

clearworks

clearworks



GREEN RESOURCE NETWORK



**Green Products and Services --
A Viewpoint from Consumers and
Small and Medium Business**

Fall 2009

November 2009

Green Products and Services -- A Viewpoint from Consumers and Small and Medium Business

By Clearworks, Green Resource Network, Infoco USA and ExecuteNow

Introduction

Want to hear what Consumers and Small and Medium Business have to say about “green?” We did. So we decided to ask them. We conducted a two-part research study in the summer of 2009 that consisted of qualitative interviews and quantitative surveys. The purpose of the study was to get a broad look at what consumers and SMBs are doing with respect to green products and services and what they plan to do in the future. We looked at definitions of “green”, reasons for going “green”, barriers to becoming “green” and more. This document contains a sample of the insights that were uncovered.

If you would like copies of the detailed reports, contact info@clearworks.net with the subject line “More Green Reports” or call us at 888-769-3807.

You say “Green”, I say “Clean”... let’s call the whole thing off!

Marketers today use a myriad of terms to convey that their products and services are better for the environment; however, when it comes right down to it, consumers and SMBs get “green” and are willing to accept it as an umbrella term to define anything that is natural, recyclable, good for the environment, and not harmful to the earth. They also view “green” as comprehensive -- covering items from solar energy to organic food.

When marketing to consumers and SMBs, companies should consider using the “green” terminology when selling eco-friendly, sustainable, and clean technology products and services.

“I think overall, people ‘get’ green. I don’t think we should call it anything but ‘green’. It’s a universally accepted term, and people understand, or can understand or can be taught how to interpret that into their own business or into their own personal lives”

Prove it to me!

Both consumers and SMBs who buy “green” expressed some scepticism over claims that companies make that their products or services are truly better for the environment. How am I supposed to know if they are telling me the truth? Why am I to believe their claims of being “green”? 50% of respondents highlighted their scepticism over “green” claims as a leading barrier to purchasing more “greenly”. This was especially true for participants in the 40+ age brackets; those from 18-40 were a little more trusting of green claims.

Companies should look for opportunities to “prove” the green-ness of their product to add more credibility and demonstrate how their product’s effectiveness and quality compare to a non-green product. Marketers who can do this the best and most often are more likely to win over consumers and SMBs alike!

Being “green” is great; however give me another reason.

Overall consumers seemed to be most impacted by drivers that impact their lives and the lives of their loved ones today. Health was a strong motivator in driving “green” behavior especially with respect to cleaning and other household products. Some admitted that the sole reason for going green is that it makes economical sense – this is respect to light bulbs and other such energy efficient products, with green being a nice by-product. While many feel good about doing their share, they feel that understanding the impact of many people making simple changes to help the environment would be a powerful motivator.

Messaging “green” solutions needs not only to focus on the environmental benefits of using a specific product or service, but also the elements of cost savings, health benefits, and greater efficiency. Secondary messages should focus around the altruistic nature of buying “green” and demonstrating the benefits of the collective good.

“I think it would be good not to hurt the environment and I don’t want to hurt the environment. But at the same time it seems to me they could develop things that were much less expensive.”

“The major barrier is price.”

“Especially on household stuff, that’s relatively cheap, a 20% to 25% price difference may only be a dollar or two so that’s not a huge. On a small scale \$5-10 here and there’s not a problem.”

It’s easy being green...when it’s inexpensive

The green products most likely to be in consumer homes and to be purchased within the last six months tend to be environmentally-friendly packaged goods and cleaning products, recycled paper, energy-efficient light bulbs as well as organic foods. These consumables require relatively smaller financial commitments than other activities. Higher-ticket items, such as hybrid cars, energy efficient heating / air conditioning, and energy efficient appliances definitely showed up as items that people anticipate purchasing ... just in the future.

