

Consumer Trends in Sustainability

Insights to Grow Your Market Share
and Defend Your Brand

A sustainability briefing for the C-Suite



72% of consumers want to learn more about corporate sustainability initiatives

75% of consumers would be more likely to buy a product or service if the company is making an effort to be sustainable

82% of consumers are more likely to purchase a product that represents Corporate Social Responsibility than one that does not

93% of Americans have done something to conserve energy in the last two years

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Executive Summary

The latest data on consumer trends is clear: 55% of consumers are actively seeking green products and services. Given a choice between a green product or service and a non-green product of similar quality and price, consumers choose green by a large margin. The next generation is even more pro-green in their consumption patterns.

No company can afford to ignore sustainability as a key market strategy.

Sustainability will increasingly determine market share and influence brand loyalty across a vast array of market segments—driven by consumer attitudes and competition.

Today green market segments are growing much faster than their conventional counterparts. They are still comparatively small, but they have a large addressable market to grow into. Consumers want to act, and they want choice.

It seems corporate America is out of step. Sustainability teams are primarily focused on internal operations—missing the larger opportunity around products, services, and consumer engagement. The data shows that consumers want to get educated, they want to learn about Corporate Social Responsibility initiatives, they want transparency—and they're willing to reward companies that deliver sustainability. A big opportunity is being missed.

Willingness to pay for green products ebbed during the global recession and hasn't fully rebounded—but desire for those products has continued to expand.

SolarCity and Clean Edge have initiated a broad review of the consumer data available today. We summarize our findings and insights in this brief, including market insights, existing barriers for corporations, and the opportunity ahead.

This brief is intended as a current “state of the state” on consumer trends in sustainability for those driving strategy at the corporate level.

The Market

Consumers Want Sustainable Products & Brands.

The majority of consumers have a strong interest in sustainability and “green” products.

The data speaks for itself. Four major national studies in the last two years found the percentage of adults that favor sustainable or green products is north of 50% and growing.

According to Shelton Group, 55% of the population falls into the categories of “Actives or Seekers” that make purchases due to environmental values and/or health-related sustainability issues. Cone Communications report that 82% of consumers are more likely to purchase a product that demonstrates a company’s corporate social responsibility initiatives than one that does not. Gibbs & Soell find 72% of adults have an interest in learning about company sustainability initiatives. Vestas/TNS Gallup identify 71% of consumers are interested in ways to decrease their electricity consumption and 62% would be more willing to purchase products from brands that use green (wind) energy.

Consumers want more information



If I learned that a company was making a **great effort to adopt environmentally-conscious practices**, I would be **more likely to purchase** that company’s products or services.

75% AGREE



I **often see, read, or hear information about companies “going green”** in the media I typically rely on for news (e.g., newspapers, magazines, blogs, TV/radio newscasts, etc.).

60% AGREE



The media are **more likely to report on “bad news”** than “good news” when covering how companies are addressing efforts to “go green”.

75% AGREE



I am **interested in learning** what companies are doing in terms of sustainability and “going green”.

72% AGREE



I feel **well-informed** about current sustainability and environment-related issues in general.

57% AGREE

FIGURE 1

Source: Gibbs and Soell, Sense & Sustainability Study, 2013

But They're Not Willing to Pay for It. There is an active consumer segment that reports a willingness to pay a premium for sustainable products—but the majority of consumers indicate they're unwilling to pay more for green.

As with any technology movement, early adopters are helping to set the landscape for the entire consumer movement (and drive down costs for the mainstream). According to Scarborough, five percent of the adult population are “Super Greenies”—adults who engage in 10 or more green activities, such as recycling, using rechargeable batteries or re-using grocery store bags. These Super Greenies are high-income, high-spending consumers who purchase luxury items and lead active lifestyles. Further, they are using the Internet for local information—from basic information on the weather to seeking out local businesses.

The majority are still unwilling to pay a premium, with Vestas/TND Gallup reporting 51% of consumers unwilling to pay more for products made with renewable energy. DDB reports that 67% are unwilling to pay more for an environmentally safe version of a product and 76% are unwilling to accept a lower standard of living to conserve energy. More granular data from the Green Gauge Report shows that there may be higher willingness to pay for certain goods. Close to 50% of Americans are willing to pay more for less polluting cars and 60% are willing to pay more for energy efficient lighting.

