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Partnerships for a better tomorrow

Sustainability and the consumer - Implications for Retail and Value added service providers

Presentation to PLMA Brokerage Committee

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About Sustainable Innovations and our Partners

- **Sustainable Innovations Inc.:** Founded in 2006, a strategic advisor to companies specializing in the design and development of innovative product and service programs in personal health, the global environment and social justice, improving these outcomes now and in the future.
- **The Hartman Group, Inc.:** Founded in 1997, A full-service strategic market insights provider using anthropology, sociology, psychology, visual analysts and linguists to decode sustainable behavior (n=2000).
- **Other Partner organizations** introduced here:



“Sustainability” is NOT a Household Word

Though widely used in business circles, the term “sustainability” is little used in consumer circles.

- **Just over half (54%) of consumers claim any familiarity at all with the term “sustainability” (and most of these consumers cannot define it appropriately upon probing)**
 - » Only 5% indicate they know which companies support sustainability values
 - » 12% indicate they know where to buy products from such companies
- **As a marketing term, “sustainability” has limited traction; it is not household word**



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Sustainability Awareness

Though the term “sustainability” is limited in usage, most people operate with varying degrees of “sustainability consciousness.”

- Sustainability consciousness refers to the way people link everyday life to “big” problems (e.g., food, water and air quality)
- Sustainability consciousness is not just about “eco-conscious consumers” and the environment
 - » It’s everyday people and broadly distributed across society
- Sustainability consciousness emerges as consumers gain experience dealing with risks in everyday life



Risk in Everyday Life

Most consumers believe that daily life requires practical adaptations to risks if potentially harmful outcomes are to be avoided.

- **Some adaptations to risk are firmly established habits**
 - » Avoiding unfiltered tap water whenever possible
 - » Wearing sunglasses and sunscreens to “block out harmful UV rays”
 - » Fastening vehicle safety belts “in case” an accident happens
- **Some adaptations to risk are only now emerging**
 - » Using sanitary wipes to wipe down grocery carts
 - » Routinely using air filters in our living rooms
 - » Questioning the purity of water in plastic bottles

