

Global Sustainability Summit

UNCOVER THE POSSIBILITIES



**Bridging the Sustainability
Gap: When Personal Aspiration
and Shopping Behavior Diverge**



Todd H. Camp
Senior Director, CSR & Community Relations
The Hershey Company

“Doing Well By Doing Good”



**"Business is a matter
of human service."**

M. Hershey



A Slice Of Our Portfolio



Commitment To Our Communities



\$60M

Cash & Product
Donations Since 2008

200,000

2012 Employee
Volunteer Hours



Alternative Energy Solutions & Stewardship Efforts



70%

2012 Production at Zero
Waste To Landfill Facilities

58%

2012 Company-wide Water
Reduction Achieved



Leveraging Technology To Drive Sustainable Change



500,000

Free Text Messages Sent To
Cocoa Farmers in Ghana

35%

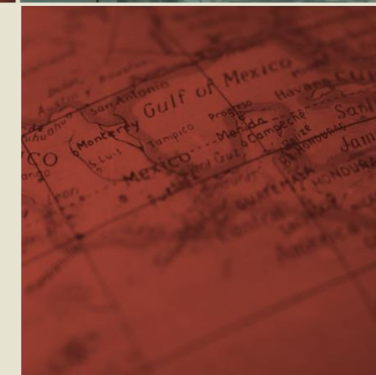
Registered CocoaLink
Users That Are Female



Bridging The Sustainability Gap: *When Personal Aspiration & Shopping Behavior Diverge*

Laurie Demeritt
Chief Executive Officer





SUSTAINABILITY 2013

When Personal Aspiration and Behavior Diverge

The Big Picture: the grocery landscape is evolving

- Consumers are becoming more engaged and more powerful in the world of food and technology has enabled this evolution
- Consumers will be expecting more from their food, and from the companies providing it
- Consumers will increasingly shed the constraints of traditional foods and old loyalties
- As consumers become more involved with the food they're eating, they'll become less involved in cooking it
- Consumers will be planning their food less....and more



The Big Picture: households, occasions and shopping are changing



- 70% of U. S. households have no children under the age of 18, up 23% since 1960
- Only 20% of primary shoppers are moms (and moms account for less than one-third of the total spent on food eaten at home)
- 28% of U.S. households are single person households
- Among all adult eating, 46% of occasions are alone
- Snacking now takes place more often than meals (53% of all eating occasions are snacks)
- 50% of shopping “trips” involve going to 2+ stores



Overview of methodology for Sustainability 2013

Qualitative

- In-depth, in-person interviews with 25 consumers
- Interviews were conducted in Seattle and Atlanta and included consumers with various levels of engagement with sustainability

Quantitative

- 1,841 adult U.S. consumers
- Survey was fielded in May 2013 to a nationally representative sampling frame

Longitudinal Analysis

- Data was analyzed and compared to previous sustainability studies fielded in 2006, 2008 and 2010



