

SERVING THE CLIMATE-CHANGE-CONSCIOUS CONSUMER

SUMMARY REPORT BASED ON CONSUMER RESEARCH IN THE UK AND U.S.

Commissioned by

THE °CLIMATE GROUP



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HIGHLIGHTS

28% of consumers in the UK, and 19% in the U.S., are 'strongly concerned' about climate change. This group shows a latent demand for products, services and brands that would allow people to reflect their climate-change concern in their spending. Consumers are largely unaware of the options available today. Once informed they are positive, and are amazed by what is affordable.

The barriers that keep the demand latent go beyond awareness. Consumers reveal active suspicions as well as more passive inertia, which today's propositions do not address.

Consumer brands are uniquely placed to help consumers remove these barriers. Consumer brands have critical roles to play as educators, leaders, facilitators, contributors and marketers.

Individual consumers may have different sustainability agendas from the companies that serve them. A new partnership is needed between corporate social responsibility and marketing communities to reconcile a company's own responsibility initiatives with its consumers' aspirations for carbon-responsible spending.

As concern about climate change grows, how will it affect people's behaviour as consumers? Is there such a thing as the climate-change-conscious consumer? If so, what should consumer brands be thinking about in preparing to serve them?

STRONG LATENT DEMAND

A substantial proportion of the population – 28% in the UK and 19% in the U.S. – say they 'feel very strongly about global warming.' Within this group, our research revealed strong latent demand for climate-change-conscious consumption.

HIGH AWARENESS OF PROBLEM, LOW AWARENESS OF SOLUTIONS

Awareness and concern about climate change are widespread. People's awareness is built up by news coverage, what their children learn in school, and their own experience and interpretation of extreme weather. The concern that people express is strong, but it is often beneath the surface. However big the dangers of climate change are, they are seen to be distant both in time and in mind. Climate change is important, but it does not feel urgent.

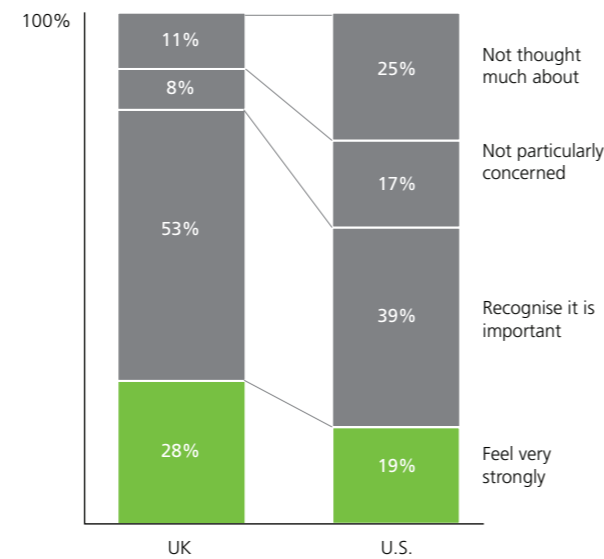
Despite this distance, people feel inclined to take some responsibility, especially those with children, 'because you want to protect them'. Some draw an analogy with recycling, which is the dominant way that they 'do their bit' today. But in terms of personal actions, they do not know what the analogy would be. 'How do you know how to do your bit towards global warming really?'

POSITIVE REACTION TO AFFORDABLE SOLUTIONS

When presented with answers to this question, from low-emission products to carbon offset programmes, the response was positive. Many people are ready to take climate concerns into consideration, and would select climate-responsible options if offered, all else being equal.

This does not translate into a willingness to pay a big premium. What makes the opportunity real is that people don't have to pay a big premium. The cost of offsetting emissions, for example, to make a product or service carbon-neutral, is a small fraction of what consumers guess if asked. Offsetting the average mileage in a family car costs around £30 or \$50 per year, vs. guesses of around £1,000. Consumers are able to put this in perspective: 'To do 12,000 miles is probably £1,500 to £2,000 a year on petrol; £30 in the context of that is nothing.' For lower-carbon categories, consumers are ready to consider offsets built into the product choice: 'Knowing that Sony did that rather than Philips would make me look at Sony TVs first.'

HOW CONCERNED ARE YOU ABOUT GLOBAL WARMING?



