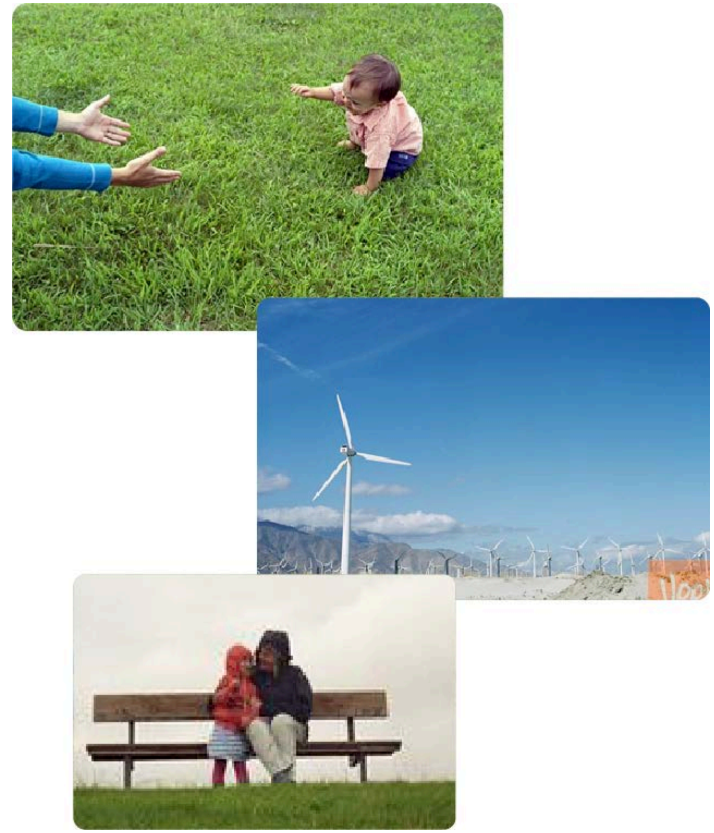

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Consumer Trends & Profiles

November 17, 2011

NMI Answers Age-Old Questions

- **Which came first, the cage-free chicken or the cage-free egg?**
- **If a FSC–certified tree fell in a forest and no one heard it, would it still make a sound?**
- **Why did the organic chicken cross the road?**
- **Paper or plastic?**

Today’s Questions Are:

1. **Recession impact?**
2. **Are all consumers getting greener?**
3. **Which demographic is best?**
4. **Information vs. information overload?**

NMI Databases – Large, Trended & Global

500,000+	12	23
Number of consumer interviews in NMI databases	Number of years of trended data	Number of countries in NMI LOHAS databases

1. What Effect Has The Recession Had On The LOHAS Marketplace?

*"What used to be is no more as recession wears on. Nail jobs and sex are out, while **movies and organic food are in"** (Time, July 22, 2009)*

*"The Clorox Company saw its shares fall 4 percent this morning after announcing a $14 million drop in net income, but **one bright spot noted by the company was an increase in sales of Burt's Bees products**." (May 2011)*

POINT

Green is as Strong as Ever

- **The Recession has helped us crystalize the tangible benefit of green – sustainability by itself is not sustainable**
  - Brands like Method, Seventh Generation and others have emerged from the Recession stronger than ever

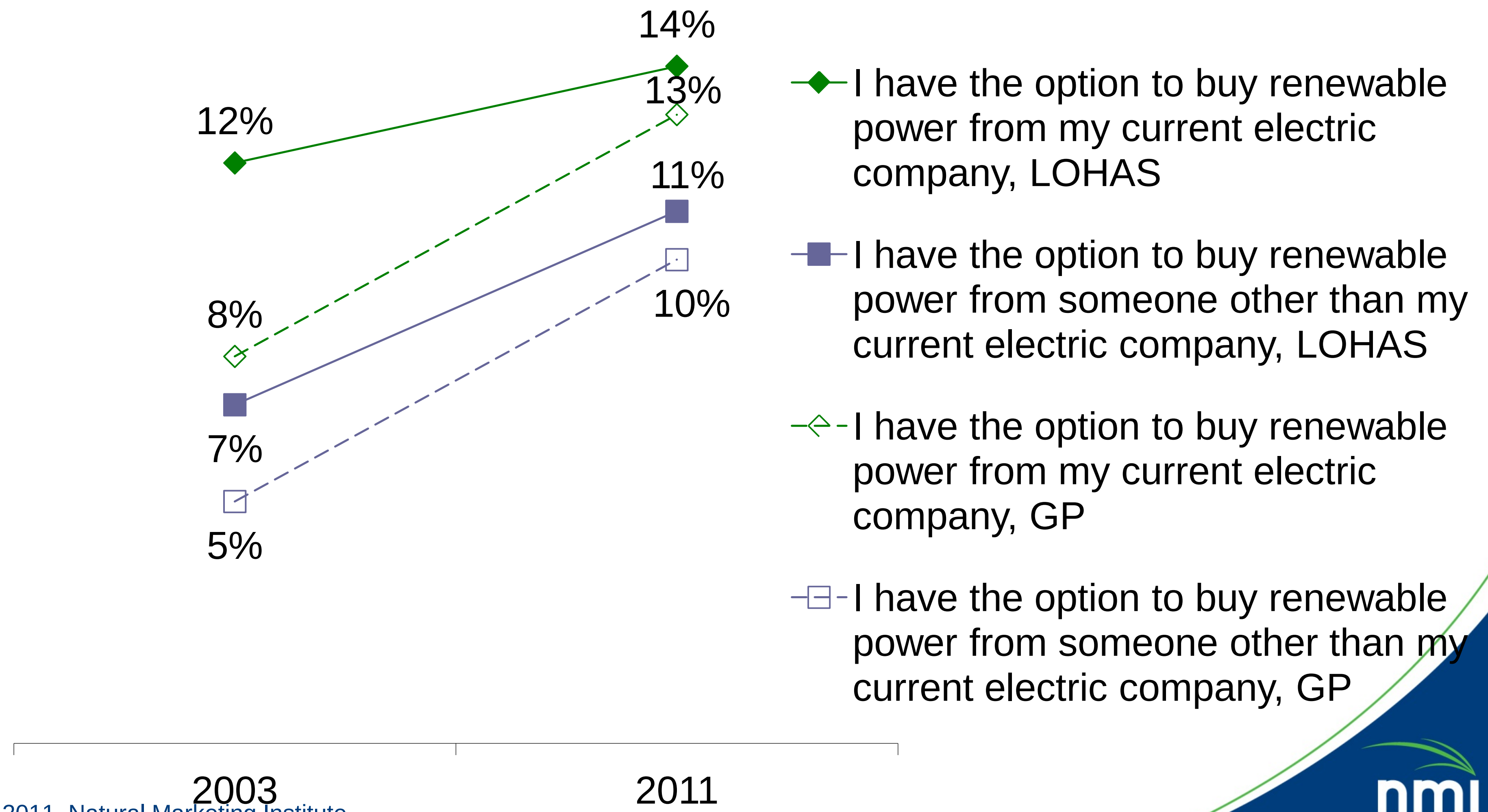
- **It has also bolstered the practical side of sustainability – the greenest product you can buy is the one you don't**
  - 45% of us are mending and repairing things more than we did before the Recession
  - 71% think about whether they really need the product before buying