One-on-one ethnographic interviews



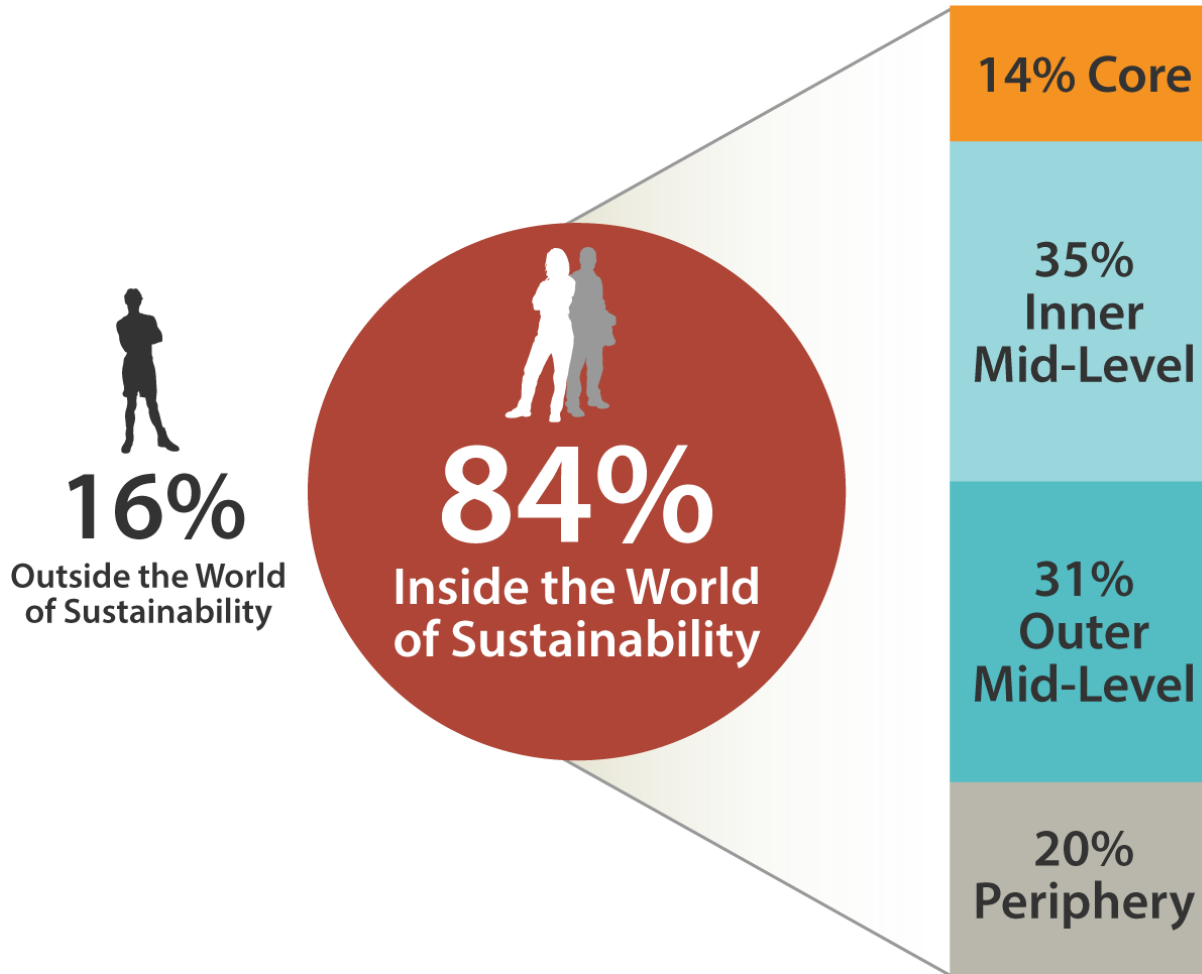
Social Network Parties



one

The World of Sustainability

Most consumers are inside the World of Sustainability

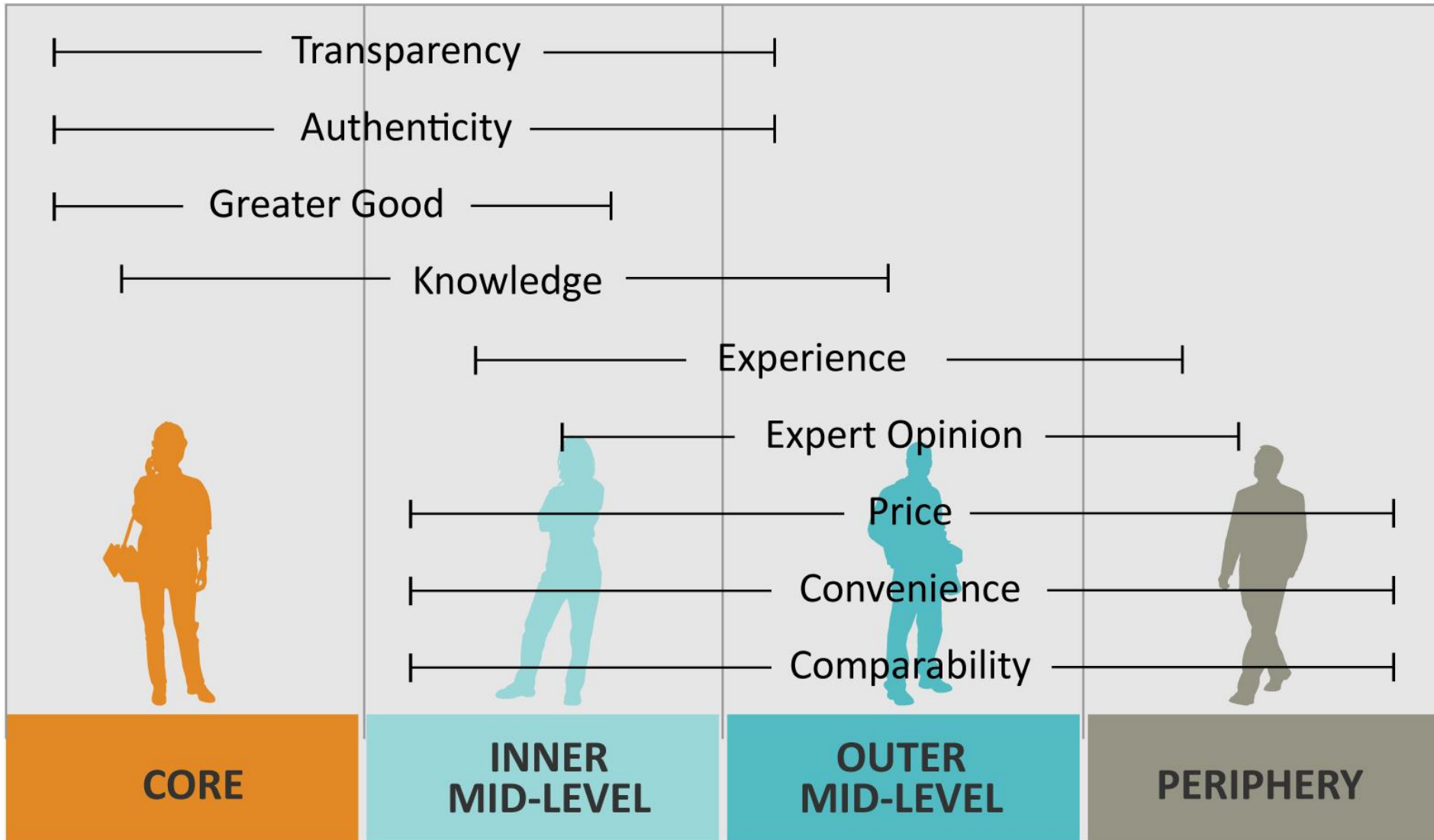


To be included in the World, consumers have to at least *sometimes* think about social and environmental concerns when making a purchase

- » **Core** is quick-changing and very involved
- » **Periphery** is slow-moving and less involved

Segmentation is based on self-reported respondent behavior regarding: animal testing, packaging, community issues, supporting companies helping the local community, recycling and price. Base: All consumers (n=1,841), Consumers inside the World of Sustainability (n=1,587).

Consumer segments prioritize certain purchase criteria



Consumer segments



Core



Wanda

"I like to see the triple bottom-line way of approaching business: People, Planet, Profits, in that order of importance."

- Buying organic, seasonal, and local regularly, growing own garden
- Spending an extra \$3 to buy bread from a company that pays people a living wage

Inner ML



Jamie

"It all goes together: the toxic food supply, poisoning the ground, people, animals..."

- Working with a local church
- Purchasing a growing number of sustainable options and making own products where possible; e.g., yogurt, lotion (coconut oil)

Harry's Farmers Market, Publix, online retailers. Signed a petition to get a Trader Joe's in local neighborhood

Outer ML



Amy

"It's hard to find the balance of a good price, what's good for you and for the environment...I wish it could be less money."

- Very involved in her son's school and in local community issues
- Occasionally buys organic produce

Albertsons, Costco, Town & Country's Central Market, Trader Joe's (for wine)

Periphery



Ladyjoy

"...as for the environment and politics — I don't get involved in it. I just do my little bit, try and recycle, but I just don't really think about it."

- Working with victims of domestic violence through a local non-profit, hoping to start her own nonprofit
- Recycles sometimes

Walmart, Kroger

Makes the world a better place by:

Shops at:

Farmers markets, CSAs, fish markets for fish "straight from the boat with the taste of the ocean," local tradesmen

The Four Zones of Responsibility



PERSONAL

**Personal
benefits to the
consumer**

Key dimensions:

personal
safety/health,
quality,
household
finances



SOCIAL

**Human and
animal welfare;
improving
physical and
emotional well-
being**

Key dimensions:

employment
practices,
community
involvement,
treatment of
animals, fair
trade



ENVIRONMENTAL

**The equilibrium
of the planet;
stewardship of
water, earth,
and air**

Key dimensions:

energy
consumption,
waste disposal,
resource
preservation



ECONOMIC

**Distribution of
monetary
resources,
jobs, and
profits**

Key dimensions:

money
circulation,
ownership,
scale

Attributes in “sustainability zones” can ladder up to personal benefits (and vice versa).

The personal benefit zone is the gateway into sustainability and personal benefits are most relevant to consumers across the board.

The more consumers evolve in the World of Sustainability, the more interconnected the zones appear.

How consumers enter the World of Sustainability is a highly idiosyncratic experience



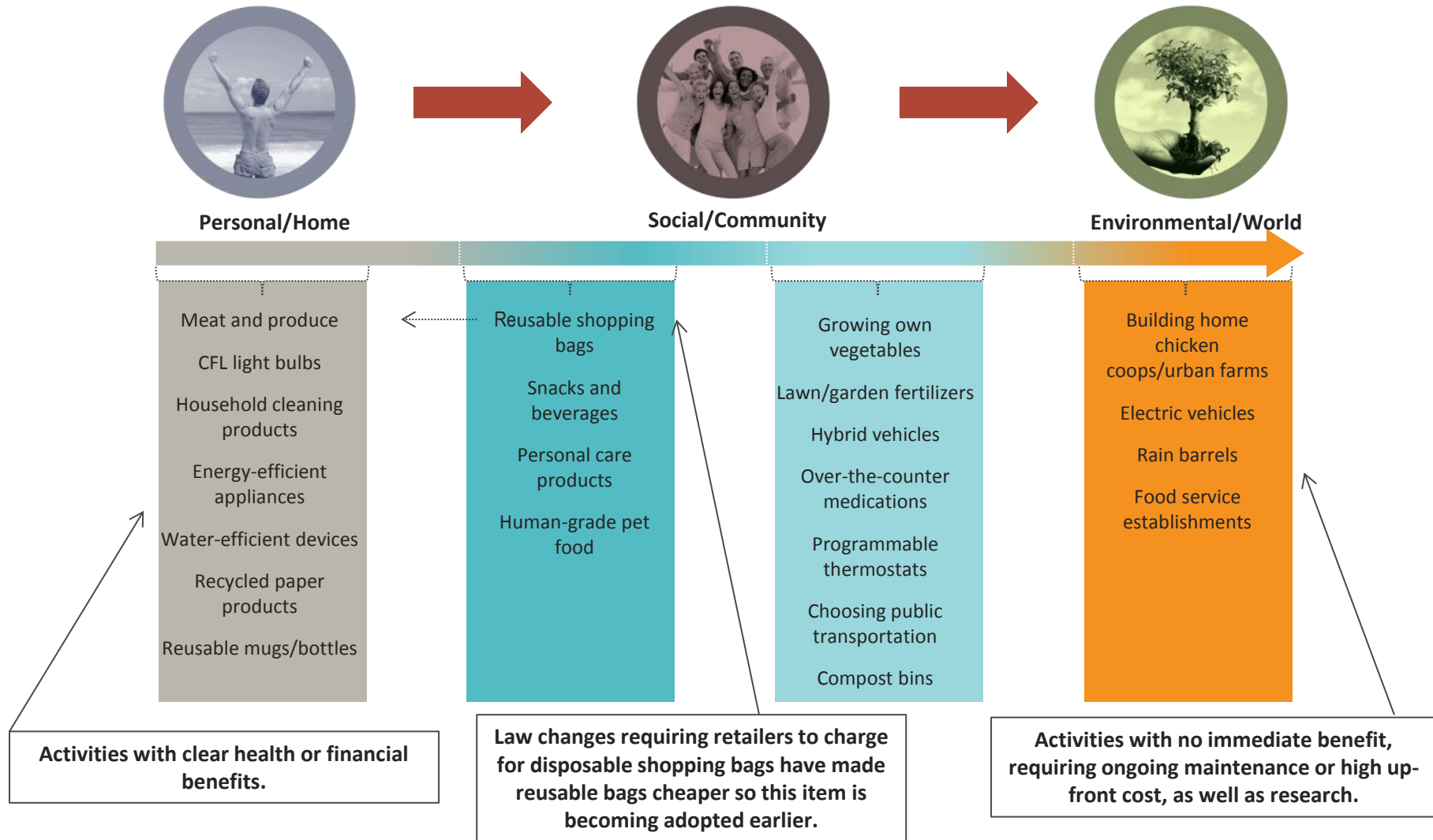
Two major trigger types emerge, with the first being more intense:

- **Internal triggers**
 - » **A life change** making them more sensitive to risks and more proactive in their information seeking
 - » **A realization** that they want to take better care of their health (or their family's health)
- **External trigger**
 - » **Social** - The values they are exposed to by the people in their lives change
 - » **Media** - A major event occurs, resulting in one or more zones of sustainability becoming particularly salient in the media

Over the past 5 years, the zone of personal benefits has moved beyond just tangible benefits (e.g., “better for my health”) to less tangible and more emotional benefits.

A feeling of “doing good” adds a level of depth to a sustainable purchase decision – it creates a moment of happiness and self-worth to otherwise mundane activities such as grocery shopping.

Sustainability category adoption pathway



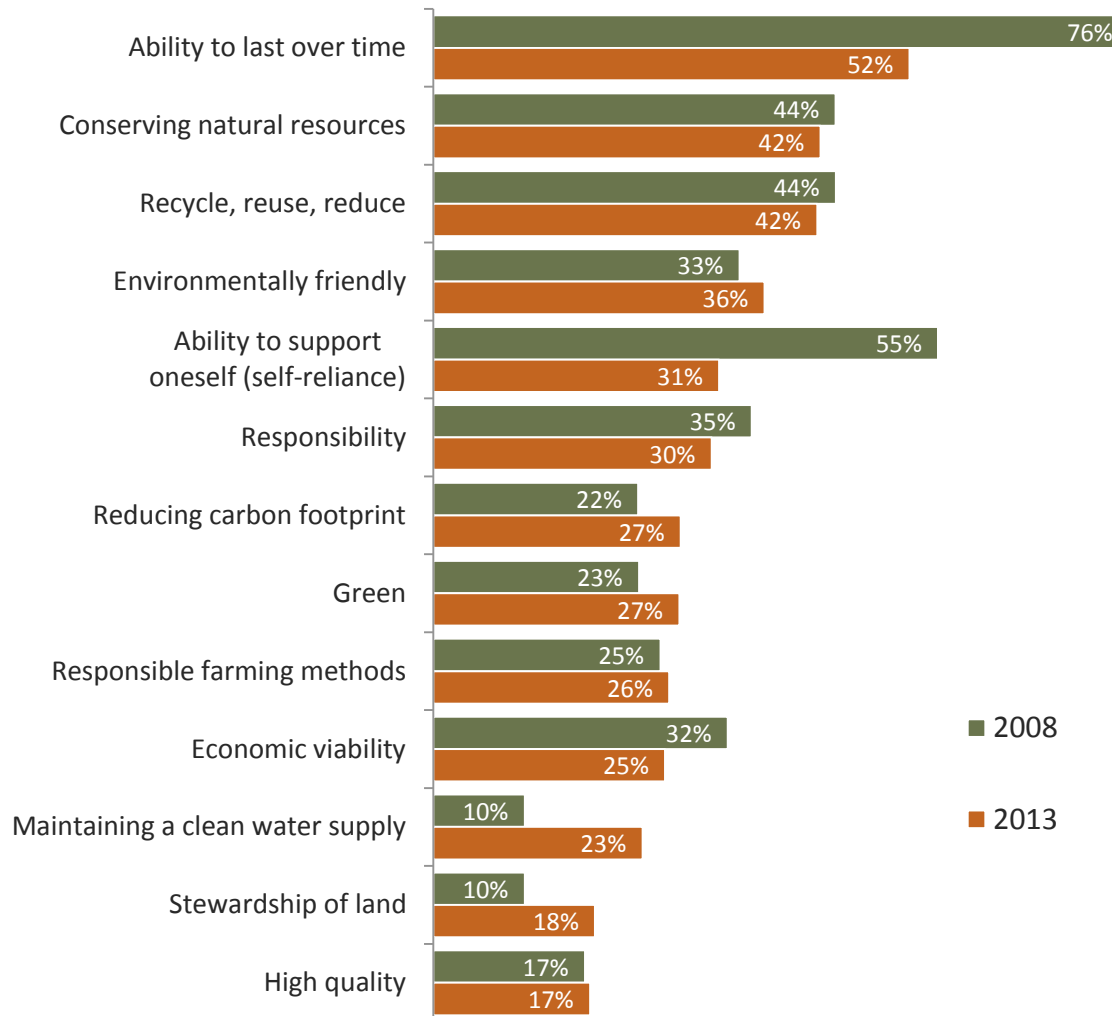


"The Gap": A Consumer Perspective

How consumers define sustainability has broadened in the last 5 years



What does “sustainability” mean to you?



Most consumers do not naturally use the term “sustainable” in conversation

“Sustainability” most strongly cues literal definitions of “long lasting” particularly in reference to the environmental zone

Therefore, the concept of sustainability is typically expressed along the lines of “doing good” or “doing the right thing”.

The word “sustainability” may mean different things to different people. What does it mean to you? (Select all that apply). Base: Consumers familiar with the term “sustainability”; 2008 (n=1,151), 2010 (n=1,352), 2013 (n=1,356).

Personal Benefits and Social Sustainability are top of mind when consumers think about companies



Attributes Consumers Want in a Company	2008	2010	2013
■ Provides quality products	85%	82%	84%
■ Provides safe working conditions for its employees	79%	79%	79%
■ Avoids inhumane treatment of animals	71%	71%	76%
■ Sells products/services at low prices	77%	74%	76%
■ Tries to reduce waste and pollution	76%	72%	74%
■ Provides good wages and benefits to its workers	72%	72%	74%
■ Tries to reduce and minimize the environmental impact of its production	76%	71%	71%
■ Produces and distributes products in an energy-efficient manner	75%	68%	69%
■ Avoids unnecessary packaging	63%	65%	69%
■ Tries to reduce the use of non-renewable resources	70%	66%	68%
■ Maintains a supportive relationship with local community	54%	66%	66%
■ Takes steps to reduce its carbon footprint	66%	64%	65%
■ Uses green building techniques in its manufacturing and facilities	62%	58%	62%
■ Gives a percentage of its profits to charities I like	40%	45%	53%

Social Zone
 Environmental Zone
 Personal Benefit Zone

Q11. When deciding which product/service to purchase, how important is it that THE COMPANY that produces the product/service...? [Top-2 Box importance]. Bases: Significant shoppers inside the World of Sustainability; 2008 (n=1,591), 2010 (n=1,691), 2013 (n=1,841). N/A: not tracked that year.