Source: Lippincott Mercer/GfK. N=1000. May/June 2006

Consumers are concerned, but their concern is not 'activated':

It's the biggest issue in society. – London

We are starting to see the results of global warming, so it kind of freaks you out. How can you not pay attention? – Boston

Our kids' children are going to be severely affected and probably not be able to go outside. – Boston

It's a bit like poverty, disease and starvation: you can feel very deeply at times, but you can't go around thinking about disasters all the time because you'd go nuts. – London

I do recycling at home and feel I can make a difference; but with global warming I don't know what I can do. – London

On being told that the cost of offsetting driving a family car is £30 per year, vs. guesses of around £1,000:

That's nothing.

That's absolutely staggering.

A ridiculously small amount.

What's great about that, it's do-able.

I'd contribute double then.

It would be a seriously odd person who wouldn't pay that.

Sign me up! That means a couple of nights less down at the bar. That's fine.

With such enthusiasm, why is the demand only latent? Our research identified five barriers. For each, there is a clear role that consumer brands can play. While some companies are contributing in selective roles today, there is an opportunity even for those companies to review their profile across the five roles, and ask if they are fully exploiting the opportunity or providing the leadership they could.

BARRIERS TO OVERCOME

KNOWLEDGE

Consumers' explanations of why the climate is changing are sometimes good, but sometimes non-specific and confused. 'Ice caps are melting,' with no explanation why. At the extreme, 'We're getting nearer the sun.'

People attribute climate change to environmental issues in general, with little focus on fossil fuels. 'Something to do with CO₂ - I couldn't quite work it out.' In the U.S., the ozone layer is often cited.

As a result, consumers spread blame liberally, with little guidance for action. 'Modern life.' 'Throwaway society.' 'Big company greed and exploitation.'

DIRECTION

People feel powerless regarding climate change. They want to depend on someone – the government or companies – but they don't have role models that they trust enough to follow.

'Our political leaders are not focusing on issues as they should be.' 'Companies will only do stuff if it's in their interest and if they are forced by public pressure or law. Companies don't do things unless they have to.'

CONVENIENCE

Given the indirect need and lack of immediacy, ease of action is essential. As with recycling, making any action convenient and effortless for consumers makes a dramatic difference to take-up.

Today's offset propositions, for example, fail the convenience test: 'I'd need it to be easier.' 'Too unrealistic.' 'Too much work.'

FAIRNESS

People are strongly concerned about perceived fairness. They are happy to take a share of the responsibility, but not an unfair share, versus:

Business: 'This is a problem that they created.' 'They should pay out of their profits.'

Government: 'It is a tax, and people are taxed enough.'

Other consumers: 'I would feel like I was subsidising everyone else, and I would resent that.'

WEALTH

People are realistic about the difficulty of paying extra for climate responsibility. They recognise it may mount up: '[A £30 offset] sounds good for a car, but then you get to offsetting everything in your house... before long you will be paying £200 extra a year.' And they already feel stretched. 'Food is expensive enough already.' 'You're being punished for eating. I've got to eat.'

ROLES FOR CONSUMER BRANDS

EDUCATOR

Consumer brands can educate consumers to understand what they should be worried about, why they can and should act, and what they can usefully do.

Educators need to cater to different consumer objectives. Some people want to pay more to live their current life in a climate-responsible way: 'I do like the thought that, from a guilt point of view, I could pay to offset anything I've done; that's like going to see the priest.' Others would rather put effort into ways that contribute at no cost: 'You have to use less of a product – or not use it at all – if you think it's pernicious, rather than use it to the hilt and then pay a bit of guilt money.'

LEADER

Consumer brands can play different leadership roles depending on their objectives and legitimacy. They may invite consumers to follow them based on what they do themselves or what products they offer.

Tangible examples are essential; complete conversion is not. Consumers recognise Toyota as a leader because of its hybrid cars, although they are a small part of its business.

FACILITATOR

Consumer brands have a big role to play in making the desired behaviours easy to do – as they have done successfully with FairTrade.

'Easy' here means accessible, prompted, effortless and assured. As a consumer, I don't have to go somewhere else, ask, do an extra transaction, or scrutinise the details.

CONTRIBUTOR

Consumers expect their providers to share the burden. They proposed unprompted, for example, that for offsets, providers should match consumers' payments:

'If they match the offset for every person who paid it, that would be a big incentive.'

'It's like, they're contributing to [the problem], so they should be matching what I'm doing.'

'What about sharing the responsibility? If it's \$50, what about \$25 each? I'm fine with that.'

