite the economic crises. Almost six in 10 US consumers say they are more likely to buy "green" products this year than in the past, according to recent research from Cone. A Deloitte survey has also found that 18 percent of US shoppers will purchase more "eco-friendly" products this year, and a similar number will shop at more "green" retailers (Cohen, 2007).

'Lifestyles Of Health And Sustainability' or LOHAS, is an acronym commonly used to refer to the green consumer and represents the marketplace for the goods and services sought by these consumers. The term LOHAS was first coined 10 years ago in the US in an attempt to define an emerging trend of consumers making values-based decisions about what they purchased. Research indicates that one in six American adults now identify with the concepts of health and sustainability, with the trend spreading across many parts of Asia, including Japan, where 70 percent of consumers recognise the term (Mobium, 2007). LOHAS is still gaining currency in Australia, nonetheless the green consumer market has become a larger and trendier demographic over the past several years. With nearly 4 million Australians (26 percent of the adult population) LOHAS aligned, it has clearly become a mainstream marketing segment (Marlow, 2007).

Green Consumer Characteristics

While not all environmentally responsible consumers are the same, an understanding of some of their shared demographic and psychographic characteristics provides a picture of the market for environmental products and services.



Demographics

Green consumers are hard to define demographically.

Being 'green' extends throughout the population to varying degrees, and green concerns are extremely diverse, encompassing a wide range of issues. However, a number of studies have identified demographic variables that correlate with ecologically conscious attitudes and/or consumption. Some broad generalisations regarding the demographic characteristics of green consumers are (Euromonitor, 2008; Forrester, 2007; Ogle, et al, 2004; Ryan, 2006; Straughan & Roberts, 1999):

- Younger individuals are more sensitive to environmental issues as they have grown up in a time period in which such concerns were salient at some level, and are more knowledgeable about green alternatives;
- The young adult generation is split into half when it comes to retail preferences based on whether the retailer has green/environmentally friendly policies and infrastructure. According to a 2007 Maritz Poll, "Environmentally Friendly Retail Marketing - All Hype or Consumer Preference?", Gen-Y shoppers (defined as being between the ages of 18 and 30 for the purposes of the survey) are evenly divided in terms of the influence of retailers' environmental policies on their spending habits. Of the 1,062 Gen-Y shoppers surveyed, less than half (46 percent) said they would shop at a retailer more if they adopt green practices. The research also revealed:
 - Fifty-four percent said green does not influence their buying decisions;
 - Nearly half (47 percent) said they would pay more for environmentally friendly services, products and brands;
 - Out of that half, the vast majority (77 percent) cited their concern for the environment as the reason they would pay more - with other qualifiers, such as "it's the right thing to do" (21 percent) or "so that people know I'm environmentally aware" (2 percent); and
 - Forty-six percent of said they would spend more with a retailer that was environmentally friendly.

- Consumers in the Baby Boomer demographic (heavily influenced by their children) are also actively following the green movement as they have both the time to seek out specialty items and the resources to afford premium priced products. A new study from ICOM Information & Communications, a target marketing company in the US, found that Baby Boomers are above-average users of environmentally friendly home goods in particular. Women in this demographic were more than twice as likely as the average consumer to use green products, while men in the 65 to 69 segment came in second, more than 1.7 times as likely to buy and use such products as the average American (Mahoney, 2008).
- Married women in their 30s or 40s with one (or more) children living at home are a key target market, often making purchases on behalf of men;
- People with high social class and incomes are more likely to be aware of and to purchase environmentally-friendly products. This is because they can more easily bear the marginal increase in costs associated with supporting green causes; and
- Consumers living in rural areas are also more likely to show favourable attitudes towards environmental issues.