- **Some markets steam ahead:**
  - Sales of organic are still growing (up 6%)
  - Two major launches of electric vehicles

POINT

Narrowing Gap of Consumer Awareness of Power Purchase Options

(Q.126 - % consumers stating the following)



COUNTERPOINT

The Recession has Taken a Toll

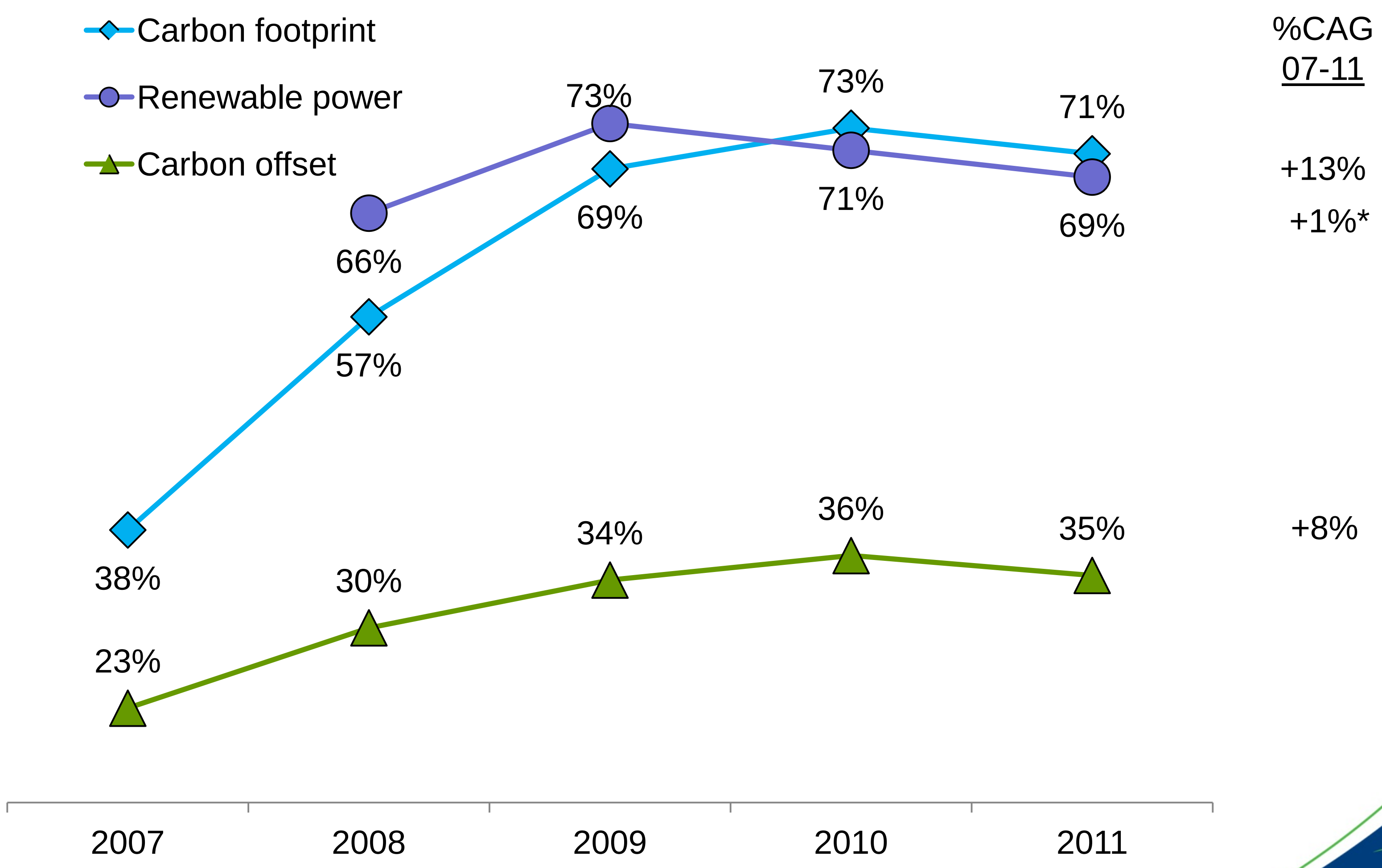
- **Penetration of many natural/green products is stable or down since 2008**
  - Organic food: 26 → 21%
  - CFLs: 47 → 40%
  - Rechargeable batteries: 36 → 28%
  - Natural cleaning products: 22 → 25%

