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The Green Market Gap

In the 1990s, there was tremendous excitement about the potential of the green market for a wide variety of consumer goods. But more recently a debate has emerged questioning the very existence of an environmental or green market. Ecotourism is one of five key green business opportunities, designed to be attractive to consumers who have environmental concerns. Together with energy efficiency and renewable energy, sustainable agriculture and forestry, recycling and recovering, renewable resource management, and bio-based green chemistry; ecotourism is a product that should be galvanizing the market for green products. But there is an increasing amount of hard evidence that demonstrates consumers who have strong opinions and attitudes about the importance of conserving the environment are not acting upon these values when purchasing products. This discrepancy between environmental concern and product selection is real, and can be demonstrated in a number of different green business arenas. Evidence is now strong enough to give this discrepancy a name, and EplerWood Report is calling it the "Green Market Gap."

A number of market experts in the field of lifestyle research have gone on record saying that the green market might not exist or is in decline. Harvey Hartman, president of the Hartman Group – a market research and consulting firm – was quoted in 1997 saying that "people talk about the green market, but I don't believe there is one. We've gotten on an emotional bandwagon on this subject. We've developed a sense that the environment is more important in most people's lives than it really is."[1]

Research by the Roper organization, a leading American consumer research organization, reveals that indeed the importance of linking environmental concerns to purchasing may have been a temporary fad. As the 1990s progressed, fewer Americans sought environmental labels, recycled products, biodegradable cleansers, or avoided Styrofoam and aerosols. This research suggests that consumers prioritize price, brand recognition, and word of mouth recommendations over concerns about environmental impact.[2]

The LOHAS market or the "lifestyles of health and sustainability" market emerged in the 1990s as a more comprehensive term that seeks to embrace the environmentally concerned together with those seeking out healthy foods, alternative energy and alternative wellness products. The LOHAS market includes organic foods, energy-efficient appliances, solar panels, alternative medicine, yoga tapes and ecotourism.

According to the New York Times, LOHAS was estimated to be a $230 billion market in 2000 by Natural Business Communications. The Natural Marketing Institute estimates that 68 million Americans, or 1/3 of the American adult population, qualify as LOHAS consumers. But according the actual sales data, there is a yawning gap between what consumers say they will buy in surveys, and the actual sales data. While the Natural Marketing Institute study indicates that 40% of Americans say they have purchased organic food and beverages, yet only 2 percent of the $600 billion food and beverage market comes from organic products.[3]

A well-regarded green business guru, Joel Makower founder of Greenbiz.com and the editor of The Green Business Letter expresses skepticism about the LOHAS market. "We're still waiting for this great wave of purchasing changes around values and desires to make the world a better place," Makower told the New York Times last year.[4]

Re-evaluating the Demand for a Green Market

Re-evaluating the demand for green products requires taking a step back from many of the tried and true assumptions being promoted within the academic, foundation, and NGO world to further support the development of sustainable development products. Market research expert Harvey Hartman points out that consumer research, "mechanically ties consumer behavior to consumer attitudes," and that "we cannot quite shed the belief that consumers act merely on their convictions, despite the large and growing body of evidence to the contrary."[5]

Joel Makower wrote EplerWood Report saying, "I think that consumers are willing to make a greener choice if the product comes from a company they already know and trust, it doesn't require (m)any behavioral changes to use, and it's at least as good as what they're already buying in terms of aesthetics, style, taste, etc."

Certainly, there are many product lines that are bucking the trend and gaining market recognition. Organic foods are appearing in mainstream supermarkets across the developed world. Fair-trade coffee is available at coffee bars and on the supermarket counter in the U.S. and Europe. Dolphin-free tuna has successfully competed with mainstream tuna. These products are accessible, do not require behavioral changes, and have great taste. But for the large majority of the global marketplace, green products will have trouble matching conventional products on every front while also absorbing the extra cost of creating a green product. While ecoefficiencies can bring about some win-win solutions, this will not be universal. As author Ken Peattie comments, "a new generation of win-win products will create some progress towards greener markets, but it is unlikely to achieve the magnitude of change necessary to move the economy toward sustainability."[6]

To achieve a greater sea change in consumer purchasing behavior, the sustainable development marketplace will have to begin to re-evaluate what motivates the consumer to actually purchase sustainable development products. There are strong indications that sustainable development products must not only deliver price and convenience, but a sense of belonging through the delivery of experiences that are interactive and provide connections to a less material way of living. The large majority of the culture seeking green products according to Hartman's research is a "subjective-experience culture," not an "objective trust oriented culture." [7] The rational style of marketing, demonstrating specific green attributes of the product, supports consumers who know what they want, but the subjective style encourages more buyers to enter into the marketplace, feel it out and learn about products that will give more meaning to their lives. The most up-to-date campaigns for organic foods, outdoor gear and other products do not seek to objectify their products. In fact, the more green marketers seek to prove the "greenness" of the product, the less they may be able to reach a broader market.