Green Is a Tiebreaker. The data suggests that green products and services will continue to capture greater and greater market share. Given a choice between green and non-green products of similar quality, consumers choose green by a large margin.

Consumers are tough. They want green products, but they don't want to compromise. According to Cone Communications, 82% of consumers are more likely to purchase a product that demonstrates a company's CSR initiatives than one of similar quality that does not. Gibbs & Soell report that 75% of employed adults say they would be more likely to buy a company's products or services if they learned it was making a great effort to adopt environmentally conscious practices.

Quality and cost are key to competing for market share

Barriers and Levers to Sustainable Purchasing

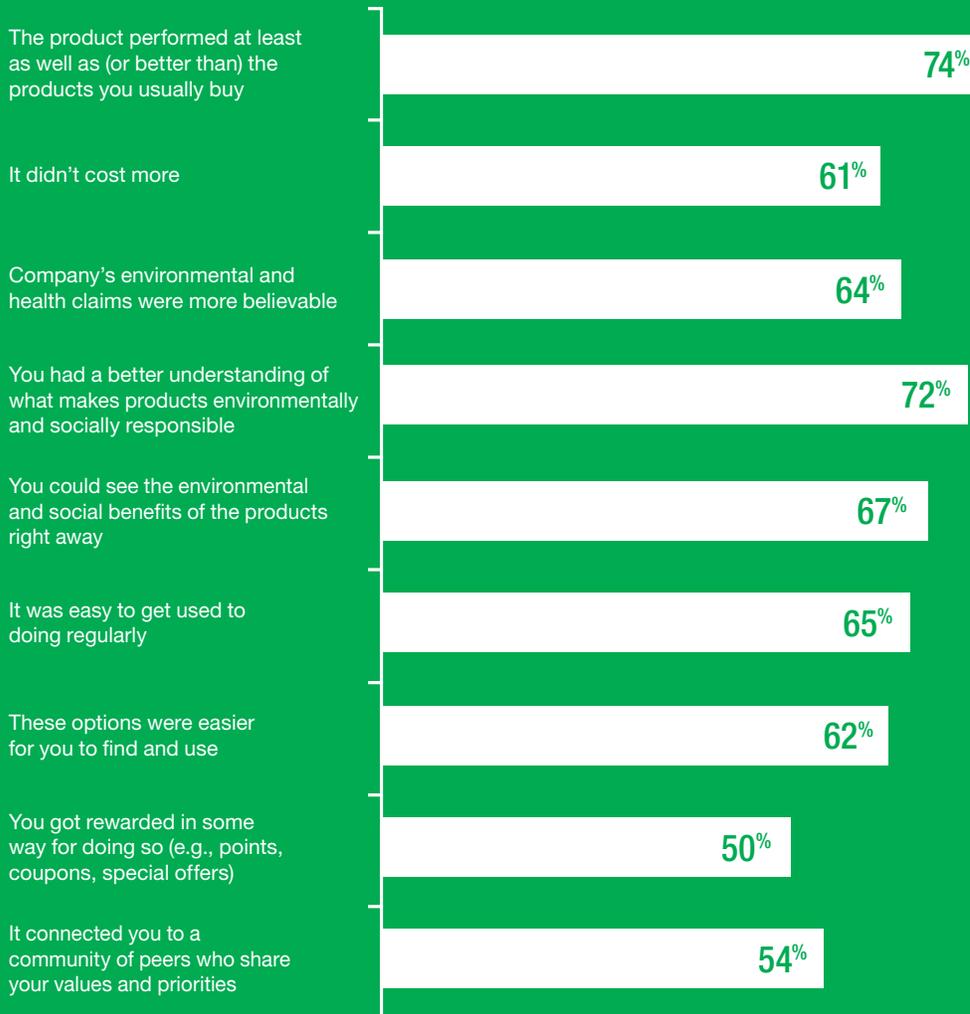


FIGURE 1

Source: BBMG and GlobeScan, The Regeneration Roadmap, 2012

More to Come. The younger generation is showing even stronger green consumption trends.