- **Price sensitivity is up:**
  - 69% now say their purchase is determine mainly by price
  - Willingness to pay a premium is half of 2007 level
- **Issues like global warming, renewable power, and carbon footprints are loosing ground – they are not relevant (or understandable) enough in penny-pinching times**

COUNTERPOINT

Awareness of Renewable-Power Related Terms Leveling Off

(Q.14 - % U.S. GP indicating they are aware of the following terms)

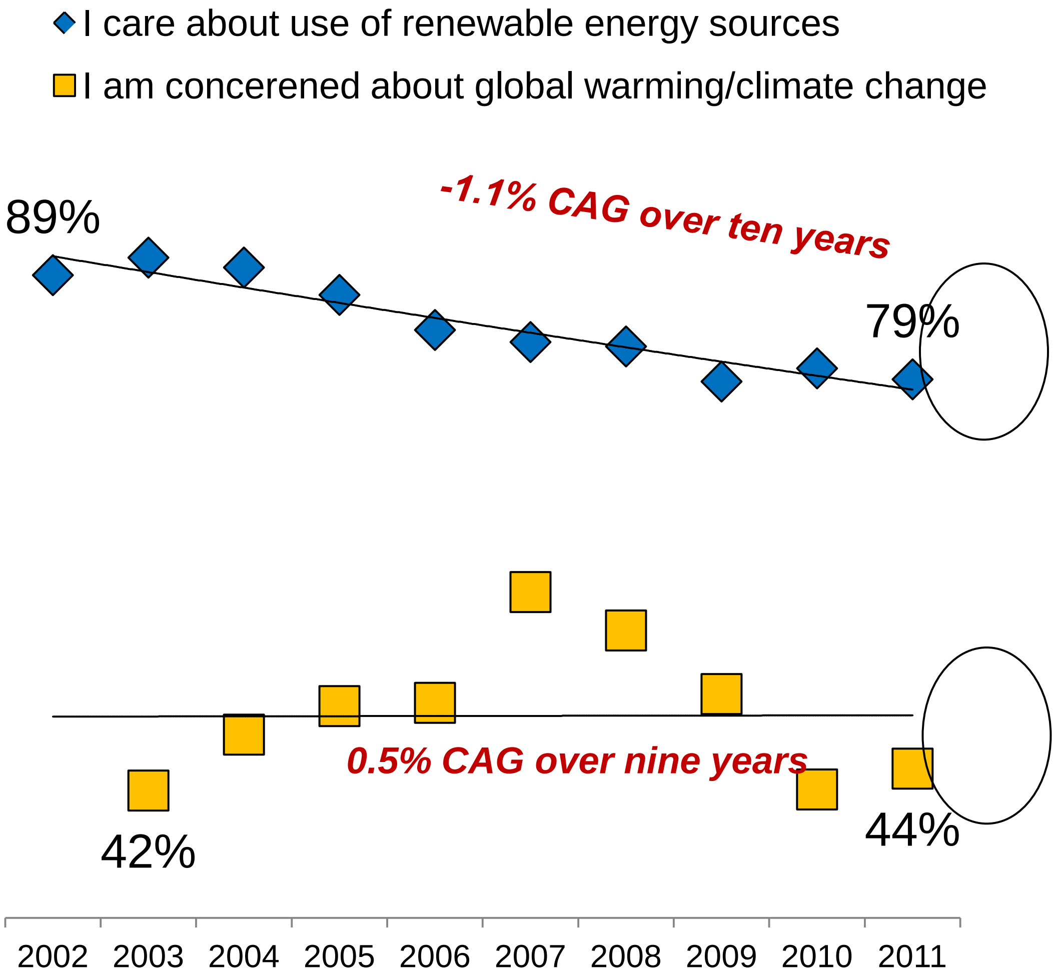


*%CAG 08-11

COUNTERPOINT

While Concern about Using Renewable Energy Sources Declines, Climate Change Reverts to 2003 Levels

(Q.9/27 – % U.S. GP stating they agree completely/somewhat that they care about use of renewable energy sources/concern about climate change/global warming)