Consumers believe both individuals and companies need to drive sustainability

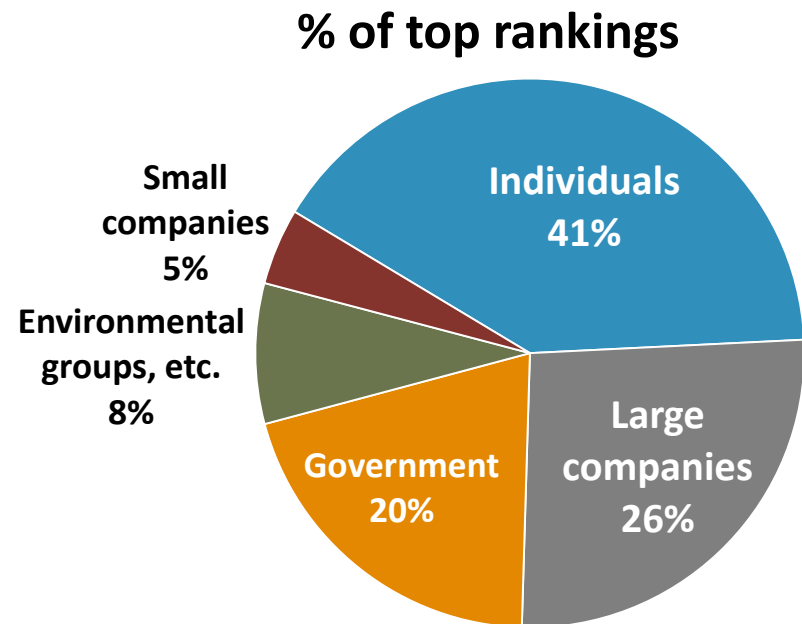
Consumers express the causes of the world's challenges in terms of a perception of **increasing selfishness** on the part of individuals

- Explains even the most macro of issues, e.g., economic downturn, war, hunger, etc.
- They try to improve the world by starting with themselves, their home, and their community

Regarding companies specifically, consumers want to see them **being sustainable, not doing sustainability**

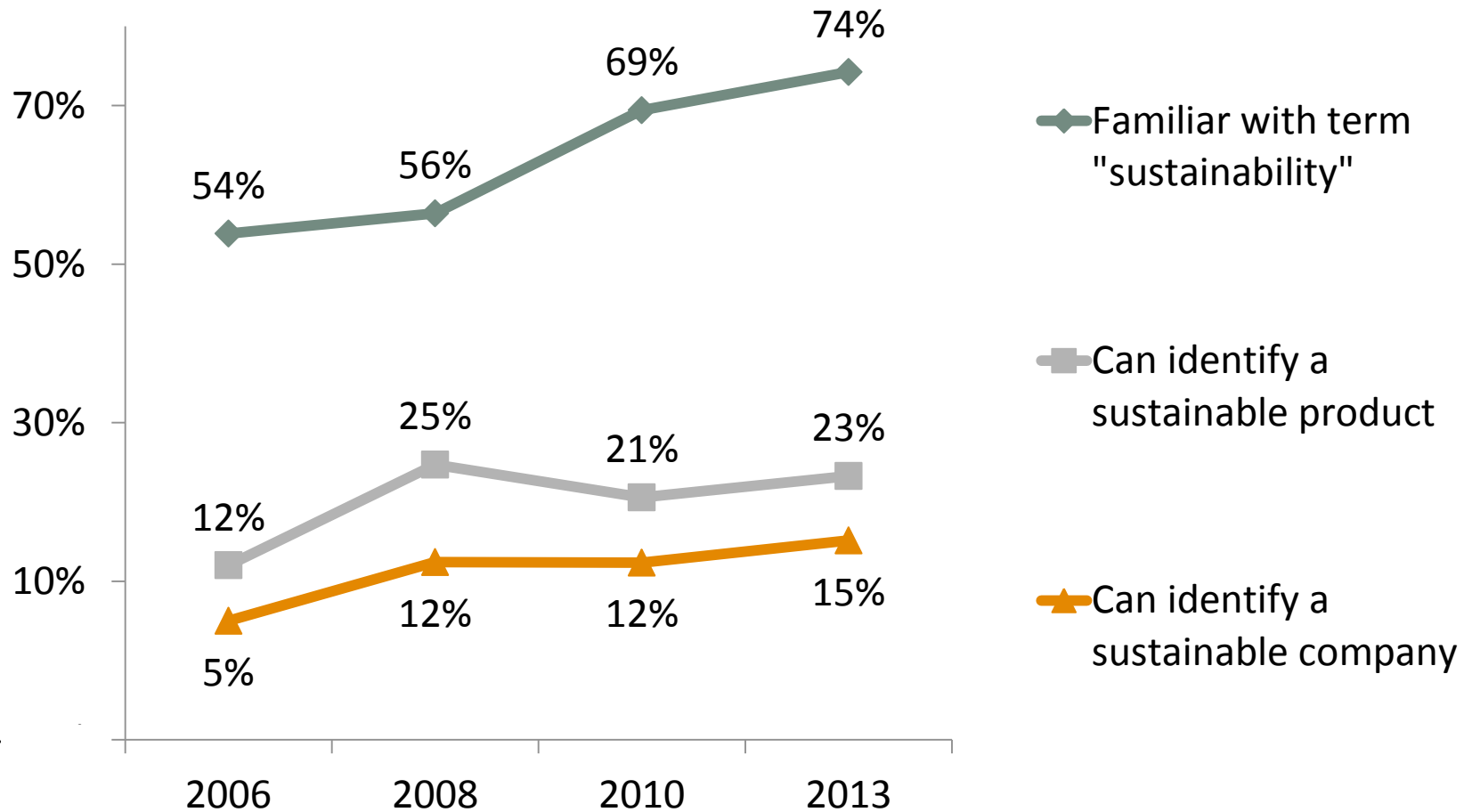
- Consumers see **being** sustainable as what companies do when no one's looking

Who bears the most responsibility for making our world more sustainable?



In your opinion, who bears the most responsibility for making our world more sustainable? [Rank from 1 to 5]. Base: All consumers (n=1,841).

While consumers are familiar with the term “sustainability,” they don’t *know* sustainable companies or products



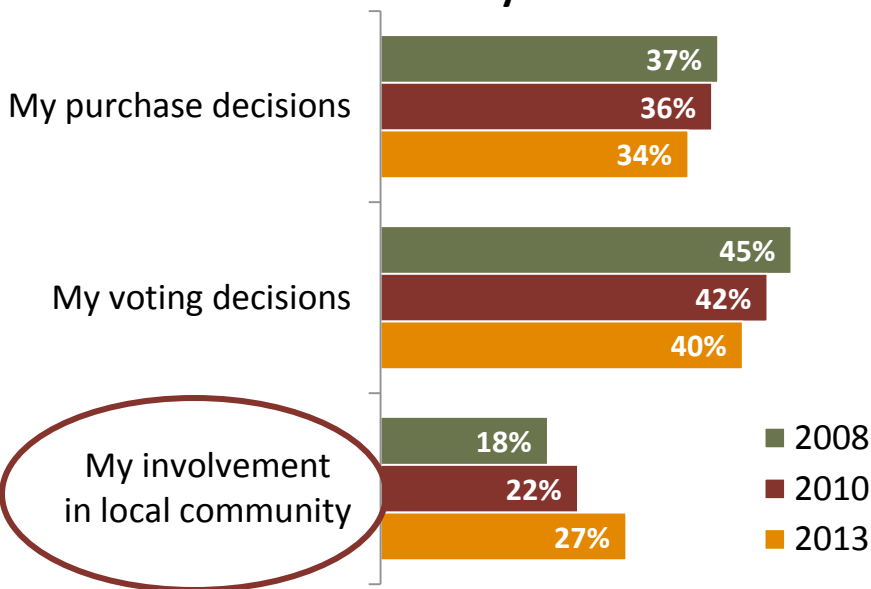
Are you familiar with the term “sustainability”? Q14_6. I don't know which products are sustainable [Bottom-2 Box (Disagree)]. Q14_2. I don't know which companies support sustainable values [Bottom-2 Box (Disagree)]. Base: All consumers; 2006 (n=1,606), 2008 (n=1,856), 2010 (n=1,982), 2013 (n=1,841).