Psychographics

Several studies have also attempted to identify the attitudinal and behavioural factors of green consumers. Following are some of the key important psychographic predictors of green consumer behaviour (DeRosa & Ying Sun, 2007; Moisander & Pesonen, 2002; Ryan, 2006; Straughan & Roberts, 1999):

- Green consumers are goal-oriented individuals who take into account the environmental consequences (cost and benefits) of their private consumption in an attempt to reduce their personal impact on the environment, as well as to encourage sustainable development;
- The green consumer is very committed in terms of their own lifestyle and following through on purchase promises;
- Green consumers often overstate their green behaviour, and are critical of their own environmental practices and impact;
- Green consumers typically look for companies that incorporate green practices, and tend to distrust company environmental claims;
- In terms of political orientation, those with more liberal beliefs are more likely to exhibit strong environmental commitment than those with more conservative political views; and

- Social-altruism (a concern for the welfare of others), biospheric-altruism (a concern for the non-human elements of the environment) and egoism influence a green consumers' willingness to take environmentally friendly action.

Green consumer values, attitudes and behaviour

Green consumerism has been conceptualised as 'a personal ethical orientation or as a set of pro-environmental personal values and attitudes that inform a particular form of socially conscious or socially responsible decision making' (Moisander & Pesonen, 2002). Green consumer behaviour has traditionally been viewed as a form of ethical behaviour that is motivated not only by consumers' own personal needs, but also by their concern for the welfare of society.

Green consumer values

The values of green consumers are multifaceted and encompass beliefs about the environmental impact of the materials and processes used to manufacture products and their packaging, the methods of product distribution, sale, and disposal, as well as the company's corporate philosophy and reputation for environmental stewardship. It is important to recognise that the concerns of green consumers also extend beyond their knowledge and beliefs about the products and services that a company manufactures and sells, to broader aspects of a company's environmental stewardship, such as financial contributions to environmental causes, support of environmental education programs, and the use of natural resources in everyday business operations including the design of company facilities (Ogle, et al, 2004).

Green consumer attitudes

Green consumerism is increasing in popularity, however, according to a 2007 Datamonitor report, consumer attitudes have changed since the media hype surrounding it in the 1980s. Consumers are now more likely to buy organic goods or environmentally friendly products, motivated by what makes them feel good about themselves, rather than for altruistic reasons. Therefore, while there will always be a niche group of altruistic consumers who are motivated to buy green and ethical products for the greater good, the majority are motivated to purchase these goods on a more superficial level.



It is important to note, however, that while consumers profess an attitudinal commitment to green products, this attitude does not always translate into substantive changes in purchase behaviour. The reality is that many consumers, despite stated values, do not buy green products all of the time. The opportunity therefore exists to influence environmentally friendly behaviour without necessarily shifting attitudes. This effect has been the subject of academic studies and the results of such investigations reveal several key findings (Marketing Green, 2007):

- Values drive behaviour. While not surprising, this result confirms that marketers face an uphill battle if they are to influence environmentally friendly behaviour without first addressing values.
- Values are very stable and difficult to impact in the short and medium term.
- Behaviour change is hindered not only by values but by 'behavioural inertia, created by forces (such as established habits) that are independent of – or at least not related in a simple way to – values'.
- For consumers that already hold environmentally friendly values, 'green' behaviour can evolve over time if consumers are provided the opportunity to engage in this behaviour when presented with relevant products or services.

Green consumer behaviour

A recent Greendex (2008) Consumer Choice and the Environment Worldwide Tracking Survey examined environmentally sustainable consumption and behaviour among consumers in 14 countries. The findings show that consumers in Brazil and India have the highest Greendex score for environmentally sustainable consumption at 60 points each. They are followed by consumers in China (56.1), Mexico (54.3), Hungary (53.2) and Russia (52.4). Among consumers in wealthy countries, those in Great Britain, Germany and Australia have a Greendex score of 50.2, those in Spain register a score of 50.0 and Japanese respondents 49.1. US consumers have the lowest Greendex score at 44.9.

