

3 NU AND CONSUMERS

3.1 Introduction

The NU card scheme distinguishes three categories of consumers:

- active consumers;
- passive consumers;
- uninterested consumers.

Active consumers, estimated to constitute 20 percent of the population, are motivated and environmental considerations are often a deciding factor when purchasing. These consumers independently and actively seek out information about sustainability, and to a certain extent are willing to pay more. These active consumers are the first to be reached by the NU card scheme. However, they are not the group upon which the NU card scheme primarily focuses, though progress can be made here too. The market share of sustainable green products is generally much smaller than the size of the group of active consumers would lead one to believe: biological products 2 percent, Max Havelaar coffee 3 percent.

For uninterested consumers, estimated to be 25% of the population, sustainability information does not play a conscious role in the purchasing process. Part of this group will be indifferent towards sustainability, while another part – a small group – will explicitly reject it.

The NU card scheme is primarily an incentive system for the group of passive consumers between these two extremes, an estimated 55% of the population. For this group, the environment is not a priority. Although they are generally receptive to the sustainability message, they tend to wait and see how the proposed solutions are put into practice. With this group, the NU savings card can

be used to appeal to people's desire to be rewarded for appropriate behaviour.

3.2 Problem

There are a number of reasons why passive consumers make few or no sustainable purchases:

- The product's function comes first. For example, a consumer wants a washing powder that washes properly; if that product is also good for the environment, all the better, but that is not the reason for buying it. Conversely, potentially environmentally damage can be a reason not to buy it.
- Sustainable products are more expensive than their non-sustainable alternatives, primarily owing to the lack of market clout. Although passive consumers are not necessarily negative towards sustainable products, they are rarely willing to pay a higher price. This means that the difference in price with common products must not be too great. It should also be noted that consumers sometimes incorrectly assume that green products are always more expensive. Examples of sustainable products that are cheaper in the long term include green electricity, energy-efficient central heating boilers and energy-efficient light bulbs.
- The availability of sustainable products is not as good as it could be. It takes more effort to find them. In most shops, only a small selection consists of recognizably sustainable products. In addition, there are not many shops that specialize in the sustainable range.
- Changing behaviour takes a high psychological toll. Many consumers have negative feelings about sustainable products and services. Sustainability often calls to mind problems, restrictions, scarcity and discomfort. This image clashes with a fresh perception of life.
- Changing behaviour takes a high socio-cultural toll.

In the past, sustainable products were sold chiefly in 'green shops,' such as health food shops and Fair Trade aid shops. The customers of these shops are mostly active consumers. Passive consumers often feel out of place in this subculture, which leads to the creation of a threshold for sustainable purchasing. However, a positive development is that nowadays more and more sustainable products are available at regular shops, such as supermarkets. However, in neighbourhood shops the range of sustainable products is still small or non-existent.

In addition, there are also indications that consumers do not adopt a more sustainable consumption behaviour if they observe only a low frequency of usage with others.

- The sustainability information is not accessible, reliable or clear enough. Consumers get mired down in the maze of quality marks and labels. An umbrella label that covers all aspects of sustainability would increase the success of the communications.

Sustainable production: a matter of small steps

by Jan Hoitink

The market share of sustainable products is practically never more than 5%, despite the fact that studies have shown that many consumers consider the environment and other people's wellbeing to be important. Apparently there is something that stops consumers from buying sustainable products.

During a panel discussion with consumers from Rotterdam, the NIDO saw confirmation of what some marketeers had concluded earlier: consumers are unable to recognize sustainable products, there are not many, people think they are too expensive, they have no permanent place in consumers' purchasing memory and people do not



think that users of sustainable products are particularly nice people. Moreover, they see purchasing sustainable products as a drop in the ocean.

The selection of sustainable products on offer is very small. An important reason for this is of course, that in view of the lack of active demand, marketeers do not feel the need to make their products more sustainable or to devote any attention to the sustainability aspects of their products. They doubt that this would generate extra turnover, and that is what it is all about in business. At the same time, they assume that it would cost them extra funds or effort, particularly in the case of some labels, for which the requirements are sometimes considered to be much too restrictive.