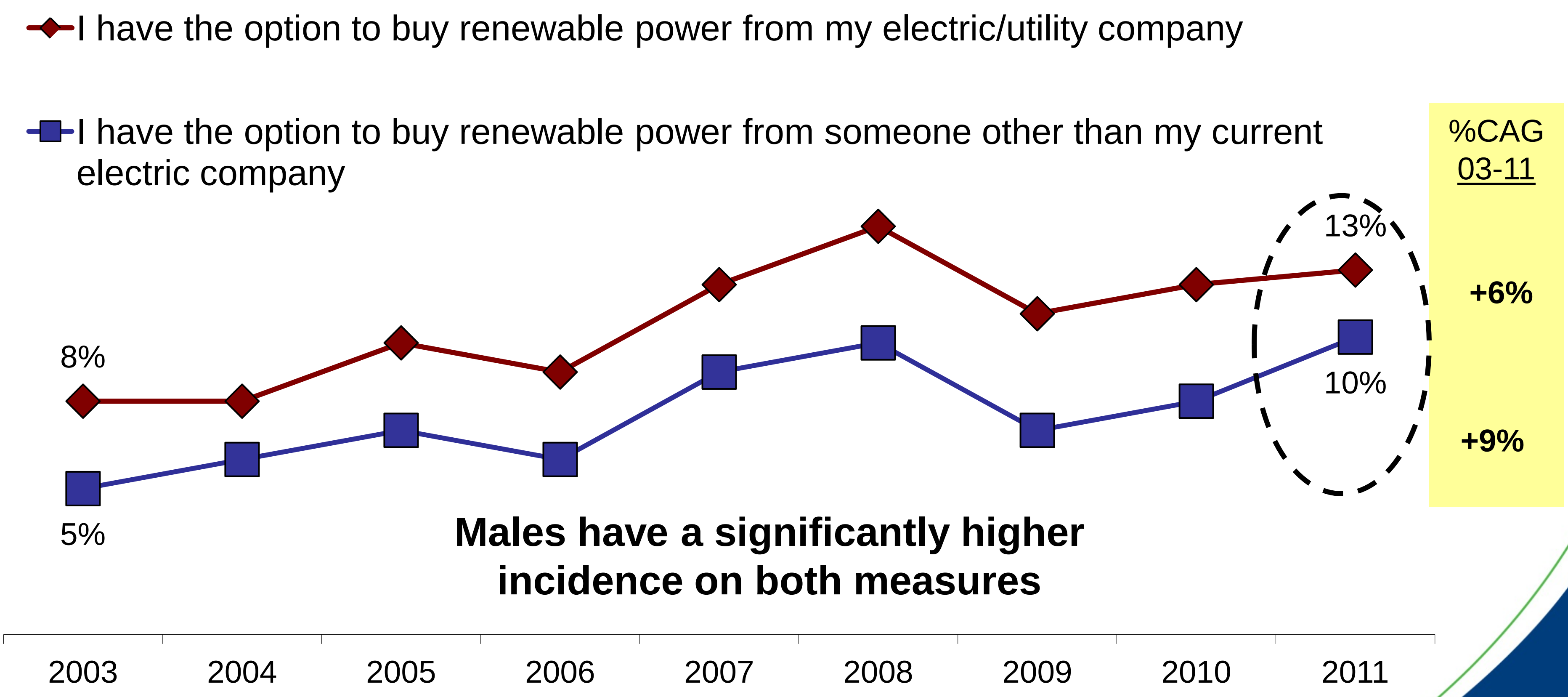
<u>Generational Differences</u>: Boomers and Seniors significantly higher than Gen Y and Gen X.

<u>Generational Differences</u>: Boomers and Seniors significantly higher than Gen Y and Gen X.

COUNTERPOINT

Consumer Awareness of Purchase Options Has Not Returned to Pre-Recession Levels

(Q.126 - % U.S. GP stating the following…)



2. We're All Getting Greener…When Will We All Be LOHAS Consumers?

(% U.S. general population in NMI defined consumer segments)

LOHAS: 18%

- Active stewards of the environment
- Dedicated to personal and planetary health
    - Lifestyle-oriented
    - Heaviest purchasers of green/ socially responsible products

UNCONCERNEDS: 17%

- Unconcerned about the environment and society

CONVENTIONALS: 27%

- Waste-conscious, practical and rational
- Well-educated and above-average income

NATURALITES: 12%

- Secondary target for many mainstream LOHAS products
- Motivated by personal health more than planetary health
- Searching for healthy products, which may (secondarily) be green
- Income restricts behavior, creating attitudinal versus behavioral disconnects

DRIFTERS: 26%

- Green followers - relatively new to the green space, so in search of easy lifestyle and product changes
- Want to be seen as doing their part
- Currently responsible for market growth

POINT

We are All Getting Greener

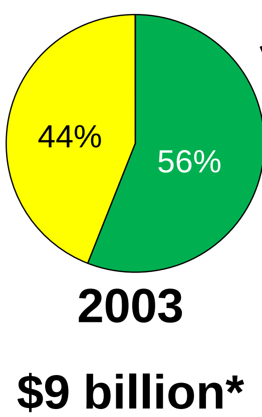
- **80% of the population is green in some way – motivations differ**
- **Many green behaviors are up in the total population:**
  – Conserving water, bags, transportation
- **DRIFTERS driving mainstream growth:**
  – Particularly in energy conservation
    - 19% more turning off electronics
    - 46% more controlling the thermostat
    - 233% increase in reducing heating/cooling costs