Green market trends in ecotourism

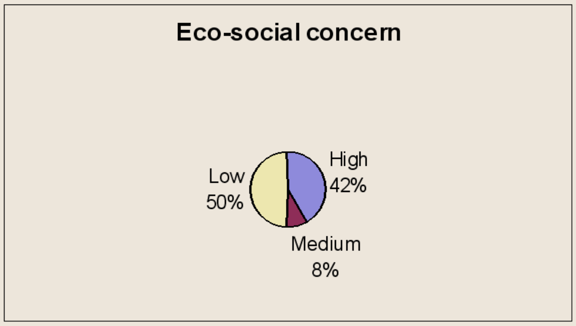
Ecotourism demand studies have been very optimistic over the years. Ecotourism was considered the fastest growing area of tourism for many years. In 1997, The World Tourism Organization presented information to indicate that ecotourism accounts for 20% of the world tourism market.[8] Since that time, estimates have trended downward, with a 2002 WTO report estimating a U.S. market closer to 5% of the total outbound market according to in-flight survey data of U.S. travelers overseas. [9] This same study also states that there is little evidence that the ecotourism share of the overall travel trade was increasing rapidly between 1997-2001. The report states, "On balance, therefore, American tourists visiting overseas are unlikely to have been the source of the often-cited boom or explosive growth in ecotourism."[10] In fact the ecotourism market tracked the ups and downs of the larger outbound market, neither outpacing it or underperforming.

What fueled these overestimates? A number of trends came into play. There were many surveys that looked at consumers' intentions, but very few that tested consumers' purchasing habits. There were also certain countries that prospered so much with the ecotourism trend, that there was a rush of interest in emulating their successful performance. Certain ecotourism destinations were expanding at double digit rates between 1986-1998 – e.g. Ecuador at 17%, Costa Rica 42%, Belize 25%, Botswana 19%, and South Africa 108% per annum. But these countries were known to be stable, had well-developed wildlife parks and reasonable infrastructure. It became increasingly apparent in the 1990s that few countries could emulate these conditions.

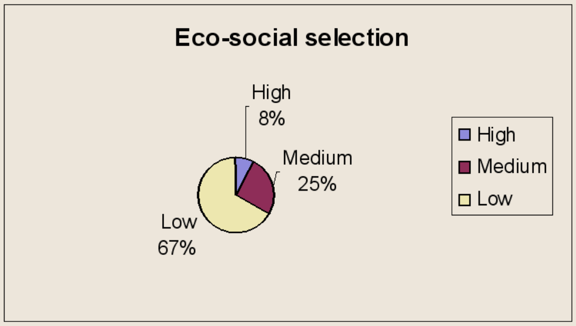
At the same time the ecotourism market seemed to be very "hot" in certain countries, there was little, if any, serious market survey work undertaken to look at in-bound data at the destination level to confirm the exact nature of this trend. It was nearly impossible to find data in the 1990s in destination countries that looked at travelers' interests and attitudes, and there were no studies that looked at the "green" values of the tourists arriving in these "hot" ecotourism destinations. Traveler motivations were studied on a global level, but not on arrival or post-arrival in specific countries. This led to many optimistic conclusions about green motivation for travel without specific data to rely upon. But there was one interest group that was expressing increasing skepticism. The ecotourism industry, lodge owners and tour operators were making it known that their clients were not mentioning any desire for "green standards."

