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Special Investigative Report
THE TRUTH ABOUT ONLINE UNIVERSITIES



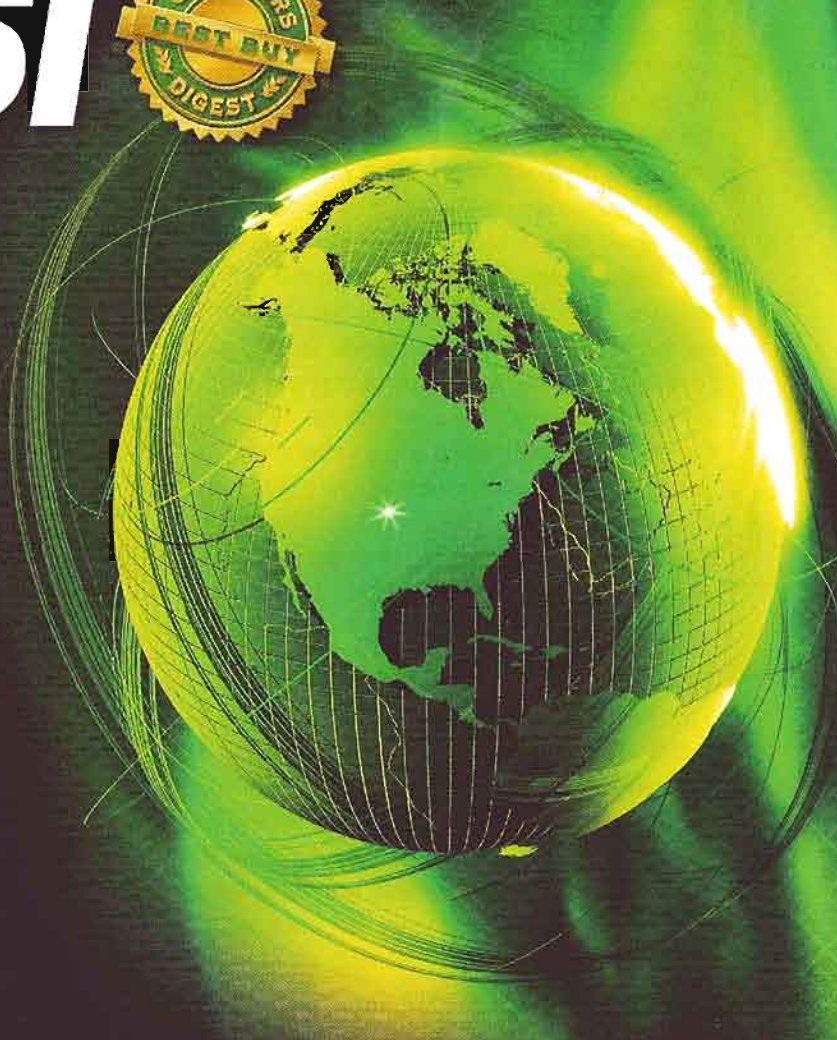
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INSIDE AMERICA'S GREEN MACHINE

