

LOHAS MEANS BUSINESS

The \$230 billion U.S. Lifestyles of Health and Sustainability (LOHAS) Marketplace has 50 million consumers waiting to buy into it

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There is a paradigm shift occurring in American values-one that speaks to living in a manner that is more economically, environmentally and spiritually sustainable than now prevails. Not only does such a lifestyle benefit of the United States and its citizenry but for that of the world as a whole. It is a paradigm in which an ample and convenient goods and services do not have sole priority, as has been the case for many in the post-World War II generation.

A new breed of consumers has arrived - a population concerned about human rights, fair trade, the environment, sustainable practices, and spiritual and personal development. The marketplace must understand that these consumers want to integrate their values with the products and services they buy and use.

Demographers, market researchers and industry leaders have coined many terms in the ongoing attempt to define and categorize the swell of interest in living a more sustainable lifestyle. The grocery industry, for example, has employed what it terms "whole-health marketing." This tactic calls for marketing together once-separate departments such as pharmacy, dietary supplements, natural medicines, organic foods, personal care products and fitness supplies to appeal to the consumer looking to support a healthier overall lifestyle.

"Socially responsible business" is another phrase often used to describe companies that produce goods and services that address sustainable lifestyle issues, from alternative energy to organic gardening supplies. The fact is that the paradigm shift to sustainability encompasses a broad cross section of industry. To further define the market for sustainable and healthy products, Natural Business Communications, publisher of Natural Business and LOHAS Journal, has adapted a new term-Lifestyles of Health and Sustainability (LOHAS). The LOHAS market comprises a variety of industries now participating in a marketplace driven by demand for sustainability.

LOHAS is based on the words sustainable and healthy, yet defining these words is not simple. There are dozens of conceptions and perceptions about each, and none are authoritatively defined by law either by the Federal Trade Commission or the Food and Drug Administration. In general, "sustainable," when referenced to goods and services, refers to the manner in which they are grown, produced, sold and

consumed, and to whether those processes are done in a way that can be repeated over time without degradation, depletion or injury to humans, the Earth or its resources. The natural and organic products industry has long referred to "healthy" products as those that promote human health. These are "whole" foods as close to their original state in nature as possible-meaning they are minimally processed and free of artificial fillers, dyes or preservatives. "Healthy" for hard goods means that such products would be used to build, improve and sustain the health of humans, animals and the planet.

Defining the LOHAS Market

It's important to understand two things about the LOHAS marketplace:

1. LOHAS comprises diverse industries, for example, building materials, organic foods, alternative health care and personal development/improvement products such as yoga tapes.
2. LOHAS operates on the principle that these products and industries are related to a specific set of consumers.

While LOHAS is a new view of the sustainable marketplace, the industries that comprise LOHAS have been in existence for some time. Sales figures and consumer demographics exist for some but not all LOHAS industries. However, national studies of consumer trends and demographics present ample evidence of a growing, thriving demand for sustainable products.

The LOHAS Market Consists of Five Key Market Segments

Sustainable Economy

Healthy Lifestyles

Personal Development

Alternative Healthcare

Ecological Lifestyles.

Together these five segments represent an estimated \$230 billion U.S. market and a \$546 billion market worldwide. Within each of these five segments exist many more specific categories of business.

Vast Opportunities for LOHAS Businesses

The evolution of the marketing of sustainable goods and services is rapidly occurring in some industries. The natural foods industry presents a good example of the cross-marketing opportunities available to LOHAS businesses. Much of the research on consumers of natural and organic foods shows that they are also users

of alternative health care and ecological goods and services and that they support manufacturers that comply with fair and socially just principles of trade.

Throughout the United States the major natural foods supermarkets, such as Whole Foods Market and Wild Oats Markets-and many mainstream food supermarkets-are taking a macro view of health, stepping beyond their traditional services to meet consumer demands for a more encompassing approach to health. These stores are incorporating health-food restaurants, health clinics with an emphasis on alternative therapies, natural home centers featuring natural goods such as nonparaffin candles and organic fiber products, massage centers and day spas, in-house nutritionists, and even eco-vacation planning.