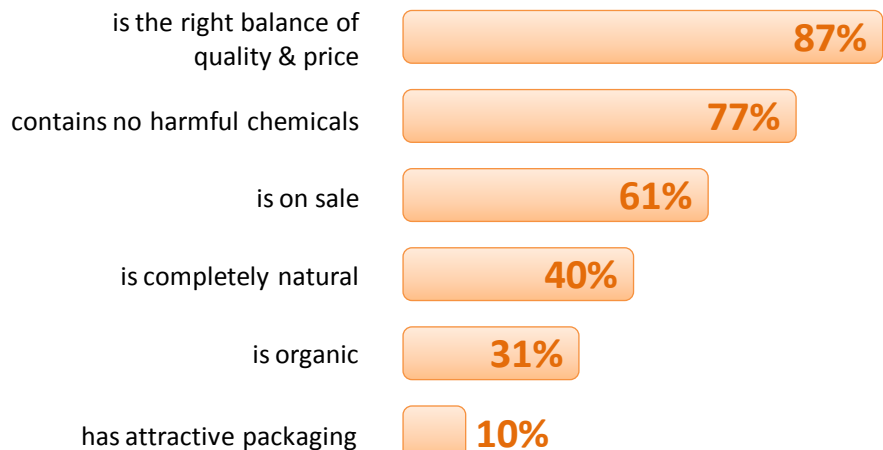
Making it easier for consumers to shorten their buying cycle for larger ticket items will be critical for driving adoption of these larger investment items. Companies should consider creative financing options (i.e. twelve months, no interest, no payments) to help speed up purchase decisions for big-ticket items. Also, because the decision on larger items is tied to timing, companies should evaluate offering “trade-in” or “buy back” to help offset the cost of the “green” product.

The tightrope of product choice for consumers remains a traditional balancing act.

All consumers remain primarily concerned with finding products that are the right balance of quality and price – light bulbs and food were the only items where they felt they were achieving this balance today. While notions of “quality” are clearly evolving to include more green decision factors it is particularly interesting to note that attributes like “natural” and “organic” bested only “attractiveness of packaging” as a consideration.

Considerations When Purchasing Items

% Respondents Stating Extremely/Very Important



Where possible, companies should focus on helping consumers overcome the “effectiveness” perception by finding creative ways to demonstrate that eco-friendly products are not only good for the environment but work just as well, if not better, than non-“green” product. Some suggestions are: offer money back guarantees if not satisfied, in store demonstrations, free samples, and video commercials / infomercial (either TV or on the internet) that show the effectiveness.

“I’ll save the planet when I win the lottery.”

Price remains the primary barrier to purchasing green products. The current economic environment combined with a healthy dose of scepticism about green claims makes it easier for consumers to delay acting upon whatever green purchase impulses they may have. Although there seems to be a general willingness and expectation to pay a premium for “green” products, people did differentiate the acceptable premium associated with purchasing a “green” household cleaner or recycling versus purchasing a new hybrid car or solar panels. Consumers appear more apt or willing to make smaller changes in the short term, while considering bigger purchases as replacements are needed for those items.

Barriers to Buying Green

% Respondents Selecting



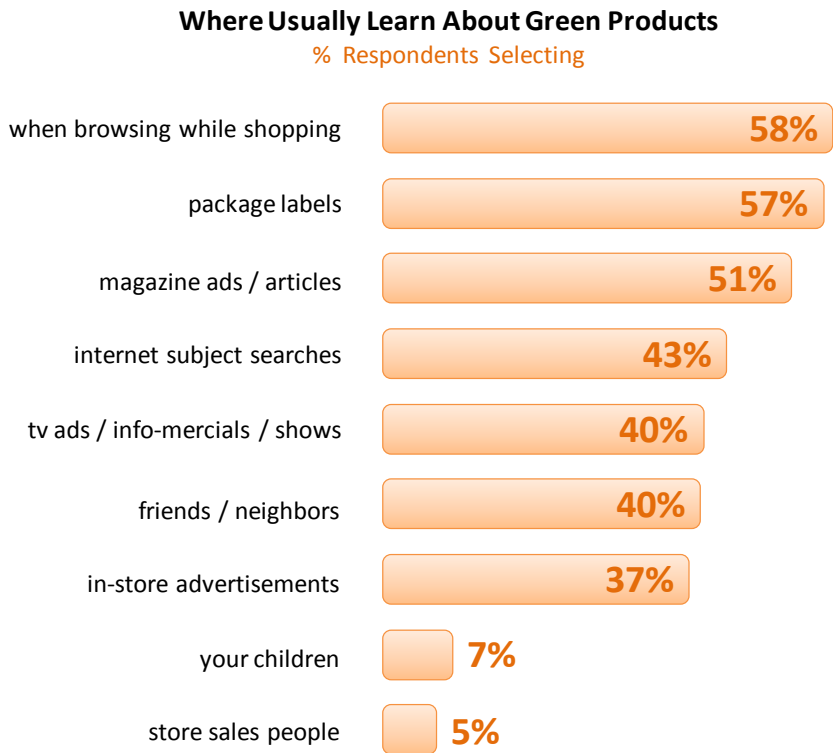
For the time being, “green” companies can continue to charge a premium for smaller, every day “green” items. However, over time and as more “green” products enter the market, the acceptance of paying a premium will likely begin to erode. Companies need to be aware of not relying on a premium pricing strategy over the long term.