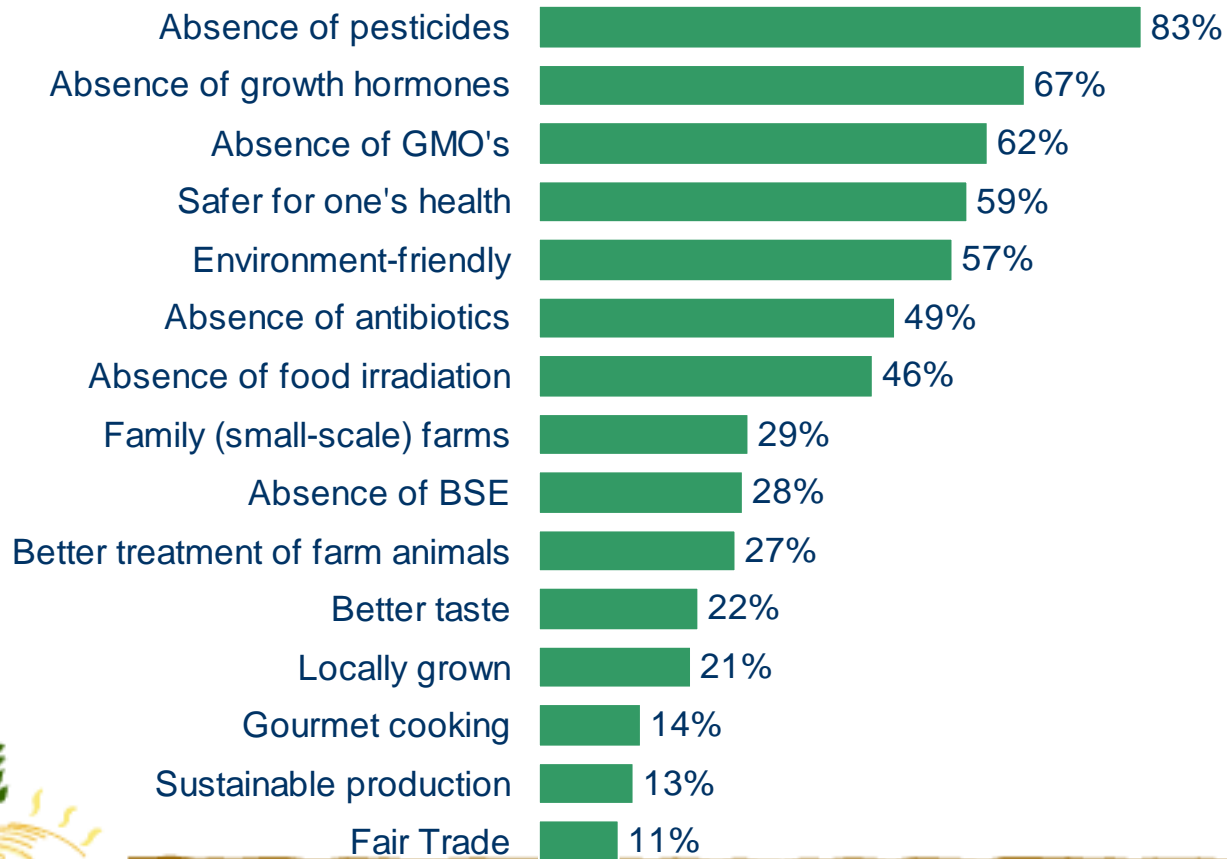


Organics: A Mass Response to Risk

ORGANIC USAGE	Year 2000	Year 2005
Daily	8%	9%
Weekly	9%	14%
Monthly	5%	6%
Occasionally	34%	44%
Never	45%	27%



Organic Means Minimizing Exposure to Risk



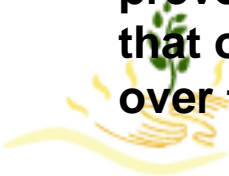
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Source: 2007 Sustainability Survey, The Hartman Group (N=1606)

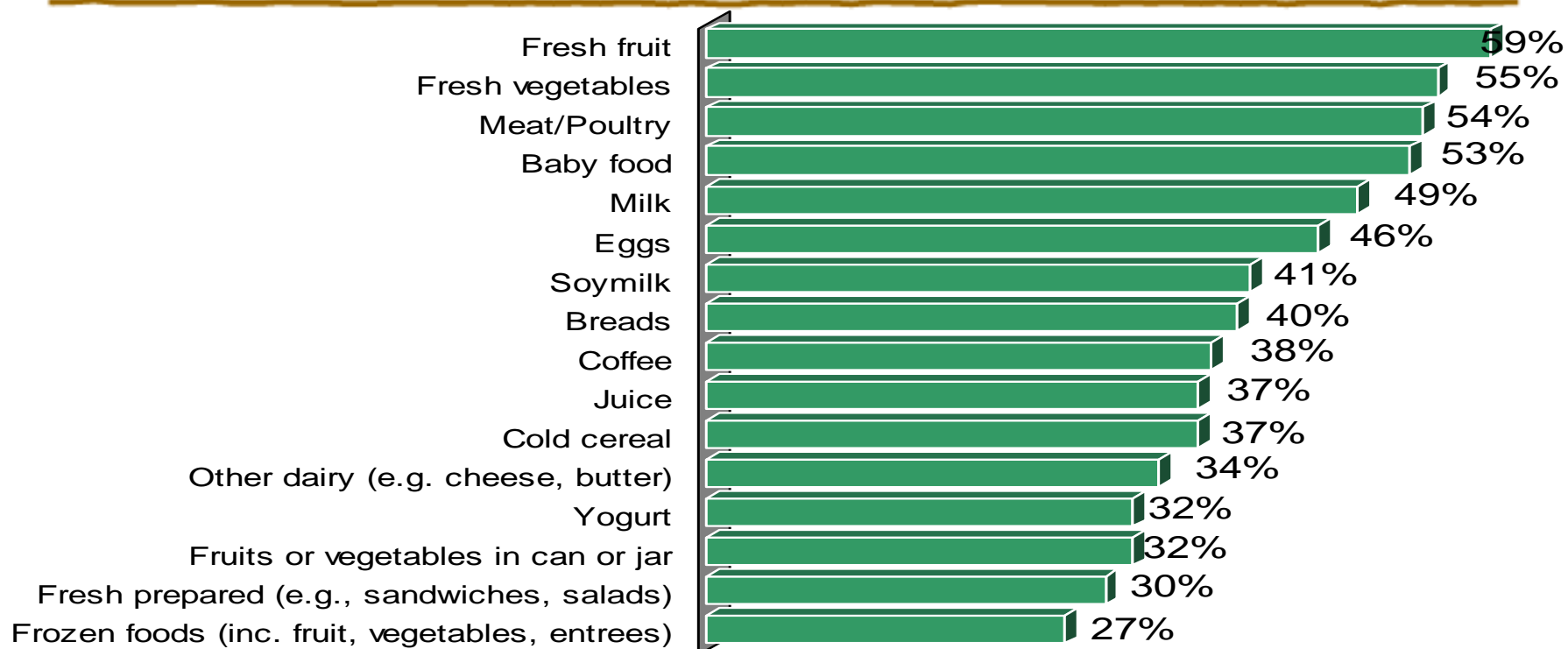
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Organic Lifestyle

