

# 18

## EXCERPTS FROM THE 2006 UNDERSTANDING THE LOHAS MARKET REPORT

THE NATURAL MARKETING INSTITUTE

### RESEARCH METHODOLOGY

This report is the fifth annual research study and respective analysis of the U.S. LOHAS (Lifestyles Of Health And Sustainability) consumer and marketplace. This study is designed to measure and describe the marketplace for LOHAS products and the consumer segments who use them. Particular attention is paid to consumers' attitudes, behaviors, psychographics, lifestyle activities, and product/service usage patterns in order to provide organizations with the information they need to capitalize on growing trends regarding the intersection and integration of personal health *and* the health of the planet.

Undertaken by The Natural Marketing Institute (NMI), this research was fielded in July

2006 via a primary consumer survey of 2,061 U.S. general population (GP) adults. The results of this survey are nationally projectable to the U.S. adult population and statistically valid at the 95% confidence level +/-2%. The data have been post-weighted to match multiple U.S. Census demographic measures. The study utilized a leading online research firm, and was designed, managed, and analyzed by NMI.

In 2006, NMI introduced a new consumer segmentation methodology. This process began with evaluating over 170 different variables, later narrowed to approximately 25. A k-means clustering method was used. Cluster centers were defined as dense regions in the multivariate space based on a k-means segmentation of the attitudinal variables from the LOHAS survey.

SOURCE: Excerpts from the *2006 Natural Marketing Institute report*, "Understanding the LOHAS Market Report," from pages 4–10, 16, and 28–30. Used with permission from the Natural Marketing Institute.

Each segment is mutually exclusive and is designed to have the maximum differentiation between consumer groups and the maximum homogeneity within each consumer group. The predictive accuracy is high at 70%.

Within the NMI charts, statistically significant differences between mutually exclusive consumer segments (using T-tests) are identified with capital letters. These differences are conducted at the 95% confidence level.

## INTRODUCTION

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Using the new segmentation model, the LOHAS consumer comprises 16% of all U.S. adults in 2006 (nearly 35 million consumers). This group continues to show tremendous leadership in their attitudes toward the environment, society, and socially-responsible business; their usage of LOHAS products; and in continually pressing for greater sensitivity to these issues and innovation from corporate activities and products.

Beyond their inclination to use more LOHAS products, consumers within this passionate, active segment continue to be early adopters, influential over friends and family, less price sensitive, and more brand loyal, making them attractive for a host of traditional marketing reasons.

Among the interesting outcomes of the new segmentation are the nuances among the remaining segments that identify strong secondary targets for LOHAS products and services. While none are as active as LOHAS consumers, understanding these consumers' values and priorities allows marketers to broaden their target to a wider consumer base, and hence a greater probability of success.

The first of these is the NATURALITES, the largest segment at one out of every four U.S. adults. They are passionate about their own personal health, and use many natural consumer packaged goods to address that interest. While less attitudinally committed to the environmental

space, they are a good secondary target for many companies, including companies with a slightly more mainstream position.

CONVENTIONALS, at 23% of the population, are also an attractive target for many companies, particularly those with a fiscally-responsible product like energy-efficient electronics and appliances or green building products. Their attitudes are not easily categorized, but they show predisposition to various "practical" LOHAS products and activities.

As a whole, the 2006 LOHAS study shows some declines over previous years' studies. While the sales of LOHAS goods and services continue to grow (which is, strategically, the goal of business), the attitudes and values consumers hold seem to have weakened, in some cases considerably. Clearly, the distraction of being at war for three years, living in an economy that many consumers do not feel is as strong as market analysts do, and dealing with numerous other crises (from Katrina to gas prices to political scandals) is luring consumers' "mind share" for LOHAS issues to other, more immediate concerns.

Perhaps as a result of this, consumers appear to be looking to others to take on the responsibility of sustainable development—in particular, companies and governmental organizations. Consumers have perhaps reached a point of saturation and/or frustration, and are turning to larger and more powerful institutions to affect change. They will support such companies with their dollars, but are increasingly expecting some leadership from business and government.