For larger purchases, marketers should demonstrate the cost / benefit of the premium customers are required to pay and how that balances out over time (i.e. decrease in your monthly gasoline consumption, reductions on your electric bill, etc.)

“You can look around in stores. You can learn quite a bit just from reading labels.”

The point of purchase is the green classroom for consumers.

Consumers are learning about the availability of green products while shopping and reading package labels. Some potential exists for reaching customers via the internet and magazines with topical articles around a specific green behavior. Other information sources such as, word-of-mouth, advertising, and direct mail are less impactful.



Companies offering “green” products and services should try to use the in-store experience to educate consumers. Also, they should focus their efforts on education and awareness on the internet or through magazine articles. Educating consumers on the availability of products is important, however equally important is providing useful facts and figures about “green” behavior.

“In my case it may have some marginal impact on our bills. That was one attraction, but I also knew that if 60% of the households in America had the same thing, it could make a big difference. I was trying to do my small part.”

“Working individually, I don’t think a whole lot in this area would be accomplished, but working together collectively, I think there would be a big impact.”

Young consumers get on the “green bus” but the lights may be on and the tap may be running at home.

While more likely to take public transportation, bike or walk as an alternative to driving than other groups, young consumers are much less concerned than others with respect to other traditional green practices such as conserving electricity, minimizing their water usage or purchasing sustainable products. Middle-aged and older consumers tend to feel more compelled to “do their part.”

Middle aged and older consumers are more likely than younger consumers to respond to messaging that emphasizes generational legacies or civic and social responsibility. While these types of appeals are not completely ineffective with the younger segment it seems the heart strings are more easily pulled with the passage of time.

Middle aged consumers say “fill ‘er up.”

The incidence of hybrid and electric vehicles in the home was quite low across all segments. Surprisingly, none of the survey respondents age 41-55 had a hybrid or electric vehicle at home but 3% of this same group did have solar panels dedicated to heating their electric swimming pool.

Many consumers want to purchase green products and support green initiatives but nearly all purchases, including big ticket items such as cars, must still meet traditional functional and value requirements. Middle aged consumers, who likely have the largest number of family members living in the home, simply don’t find appropriate functional options among the current selection of hybrid and electric vehicles on the market.

Color blind - older consumers don’t see the green premium.

Far fewer older consumers see green products as costing more than their non-green alternatives. Roughly half of older consumers view recycled paper, household cleaners, personal care products, and laundry detergent as costing the same as conventional versions. This contrasts sharply with the price perceptions of other groups which clearly see green products as costing more.

Companies marketing green versions of products typically targeted at older consumers may have more latitude when it comes to premium pricing strategies.

Kids’ are not effective green lobbyists.

It has been a widely held myth that children are influencing their parents to go green based on messages and influences from school programs. While elementary school age children have greater pull in their homes than pre-schoolers or high schoolers, the reality is that the presence of a green spouse in the home is a far greater influence.

Marketing strategies that encourage communication between spouses on green issues can have a positive impact on purchase intent. Interesting opportunities may exist to communicate across traditional gender targets in order to start at a conversation in the home and positively influence the intended audience. There is power in “word of spouse” marketing.