- ✦ **Loosely defined as those consumers who:**
 - **Are proactive and responsible for their own health and the health of their family**
 - **See organic as a method of “control” over what their family eats**
 - **Accept that they may have to pay more for specific organic foods and are willing to do so because of the high value they equate with certain items**
 - **Have an increased reliance on food as preventative medicine and have faith that organic food is beneficial to health over the long-term**



Categories for Which Consumers are Willing to Pay 30% More for Organic



Current organic buyers who purchase at least 10% organic in each particular product category (n= 91 to 1217)



Measuring Consumers Involvement in the World of Sustainability

- The World of Sustainability can be segmented according to how consumers make sense of risks
- A small percentage (8%) of consumers do not participate in the World of Sustainability in any meaningful way

Periphery Consumers (17%)
tend to concentrate their awareness of risks on their personal lives and bodies



Mid-level Consumers (65%)
tend to focus on the body, but also include their surroundings at home and immediate community

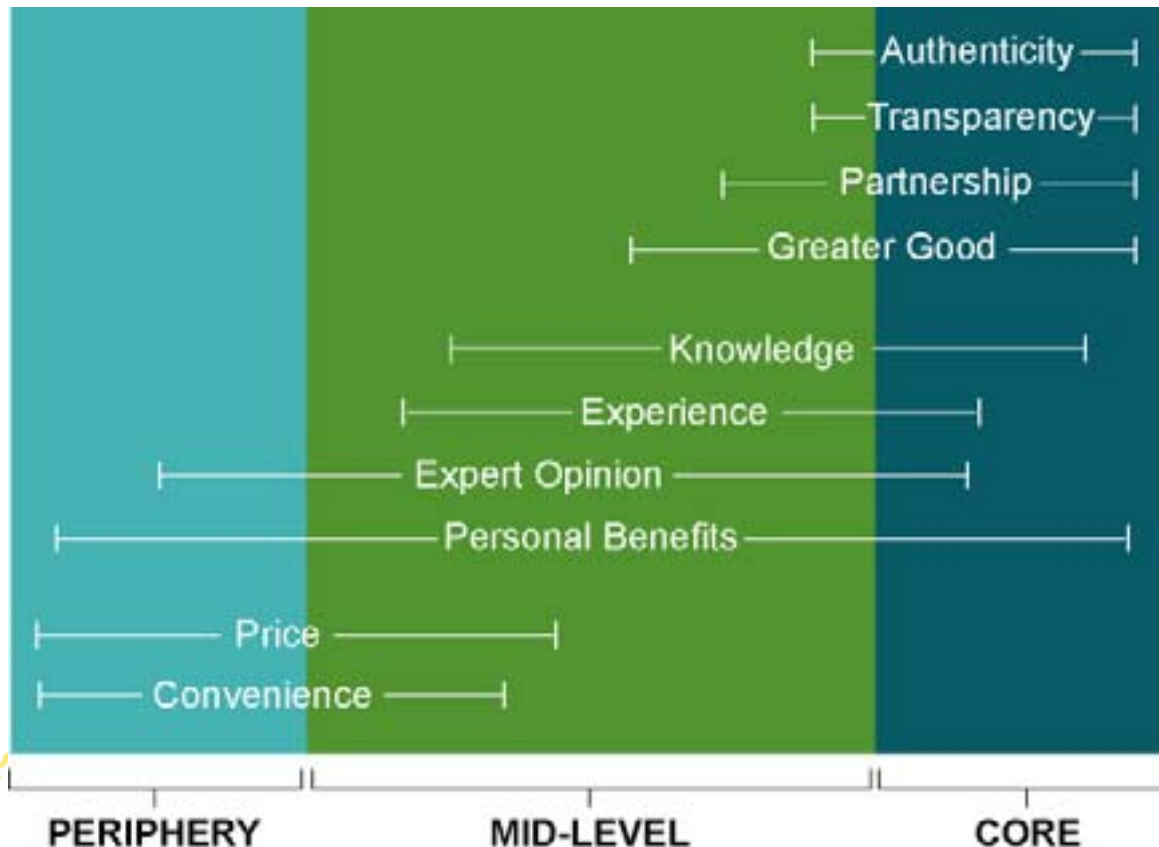


Core Consumers (18%)
tend to extend their risk awareness outward from the body to broader environments