This by no means suggests that the market for LOHAS products is shrinking—in fact, it is the opposite. Sales of many products have doubled or even tripled since the LOHAS market size was first calculated. However, it does suggest that future growth will be even more dependent on LOHAS products being able to compete on conventional purchase criteria—price, convenience, performance, etc. The early-adopting consumers created the critical mass in the marketplace, and it now has momentum of its own to sustain it.

The application of the results presented in this report is more than just an understanding of how consumers think attitudinally and the factors that drive their lifestyles and consumer behaviors. Organizations armed with this knowledge are better able to influence consumer behavior and usage patterns. The values described above manifest themselves in multiple behavior patterns that will be explored in this report.

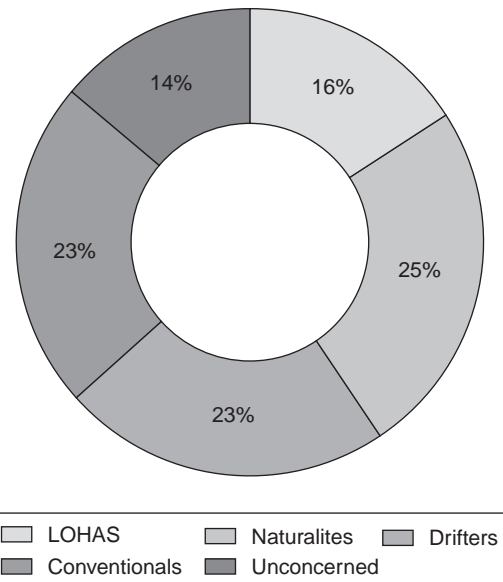
Leveraging this data and insight helps companies understand the pathways and interconnection of consumer values across product categories, and allows a union of common threads and drivers between these disparate industries.

The opportunities for business are numerous, and include the identification of relevant consumer target groups, the development of new products, the connection with corporate/brand social and nutritional responsibility, the development of meaningful consumer communications plans, and many other strategic initiatives. Strategies are therefore uncovered for businesses to discover like-minded industries with which to evolve new partnerships, develop new marketing programs, and reach consumers in nontraditional ways by recognizing the opportunities within the LOHAS market.

Consequently, through the careful crafting of specific strategies, many businesses can draw on this information to maximize opportunities in the market, thus providing the platform for competitive differentiation, long-term profitability, and overall corporate sustainability.

## 2006 SEGMENTATION RESULTS

Figure 18.1 shows the results of applying the new, proprietary segmentation described on the previous pages to U.S. adults in 2006. As the chart shows, 16% of adults are classified as **LOHAS** consumers, meaning that they are dedicated to personal and planetary health. Not only do they have strong attitudes about the environment and society, they take action: they buy green and socially-responsible products, support advocacy programs, and are active stewards of the environment.



**Figure 18.1** % GP in NMI Defined Consumer Segments

The largest segment, at 25% of the population, is **NATURALITES**. Focused on their own personal health, they use many natural and organic consumer packaged goods, but are not as politically committed to the environmental movement. Durable LOHAS products are appealing only in the context of how they relate to their personal health.

**DRIFTERS** (23%) have good intentions about acting in environmentally- and socially-conscious ways, but when it comes to behavior, other factors have more influence in their decisions. Somewhat price sensitive (and trendy), they are full of reasons why they do *not* make environmentally-friendly choices.

An equivalent portion of the population is considered **CONVENTIONAL**. This very practical segment does not have particularly strong “green attitudes,” but it does have some “municipal” environmental behaviors such as recycling and energy conservation.