Consumers believe their purchase decisions have almost as much impact on society as their voting decisions

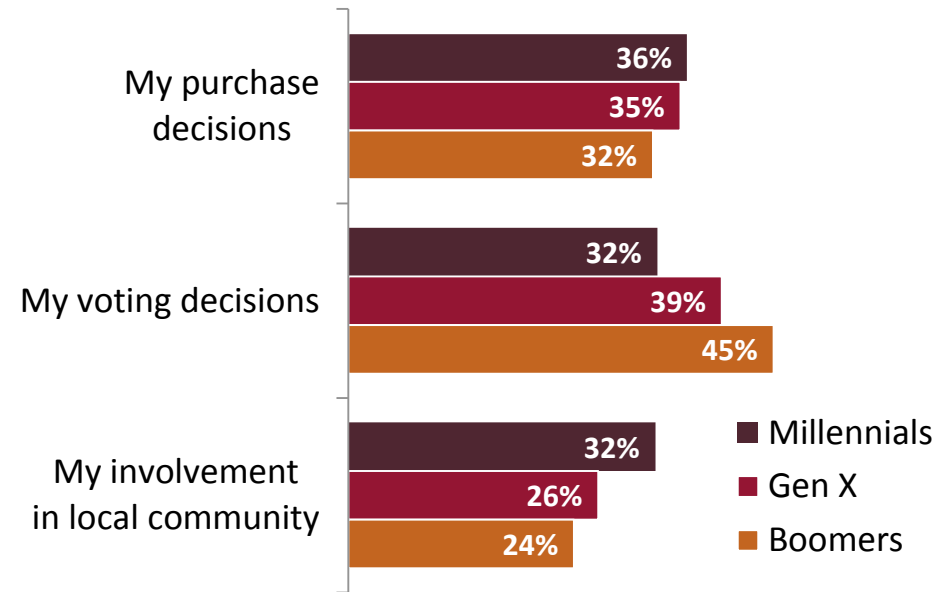


While still having faith in the power of their purchases, the next generation of consumers is increasingly relying on their involvement in their local community, rather in broader participatory systems (the national economy, the national government) to be sure of making a difference.

What has the greatest impact on society?



By Age Cohort



In your opinion, which of the following has the greatest impact on society? Bases: All consumers; 2008 (n=1,856), 2010 (n=1,982), 2013 (n=1,841). By cohort: Millennials (n=610), Gen X (n=510), Boomers (n=691).

In the World of Sustainability, there is a “Gap” between what consumers say they want, and what they actually buy



On the one hand...

- consumers say they want companies to be sustainable

On the other...

- when they *do* take action, consumers don't always give them credit

Consumers may want to be sustainable, but other concerns in their lives frequently take precedence.

This gap continues to exist and it is widening as consumers continue to expect more from companies in terms of sustainability initiatives and transparency, but aren't always willing to reward them through purchases.

An aspiration-behavior gap: The case of Sun Chips

Consumers said they wanted sustainable packaging... as long as it wasn't "noisy"



Knowledge, practicality, and faith are the current drivers, inhibitors AND solutions for The Gap



KNOWLEDGE

What they *know* about most

i.e., what issues are most salient in the media and in their discussions with their friends



PRACTICALITY

What helps them *practically*

i.e., most clearly ladders up to the Personal Benefit Zone by offering quality, great experience, health, safety, efficacy, convenience



FAITH

What they *believe* will make a difference

i.e., for issues they think are most important and that most match their values

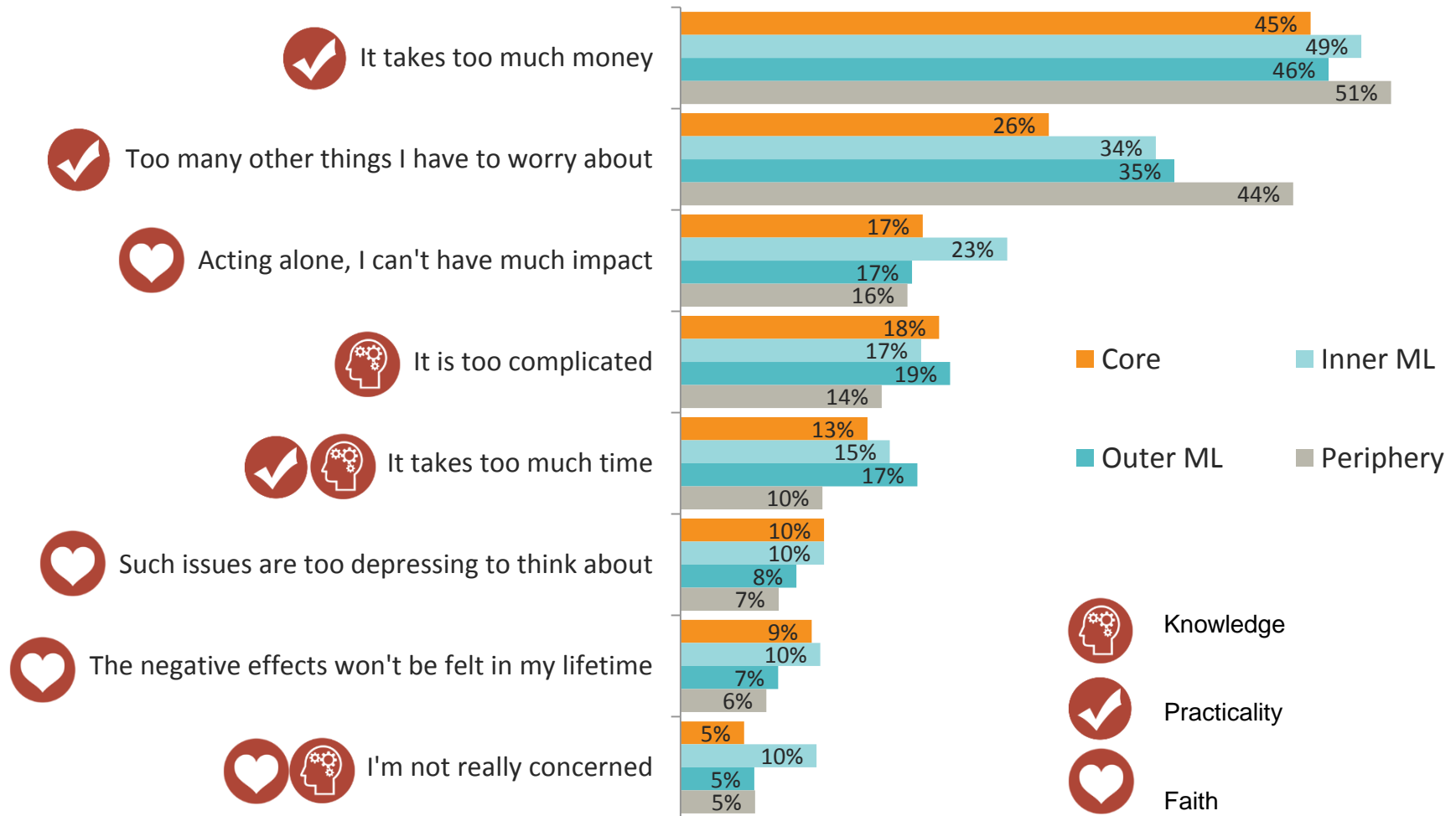
ASPIRATION/ PRIORITIES



BEHAVIOR/ PURCHASING



Knowledge, practicality, and faith appear in consumers' barriers to sustainable purchasing