But are efforts to promote sustainability not good for a firm or brand's reputation? And a reputation that is better than the competition's can lead to a preferred position, while damaging a reputation can be disastrous. Most producers understand that, but the same producers also believe that the reputations of their large and familiar A brands are as solid as a rock. Consumers naturally assume that the production of those brands is reliable, decent and sustainable. But do all consumers really think along those lines? And do all those producers and retail organisations arrange their affairs so properly and decently? Perhaps the truth is not quite so palatable?

Some firms do make more of an effort than others. For them, it can be very useful to make their own customers aware of this, with a view to improving their business reputations. However, people are often wary of this, for fear of attracting the highly critical attention of some activist groups, who are not easily satisfied and might accuse firms that do their best and publicize the fact of 'greenwashing'. The result would be that the firm's reputation is damaged instead of improved!

So how to make it more lucrative for producers to take the step to more sustainable forms of production and to communicate this as well? By not demanding too much of products at once. All products, regardless of the category or sector, that clearly exceed the legal requirements, are to be awarded a label of approval. This would support those producers who make an effort to help sustainability. Initially, the sustainability threshold would be relatively low, with the advantage that it becomes attractive and feasible for more businesses to devote attention to it.

At the same time, you offer consumers a real alternative that allows them to maintain responsible purchasing behaviour. If 20% of products sold distinguish themselves in a positive manner by their sustainable qualities, buying those products actually has a visible effect! This in turn will result in a larger market share for those sustainable products.

Just as automobile safety has improved slowly but steadily over the past forty years, so too can the sustainability requirements be raised gradually. If we take small steps, we will coax more consumers and producers along.

Jan Hoitink is NIDO programme manager for Market Opportunities for Sustainable Products

3.3 Rewarding the solution

The NU card scheme negates many of the reasons that traditionally prevent passive consumers from making sustainable purchases. The practical approach of making up a list of sustainable criteria allows consumers to save points by purchasing more everyday products too. This ties in with the functional approach of consumers in selecting products. It also reduces the high socio-cultural cost of

changing behaviour, because consumers are also able to buy sustainable products at ordinary neighbourhood shops. In addition, the higher price of many sustainable products and the effort it takes to buy these products are compensated by immediate stimulus in the shops: NU points. The prices of sustainable products and services remain the same, but awarding NU points for the purchase improves the price perception: you get more for the same price.



Another advantage of the NU card scheme is that the concept of sustainability now conjures up a positive image, rather than a negative image of problems and restrictions. It is rather more pleasant to be rewarded with NU points for good behaviour than to be punished by extra charges; the psychological behaviour costs are reduced.

An important element of the incentive system is that people are rewarded immediately. The reward comes directly at the shop's cash register and not some time later, for example in the form of an energy subsidy reimbursement. Giving immediate feedback with NU points allows people to become accustomed to the connection between good behaviour and a feeling of satisfaction.

Finally, the NU card scheme ensures accessible and clear information, particularly when the decision to make a purchase is made. By providing information in shops, on the website and in the NU-magazine, the NU card scheme keeps cardholders informed about sustainable articles and about the shops that sell those products. The retailers themselves are encouraged to devote extra attention to their sustainable products by using in-shop promotion, such as cards on the shelves, stickers on the products, posters, etc. For example, by stickering the articles, the NU logo provides information about the conservationist and environmentally friendly nature of the products. It becomes an umbrella logo, as it were, for sustainable

products with a conservationist or environmentally friendly label or quality mark. The inclusion of product groups for which no quality brand exists means that scope of the NU logo is very wide. So using the NU logo solves the pressing problem of the passive consumers target group.

3.4 Strategic choices in the demonstration project

Cardholders contribution

Initially, a low threshold was created when applying for the card, by asking a one-off contribution of € 1.50. This amount was credited to the card in the form of NU points, as the opening balance. This increased the likelihood that consumers would actually use the card. After ten months, the cards were issued free of charge. Completing the personal data was the only remaining threshold to ensure use.

Recruiting cardholders

At the start, it was immediately clear that a certain mass had to be achieved if the savings programme was to function. From the moment of the launch, street teams were employed at civic amenity sites and in the city centre, to recruit as many new cardholders as possible. This method of recruitment was relatively expensive, although it did yield rapid results. In total, approximately a quarter of the cardholders were recruited by promotional teams. When the cards were issued free of charge, sales of cards 'over the counter' were also started. Shops were awarded a € 1 bonus for each cardholder recruited. This also generated a quarter of the total number of cardholders.