A recent global study, conducted by TNS, found that Australians were very keen to 'go green', but many were not yet willing to sacrifice greatly to do so. The cost of going 'green' was considered the greatest barrier for Australians, according to the study. Essentially, success in this regard revolves around a value offering that offers more than just a low carbon footprint as price and product quality are still key drivers and outweigh the desire to go 'green' for Australian consumers (Palmer, 2008).

Green consumer segments

There is no such thing as a completely green or ethical consumer. Rather, there are different ways in which people approach the issue of greening their lives. In order to better understand the distinctive mindset of green consumers, it is necessary to look beyond demographics and what consumers say they do, to examine what they actually do through segmentation analysis and modelling. Interestingly, most segmentation studies of this kind have been undertaken in the more developed markets of the US and UK. This can be expected as the green consumer has been long established in such markets and has only recently come to the fore in Australia.

The Natural Marketing Institute (NMI) has identified five segments which categorise the greenness of the US adult population based on attitudes and behavioural traits toward health, wellness and sustainability, rather than demographic characteristics. Revised and updated over time, NMI's current green consumer segments include:

1. *LOHAS Consumers – 19 percent of population (40 million consumers)*

Consumers of the LOHAS market segment, as previously discussed, regularly purchase eco-friendly products and play an active and loyal role in protecting the environment. LOHAS consumers can be further segmented into two smaller but especially important categories, LOHAS leaders and LOHAS followers. LOHAS leaders remain the primary target market for the LOHAS industry as they are opinion leaders for the green movement and early adopters of new sustainable products. LOHAS followers, in contrast, are slightly less progressive than their leader counterparts, but remain large consumers of green products and supporters of sustainability.

2. *Naturalites – 19 percent of population (40 million consumers)*

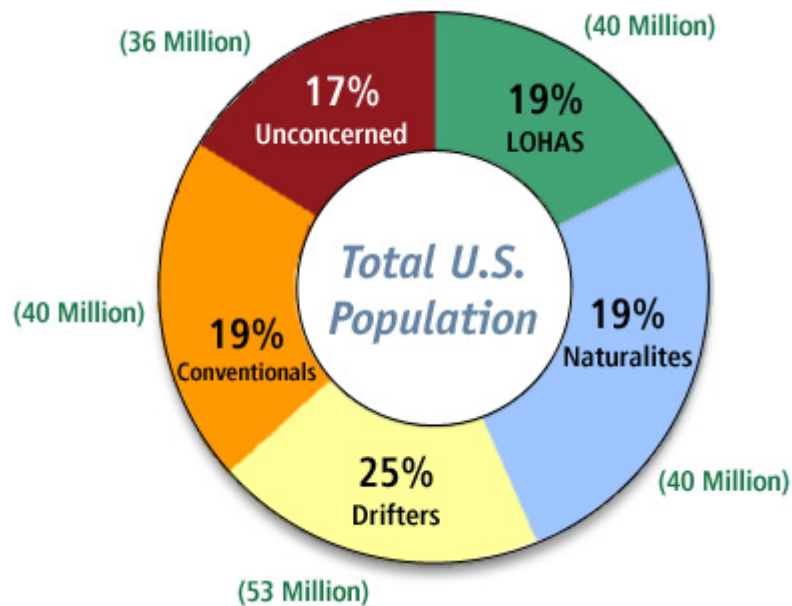
This segment regularly consumes organic and natural products, particularly those in the food and beverage category. Naturalites are not, however, dedicated to the green movement or large consumers of environmentally friendly durable goods (e.g. hybrid vehicles, energy efficient appliances), rather they are focused more on personal health issues, such as holistic living.

3. *Drifters – 25 percent of population (53 million consumers)*

Drifters are trend sensitive and more worried about image than actual execution, as well as eager to be seen in trendy eco-supermarkets such as Whole Foods, partly because it is a fashionable place to be. The drifter segment is also fairly price sensitive.