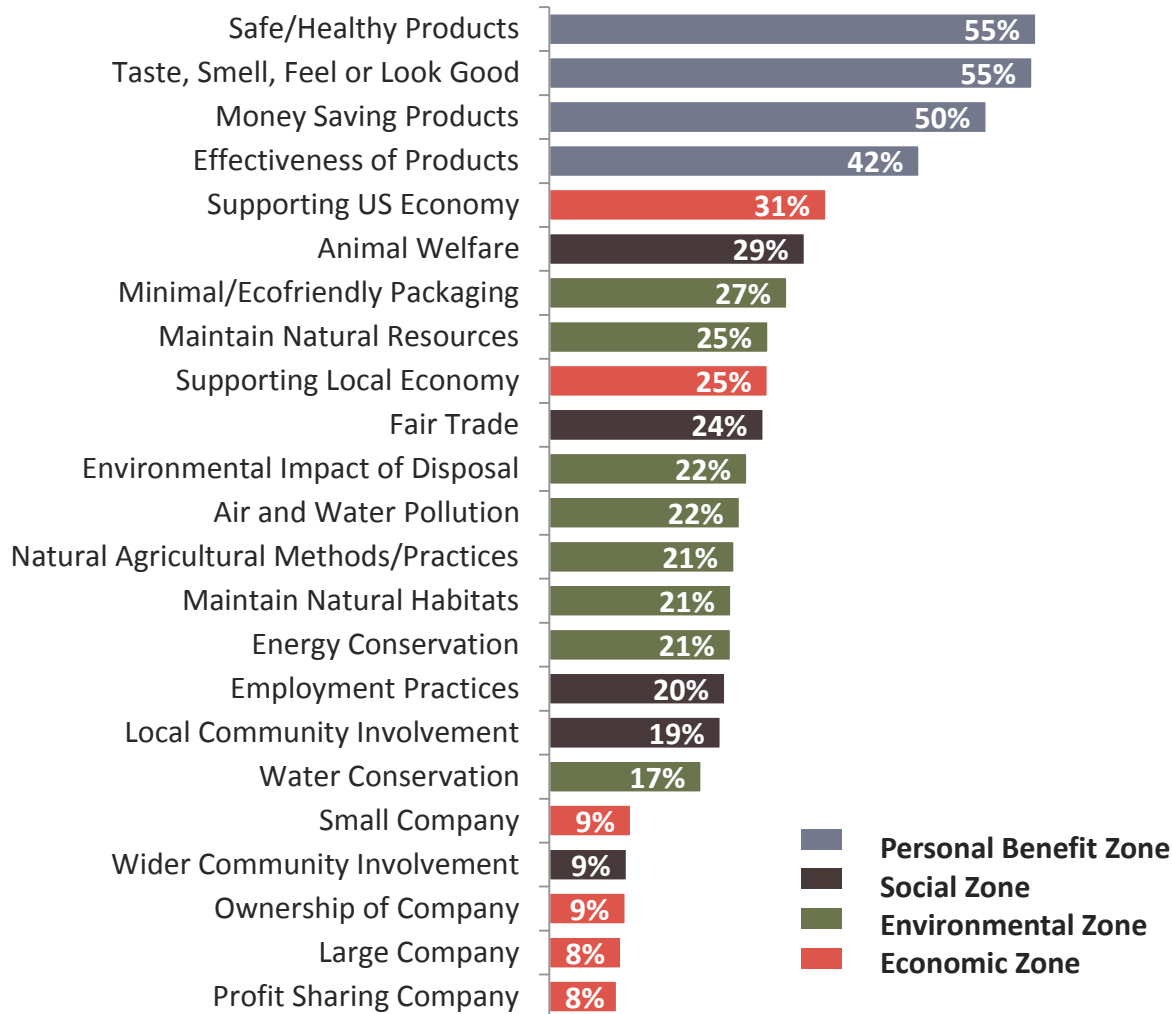


At times when purchasing decisions are not based on such concerns (the environment and social well-being), what are the main reasons why these issues don't influence your decision? Base: Significant shoppers inside the World of Sustainability (n=1,481); Core (n=208), Inner Mid-level (n=490), Outer Mid-level (n=478), Periphery (n=305).



Sustainable Products: Category Deep Dives

Personal Benefits drive purchase decisions



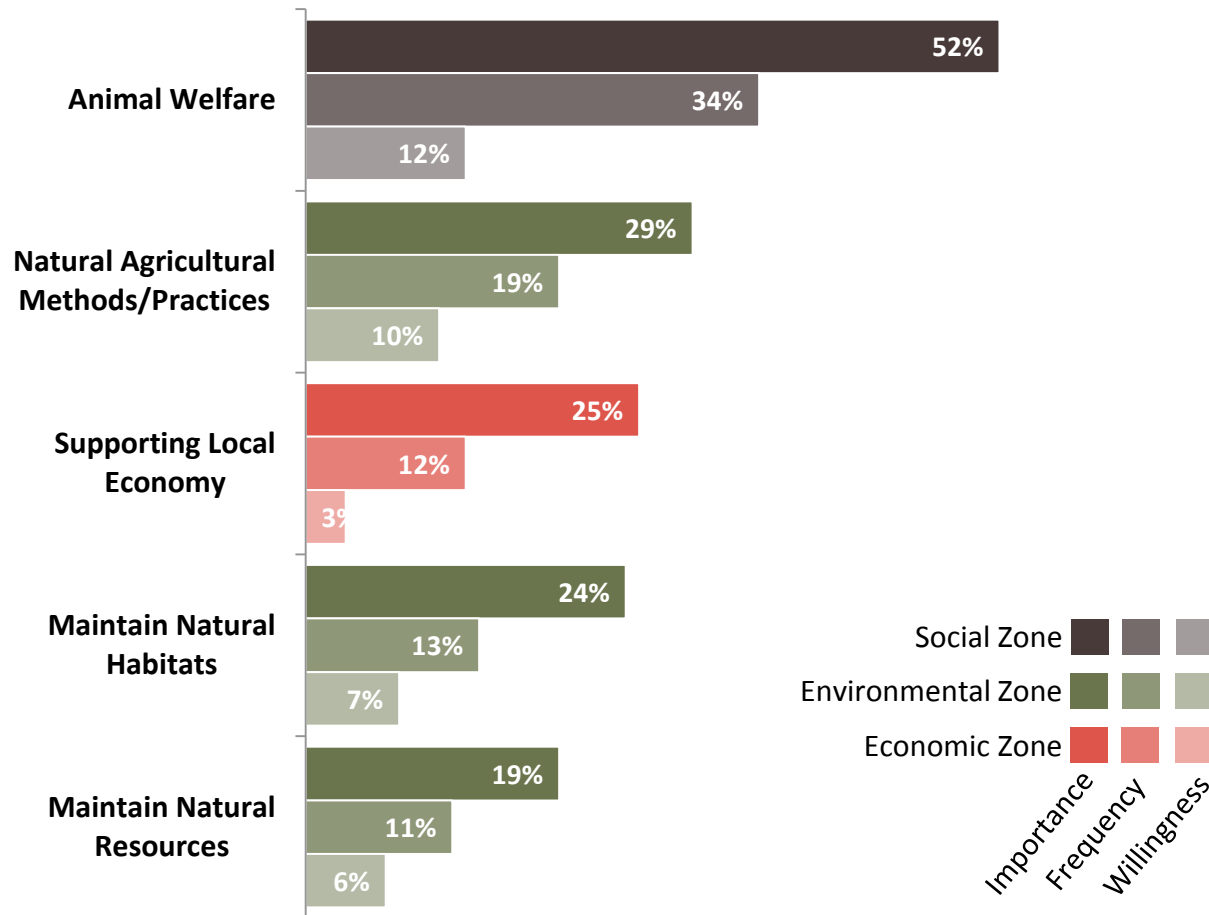
A product's healthiness, safety, efficacy and price is by far the most important thing for consumers

Once a product has met these basic needs, consumers are more open to thinking about the less personal benefits of the product.

Of the following attributes, which are the most IMPORTANT to you when deciding which product to purchase? (Check all that apply). Base: Significant shoppers inside the World of Sustainability (n=1,481).

The category of meat has all three zones represented

Most Salient Dimensions of Responsibility in MEAT, excluding Personal Benefits



Many consumers now see animals as part of the natural order that deserve to be treated with respect.