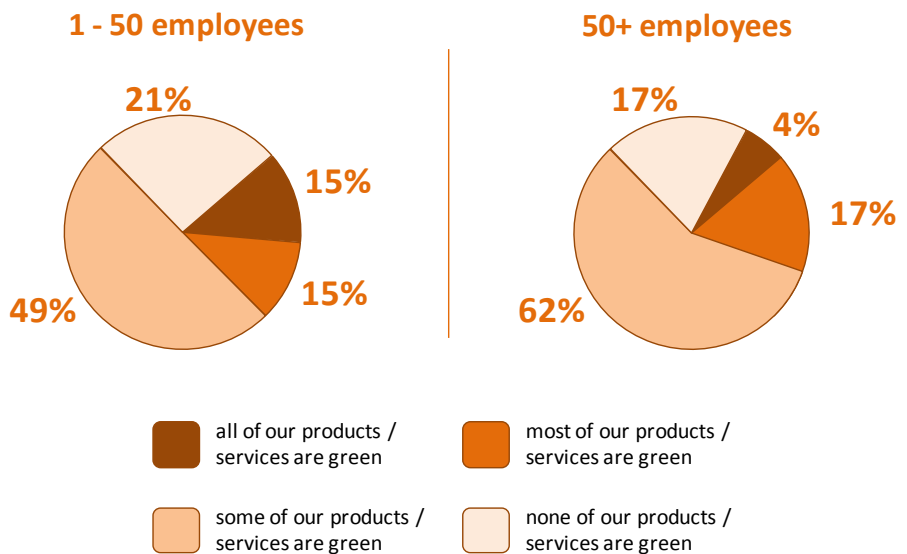
“Sometimes the initial capital cost to become green can be quite challenging for companies, especially in today’s economic times. The long term benefit is there, but having the upfront capital to invest in that can sometimes be a barrier to entry.”

Small and medium sized businesses ride the green wave but few are category specialists.

A surprisingly large number - 81% - of small and medium sized businesses report including some number of green products as part of their offerings. Despite this broad availability, few small and medium sized businesses are green specialists with only 10% of small businesses and 4% of medium sized businesses offering green products exclusively.

“Awareness of what kinds of opportunities there are to become green. I find in my business that people have a desire to want to become more green, but they don’t necessarily know how that translates into their particular business.”

Green Products / Services Offered by Company



The marketplace buzz has clearly influenced many businesses to add green offerings to their portfolio. Are these players attempting to crowd out the green category specialists? The answer doesn't really matter. Green players with an equally green corporate story must refine their messages in order to cut through the clutter and draw contrast between themselves and those companies with only surface pedigrees.

Who's in charge here?

Responsibility for green initiatives at SMBs takes many forms. While green initiatives of some sort exist at over 70% of companies, no small businesses and only 9% of medium sized businesses had an employee on staff whose sole responsibility was managing green initiatives.

Those targeting small and medium sized businesses must be prepared to navigate an environment where purchasing authority and budgetary control for green initiatives may be unclear. Traditional buyers are unlikely to advocate changes to current practices for altruistic reasons. Arming them with a compelling reason for change based on a clear return-on-investment is only the first step.

What's "brand" got to do with it?

Only 11% of SMBs cite their brand and reputation as a reason to engage in the purchase of green products. While 26% state that they take customer perceptions into consideration they simply don't have the time to research green alternatives and are more concerned about finding products that meet their quality standards.

Considerations When Buying Products with a Green Alternative

% Respondents Stating Extremely Important

| | |
|---|------------|
| making the time to Research green alternatives | 49% |
| quality | 45% |
| your customers will care | 26% |
| your company brand or reputation will benefit | 11% |

Small and medium sized businesses care about customers and how they are perceived by those customers. They are not, however, particularly concerned about perceptions of their “brand.” In this environment, where business is often personal and relationships longstanding, marketing messages should focus on the real cares of concerns of the people they serve not the abstract associations that are tied to their brand.

Thanks to Our Partners

We worked with a team of talented partners to define and execute this study.

ExecuteNow
www.executenow.net

Green Resource Network
www.greenresourcenetwork.com

Infoco USA
www.infocousa.com

Trier & Company
www.triercompany.com