MARKETER

Marketers are needed to encourage consumers to pay cash for something with no intrinsic gratification. It sounds tough, but has many precedents, from FairTrade to insurance.

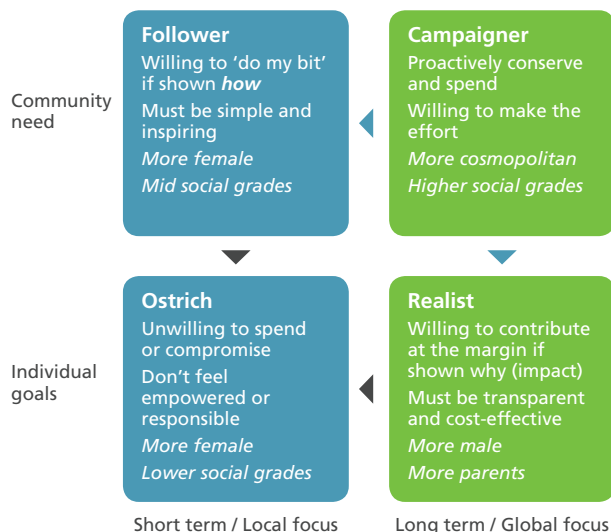
Segmented marketing is needed to distinguish between the 'followers', needing to be shown how, and the 'realists', needing to be shown why.

WHAT CONSUMERS WANT

Consumers reacted positively to the whole spectrum of carbon-responsible spending options, from using less of something, to choosing low-emission products, to offsetting, to choosing a carbon-responsible provider.

The balance of these options will vary both by category and by consumer. Beyond the 'campaigners' who are the early adopters ready to make the most effort, are groups with different priorities and behaviours. 'Followers' are willing to do their bit if shown how. As with recycling, they will make small compromises if convenient enough. 'Realists' are willing to contribute if shown why. For example, these are the people for whom offsets must be made transparent, with the impact clear.

Companies serving these consumers will have their own sustainability agendas, which will not always be aligned with the variety of consumer interests and preferences. Reconciling the CSR and consumer priorities will be critical to exploiting the potential of the climate-change-conscious consumer.



MESSAGES CONSUMERS WILL RESPOND TO

“ You can eliminate your contribution to climate change for much less than you think.
 You can reduce emissions and benefit at the same time.
 We can show you what you can do.
 We make it easy to do it.
 We do it with you.”

ABOUT THE RESEARCH

This summary report is based on focus-group research conducted in the UK and U.S. in May 2006 by Lippincott Mercer. A quantitative survey was used to calibrate the researched sample within the broader population. The research was commissioned by the The Climate Group and Clear Air Cool Planet, and funded by BSKyB. A version of this paper appears in the September 2006 issue of *Brand Strategy*.

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USING LESS OF...

People generally saw 'using less of' something as virtuous, rather than negative, and were relatively well informed of the practical options in each of the categories we explored (driving, food and television). However they have little basis for focusing where the greatest impact is. Often what is easiest to do, such as unplugging the phone charger, has relatively little impact. Canned foods were cited as a way to use less cold storage, but in practice this would be outweighed by the manufacturing energy in pre-cooking.

CHOOSING LOW-EMISSION PRODUCTS

People are very ready to consider low-emission products, if made available and communicated. (Nobody in our research knew, for example, the 2x difference in emissions between plasma and LCD televisions.) They will not generally pay a substantial premium. 'You could use better petrol – Unleaded Ultimate – but it's more expensive. It all comes down to costs.' Most attractive is when there is a dual benefit, as is perceived with buying locally produced food: 'It's doing two things. It's helping your body and the environment.'

OFFSETTING

Carbon offsets are unknown and poorly understood. If well designed and presented, the consumer proposition is very strong, but there is scepticism to be overcome. Offsets are far cheaper than people assume. For high-carbon categories this is a big attraction; for low-carbon categories it makes standalone offsets cumbersome (a £10 surcharge to offset the life of a £1,000 television), so the preference is to embed the offset in the product offer.

CHOOSING A CARBON-RESPONSIBLE PROVIDER

The biggest barrier today to consumers choosing a carbon-responsible provider is the lack of associations that people make. Asked to rank brands on their responsibility in this area, people drew on their knowledge of tangible examples from each brand on a broad range of social and environmental issues, with little focus on climate change itself.