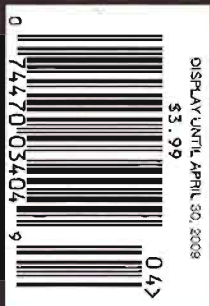
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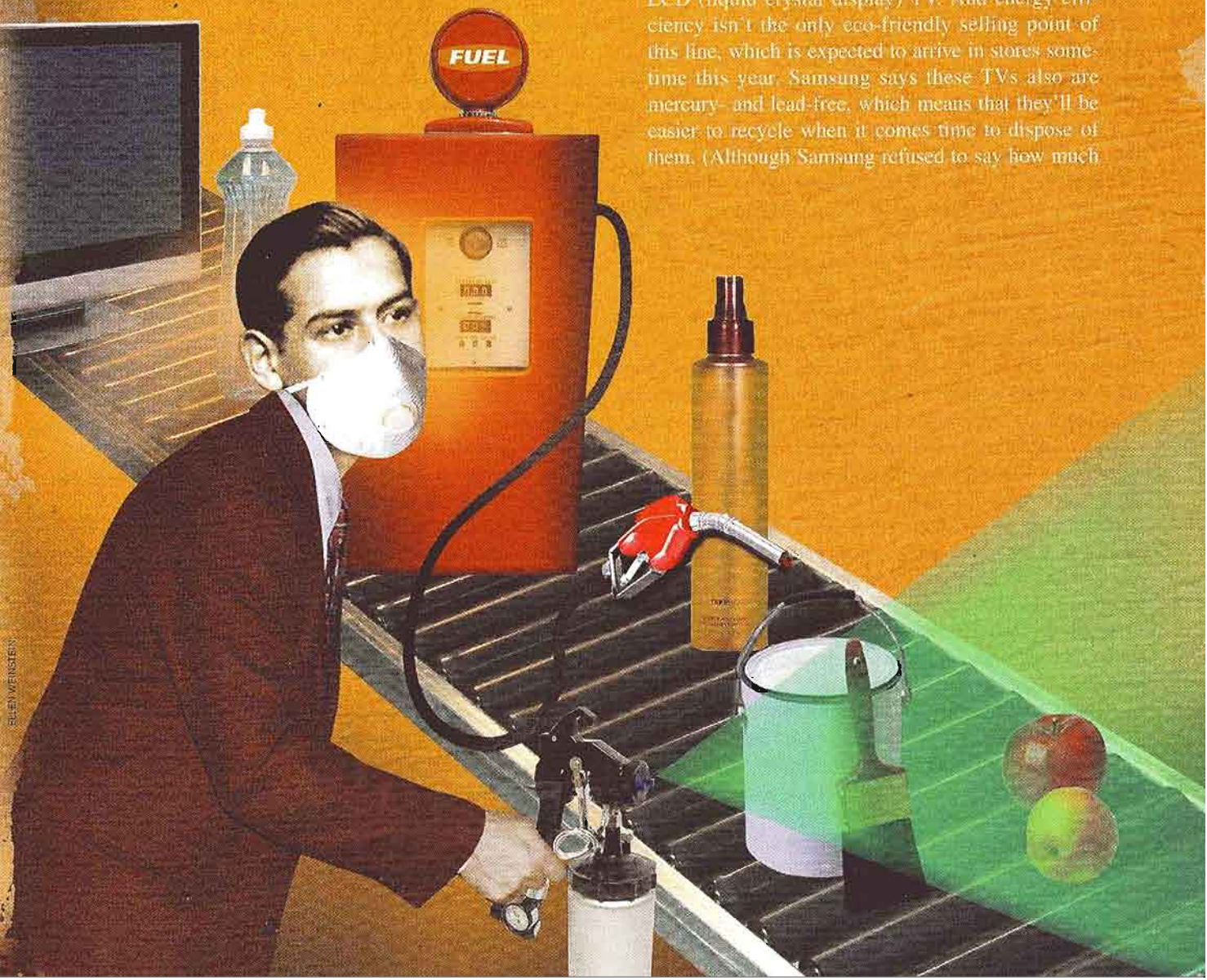
Inside America's GREEN MACHINE

Eco-friendly products aren't going away. If anything, they should become more widespread in these tough economic times. But changes are afoot. Corporations increasingly are getting into the green game, and profitability remains the priority. Consequently, claims can be misleading. We take a look at the greening of consumer products and how this will affect your wallet.

By Linda Baker

At the 2009 Consumer Electronics Show (CES) this past January in Las Vegas, "green" was the color of choice for almost every manufacturer, particularly those that sell power-draining flat-panel televisions.

All of the major manufacturers unveiled new models that promise to deliver significant improvements in efficiency. Samsung introduced a line of flat-panel LED (light-emitting diode) TVs that it claims will use 40 percent less energy than a typical LCD (liquid crystal display) TV. And energy efficiency isn't the only eco-friendly selling point of this line, which is expected to arrive in stores sometime this year. Samsung says these TVs also are mercury- and lead-free, which means that they'll be easier to recycle when it comes time to dispose of them. (Although Samsung refused to say how much





Clorox is smart to make a grab at a piece of the nascent "natural" household-products segment. Of course, there's untapped sales potential to go after. Plus, it paints itself as "green" in the process, even though a great majority of its products contain toxic chlorine.

these TVs will cost when they arrive, because they carry the company's top-of-the-line technology, you can bet that they won't be economy-price models.)