Finally, 14% of the population is **UNCONCERNED**. The environment and society are *not*

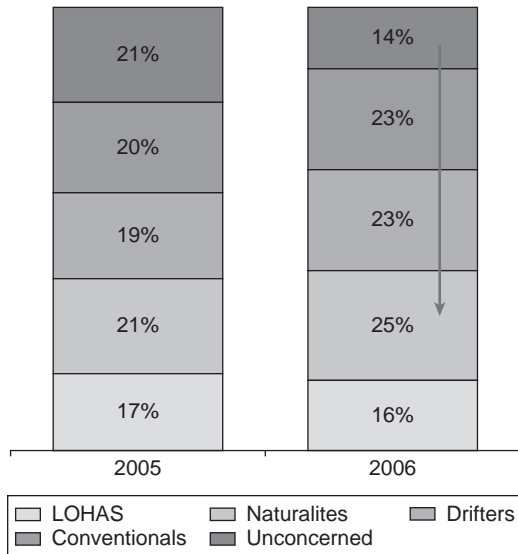
priorities to this segment. Their attitudes are generally the weakest of any segment, and they show no environmentally-responsible behavior.

### SEGMENTATION COMPARISON TO 2005

NMI developed the new segmentation using the 2005 LOHAS Consumer Trends Database, which allows for a comparison of segment size from 2005 to 2006 [note that the methodological changes prevent comparison to previous years].

As shown in Figure 18.2, there has been a significant decline in the number of UNCONCERNED consumers (which is one-third smaller), and significant growth in the middle three segments (CONVENTIONALS, DRIFTERS, and NATURALITES). The LOHAS segment size is statistically stable, at approximately 35 million adults.

This move toward the center resulted from mainstream sustainability activities in the marketplace over the past year, such as GE’s



**Figure 18.2** Percentage of GP in NMI Defined Consumer Segments

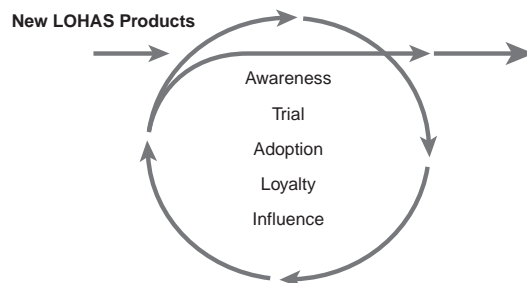
Ecomagination campaign, BP’s “It’s a start” campaign, and Wal-Mart’s activities, to name just a few of the larger campaigns.

The size of the LOHAS group is stable, in part as a function of its definition; there is a natural limit to how many “leaders” and early adopters there can be. LOHAS principles continue to mainstream, as this chart shows, but LOHAS consumers will continue to push the envelope.

### THE LOHAS PRODUCT LOOP

LOHAS consumers are known to be early adopters of environmentally friendly, healthy, and socially-conscious products. As such, they play an important role in the overall product lifecycle. Their early trial, adoption, and later influence over others create a positive loop that ultimately allows the product to gain enough critical mass to be positioned for the mainstream market. This positive loop is depicted in Figure 18.3, and is demonstrated by the mainstream positions products such as air purifiers, massage, and spas now have.

As LOHAS products mainstream, LOHAS consumers are likely to push the envelope and look for new niche products that offer advantages over existing products, and continually search for “new and improved” products that offer advantages over earlier versions. This does not mean that LOHAS consumers necessarily reject a product that has mainstreamed: whether



**Figure 18.3** LOHAS Loop

they switch to a new product is a function of their relationship with the company, its transparency, and the integrity of the product.

As products leave this “LOHAS Loop,” they will be adopted by NATURALITES and CONVENTIONALS, who are less likely to be early adopters, more price sensitive, and need proof of a product’s benefits before becoming loyal users.

## UNDERSTANDING OF SUSTAINABILITY

“Sustainability” is a term commonly used in business-to-business settings, but it is one that remains somewhat vague. It relates to the inclusion of social, economic, and environmental aspects of development across every level of organization, from local to global.

While companies may define the term “sustainability” differently, the first three measures shown in Table 18.1 comprise the broadest definition, referring to the process through which products are made, the materials that are used, as well as a broader measure of “triple bottom line” balance. While the plurality of consumers can

identify at least one correct element of sustainability (46%), few correctly select all three (9%). Consequently, more details are needed when using this term with consumers.