Dimensions of Sustainable Lifestyles

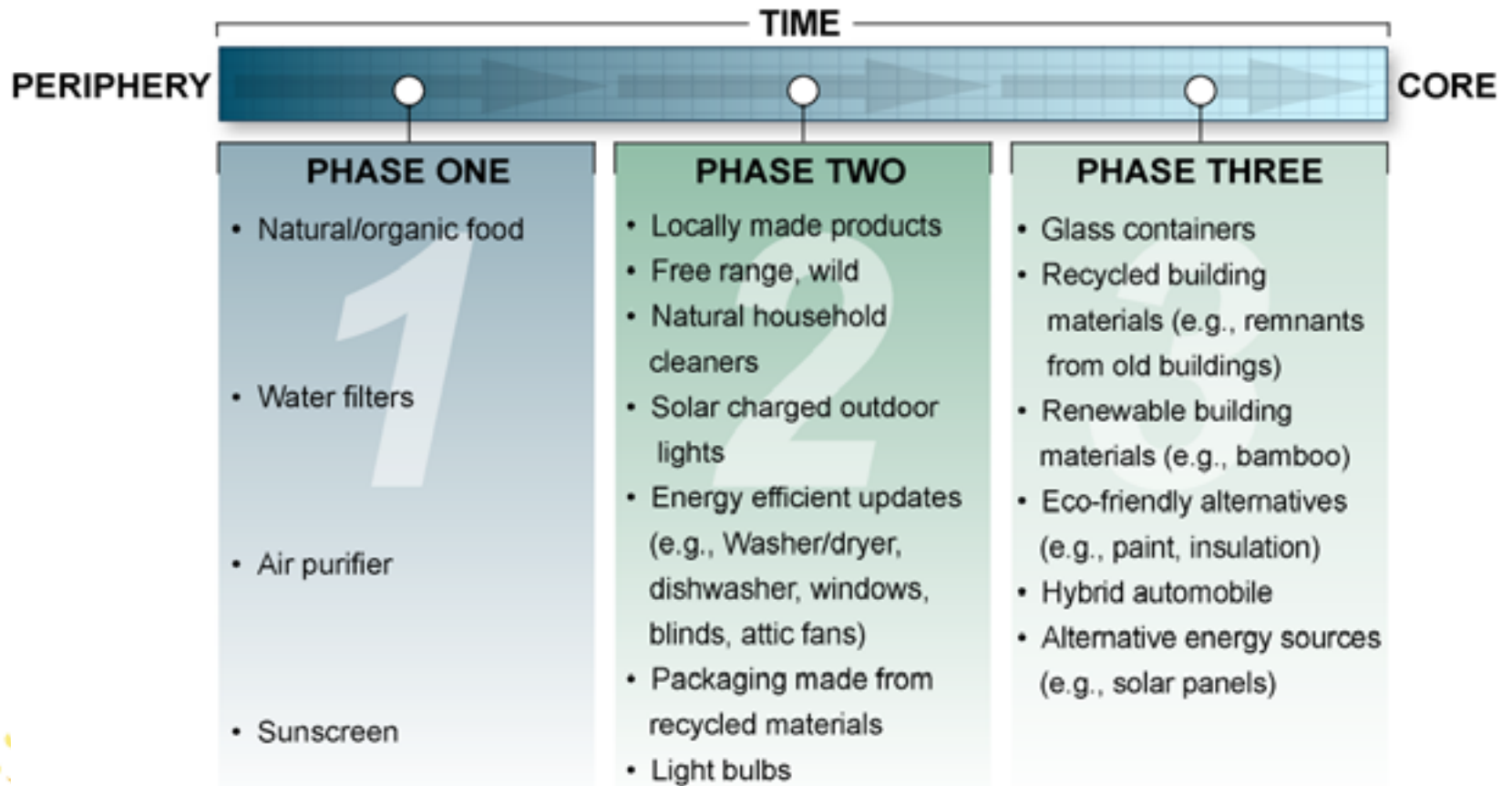
Core, Mid-level and Periphery Sustainability Consumers are drawn to different attributes of products, settings and services.