As the United States slides deeper into a recession, you might think that manufacturers would be reluctant to introduce green-product lines that typically carry a large markup (20 percent to 100 percent) over traditional lines. On the contrary, even in tough times manufacturers are pushing to get into the business of selling eco-friendly goods and services.

"Everyone is falling all over themselves to show who is the greenest," says Tatjana Meerman, publisher of Packaged Facts, a market research firm. "I go to the store and am just astonished at the number of 'green' products I see."

Green Means Go. To be certain, especially during a tough economic environment, green would appear to be a luxury for many people. After all, it's one thing to save the planet when you have money to spare, but it's quite another thing when you're trying to make ends meet. Although the industry analysts, green marketers, environmentalists and academics whom we interviewed warn us that anything could happen in these tough economic times, the consensus is that green products will not fare worse than their conventional counterparts. In fact in some cases, green is becoming the default choice. Energy-efficient products are the norm, and washers, refrigerators and cars that are less efficient are becoming relics. In other words, the products that you buy are increasingly more environmentally friendly than ever before, even if they aren't designated as *green*.

"There are several times in history where environmental issues have come to the forefront," says Ed Stafford, a professor of marketing at Utah State University. "But this time, green is here to stay." What's different now, Stafford adds, is that everyone is on the green bandwagon—consumers, government, industry and nonprofits all have taken an interest in promoting or buying green products. Before, the push wasn't

as unified, so green quickly recessed into sparse niches.

That isn't to say that the market for green products is flying high. For example, the sales of organically grown foods had increased an average of 18.7 percent a year since 1997, but that growth slowed to 4 percent from October 2007 to October 2008, according to Nielsen Co. Sales of hybrid vehicles, which had expanded by more than 50 percent each year since 2005, increased a scant 0.4 percent in 2008, according to market research firm Mintel.

However, many green-product categories are growing faster than their conventional counterparts, according to data from several market research firms. (See

"Products Bring in the Green," page 36.) Recent salmonella scares, stories about *E. coli*, and concerns about pesticides in conventional foods and toxic chemicals in personal-care products, such as lotion, shampoo and soap, are shoring up sales of organic food and driving the booming green personal-care and household-products sector, Meerman says.

We agree that many green products—especially those that are energy-efficient—can provide cost benefits for you. But often it takes time for the savings from such products to balance out the higher upfront costs. For example, replacing old windows in your home with those that are Energy Star-rated costs about \$4,000 and reduces your average utility bill by \$25 a month. That means that it would take more than 13 years for you to recoup your costs.

Still, homeowners seem prepared to wait. An American Institute of Architects (AIA) survey in the winter of 2008-2009 found that energy-efficient products and systems are preferred by new homebuyers despite their price premiums.

"Initially, we thought the recession was going to kill green," says Mathew Tinder, an AIA spokesperson. But rising utility prices are changing that thinking. "It's about a lifestyle that can save people money," he says.

The auto industry was moving in a green direction anyway, but the fallout from the Big Three's implosion late last year and a new rule by President Barack Obama should give the industry a bigger push. On Jan. 26, Obama issued an order that would allow states to set their own emissions standards, which means that automakers would have to meet the standards set by California and 13 other states. This also should—in effect—result in improved vehicle fuel efficiency, adding to the green quotient of the order. However, at press time, several industry groups have threatened to fight the imposition of the state laws, and they warn that it could add up to \$3,000 to the price tag of a car, so the ultimate outcome is uncertain. But a report by IBM Institute for Business Value in August 2008 concluded that all automobiles will run on some

type of hybrid power by 2020.

"There is a persistent sector of the car market who likes power, size, mass and muscle, but those parts of the market have been shedding rapidly," says John M. DeCicco of Environmental Defense Fund (EDF). "The new value center is green, and the current economic problem doesn't mean much except it might help the trend along a little more."