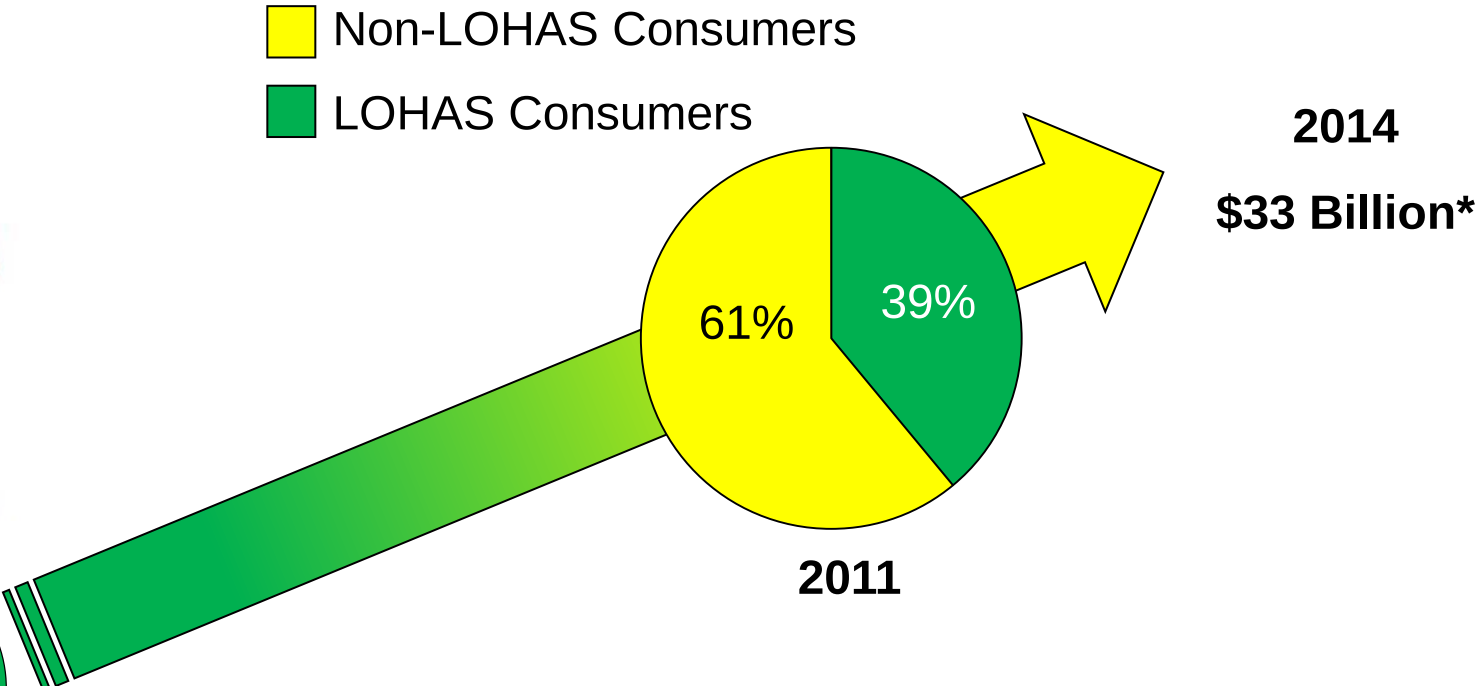
  – Boycotting
  – Fastest growth of “buying as many green products as possible”

POINT

LOHAS Mainstreaming Organic Food

(% NMI defined consumer segment among organic food user (past 6 month usage*))





*Sales/Projected sales figures for organic foods/beverages

COUNTERPOINT

We Will Never All be LOHAS

- **LOHAS consumers are:**
  - Early adopters: 2/3 are first or ahead of most to use new environmentally-friendly products
  - Influencers: 70% try to teach friends and family members about environmentally-friendly products
  - Trend predictors

- **LOHAS consumers are continually looking for "deeper green" products:**
  - Most interested in greener versions of existing products
    - True even in categories where numerous green options already exist (e.g., food, cleaning products, etc.)
- **There is a natural limit to the number of LOHAS consumers, though the whole population may become greener**

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3. Which Demographic Is The Most Important To The LOHAS Marketplace?

POINT

Baby Boomers Represent the Strongest Opportunity

- **Boomers have historically been the strongest green consumers, and as a generation, hold more of the nation's wealth**

- **Boomers overindex on being LOHAS (21% v. ~15% for younger generations)**
- **Boomers are generally the most passionate about issues like sustainable agriculture, protecting the environment, and use of renewable energy**
- **Gen Y has a lot of excuses about being green being too difficult, and 1/3 just "doesn't do much" to protect the environment**
- **Boomers have sheer size to their advantage**

COUNTERPOINT

Other Demographics are Also Appealing

- **Gen Y also shows opportunity:**
  - They are most likely to want to do more
  - They now lead Boomers in activities like unplugging electronics, carrying a reusable water bottle, remind others to be environmentally-friendly, use a clothesline, carpool, walking/biking instead of driving, etc.

- **Usage of products like natural cleaners and fair trade show no demographic differences**