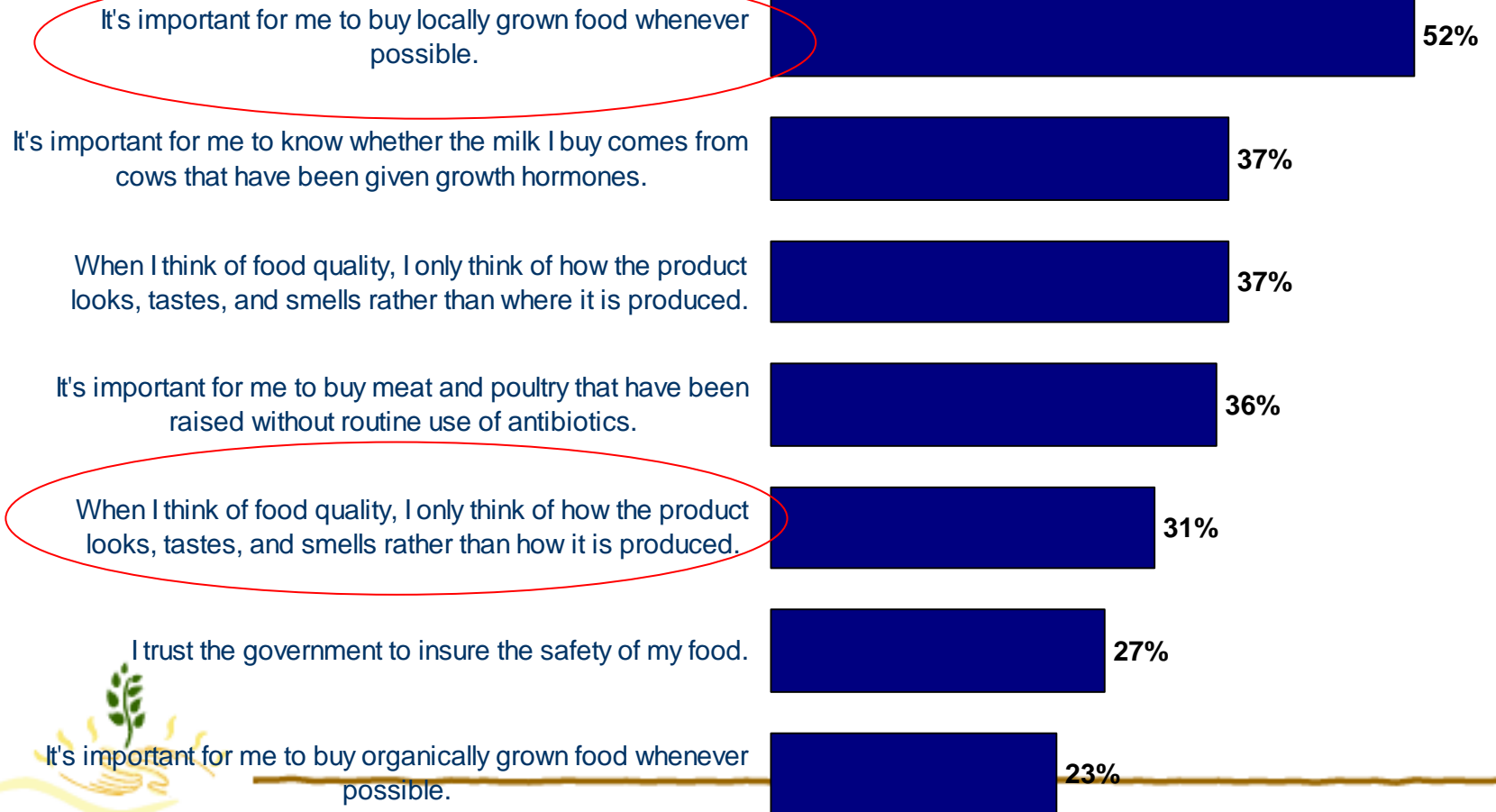
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Sustainability Adoption Pathways



Food and Sustainability

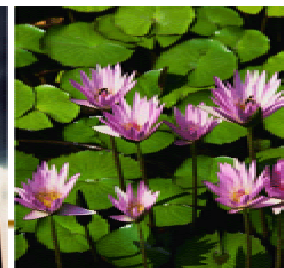
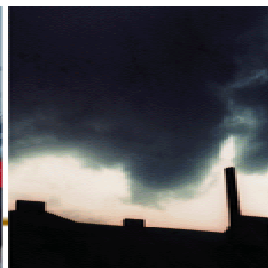
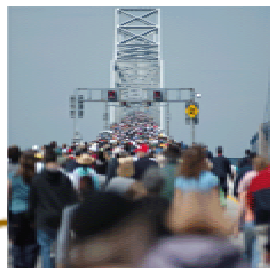


Consumers Believe Businesses Should Provide Leadership

For environmental concerns, waste and pollution are the most important issues to address across industries; while excessive packaging, local and organic processes are areas of specific concern within consumer packaged goods.

More important than environmentally responsible business practices are **human ethics and social responsibility**. Consumers expect and want to know that businesses treat employees well in terms of safety and fairness.