Big Kids Move In. In one of the biggest product rollouts of 2008, consumer-products giant Clorox introduced Green Works, a line of green household cleaners. Now the biggest selling brand of eco-friendly household cleaner, Green Works helped to double the size of the nascent natural cleaning-products market to a little more than \$200 million over the past 12 months. Green Works, which costs about 20 percent more than conventional cleaners, now commands 42 percent of the market for natural cleaners.

Green Works is part of the ongoing mainstreaming of green—a trend whereby companies launch or acquire green brands and reap huge profits in a still-small marketplace, says Gifford Pinchot, founder of Bainbridge Graduate Institute, a sustainable-business graduate school program.

Recent newcomers include Colgate-Palmolive, which purchased natural toothpaste-maker Tom's of Maine 2 years ago. Last year, Burt's Bees, known for its beeswax skin-care line, was bought by Clorox. Also, Coca-Cola now owns Odwalla Organic Juices, which makes organic fruit and vegetable juices, and General Mills owns Cascadian Farms, which makes organic yogurt and granola. As a result, big corporations now are the driving force behind green.

"Most of the green pioneers have been bought up by big companies," Pinchot says. "They take the brand, extend it through more-robust distribution systems and instantly cash in." Even big green companies are starting to feel the heat from larger corporations. The stock price of gourmet organic retailer Whole Foods hit a 7-year low in late October, while the sales of organic foods at retail

SINS GET (GREEN) WASHED AWAY

We spoke with experts about the worst offenders of *greenwashing*, misleading marketing of "green" products, and some new *greenwashing* trends. Here is what they tell us:

- Many companies hype genuine improvements that nevertheless mask deeper environmental problems, says Mike Brune, executive director of Rainforest Network, a San Francisco-based environmental group. For example, Citigroup promotes its green lending program, which invests in wind and solar projects around the world. "At the same time, [for] every dollar Citigroup invests in alternative energy, it puts another \$20 into coal and oil," Brune says.

- Ford ads tout its state-of-the-art River Rouge manufacturing plant in Michigan, a \$2 billion operation that features abundant use of natural light, an *eco-roof* (plants on the roof to clean air and absorb rainwater) and a rainwater treatment facility that cleans wastewater. At the same time, Ford's best selling vehicle, the F-150, gets only 16 mpg. "It's like putting organic filters on cigarettes," Brune says. Ford also is one of several automakers that is trying to block California and 13 other states from limiting greenhouse gas emissions in vehicles.

- Last fall, Chevron Oil launched a new "Will you join us?" ad campaign that features portraits of individuals that are accompanied by do-gooder captions, such as: "I will leave my car at home more; I will turn off the lights."

"It's a basic green-education campaign, but it's just passing the buck," says Kert Davies, research director for Greenpeace USA. As Davies points out, Chevron is one of the major forces behind the "drill, baby, drill" lobbying campaign to open up U.S. wilderness areas to oil drilling.

- Personal-care companies often use vague, meaningless or unsubstantiated green terminology. Environmental Working Group (EWG) singles out Badger and Keys soap—both of which claim to be "chemical-free"—a term that is so broad that it has no meaning. EO hand sanitizer claims to include "organic" alcohol but doesn't define what is meant by organic. Modern Organic Products, a hair-care company, has 22 products that are listed as hazardous by EWG, because the products, which range from conditioner to styling gel, contain toxic ingredients.

- Luxury green products—think hybrid SUVs—are an oxymoron. For example, the hybrid Cadillac Escalade gets 20 mpg, which is better than the regular version (16 mpg) but still below federal average gas-mileage standards. "That's marginal, not green," says Ed Stafford, a professor of marketing at Utah State University.

- Finally, even the good guys can be found wanting. Sierra Club, which is known for its support of environmental issues, endorsed consumer-products giant Clorox's new Green Works line of household cleaners. The environmental group received an undisclosed sum of money in return. Although many groups work with businesses to improve corporate sustainability practices, this was the first time an environmental group endorsed a product for money. Apart from the ethical issues surrounding a nonprofit endorsement of a consumer product, we don't believe that Sierra Club should endorse a conglomerate that markets toxic chlorine products.