Other recruitment methods used included:

- direct mailings to client bases of commercial participants;
- neighbourhood campaigns;

- the website, www.nuspaarpas.nl;
- NU-voor-een-ander ('now for someone else') campaigns, in which current cardholders were awarded points for introducing new cardholders.

Encouraging use

In the next phase of the demonstration project, the emphasis of the communications was shifted from recruiting cardholders to encouraging the use of the card. Cardholders regularly received mailings, digital newsletters and NU-magazine, which included a list of new commercial participants. Campaign vouchers were also regularly issued, granting additional points for certain sustainable products, or allowing products to be bought for fewer points. The vouchers, bearing texts such as 'Now twice as many NU points upon purchase of natural paint,' lured cardholders to the shops.

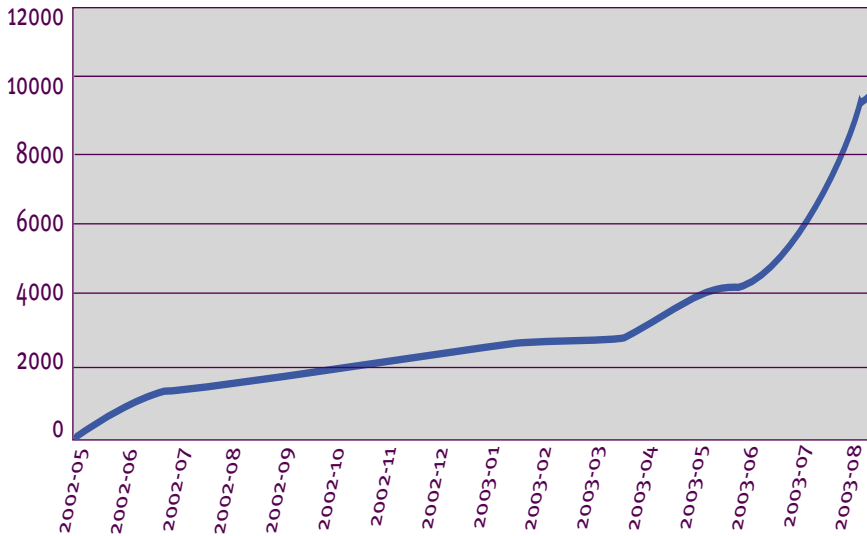
3.5 Results

Number of cardholders

By the end of the demonstration period, ten thousand Rotterdammers had a NU savings card. The graph below illustrates the growth of the number of participants.

At the end of June 2003, active recruitment of cardholders was stopped. On 1 July, all cardholders received a letter announcing that lack of funds after 1 October 2003 meant that the savings programme would in all likelihood be discontinued as of 1 October 2003.