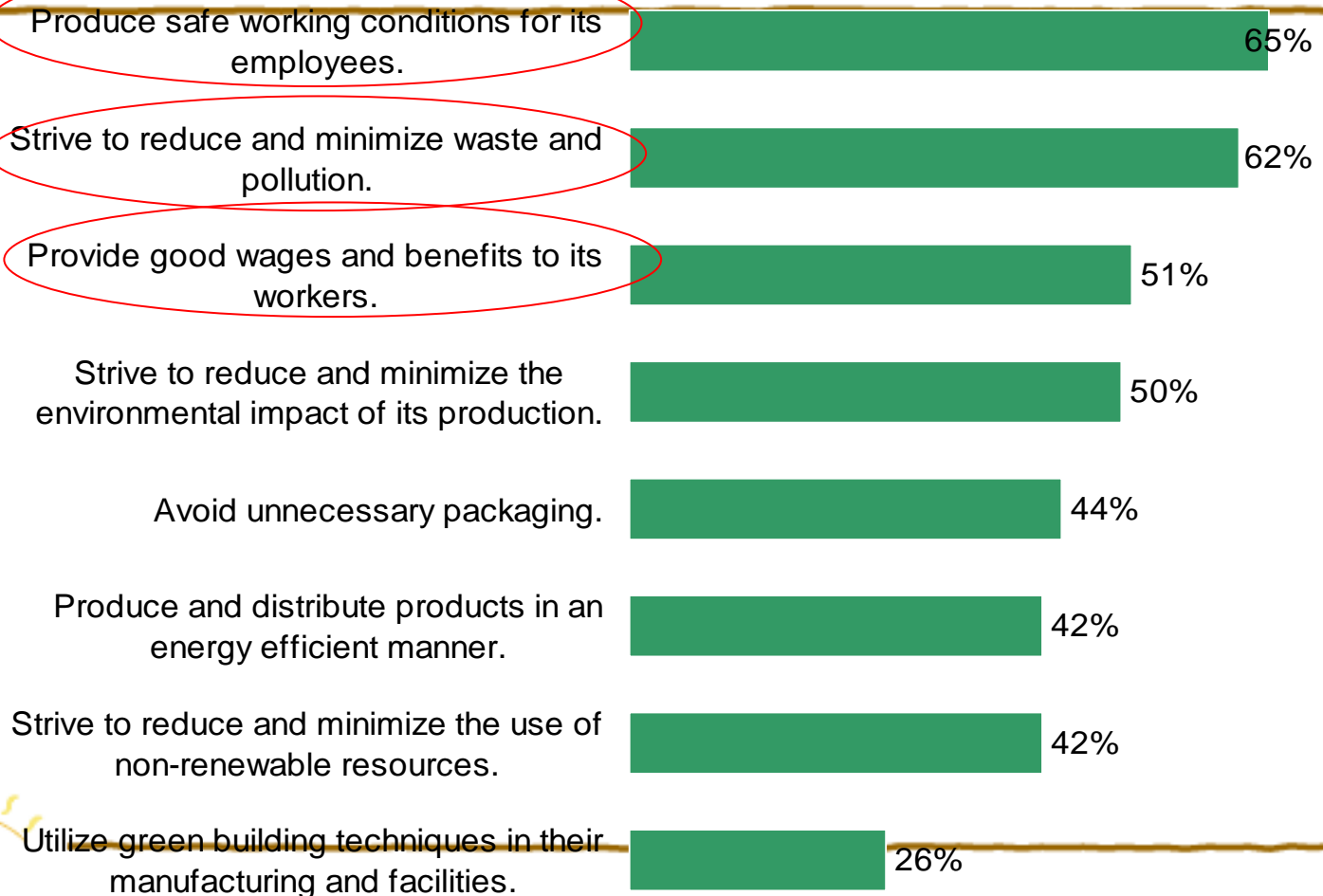
Communications and messaging about product information and community connections are fundamental to consumers' perceptions about a company's involvement in sustainable practices.