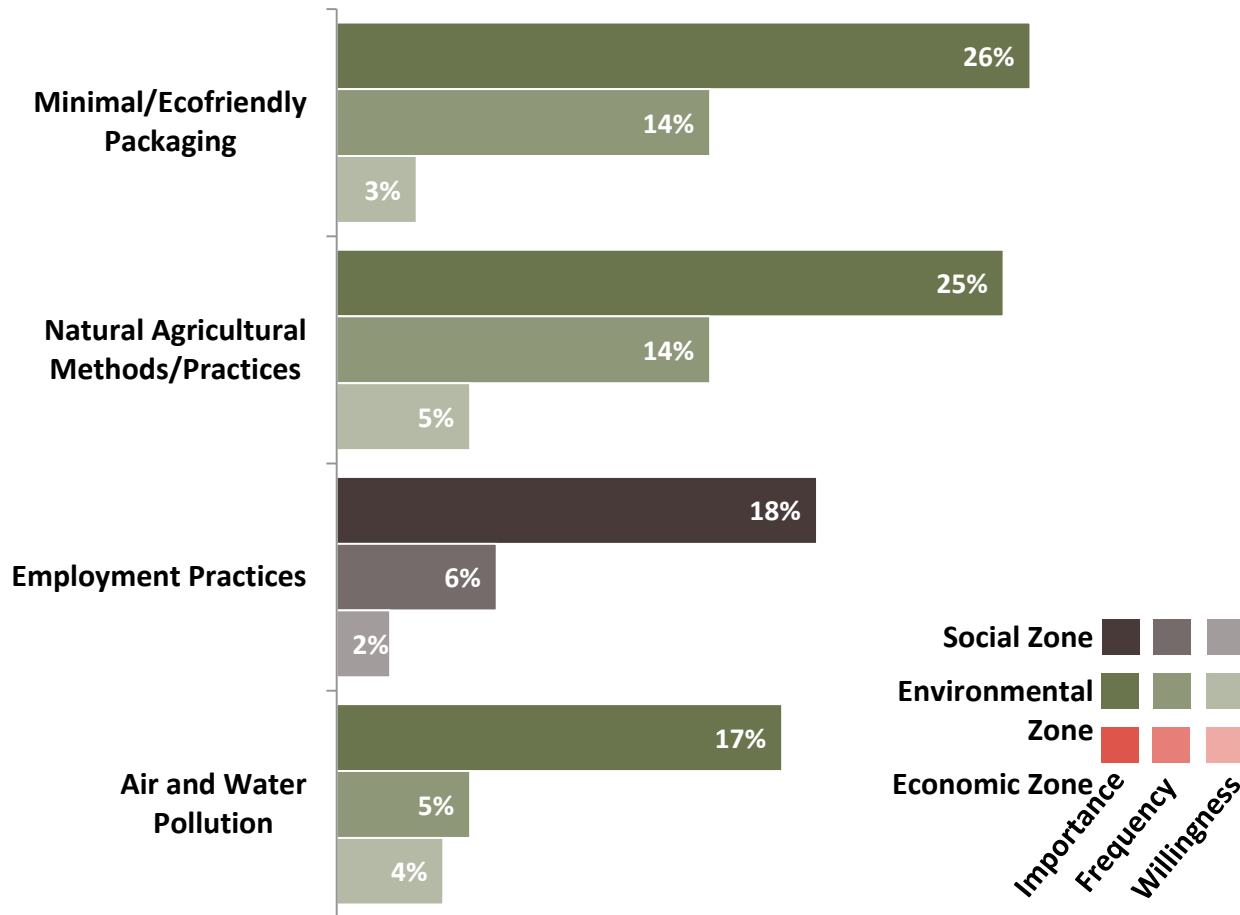
Animal welfare (grass fed, pasture raised, free range, cage free, kosher) also ladders up (in consumers' minds) to more healthier and more flavorful meat.

¹Which [of these sustainability attributes] are the most important to you when deciding which meat to purchase? (Select 3 choices). ²Frequency = Always/Usually purchase with attribute. ³Willingness = Always willing to pay more for attribute. Personal Zone not included. Base: Significant shoppers who purchased category in past 3 months (n=296).

Packaging and growing practices dominate the cold cereal category



Most Salient Dimensions of Responsibility in COLD CEREAL, excluding Personal Benefits



In the cold cereal category, disposal of packaging is top of mind.

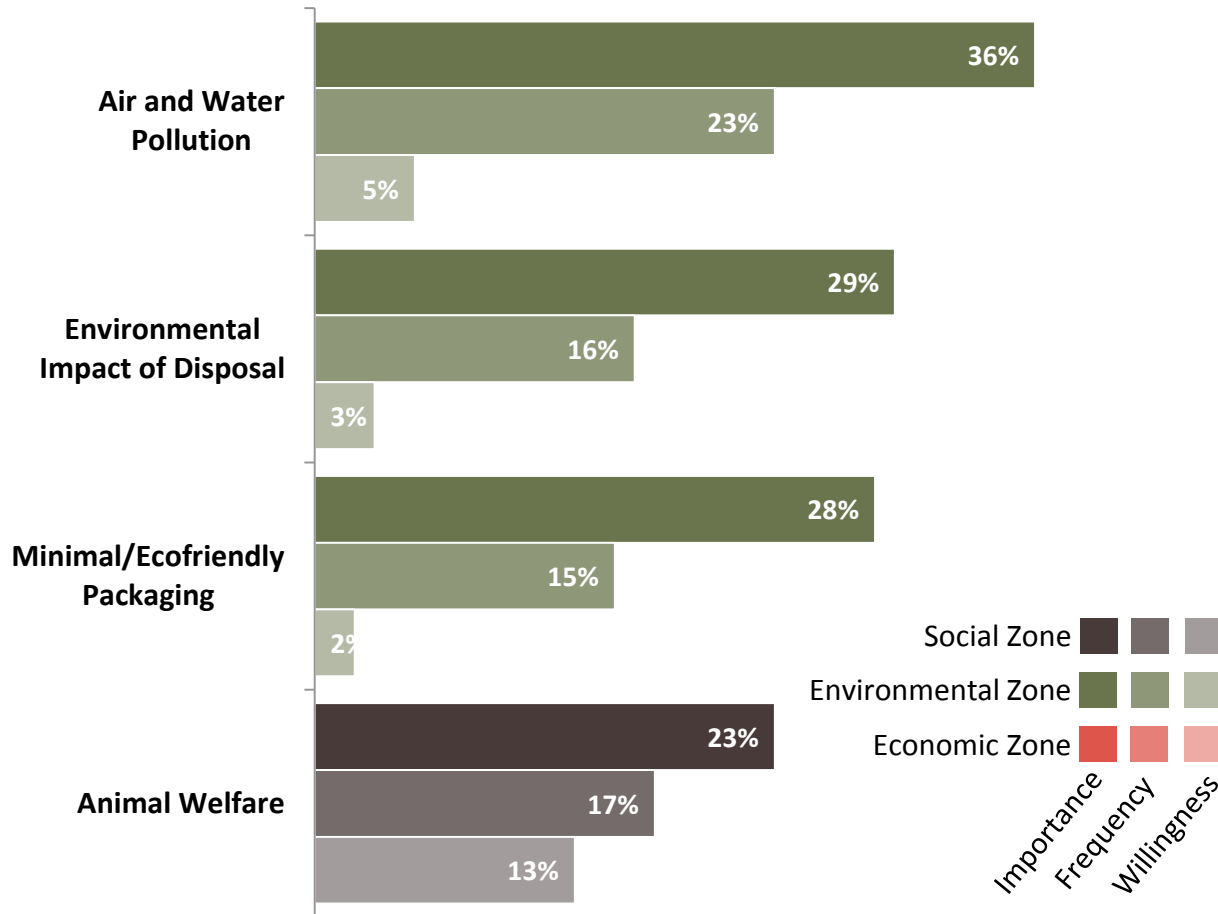
Cereals which include organic and natural ingredients perceived as having a positive impact on the environment and on people's health.

¹Which [of these sustainability attributes] are the most important to you when deciding which COLD CEREAL to purchase? (Select 3 choices). ²Frequency = Always/Usually purchase with attribute. ³Willingness = Always willing to pay more for attribute. Personal Zone not included. Base: Significant shoppers who purchased category in past 3 months (n=293).

Production and disposal pollution are top-of-mind for household cleaners



Most Salient Dimensions of Responsibility in HOUSEHOLD CLEANERS, excluding Personal Benefits



Consumers consider the full life-cycle of household cleaning products when it comes to purchase considerations – both the production process and the disposal process.

However, they are far more willing to pay more for animal welfare attributes.

¹Which [of these sustainability attributes] are the most important to you when deciding which household cleaners to purchase? (Select 3 choices). ²Frequency = Always/Usually purchase with attribute. ³Willingness = Always willing to pay more for attribute. Personal Zone not included. Base: Significant shoppers who purchased category in past 3 months (n=283).