4. *Conventionals* – 19 percent of population (40 million consumers)
This consumer group does not have a green outlook but does practice some practical green behaviours, such as recycling and energy conservation. They want to conserve energy and water because it is economical and sensible.
5. *Unconcerned* – 17 percent of population (36 million consumers)
The remaining consumers do not practice environmental responsibility. This segment is therefore not a key target market for the LOHAS industry.

NMI's (2007) Consumer Segmentation Model



After over 200 face-to-face consumer interviews, the Mobium Group has divided Australian 'Lohasians' into four main segments as follows (Marlow, 2007; Mobium, 2007):

1. *LOHAS Leaders* (eight percent of population): highly committed and active participants in fully integrated, healthier and more sustainable lives.
2. *LOHAS Leaning* (41 percent of population): poised to follow when more environmentally friendly products become available and the price they pay for them falls; they want mainstream availability.
3. *LOHAS Learners* (46 percent of population): recently became aware of green issues, but are unsure where to start and generally find the area too complex.
4. *LOHAS Laggards* (five percent of population): do not care either way and are highly unlikely to adopt the LOHAS lifestyle.

Implications for retailers

The rise of the green consumer presents major implications for the retail industry at large. Retailers are in a unique position to shape such choices, especially as consumers say they need help to become more environmentally conscious (Accenture, 2007). Australian retailers and business in general are, however, failing to take advantage of the growing groundswell of consumers willing to buy greener and more ethically sound products (Lee, 2007).

One of the most important implications top note here is that consumers want retailers to focus more on efforts to protect foods from pesticides, make waste sites biodegradable, protect forests, and conserve energy. In direct practical terms, employing solar power and daylight, as well as using energy-efficient HVAC, lighting and refrigeration systems, top the measures shoppers expect from retailers. Environmentally-friendly stores are not expected to be too different, although many people are concerned about the impact on prices and assortment; sixty percent think prices in a green store would be higher and 29 percent feel the assortment in a green store would be compromised (Forester, 2007). Retailers therefore need to address these reservations as they move toward becoming more environmentally friendly.

One of the first steps in this direction for retailers is to understand the importance of green issues within their existing customer base. Testament to this is research by UK hardware and DIY retailer, B&Q, which found that 70 percent of its customers are positively engaged in the idea of being green and are looking at and open to sustainable alternatives. The research also reveals that seven percent of customers do not care one way or the other, but would buy green products if they were the only choice on the shelf. The remaining 23 percent of customers have reached green propaganda overload and are in varying stages of tune-out. Therefore, while green has certainly captured the imagination, it has not yet become mainstream. Much of this has to do with a failure to date by retailers to move from rhetoric to easy and practical solutions that are painless and simple for consumers to adopt at a behavioural level. As governments regulate and retailers range in favour of environmentally sustainable alternatives, consumption behaviour will undoubtedly change.

About the author

As a Research Fellow at the ACRS, Carla is responsible for managing and coordinating both primary and secondary research projects, including research design, data collection and analysis, research report writing and presenting. In her time at the ACRS, Carla has researched various topics such as sustainability, online retailing, multi-channel retailing, automotive retailing, and consumer and retailer trends. Carla is also Co-Director of the Monash International Marketing Study Tour, where she travels to cities such as Hong Kong, Shanghai, Dubai, London, Paris, Madrid, New York and Los Angeles to study the latest retail, consumer and marketing trends in January of each year.

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The Australian Centre for Retail Studies provides research driven education to those involved in the retail sector through broad based research and information generation, management education programs and the promotion of retailing as a career.

As a commercial centre within Monash University's Business and Economics Faculty and Department of Marketing, the ACRS is a bridge between the academic and the commercial retail worlds, enabling clients to access resources and knowledge that may not be otherwise available to them.

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The ACRS builds skills, knowledge and understanding at all levels of management from first line appointees to CEOs; because of its unique retail focus the Centre offers advantages over other general management training providers.

Enquiries

Please contact us if you have any enquiries about the ACRS. Also if you would like further information about this paper or contributing please feel free to contact Carla Ferraro.

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