Millennials are a burgeoning consumer population with an estimated \$170B of purchasing power that will only grow. Their appetite for green products and services is higher than previous generations. DDB reports that Millennials are twice as likely as Boomers to own a hybrid car and seven times as likely to own an electric car. The Intuit 2020 Report predicts that this is part of a growing trend—consumers and B2B customers will increasingly demand sustainable business practices, products, and services.

Challenges

Greenwashing Has Taken a Toll. There is strong interest by consumers in green products but also strong skepticism.

Interest levels remain high, but trust has been damaged by greenwashing and overall lack of transparency. Consumers feel under-informed and express distrust of companies' claims. Cone Communications reports that 55% of consumers say they don't understand the impact they are having when buying a product from a company that says it is socially responsible. As observed in the Corporate Social Return Trend Tracker, "Consumers reward results, not aspirations; companies must communicate corporate social responsibility (CSR)." A poll out of the University of Texas, Austin found that 36% of those surveyed do not believe "claims from companies that state they are trying to 'save energy' or 'be energy efficient.'"

Consumer action is unpredictable. Attitudes don't always translate into purchase decisions when it comes to green products and services.

The Green Gauge Report points out that green awareness and engagement don't necessarily translate into green purchases and found a decrease from 2008 in consumers' willingness to pay more for environmentally friendly alternatives. Green may be a tiebreaker between two similar products, but there are still a number of competing (and more highly-ranked) motivations for making a purchase or switching brands, including performance, price, health and safety, discounts, convenience, and style. There are multiple tiers of influence.

One in four consumers are influenced by their peers taking action

Three Tiers of Influence



FIGURE 3

Source: GfK and Roper, Green Gauge, 2012

Education Is Required. There are big information and awareness gaps with regard to new technology and products.

Consumers are struggling to keep up to date and understand new technology and product categories. While close to 60% feel well-informed about sustainability and environment-related issues overall, almost an equal percentage (52%) feel uninformed about brands' energy profile. In a separate study, 63% of consumers say they don't know where to find information about a company's CSR efforts and results. Clean energy concepts tend to receive favorable reviews but the detailed implementation remains a grey area in many cases.

The Age of Brand Transparency Is Here. Social media and online reviews are creating a heightened level of brand transparency, an opportunity for reward or punishment from consumers.

Seventy percent of consumers rely on consumer opinions posted online – the only more trusted source is “recommendations from people I know.” Match that with smart phone stats: 29% of smartphone users have downloaded an app related to their environmental impact in the last two years. That number increases to 38% for Generation Y and 44% of Generation Z. Being transparent about your brand and your commitment to sustainability is the only option.

Consumers trust online reviews

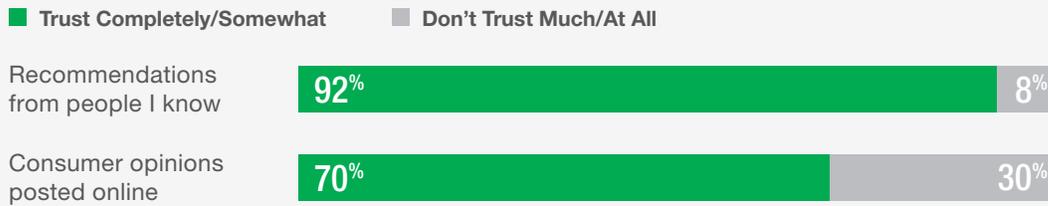


FIGURE 4

Source: Nielsen, Global Trust in Advertising and Brand Messaging, 2012

Opportunity

Market Share Is Up for Grabs. With the shift in consumer attitudes, there's a new opportunity to grab market share via sustainable product offerings and positioning.

Given a choice between products of similar quality and price, consumers will choose the green product a majority of the time. This opens up new markets—for green products and services to replace traditional products and services.

Growth trends show that market share is increasingly going to green products. Green America reports that growth rates of “green” segments are outpacing conventional segments in all areas surveyed: renewable energy, green building, social investing, organics (both food and non-food), and fair trade. Green is expected to represent 44% of all commercial and institutional construction in 2012, growing up to 55% by 2016.