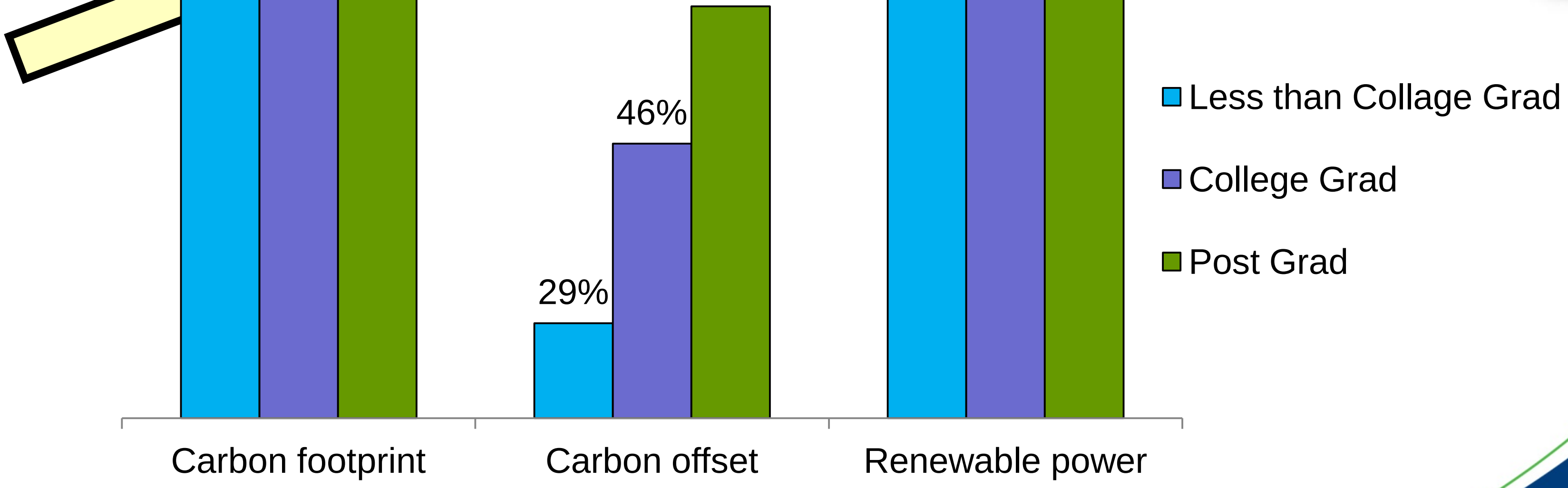
- **Gen Y is the highest users of organic food and natural personal care**

COUNTERPOINT

Carbon Footprint, Carbon Offset and Renewable Power Awareness Increases with Education Level

(Q.14 - % U.S. GP indicating they are aware of the following terms)

The higher education = High level of awareness



COUNTERPOINT

Demographic of Renewable Power Users

LOHAS Segment	
LOHAS	26%
Naturalites	11%
Drifters	30%
Conventionals	21%
Unconcerned	12%
Generation	
Gen Y	41%
Gen X	19%
Boomers	26%
Seniors	13%
Gender	
Male	67%
Female	34%
Education	
HS Graduate or less (Net)	37%
College 4 years (Net)	25%
Graduate school degree (e.g., M.S., M.D., PhD)	14%

Indicates High Index vs. GP (≥120)

Indicates High Index vs. GP (≤80)

4. How Do You Balance Providing Information To Your Consumers Vs. Information Overload?

POINT

Consumers are Confused and Need to Know the Facts

- **There is a knowledge gap:**
  - Half of consumers want more info on how to protect the environment
  - 40% regularly look for info on environmental issues or products
  - 40% don't know where to go to find information about which products are environmentally-friendly
  - Nearly half don't know what "sustainability" means, 20% have heard of it and don't know, and another 17% have never heard of it
- **Many are confused:**
  - Two-thirds say it's hard to tell which companies are telling the truth about their environmental record
- **All of these factors limit consumer behavior:**
  - One-third say they don't know enough about green products to buy
  - Nearly 20% don't know what green alternatives exist

COUNTERPOINT

Need to Keep it Simple (Stupid)

- **Seals and endorsements do simplify consumer communications**
  - BUT, a total of 375 green seals are now tracked globally
    - Half of consumers think there are too many
    - 60% would like a universal seal

- **One-third feels like everybody is talking about the environment**
- **Most don’t trust mainstream media**
- **Marketing 101 → differentiation, focused, singular benefit**
- **KISS…**

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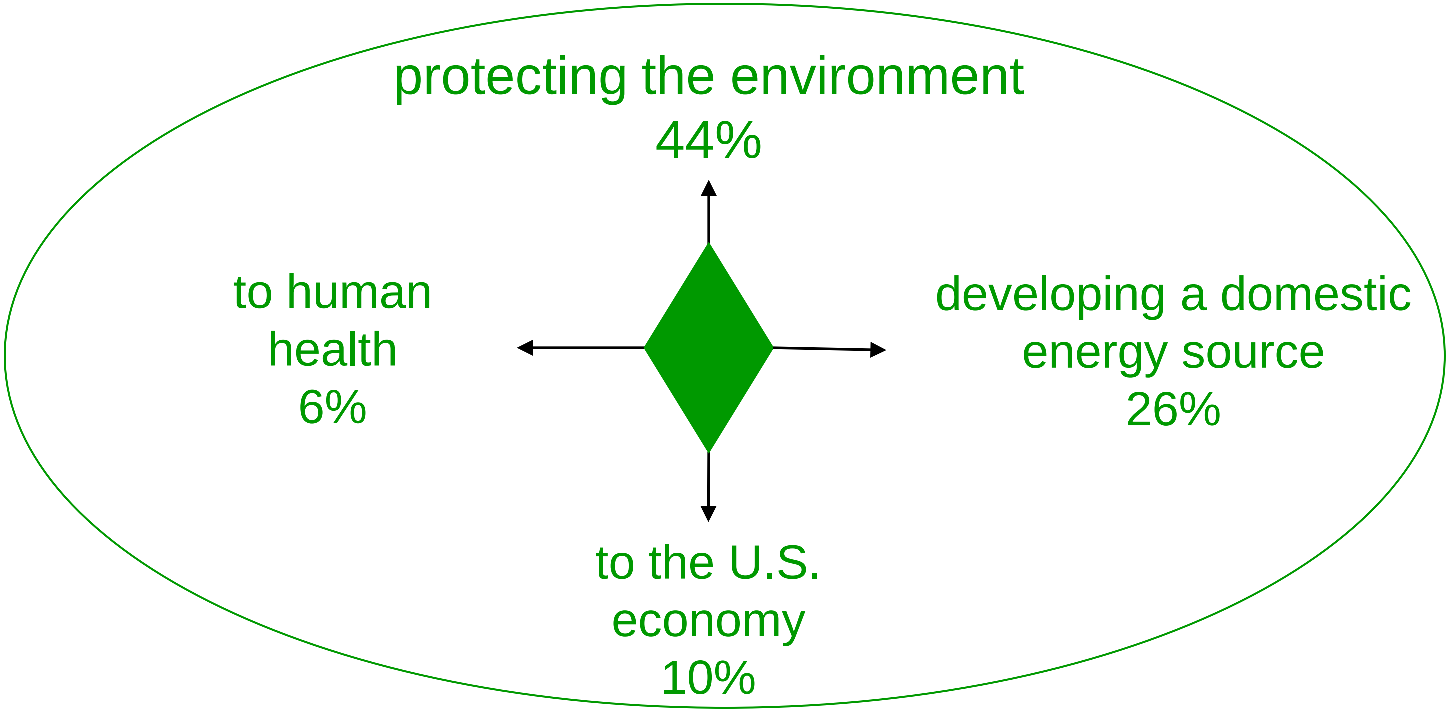
COUNTERPOINT