In 2003, EplerWood International undertook a survey for the U.S. Agency for International Development's (USAID) Proyecto Caiman in Ecuador with 25 reputable U.S.-based ecotour operators operating on both the mainland of Ecuador and in the Galapagos Islands. This list of operators was selected together by researchers Megan Epler Wood and Arnaldo Rodriguez, former general manager of Kapawi Ecolodge in Ecuador. The researchers agreed that the operators surveyed were a highly representative sample of reputable companies operating in Ecuador that seek to meet environmental and social standards. The survey included a question to each owner on the eco-social concerns of their clients, and how this influenced product selection. There was a 48% response rate to these questions. Eco-social concern was defined as "clients concerned about environmental and social impacts, and interested in a contribution to sustainable development."

The following chart reveals that while 42% of tour operators' clients are very eco-socially concerned, 50% exhibit a low concern for environmental and social impacts.



The numbers decrease further, regarding the influence these concerns have on client product selection. Nearly 70% of tour operator clients express no concern or interest in eco-social issues when selecting their products, and only 8% expressed a specific interest when selecting their tour.



These results confirm studies in the broader marketplace that while there is a genuine concern for environmental and social values in the ecotourism marketplace, less than 10% of the market booking ecotours with highly reputable ecotourism operators is requesting information from their operators on eco-social standards. [11]

In summary, survey results suggest that consumers are highly inconsistent. While they state a high concern for eco-social components of a vacation, they do not convert this concern to action when they purchase. For this reason, ecotourism consumer demand reports of the last 10 years may not be reliable on the question of consumer behavior when it comes to selecting for green travel products. There is little doubt that there is a large gap between consumer concern and behavior at present.

One comment made by Arnaldo Rodriquez (who sent comments as part of his duties as a member of the editorial board of this column) is of significance in terms of his experience with marketing Kapawi, a highly regarded Ecuadorian ecolodge. Rodriguez comments, "I do not think the vendors interviewed (in the Proyecto Caiman study) adequately promoted ecotourism products." Rodriguez found that even the most reputable tour operators did not seek to recommend Kapawi over other less expensive choices. This only confirms that tour operators must respond to the consumers' requirement for price and accessibility of the product, and cannot be relied upon to promote green products, even when the "greenness" of the product is clearly superior. Some NGOs have suggested that this market reality can be adjusted through better promotions among tour operators. But this suggestion overlooks the reality of the consumer marketplace for the tour operator. Tour operators will promote green products if they perceive a real demand for green products.

Demand for Green Business Ethics in Ecotourism

The above referenced Roper surveys from the 1990s show that about 11-12% of the American public are called True Blue greens. This is about 33 million Americans, and they have not changed their attitudes substantially in the 1990s. According to Roper's results, these individuals avoid buying products from companies they perceive as not environmentally responsible, and support environmental groups and organizations. But how many of these individuals go out of their way to make an environmental purchase? In the case of organic food products, we find that about 2% of all groceries purchased are organic. This gap can be viewed as a challenge among marketers, because it means there is a large audience, receptive to the message of organics that is not yet purchasing.

In the ecotourism world, it appears that the market that actually selects ecotours for social and environmental responsibility may be about 10% of the total ecotourism market, according to the above Proyecto Caiman study, (which would need to be reconfirmed statistically with other larger studies but certainly provides input from highly knowledgeable tour providers). A recent World Tourism Organization report on the U.S. market for ecotourism says that ecotourism represents about

4.5% of the total American air outbound travel market. This figure is low, because it does not include individuals traveling for other reasons who may choose to take a short ecotourism excursion while traveling. However, this 4.5% estimate gives some sense of the size of the American market that travels with ecotourism as their primary motivation.[12]

Let's look at more depth at these numbers. In 2002, there were 18,624,000 Americans traveling overseas by air for leisure.[13] If ecotourists are 4.5% of the population traveling, that is just over 800,000 individuals traveling overseas with ecotourism as their primary motivation. If 10% of these individuals are motivated to select their travel provider according to eco-social standards; that is less than ½ of 1% of the total outbound travel market from the U.S. This includes travel to all destinations including Canada and Mexico. To summarize, using approximate numbers for 2002, less than 100,000 Americans selected their overseas travel providers according to eco-social criteria, while approximately 700,000 Americans took ecotours without specific eco-social standards in mind.

It is essential to consider how many travelers are acting on their eco-social concerns, especially for ecotourism projects in developing countries.

- First and foremost, small and medium sized enterprises around the world are developing business plans for ecotourism that are based on market demand estimates that are not including the "green gap" in their estimates. This could lead to business failure. These businesses should quickly look at the assumptions behind their planning.