Consumers and B2B customers will increasingly demand sustainable business practices, products, and services. (Intuit) Already, 55% of consumers actively seek these types of products. Market share will therefore increasingly depend on sustainability of the brand and the product.

Green market segments are gaining market share

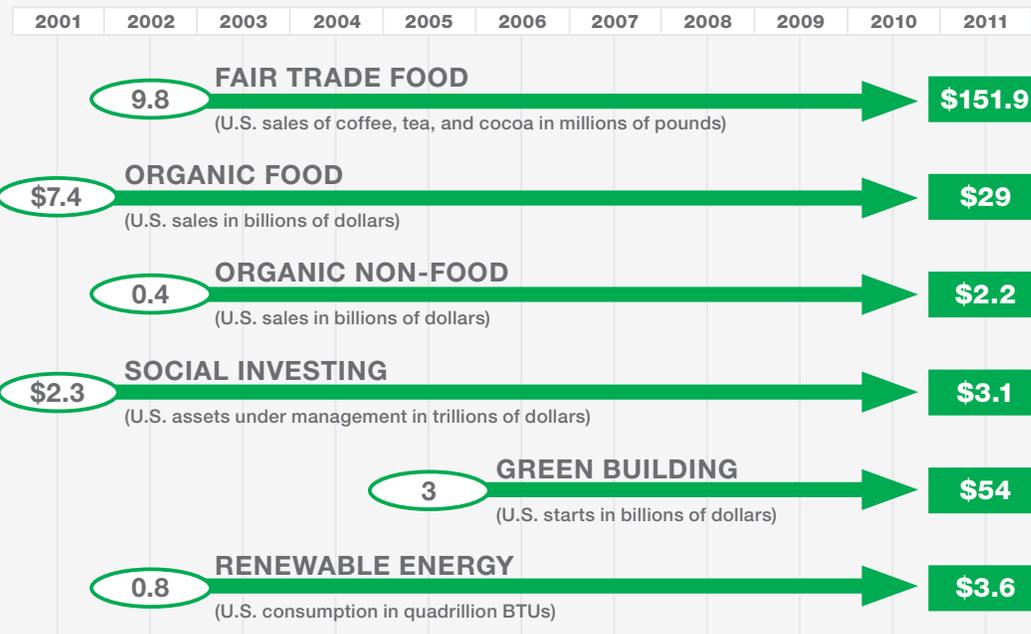


FIGURE 5

Source: Green America, *The Big Green Opportunity for Small Business in the U.S.*, 2013

Sustainability Is a Way to Stand Out.

Brand differentiation is the big opportunity.

With so few consumers aware of what corporate brands are doing on sustainability, there is a big opportunity to educate consumers and set the brand apart. This is not yet a crowded space.

Consumers want to purchase from sustainable companies and buy sustainable products—but the data overwhelmingly shows that they don't know (or trust) which companies are sustainable. Only 21% of U.S. adults believe that a majority of businesses ("most," "almost all," or "all") are committed to "going green"—defined as "improving the health of the environment by implementing more sustainable business practices and/or offering environmentally-friendly products or services."

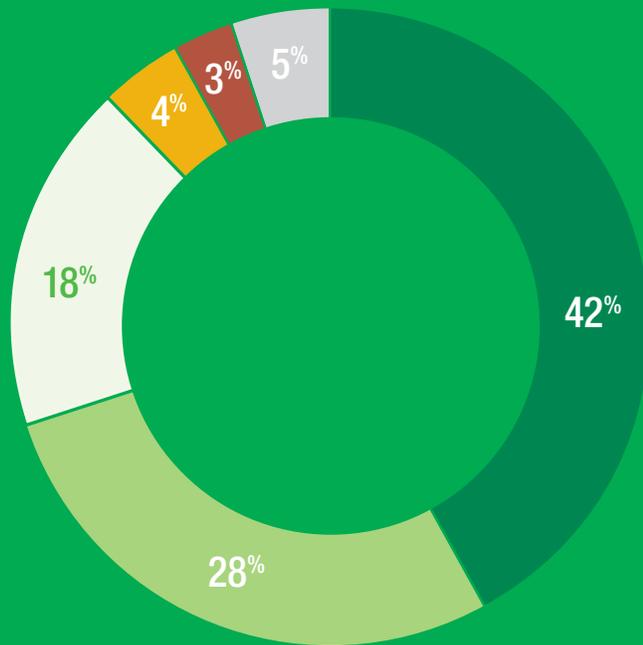
One of the areas where consumers are more educated—and less skeptical—is renewable energy. TNS Gallup/Vestas results show that 85% of consumers want more renewable energy. Pike Research/Navigant report that solar and wind continue to generate favorable opinions among consumers more than any other topic included in their survey.