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Business Practices Influencing a Consumer to Buy a Product



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Shows agreement with "very important" and "somewhat important". (n= 1,600)

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Company Characteristics Associated with Sustainability

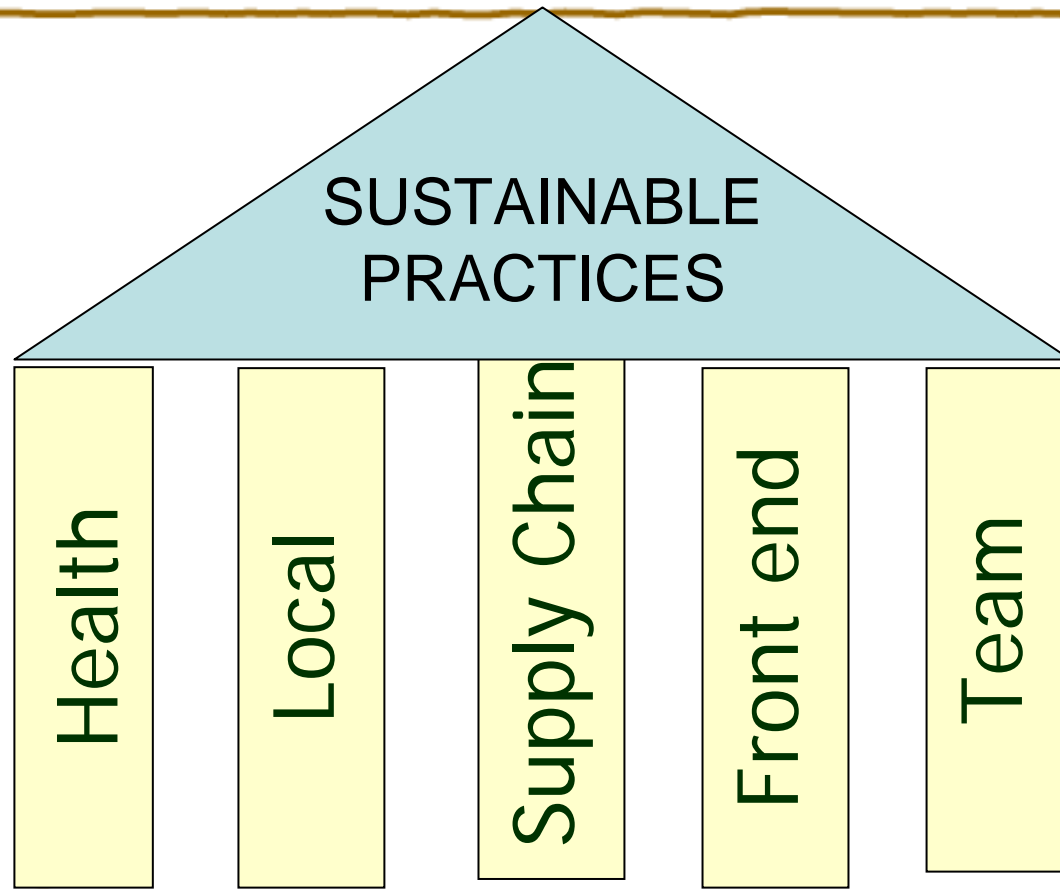
Consumers associate four broad characteristics with sustainability companies.

- Companies are not solely concerned about “the bottom line” (**selected by 59% of all consumers**)
- They offer extensive information on their products (**59%**)
- They maintain supportive relations with their local community (55%)
- They represent principles consumers agree with (**54%**)
- Initiatives involving third parties need to be relevant to the company and the consumer, especially when it comes to non-profits and charities.



Sustainability Program at Retail

Example: 5 Pillars



Own Label Health Programs

- ✿ Beyond Food Labeling: FDA inertia
- ✿ Health issues looming: Diabetes in children, Heart disease adults, Allergens growing
- ✿ License Nutritional/Functional benefit derived from Ingredient
 - Expand Organic Sources: combine with local programs
 - Anti-oxidant plant ingredients: Acai T
 - Cholesterol lowering plant

