

# What's driving the next generation of green products?

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If you purchased a Toyota Prius, you may have been driven by the desire to conserve the environment or to save yourself some money at the gas pump. But consumers may also choose to buy sustainable products to make themselves appear socially responsible to others. Before making purchases, they evaluate how their decisions will stack up against their peers', according to a new study.

The study, "Social Responsibility and Product Innovation," forthcoming in *Marketing Science*, examines how understanding this phenomenon, known as "conspicuous conservation," may help leading companies shape their product innovation strategies, especially in ubiquitous product categories such as cars.

"The design of the Prius is easily noticed by other people on the road, and consumers care about that. The value that I get from driving a Prius may depend upon how many other people in my social circle are also driving environmentally friendly cars. The value is higher if I'm the only one," says Ganesh Iyer, a professor in the Marketing Group at UC Berkeley's Haas School of Business, and one of the study's authors. "Conversely, if an individual is the only one in his or her [social circle](#) who is driving a gas-guzzler, there will be pressure to conform."

The paper is co-authored by David Soberman of the University of Toronto's Rotman School of Management.

Refraining from buying a product that damages the environment can

generate social value for consumers. This need by consumers to measure up to their peers—a concept called [social comparison](#) preference—can provide marketers with valuable insights about how they can enhance the desirability of their products.

"We are trying to capture this issue of social comparison in markets, which is important for visible products like cars and clothing," says Iyer. "Making a product better on a social or environmental dimension is not the same as simply improving its quality, it is about leveraging social comparison preferences."

The researchers developed a model linking the R&D decisions of firms to the interplay of consumers' social comparison preferences (their need to stack up) and how much they are willing to pay. The analysis shows that social comparison can provide incentive for a company to develop innovations in sustainability when the product category is mature and most consumers are already users of that category. In the case of the Prius, for example, most consumers already drive.

Heightened media attention also helps green products become more socially valuable, according to the research. For instance, as the media focused more and more on the effect of palm oil production on deforestation, many consumer product companies started producing palm-oil free products.

The paper also cites Levi's Water Less jeans and Clorox's Green Works cleaners as examples of innovative products developed to respond to consumers' social preferences. Levi's spent three years developing a process to create denim that requires less water and fewer chemicals to produce, and Clorox spent over \$20M to produce eco-friendly, natural cleaning products.

The research study's findings, says Iyer, underscore the value for

companies to understand their [consumers'](#) preferences with respect to [social responsibility](#) and to use that understanding in determining long-term innovation and product strategies.

Provided by University of California - Berkeley

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