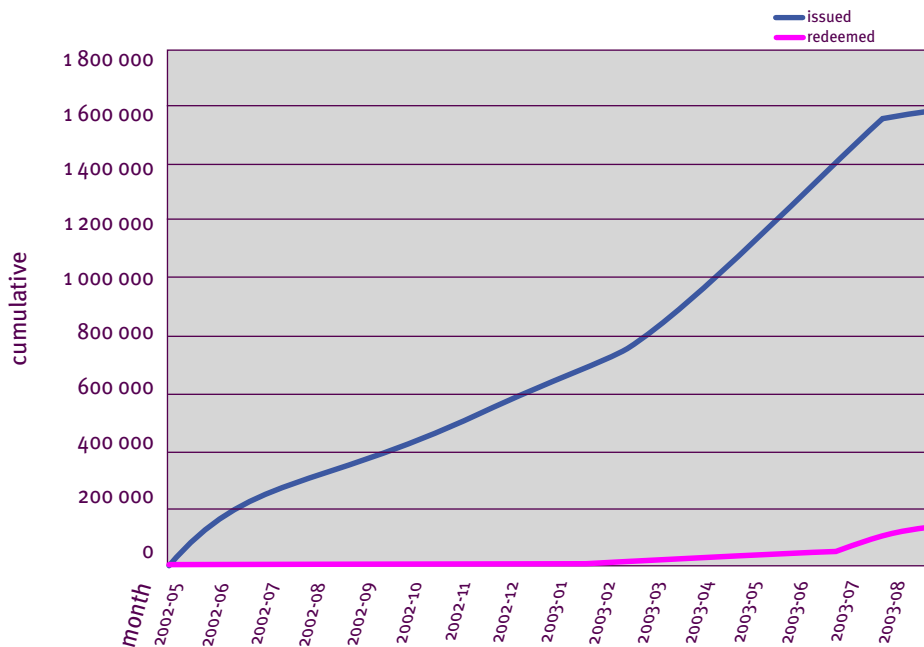
INCREASE IN THE NUMBER OF CARDHOLDERS



Number of points in circulation

During the demonstration period, a total of 1,577,905 points was issued and 140,084 were redeemed. By far the most points were issued at Roteb's civic amenity sites. However, Roteb's monthly share in the total number of points issued dropped from almost 100% at the start to 42% by the end of the demonstration period. The diagram below illustrates the cumulative development of the number of points in circulation and the number of points redeemed each month.

CIRCULATION OF POINTS



In total, considerably fewer points were issued than had been projected at the start of the programme. The reason for this was that that forecast was based on 11,000 cardholders and 100 participating from the start of the project. In reality, it was many months before these numbers were realized. After adjustment for this incorrect assumption in the forecast, the number of points issued during the demonstration period proves to be 31% higher than projected.

Changes in behaviour

The lack of a zero measurement, the brief time span and the change in the strategy during the demonstration project make it dangerous to make any pronouncement about whether or not there was a change in behaviour in

favour of sustainability amongst NU cardholders. However, the number of green points issued at various shops shows a visible increase during the project.

Information was also obtained by means of a telephone questionnaire in which 101 cardholders were interviewed. As regards purchasing biological products, second-hand products, and disposing of separated waste, 4 to 5 percent said that they had been doing this more often since obtaining their NU card. Some of these people stated that receiving NU points was the most important reason, or a nice extra: "The NU card scheme makes you more aware." This view is confirmed by the information from the transaction database: with a number of shops, the number of green points issued increased during the course of the project.

One label for all

by Edgar Kampers

This world will only continue to be fit for living in if we turn to sustainable production and consumption. Consumers must purchase sustainable products more often. Producers must start making more goods in accordance with sustainable criteria. Much is already being done in this respect. In recent years, the Dutch market for conservationist and environmentally friendly products has grown explosively. Approximately 1.3 million people use green electricity, sales of biological produce have doubled over the last four years, almost every household has a number of energy-efficient light bulbs, most indoor paints are water-based and 80% of all new refrigerators bears an Energy Label A. We have also started to behave in a more sustainable manner. Charities have millions of donors, most people regularly make use of the paper and bottle banks and we are still the number one cycling country in Europe. There are also more



and more shops that sell Max Havelaar coffee, water-based paint and EKO-labelled carrots.

Yet things are still not happening fast enough: the goals agreed upon are not being met. One of the possible reasons is that information about sustainability is often difficult to access. Little is known about many products. And if the information exists, it is often difficult to find. Or it is hidden in one of the many logos. There are 80 different labels, each with its own claim. EKO, Eco, Milieukeur, Milieubarometer, Max Havelaar, Rugmark; it's enough to drive anyone crazy. In addition, the increasing wealth means that the number of options continues to grow, while the products and services offered are becoming more differentiated and the selection becomes broader. With the developments in the information and communications technology sector, the available information has grown further. And not just the information we want, but especially unsolicited information in the form of advertisements with which people are flooded.

Another problem is that the group of consumers that actively seeks out information about sustainability is small. Not many people will consult a consumers' magazine or visit the Milieu Centraal environment website before making a purchase. We have to accept it: most consumers are passive; this group will not make any effort to obtain any environmental information about products. Therefore, this is the group of consumers that the NU card scheme focuses on.

With passive consumers, one encounters the following situation: information that is aimed at their role as a civilian will hardly affect people in their role of consumers. This stems from the simple reason that the information itself and the manner in which it is presented do not tie in with the role of consumer. Consequently, the undesirable

environmental behaviour will not change noticeably.

As regards passive consumers, the way in which the information is presented must recognize their needs. Sustainability information must be available instantly and in an easily digested form, in the shop when the consumer is deciding upon the purchase. This is why, ideally, the sustainability information should be on the packaging. And this should not be a long list of chemical information, but a recognizable and trusted label. A label such as this on the package is the simplest source of information. It tells the passive consumer that the products and services are conservationist and environmentally friendly. So: One label for all!

Edgar Kampers is the Product and Business team leader at Stichting Natuur en Milieu, and formerly director of the NU card scheme organization