Does Chevron hope that ads like this will make consumers forget or overlook the oil giant's lobbying to open up U.S. wilderness to drilling?

I will leave the car at home more.

And we will too.

The world is changing. How we use energy today cannot be how we'll use it tomorrow. It's time we all took action.

As an energy company, we at Chevron believe that energy saved is energy found. So we have implemented programs to inspire our employees and others to leave their cars at home to conserve fuel, and we're investing \$45 million more of it into wind and solar power. 25,000 gallons a month each month. In fact, at our largest US office, over 50 percent of us are using walk, bike, train, bus, and finding other ways to get to and from work more efficiently.

Just one of the most important effects of our time—steadiness.

Will you?

Learn more at www.joinus.com.

giant Wal-Mart and warehouse club Costco increased.

This development certainly will affect you when it comes to green products. First, it means that green versions of various household products should be easier to buy, because big consumer-products companies can use their clout to get retailers to devote more shelf space to their green products. Second, it could mean lower prices on green products, because larger retailers still can profit by generating a larger number of sales transactions. Finally, larger companies also have more advertising dollars to spend, which means that they can plant the green concept in your mind more easily.

But that doesn't mean that you should let down your guard and merely accept any green product at face value. If anything you should be even more vigilant, because there are plenty of companies that care more about their bottom lines than the environment.

Pinchot says there is a concern that big companies will dilute the meaning of eco-friendly products, in part because the notion of mass production and distribution is heresy to the radical green buyer who values small, local companies. Overall, Pinchot thinks that mainstreaming will expand the green marketplace. But he also says mainstreaming will prompt the com-

mitted green consumer to seek out new sources of green and set in motion even more-advanced green manufacturing trends.

In the absence of government standards or comprehensive education campaigns, companies are finding it very easy to get away with greenwashing.

Changing Message. If the recession isn't going to kill green, it is going to affect the pitch that you'll hear. Experts tell us that marketing will—believe it or not—downplay the environmental benefits of green products. Why? To appeal to more consumers.

"Most consumers today aren't buying green because they want to save the planet," says Suzanne Shelton, president and CEO of Shelton Group, a green environmental ad agency that also conducts annual consumer surveys on green purchasing decisions. Instead, consumers buy because they are more interested in the cost benefits, health benefits and convenience of eco-friendly purchases, Shelton says, citing her company's survey results.

So, ads will target health and safety. For example, household cleaners and natural personal-care products might tout

"Green" Brings in the Green

Sales figures and forecasts of "green" products in a number of consumer sectors tell the story about how green continues to produce revenues even amid today's tough economic times:

- According to retail tracking service NPD, sales of Energy Star-rated refrigerators increased 13 percent in the second quarter of 2008, compared with an 11 percent decline for less efficient refrigerators.
- Sales of Energy Star-rated washers, which have an average \$300 price premium over standard models, continue to grow—increasing 3 percent in the second quarter of 2008. Sales of non-energy-efficient models declined 12 percent during that time.
- Despite nominal growth of 0.4 percent in 2008, hybrid cars fared better than the conventional car market, which was down 11 percent last year.
- Nielsen estimates that by 2025 organics will account for as much as 27 percent of food pantries in U.S. households and that 68 percent of U.S. food companies will have one or more organic products.
- Sales of "natural" personal-care products rose 12.5 percent last year to \$465 million, according to market research firm Mintel. The agency estimates that sales will hit \$513 million this year.



the nontoxic ingredients in their products to appeal to consumer concerns about products that might trigger allergies and asthma. Green marketers will emphasize convenience by playing up the fact that, for example, compact fluorescent light bulbs need to be changed once every 5 years, she says.

"Consumers are saying: 'I buy compact fluorescent light bulbs because I get tired of screwing in light bulbs,'" Shelton says. "I bought a smaller hybrid car because I got tired of how expensive gas was. I recycle because I live in New Jersey, and they'll fine me if I don't."