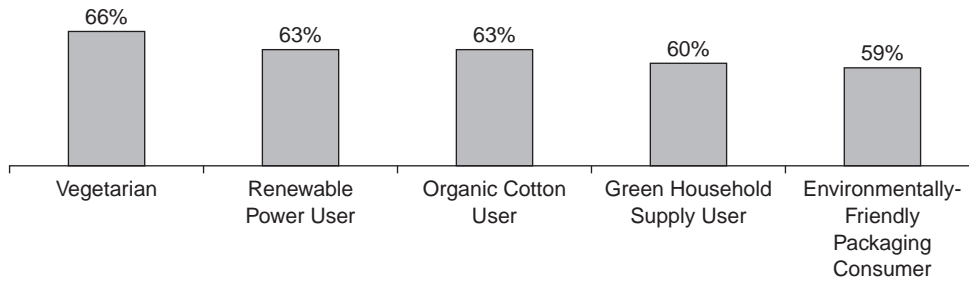
As expected, more LOHAS consumers understand what sustainability means than does the general population (GP). Interestingly, an equal portion of LOHAS and the GP (15% vs. 16%) think that “sustainability” is a marketing activity that has no real meaning or benefit. For companies trying to position themselves as sustainable, this skepticism needs to be corrected so that sustainability efforts are seen as credible.

## ATTITUDES TOWARD SUSTAINABLE MANUFACTURING

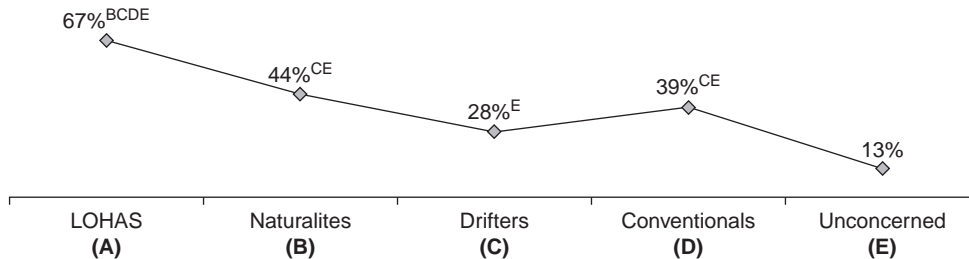
Overall, 38% of U.S. adults say that they prefer to purchase products that are manufactured in a sustainable manner. While this indicates substantial interest, it also varies by consumer target. As illustrated in Figure 18.4, vegetarians are the most likely user group to prefer purchasing sustainably-made products, as are those users of other environmental products.

**Table 18.1** Q.4. % consumer segment stating that to them, sustainability means . . . ; Index: LOHAS versus GP

	<i>Gen Pop</i>	<i>LOHAS</i>	<i>Index</i>
Any correct (Net)	46%	64%	139
All correct (Net)	9%	23%	256
Balancing profit with concern about society and the environment	28%	42%	150
They use environmentally responsible materials to make their products	26%	44%	169
They make their products in an environmentally-friendly way	19%	33%	174
It’s simply a marketing activity that has no real meaning or benefit	16%	15%	94
I’ve heard of the term “sustainability,” but really don’t know what it means	21%	12%	57
Don’t know—I’ve never heard of the term “sustainability”	22%	13%	59



**Figure 18.4** Q.7f—% consumer segment stating that they agree completely or somewhat that they prefer to purchase products that are manufactured in a sustainable manner



**Figure 18.5** Q. 7f—% consumer segment stating that they agree completely or somewhat that they prefer to purchase products that are manufactured in a sustainable manner

Opportunities are apparent to develop marketing strategies for sustainable qualities and promote them to consumers who are not the most outwardly visible target, but who may actually be very inclined to purchase such products. Consistent with their definition, Figure 18.5 shows that LOHAS consumers are the most interested in sustainable manufacturing, with two-thirds of LOHAS consumers stating so.<sup>1</sup>

Notably, income is not positively related to this desire for sustainable goods. Those who have lower household incomes are actually the most likely to prefer purchasing products that are made in a sustainable way.