Ingredients: Reducol™



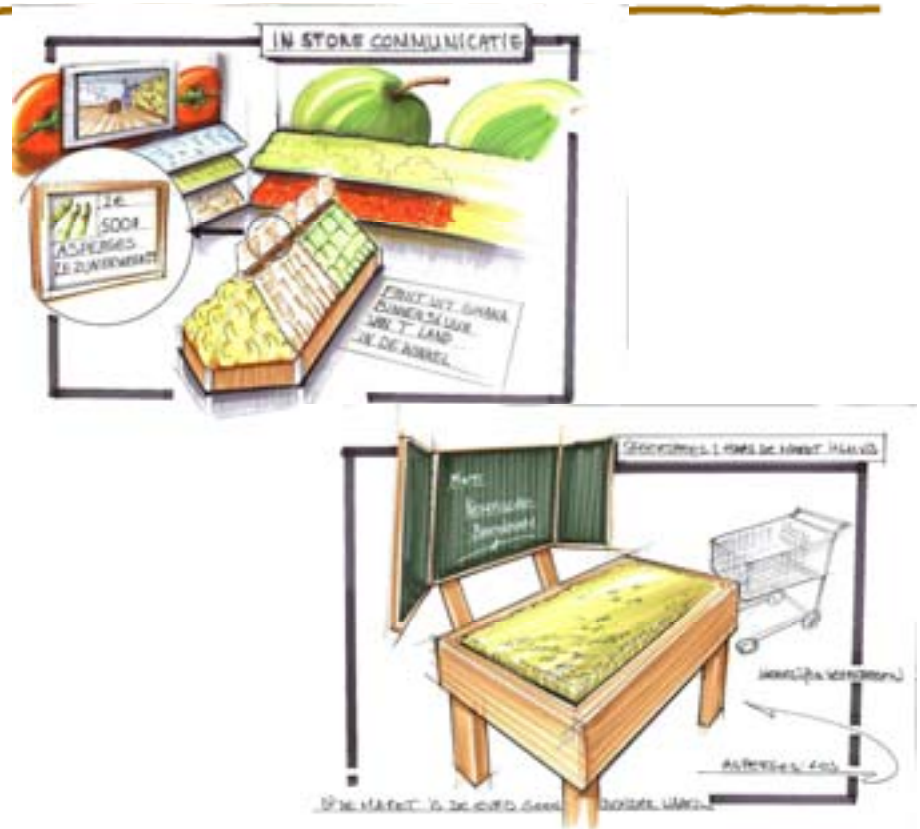
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Locally Grown Programs

🌿 Brand Value of Regional Retailers

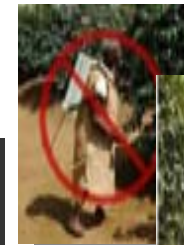
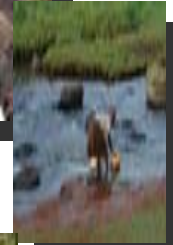
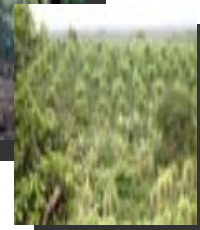
- Leveraged in Merchandising-Farm/Story telling Display
- Develop/Feature Local Brands-Health & Private Label
- Eggxample: WholeFoods™
- Local Brokers, know your own backyard



Supply Chain Transparency

☼ People, Planet, Profit

- Independent Certification coffee, tea, cocoa, oils
- Knowing where your products come from, how they are grown
- Traceability- Food Safety, Quality Systems, Visibility, Relationship building
- Transparency- Transport, Environment, Social Justice



Supply Chain Optimization

🌿 Network Design:

- Global Sourcing Options
- Production Planning
- Inventory positioning
- Mode selection
- Profit optimization
- Merger and acquisition activity



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Green the Front End

☿ Showing customers your credible:

- Bio-degradable, recyclable take out packaging
- Re-usable/Recyclable bags
- Package design
- Walmart's 7 R's: Remove, Reduce, Return, Reuse, Renewable, Recyclable, Read
- Opportunities to revenue share with service providers



Retail Team Members

☿ Training, Coaching, Mentoring

- Educate, involve, find disciples
- Regular communication

☿ Feeling Good about the company

☿ Energize cost cutting program



If we thru it away,
We paid for it twice



As Service Providers:

- ⌘ Where do health and local foods play a role for your customers ?
 - License new ingredients, new partnerships
- ⌘ How can I save my customers money, save the planet, and maintaining social standards ?
 - Revenue sharing with service providers



Strategic Guidelines Around Sustainability



- Orient company innovation, communication and experiences toward **consumer definitions**, not industry definitions, of sustainability.
- **Health and wellness involvement is the most significant connection** point consumers have as they enter the World of Sustainability. Link personal health and/or wellness benefits to sustainable products and services wherever possible.
- **Stay cognizant of where products and services fall on the sustainability adoption pathway** to determine which dimensions of consumption to address and what key benefits, language and visual cues to leverage.



Strategic Guidelines Around Sustainability



- **Open up” the business for direct consumer input** as well as transparency about company processes, values, etc.
- **Communicate brand and company narratives** that connect consumers to the people, places and processes that epitomize your company. Show them how the company is part of a community, and stay inclusive.

Create **opportunities for consumers to connect** and share their experiences and opinions with one another.



Strategic Guidelines Around Sustainability



- **Address key barriers** to regular participation: price, convenience and tangibility.
- **Allow participation in products, services and retail experiences to be flexible** and occur in the course of a consumer's everyday behavior (i.e., shopping at the grocery store, dining out, at a social event).
- **Follow Core consumers** to identify possible future trends in sustainability.