Environment is Clear Winner in Use of Renewable Power; Other Benefits Need Improved Communication

(Q.127 - % U.S. GP stating the following)

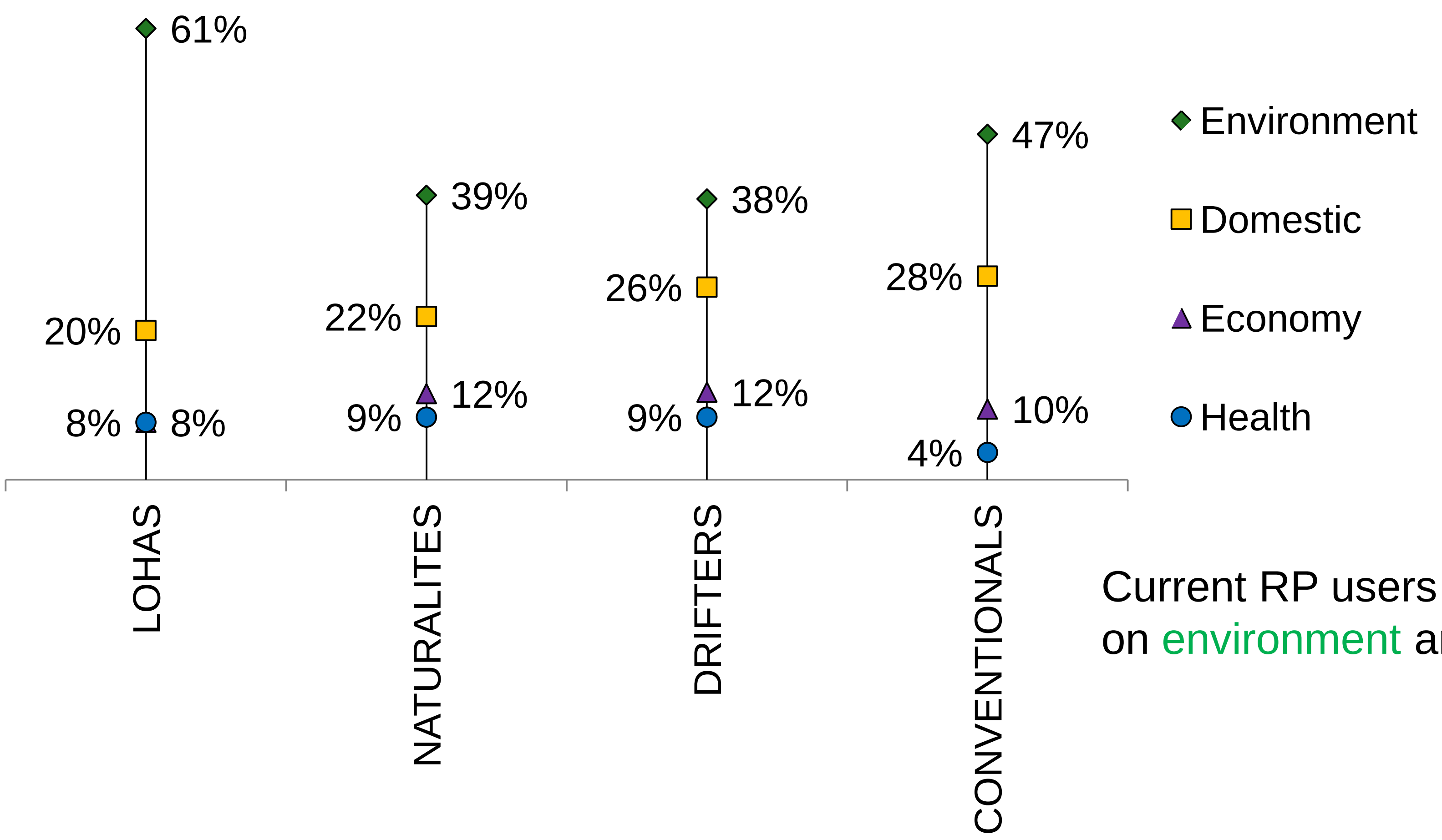
I believe that the most important benefit of renewable power is…



COUNTERPOINT

Benefits of Renewable Power Vary by Segment

(Q.127 - % segment stating the following are the most important benefits of renewable power)