The LOHAS numbers show that an enormous consumer market exists for sustainable and healthy products. The research shows that many industries are participating in the production of sustainable goods, and it stands to reason that there are common consumers among many of these industries. And it again stands to reason that when targeting common consumers, there are multiple ways to co-market across industries to reach new consumers for a specific industry and to give existing consumers a smorgasbord of product and delivery options. Natural products consumers, for example, like to support companies, whether or not they make or sell natural products, that engage in social-cause marketing or that support indigenous people in creating sustainable and profitable economic systems.

The challenge for businesses, therefore, is to:

Identify the consumer for LOHAS products and services;

Explore opportunities to align with other sustainable and healthy industries and to work together to expand the overall market for sustainable and healthy living goods and services through co-marketing and business-to-business trade;

Understand the values that drive the consumer to purchase LOHAS goods;

Meet the complex demands for LOHAS products and services.

Who Is the Consumer of LOHAS Goods and Services?

Anthropologist and sociologist Paul Ray, Ph.D., executive vice president of American LIVES, a research firm in Oakland, Calif., in 1994 began a lengthy and complicated national study of American values. Ray's research reshaped theories about American culture and revealed an emerging cultural phenomenon called the "Cultural Creatives"-a slice of the American population comprising 50 million persons or 26 percent of American adults.

Of the three major cultural groups Ray identified, the Cultural Creatives are the fastest growing and the most surprising. Ray found that essentially media and social analysts had failed for some time to recognize that issues popular in the 1960s, such as peace, ecology and human rights, had survived, taken root and

evolved to become governing principles for many people-the group Ray calls the Cultural Creatives. What is astounding is the speed with which the group appeared, moving from less than 4 percent of the population in the 1960s to more than 24 percent in the 1990s, a new record for such a population trend.

"The appearance of the Cultural Creatives in America is a very hopeful thing for our society, for it offers a chance to create a more positive new culture," Ray says in the February 1997 issue of *American Demographics*. "Business can play a major role in that cultural development and operate at the leading edge of many consumer markets by catering to the new values."

For all their strength in numbers, however, Cultural Creatives feel under-represented and misunderstood by media, leaders and institutions. This causes Cultural Creatives to believe they are isolated in their values. As a result, they may not express their opinions outside of their most closely knit groups, and this, says Co-op America-a business advocacy group for sustainable goods based in Washington, D.C.-may lead industry to view the sustainable marketplace as being much smaller than it really is. Other research firms have also found statistics that pinpoint a groundswell of consumers interested in products that reflect their values for lifestyles of health and sustainability.

Consider these market statistics: HealthFocus, a research firm in Des Moines, Iowa, reports that 61 percent of Americans have visited a natural foods store in the past year, and 12 percent shop these stores at least every two weeks. Also, the percentage of shoppers who occasionally patronize natural foods stores increased from 33 percent in 1994 to 40 percent in 1998. Sixty-nine percent of Americans used some form of complementary and/or alternative medicine in the last year, according to a recent Stanford University study. Social investing grew from \$639 billion to \$1.2 trillion in two years, according to the Hartman Group in Bellevue, Wash. The hemp industry is projected to grow to \$600 million by 2002 and to \$1 billion by 2005, according to the North American Industrial Hemp Council, based in Madison, Wis. (Hemp is used in everything from health foods to car parts.)

When price and quality are equal, 76 percent of consumers would switch brands or retailers if a company were associated with a good cause, according to Ray. Fifty-nine percent of Americans would like to change their investment to support environmental concerns, according to Kaagan Research Associates. Eighty-four percent of Americans would pay more for clothing not made in sweatshops or by using child labor, according to Social Investment Forum Report, November 1999. One dollar in every \$8 invested in the United States is now passing through some sort of social screen, according to Co-op America. A study by the Washington-based Travel Industry Association of America shows 85 percent of travelers would stay at "environmentally friendly" hotels if given a choice. Fifty-two percent of Americans

are very interested in buying green products, according to research by The Hartman Group measuring consumers' familiarity with environmental issues and the importance they place on those issues. If Ray is correct in his theory that the Cultural Creatives, because of their perception of isolation, have not yet coalesced into a community that exerts its collective power on the social, economic and political stages, we will truly face a most remarkable cultural shift in the near future.