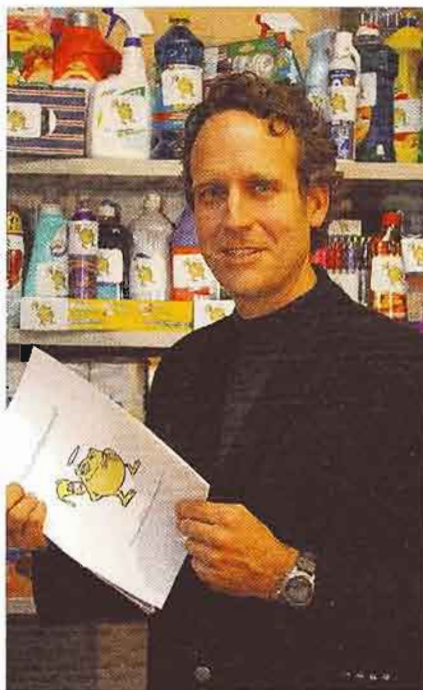
Manufacturers already are making that shift. Gray Uhl of American Standard, a maker of bathroom and kitchen plumbing fixtures, says his company's online Water Sense calculator shows how much water you use and how much water-saving appliances can reduce that usage. TV manufacturers at CES did the same thing, although they didn't translate their information into how much money you'd save on your electric bill.

But getting benefits from green products beyond a do-gooder feeling primarily depends on your understanding of the big picture—"where your water comes from, where your electricity [comes from], the nature of different chemicals," says Kevin Tuerff, principal of EnviroMedia Social Marketing. In the absence of government standards or comprehensive education campaigns that explain those issues, "companies are finding it very easy to get away with greenwashing," he adds.

Listen to the Music. *Greenwashing* is when a company makes an environmental claim either about its products or its operations that is at best designed to mislead you about the company's environmental record and at worst false.

Legitimate green marketing should fit in with a company's overall mission, says Cathy Hartman, a marketing professor at Utah State University. She notes that ice cream-makers Ben & Jerry's now promotes the company's "climate-safe" refrigerants, which are common in Europe but new to the United States. That's acceptable because of the company's track record of environmental activism. "It fits with Ben & Jerry's socially responsible business model," she says. "It's not just a gimmick."

Scot Case, of TerraChoice Environmental Marketing, says green-marketing claims should include proof of the company's assertions and should be backed by eco-friendly practices throughout the company's manufacturing and distribution processes. Take Clorox's Green Works, for example. Green Works products are a step in the right direction, says



As president of TerraChoice Environmental Marketing, Scott McDougall knows *greenwashing* when he sees it. As part of what his firm does—help companies turn their environmental efforts into successful marketing tools—he evaluates products on the market for “green” legitimacy. Here McDougall stands in front of some of the hundreds of products that his firm found guilty of committing one of the “Six Sins of Greenwashing,” which includes hidden trade-offs, no proof, vagueness and false claims of certification.

Sonya Lunder, who follows toxics and health issues for Environmental Working Group, a nonprofit research organization. But what about the 99 percent of Clorox's products that aren't green? Almost all are manufactured with chlorine, a toxic chemical that can cause skin irritations and breathing problems. Manufacturing chlorine is considered dangerous and can result in the production of other toxic chemicals.

"Consumers should ask themselves: Is the company genuinely interested in environmental transformation?" says Mike Brune, executive director of Rainforest Network, a San Francisco-based environmental group. "Or is it about selling one green product?"

According to Case's 2007 report, "Six Sins of Greenwashing," the majority of environmental-marketing claims in North America are "inaccurate, inappropriate or unsubstantiated." Using guidelines from Environmental Protection Agency and Federal Trade Commission, he concludes that out of more than 1,000 products he reviewed, all but one are "either demonstrably false or risk misleading intended audiences." In other words, almost everyone greenwashes to some degree—at least as of 2 years ago. (Case is updating his report, which is expected out in mid-March.)

More companies recognize the market value of green, Brune says, but rather than truly become green, many are just changing their marketing message to make them appear more environmentally friendly than they are.