The majority of consumers are favorable or very favorable to solar power



FIGURE 6

Source: Pike Research, Energy & Environment Consumer Survey, 2012

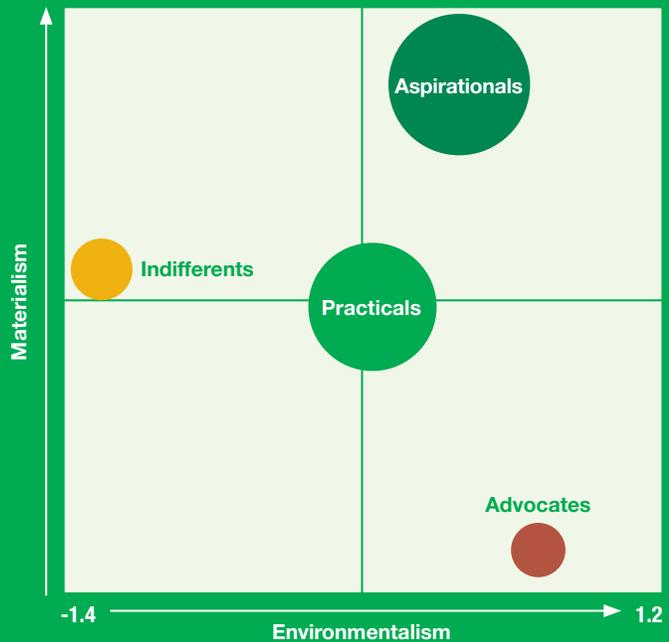


The largest consumer segment, “Aspirational,” is seeking both sustainability and consumption

Advanced statistical modeling reveals four consumer segments on the sustainability spectrum, from highly committed Advocates (11%) to style and social status-seeking Aspirational (32%), to price and performance-minded Practical (36%) and less engaged Indifferent (22%).

FIGURE 7

Source: BBMG and GlobeScan, The Regeneration Roadmap, 2012



Green Initiatives Are a Way to Engage Your Consumers.
Engage your consumers around your company sustainability initiatives. Educate consumers.

Increasingly companies need to engage their consumers—in stores, online, and in person. Engagement and interaction builds brand loyalty. Sustainability is a key topic of engagement—with lots to share given the general lack of awareness surrounding new technology and products.

Digital engagement overall and on sustainability issues will only grow. Savvy brands will seize the opportunities that this brings today and make money by accelerating the transition to a more sustainable world. Some brands are beginning to have conversations with consumers on the sustainability agenda, but they tend to focus on today's issues. Too many marketing teams use yesterday's insight data to make decisions about what tomorrow's consumers will want.

Giving Consumers Tangible Actions Is a Way to Build Brand Loyalty. Consumers are looking for sustainable brands.

Consumers care—and they want to shop from brands that help them take action. In 2011, 93% of Americans reported having done something to conserve energy in their household in the past year—and 77% had done something to conserve water. The willingness to act is real.

Over 85% of consumers surveyed by TNS Gallup/Vestas say they want more renewable energy. 71% of consumers recognize that private consumption is a contributor to climate change—and 74% would get a more positive perception of a brand if wind energy was the primary energy source used in its production.

Whether it's an operational strategy, a product strategy, or a partnership strategy, consumers will reward brands that deliver sustainability.

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Inside Energy

Inside Energy is the market research arm of SolarCity. It's the go-to source for up to date information on consumer trends in sustainability and real-time market information on clean energy. SolarCity hosts two annual Inside Energy conferences by invitation only on the East Coast and West Coast.

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SolarCity

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