- Second an investment of $7 billion over 5 years went to 320 tourism-related projects, designed by bilateral and multilateral organizations in the U.S., Europe and Asia. [14] These projects were designed to create economic benefits for poor, underdeveloped countries and peoples and their environments, using market demand assumptions that have not proven to be correct. As a result of this and other factors, a high percentage of these projects have failed according to internal studies at the Global Environmental Facility and World Bank. Multilateral and bilateral projects need to review their assumptions when designing projects.

- And there are presently projects with significant donor and foundation investment in Europe and the U.S. to certify green tourism businesses presumably for the green market, with backing of at least $5 million in donor investment to date. None of these projects have studied or presented figures on the size of the market their projects are seeking to capture. The estimates in this report indicate that they are targeting less than ½ of 1% of the total market for outbound recreational travel in the U.S. Yet the most recent, and most well-funded project by the Inter-American Bank explicitly states that its mission is to increase competitiveness of market access of sustainable tourism small and medium size enterprises in Latin America and the Caribbean.[16]

Some may question if the U.S. is the primary market to study to ascertain an interest in green business within the ecotourism market. A new report by EplerWood International undertaken for the World Bank/IFC concludes that the U.S. is the "key global market (for ecolodges) identified for virtually all georegions."[17]

In future, all ecotourism projects (private, NGO-supported, and donor supported) will want to focus on the attitudes and buying patterns of 90% of the eco-socially concerned marketplace that is not particularly rational about its choices, in order to improve their potential for economic success. In fact, to improve the success rate of all green products, it is incumbent on the academic and sustainable development community to reconsider market surveys of the last 10 years, and begin to incorporate the green gap in all discussions of project development and market.

Trends in Green Demand

Understanding the motivations of the market in the 21st century should be a fundamental part of the design of sustainable development projects in future, in all green business arenas. Declining demand for existing green products, and a demand for convenience, taste and quality seem to override the consumer's conscience in all but a very small percentage of the market. The number of products that can provide the ultimate win-win, which is green performance, excellent pricing, wonderful taste and/or quality, and convenience will not be in adequate supply to transform how consumers purchase their tours, their food & beverages, their energy resources, or their bio-products in future.

It may well be that an emotional rush to save our planet made the sustainable development community assume that consumers would make green purchases to save the environment. Given how many people are willing to make contributions to the cause, it seemed natural to assume they would also purchase green. But in fact, consumers have demonstrated that they certainly care about the environment and donate to NGOs, but they will not alter their lifestyle choices significantly to accommodate this concern.

For all those seeking to build a market for green projects, it is clear that there is latent demand, unexpressed demand that has been highly difficult to motivate. There are many possibilities, many strategies available that could help move this demand from latent to actual. This discussion should begin, and it should be acknowledged that in fact standard marketing and standard market surveys have not uncovered yet what motivates this market.

In market research lingo, “this means understanding which dimensions of a particular world are likely to have the most impact on a given consumer’s buying decisions, and understanding what product attributes resonate with these dimensions.”[18] The research of Paul Ray in the book Cultural Creatives (covered in EplerWood Report #2 on Ethical Marketing), suggest that consumers are seeking connections to traditional values that have been lost due to modern progress. Modern societies, according to Harvey Hartman, have been dominated by technological values since the mid-19th century, and while hardly anyone complains about the material benefits, there is hunger for a deeper sense of connection to nature, family, elders, and community.[19] With this theory in mind, the ecotourism market needs to help travelers feel they can belong to a world where they can have experiences that transcend material values. But it is rare to see ecotourism marketed in this way.

Current research by EplerWood International indicates that the highest interest of the ecotourism market when traveling in developing countries is viewing wildlife. Other important interests are admiring scenery, hiking and walking, guided tours, visiting parks and learning about nature and culture. The market for these attributes in an ecolodge or ecotour is predicted to grow over the next 30 years throughout the developing world due to long-term societal trends in Europe, North America and Japan.[20]

All market information reviewed in this article suggests that the large majority of ecotravelers want to re-connect with nature and cultural traditions that have been eclipsed in the rush for material benefits. For the sustainable development of ecotourism to grow and offer real economic benefits to local people, it is will have to market the essence of what it delivers – nature, interactivity, experiential style, healthfulness, connections with community traditions, and life-enhancing educational value of products that appeal to an audience that wants to do a good thing for themselves and the planet.

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