The biggest polluters—the energy and the automobile sectors—are the biggest greenwashers, he says. A close third is the "completely unregulated" personal-care industry, says Heidi Siegelbaum, a member of American Public Media's "Greenwashing Brigade" and an advocate of sustainable tourism. At press time, at least four lawsuits that challenge the green claims of personal-care companies were pending. The suits allege that some products that are labeled as *natural* and *organic* contain synthetic and sometimes dangerous chemicals. A suit filed by California, for example, alleges that Avalon Organics products contain 1,4-Dioxane, which is a carcinogen.

A lack of green-marketing regulation is part of the problem. FTC developed a set of green-marketing guidelines, but it hasn't been updated since 1998. Last summer, FTC held hearings to update those guidelines, but as of press time the agency doesn't have an enforcement budget, which means that violators aren't likely to suffer any consequences. FTC hopes that the Obama administration will provide it with the necessary funds.



Wal-Mart's launch of organic produce and baby clothing served as the clearest indication yet that consumers will find "green" products available far more widely than ever. It could mean lower prices, too, for the goods. It almost certainly means that more green ad messages will enter your consciousness.

"I'm not optimistic that the new guidelines will have teeth," Tuerff says. "The number of times the FTC has actually enforced the guidelines since 1990 is really small, like less than ten times."

Capitol Green. According to Stafford, who studies renewable-energy marketing, the recession will accelerate the development of green-friendly legislation. These laws primarily will affect cars and energy-efficient appliances and will encourage businesses to roll out greener product lines.

The government bailout of the auto industry targets the development of fuel-efficient cars. The Obama administration is making improved fuel efficiency one of the criteria for U.S. automakers to receive federal funds. And as part of the \$700 billion financial-industry bailout, Congress included a package of green tax credits for homeowners. It includes up to \$300 for heating and cooling appliances, such as high-efficiency gas heaters; a 10 percent credit for insulation, doors and windows that meet energy-efficiency standards; and 30 percent of the cost, up to \$2,000, if you have solar-powered hot water or electricity.

Such subsidies are making green accessible to a broader swath of consumers. But at press time the biggest federal intervention on green is yet to come. The Obama administration plans this year to start investing \$150 billion in renewable energy and green jobs as part of its economic stimulus plan that was under discussion at press time, and it promises more rebates and tax credits for consumers who purchase en-

vironmentally friendly products. At press time, the bill's fate and final form were uncertain.

However, those incentives could be just a ripple in the ocean compared with the splash that might occur if federal climate change policies—the real game-changer—are implemented. The result could be that prices on all products—green or not—will rise enormously. Citing research conducted by EDF, Tuerff says Obama's plan to impose a cap on carbon emissions from major polluters is expected to result in as much as a 44 percent increase in electricity costs.

"Those costs will be passed on to the consumer," Tuerff says. "When that happens, it's going to be unlike anything this country has ever seen." California will be a test case. In December 2008, the state became the first in the nation to impose a carbon cap on major industries. It will go into effect this year, but how soon we'll see any signs of massive price increases is unknown.

Rising Tide. An influx of green products is leading to what Siegelbaum describes as "chaos in the marketplace"—an un-

regulated mishmash of consumer items that might or might not have anything to do with environmental health and safety. For example, the use of the term *organic* on personal-care products, such as lotion, shampoo and toothpaste, is not regulated the way that it is with food products. According to Organic Consumers Association, unless the product is Department of Agriculture-certified as organic, the main ingredients in most organic natural-care products are just conventionally grown herbs and plants that are combined with petrochemicals. "It's a massive regulatory failure," Siegelbaum says.

The green marketplace has two faces. On the one hand, the greening of industry is a legitimate long-term movement that will reduce your environmental impact and lower your monthly expenses if you are willing to pay the higher upfront costs. On the other hand, this burgeoning green marketplace, which is increasingly dominated by big corporations that are perhaps more interested in the bottom line than the environment, contains few safeguards about the health, safety and environmental effect of these products for those who are interested in reducing their environmental impact and living a healthier lifestyle.

It's uncertain which face will reveal itself in the end, but the outcome could determine how we look at green down the road—fondly or with dread. ■

Freelance journalist Linda Baker also investigated carbon offsets and the eyeglasses industry for Consumers Digest. Her work appears in Christian Science Monitor, Metropolis and The New York Times.