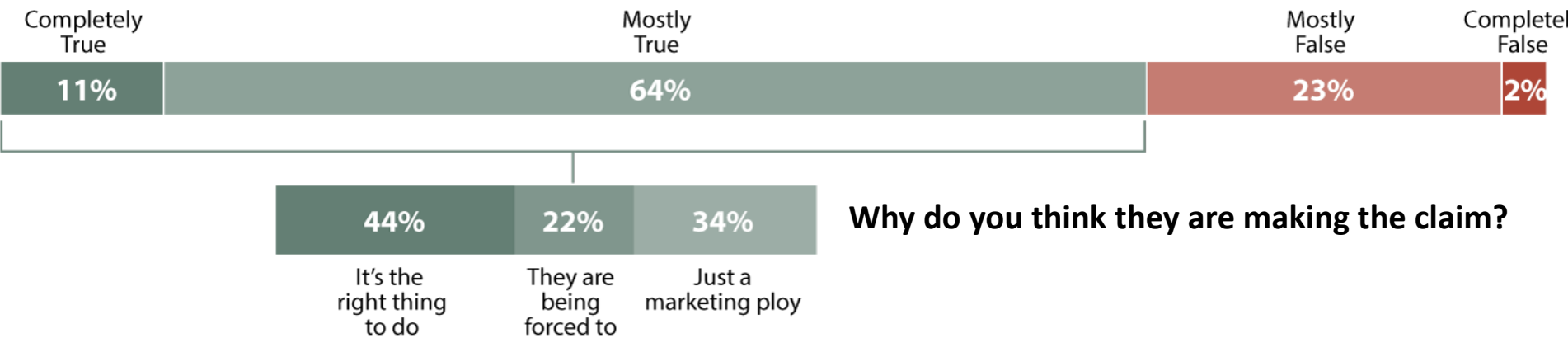
four

Communicating Sustainability

The majority of consumers don't focus on green-washing



Companies' Sustainability Claims are Typically...



63% of consumers would like companies sustainability practices to be more visible to the public

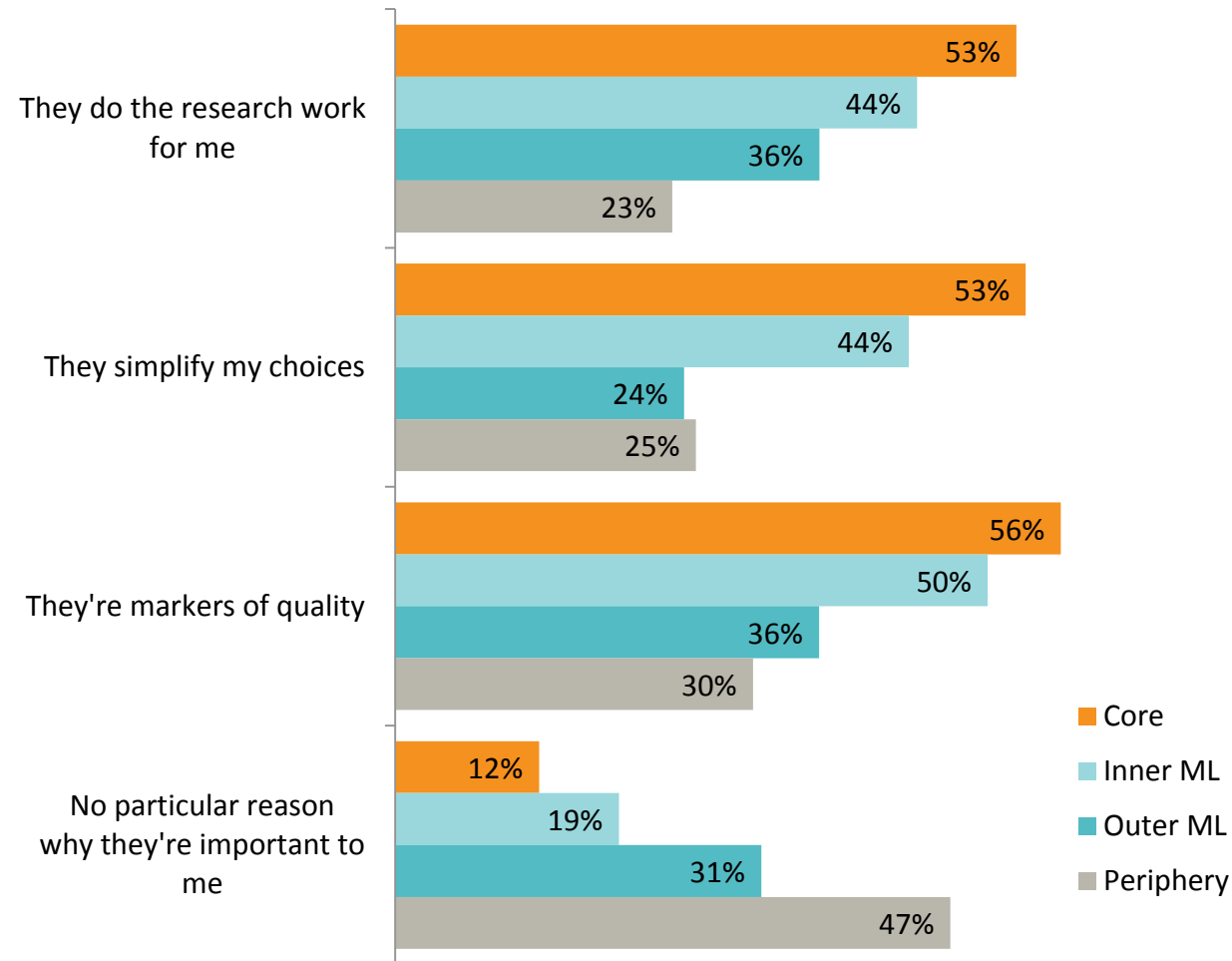
* Because they are being forced to (e.g., by the government, by their shareholders, by non-profit groups)

Q72. When a company makes a claim about their environmental, social or economic efforts, what is your initial reaction? "The company's claim is..."? Q73. When a company makes a claim about their environmental, social or economic efforts, WHY do you think they are usually doing so?

Certifications can speak volumes to consumers at a glance



Why Certifications are Important to Consumers



Certifications are used as just one element of the overall package-related deciphering strategies employed by consumers.

They are an easy way for consumers to abdicate responsibility for undertaking research on products.

Q63. In general, why are certifications important to you? Bases: Consumers inside the World of Sustainability (n=1,587); Core (n=217), Inner Mid-level (n=507), Outer Mid-level (n=533), Periphery (n=330).



Bridging the Gap: Recommendations



Understand the meaning of Sustainability to consumers

Sustainability is...

- **Not a deal breaker** for the vast majority of consumers
- About **maintaining relevance** for companies and products over the long term rather than driving short term sales
 - » Staying ahead of the curve
 - » Reinforcing loyalty by strengthening the brand halo
 - » Feeding back into consumers' positive quality perceptions
- About the **social zone** at the company level
- About the **personal benefit** zone at the product level

Knowledge, Practicality, and Faith are drivers, inhibitors and SOLUTIONS to the Gap



KNOWLEDGE

- Explain why sustainability matters to your company/product
- Start with what consumers already know
- Listen to what consumers are talking about
- Understand which aspects of sustainability matter to consumers in your product categories
- Don't preach, teach or admonish



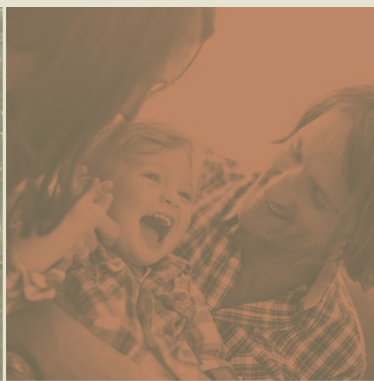
PRACTICALITY

- Make it easy for consumers to prioritize Sustainability by maximizing the Personal Benefits
- Show them how sustainable attributes are also quality attributes, contributing to a *better product*
- Show you understand the benefits and costs are not just financial, they're also about time, mental energy, and social acceptability
- Don't make sustainability a tradeoff problem for consumers



FAITH

- Provide evidence that choosing your brand/product will have an impact
- Be transparent about what you are doing, don't avoid talking about it even if you aren't "perfect"
- Show consumers that sustainability is not simply a "side project" but a *mindset* that influences every decision made within the company
- *Be* a sustainable company, don't just *do* sustainability



THANK YOU!



THE HARTMAN GROUP, INC

3150 RICHARDS ROAD, STE 200 BELLEVUE, WA 98005

TEL (425) 452 0818 FAX (425) 452 9092

ABOUT THE HARTMAN GROUP

The Hartman Group, located in Bellevue, Washington, blends leading-edge customized research and consulting to understand the subtle complexities of consumer and shopper behavior. Since 1989, Hartman Group has provided unique perspectives on the underlying motivations and behaviors that move the needle for our clients. To learn more about how Hartman Group stays sharply focused on how consumers live, shop and use brands and products visit:

www.hartman-group.com

Sign up for our consumer insights briefing:
www.hartman-group.com/hartbeat