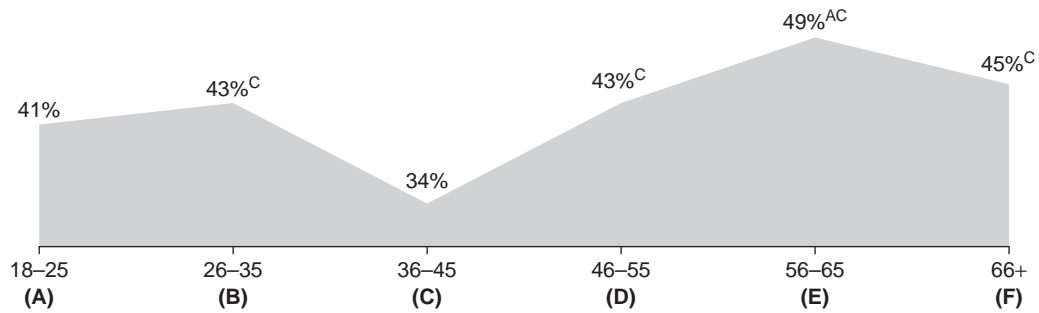
#### AFFECTS OF CORPORATE SOCIAL RESPONSIBILITY

Forty-nine percent of the GP agrees completely that it is important for companies to be mindful of their impact on the environment and society, while

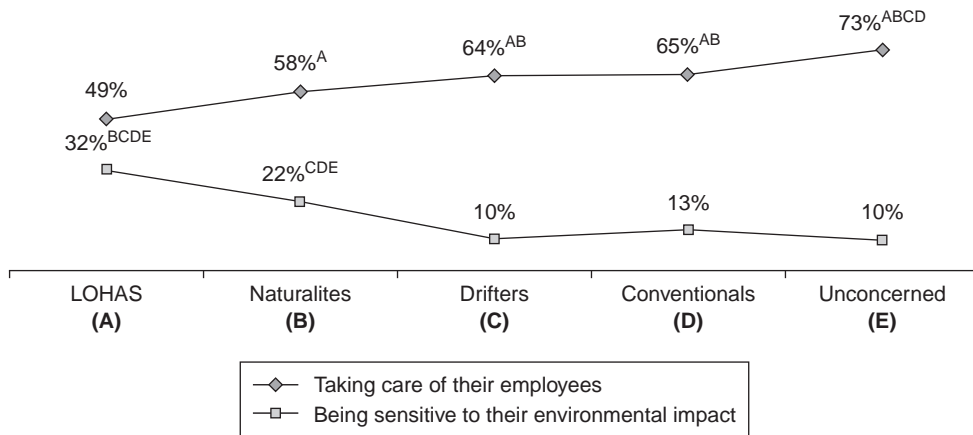
79% of LOHAS consumers feel the same. As shown in Figure 18.6, as people age, their interest in corporate social responsibility tends to increase. Notably, however, consumers aged 36-45 are least likely to feel that a company should be mindful of its impact on the environment and society.

All NMI segments feel that, besides being profitable, taking care of their employees is more important than being sensitive to their environmental impact. Interestingly, the UNCONCERNED segment is most concerned with the care of employees. This is a very unique opportunity to connect with this segment on the basis of values, which could be beneficial in getting their attention.

When comparing LOHAS consumers to UNCONCERNED, there appears to be an inverse relationship between companies taking care of their employees and being sensitive to their environmental impact. Figure 18.7 shows how interest in taking care of employees increases while interest in the environment decreases.



**Figure 18.6** Q.10—% GP by age agreeing completely that it is important for companies to not just be profitable, but mindful of their impact on the environment and society



**Figure 18.7** Q.12—% consumer segment stating that aside from making money for shareholders, the following is most important for a company to focus on

<sup>1</sup>EDITOR'S NOTE: In Figures 18.5, 18.6, and 18.7, the letters in the charts refer to categories whose results are statistically significantly different than the category shown. For example, in Figure 18.5, the 44% result for Naturalites is statistically different from Drifters (c) and Unconcerned (E), but not LOHAS (A) or Conventionals (D).