Current RP users overindex on environment and health

COUNTERPOINT

Less than Half of Renewable Power Users Care about Global Warming/Climate Change

(Q.9/27 – % NMI defined consumer segment stating they agree completely/somewhat that they care about use of renewable energy sources/concern about climate change/global warming)

Renewable Energy Users:

"I care about use of renewable energy sources"
90%

"I am concerned about global warming/climate change"
46%

COUNTERPOINT

Consumer Target Opportunities: Renewable Power Adoption Pathway

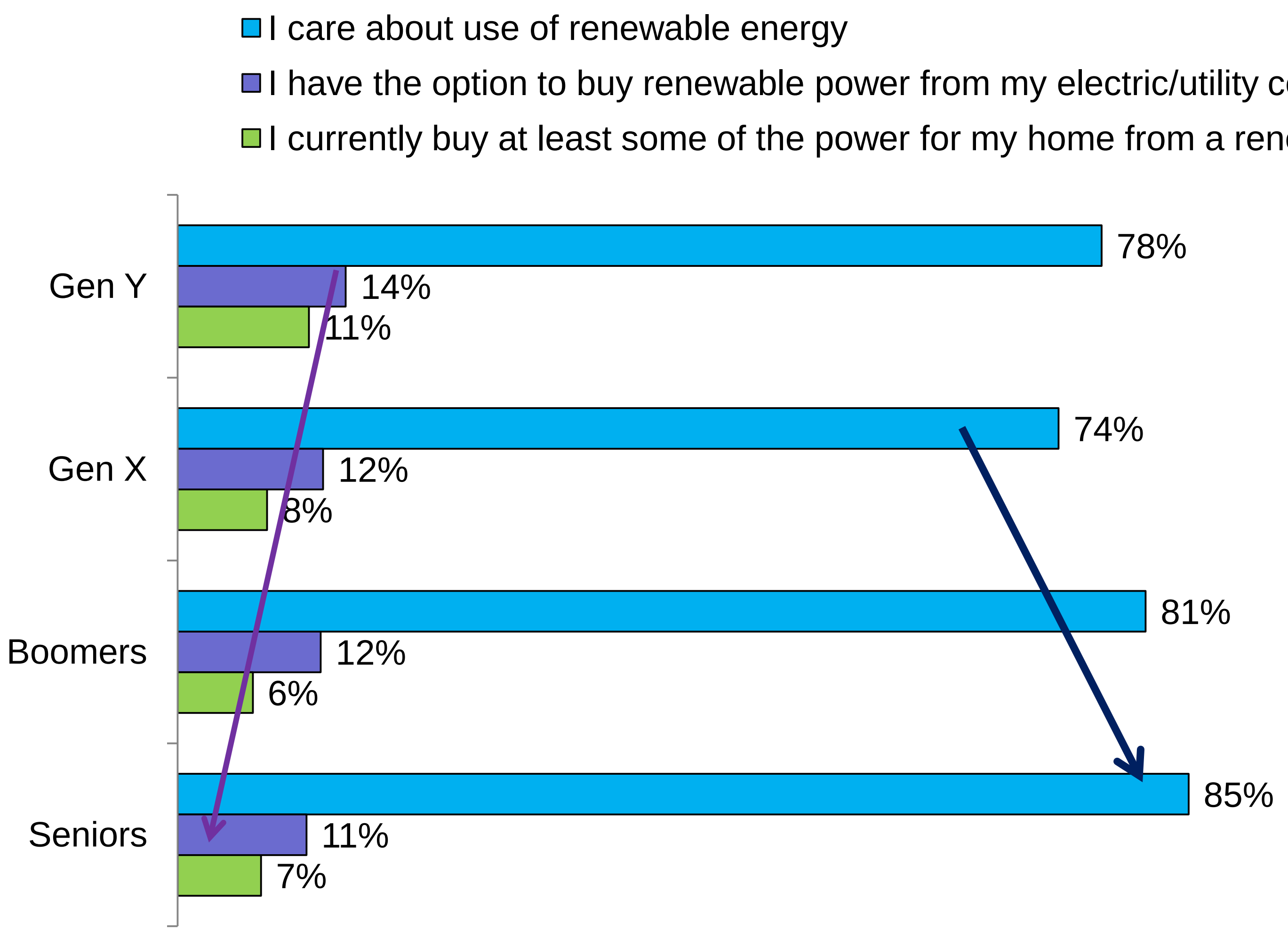
(Q9/126 - % segment agreeing completely/somewhat with the following/stating the following are the most important benefits of renewable power)

	I care about use of renewable energy	I have the option to buy RP from my utility	At least some of the power for my home comes from a renewable source
LOHAS	97%	14%	11%
NATURALITES	79%	12%	8%
CONVENTIONALS	86%	12%	6%

COUNTERPOINT

Renewable Power Adoption Pathway

(Q .9/126 - % segment stating the following are the most important benefits of renewable power)



Concern *Increases* with Age

Awareness & **Usage** of RP *Decrease* with age

Summary

- ✓ **Sustainability issues aren't black and white – it's not paper or plastic. There are critical nuances throughout the consumer landscape**
- ✓ **Consumers' engagement with renewable power is increasing in important ways, even while interest in related issues diminishes**
- ✓ **Prepare for a more mainstream consumer in the mid-term**
- ✓ **The demographics of renewable power consumers may not be who you think – young men with a college degree are buying now**
- ✓ **Keep marketing as simple as possible**

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