

Consumers, Brands and Climate Change

Consumers are increasingly committed to tackling climate change, despite challenging economic times, and do not see any competition between climate change and the economy. The challenge now facing brands that seek to work with consumers on this issue is not whether consumers will support, but what they will support.

Executive summary

Our research, with 1,000 people in each of the U.S., UK and China, confirms an **increasingly receptive market** interested in what companies are doing to tackle climate change and still eager for them to do more. In the U.S. and UK, where we have year-on-year data, consumer commitment is rising significantly, and rejecters are a declining minority. An increasing majority are engaged *campaigners* and *optimists*, segments united in their common commitment to making changes to their lifestyle to help reduce climate change, but divided by their differing desires for rational and emotional benefits from doing so.

When asked to compare, consumers in all three markets rate climate change a lower concern than the global economy, but this is a false choice. They do not see the two as competing issues. The majority (63% in the U.S., 53% in the UK, 46% in China) think combating climate change will benefit the economy, while only 22%, 23% and 26% respectively think it will have a negative impact; and 58%, 52% and 67% believe that combating climate change will not personally cost them money. In any case, more prefer to contribute by changing their behavior and by spending extra time, than by spending extra money – a ranking consistent in every country and segment where we have conducted

similar research. As a result, consumer commitment to personally do something about climate change by making a significant effort in how they live their lives today is up 8%pts to 21% in the U.S. and 9%pts to 24% in the UK, despite 59% of people in the U.S. and 67% in the UK saying they feel financially worse off than last year.

Yet brands are **not connecting well** with this increasingly committed and diverse market. Most people – 65% in the U.S. and 66% in the UK – could not name a brand that they believe is taking the lead in tackling climate change, only a small improvement on last year (74% and 69% respectively).

Among consumers who can identify at least one climate change brand leader, the picture is surprisingly consistent with last year. *Consumers continue to be willing to give credit to perceived leaders from Big Manufacturing in the U.S. and China and Big Retail and Big Energy in the UK – sectors that can all make a massive impact, directly or indirectly, on carbon emissions – if those brand leaders can demonstrate and meaningful stance on climate change.* GE retains top spot in the U.S., Tesco heads the UK's ranking for the second year running, and Haier leads the new Chinese ranking.

The products, services and corporate stances most favoured by consumers are not always those they believe to be most effective in tackling climate change. Brands seeking to build greater connections with consumers on this issue will therefore need to consider carefully **how they can have the greatest impact**: promote 'big' all encompassing initiatives, or focus on tangible initiatives that consumers are ready to respond to today. In the UK, M&S' 'Plan A' is clearly succeeding with the first approach, and British Gas' focus on energy efficiency with the second. There is more than one answer, and it will be unique for every individual brand.

Consumers can be very sensitive to what others say about a brand, and particularly negative press criticism if claims are exposed as 'greenwash'. However, the reverse is also true: reading that a company was "a member of a campaign run by an independent charity, which gives people easy ways to fight climate change in their everyday lives" (based on The Climate Group's growing 'Together' campaign) lifted likelihood to buy or use a product or service by an average of 5%pts across the three markets.

Whichever route a brand decides to take, it must make sure the positioning is sustainable from the brand's own perspective.

Consumer demand for companies' help in tackling climate change has grown in the past year and has not been dented by economic gloom. So far companies' responses have not built deep loyalty and trust for brand leaders – nor strong brand ownership of specific responses.

The opportunity

A RECEPTIVE MARKET

This year's research again reveals strong consumer demand for innovative solutions that will help people reduce their impact on the climate. But this demand continues to be ahead of supply – so there remains a receptive and largely untapped market. Consumers' personal commitment has risen over the past year, as has the number of activities where they are now contributing. Perhaps surprisingly, the gloomy economic outlook has not dented this commitment and contribution – as consumers believe combating climate change will make a positive contribution to economic growth. They are asking businesses to provide solutions that will save them money, not cost extra – which clearly chimes with the times.

Consumers are less concerned about climate change than the economy in all three of the markets we surveyed this year (figure 1). They are also more concerned about social breakdown and violence in all markets, terrorism in the U.S. and UK, and natural disasters in China.

However, climate change and the economy are seen as strongly linked. The majority (63% in the U.S., 53% in the UK, 46% in China) see combating climate change as making a positive contribution to economic growth (figure 2).

Figure 2: The economy

Where do you best fit between the following pair of statements?

% of respondents

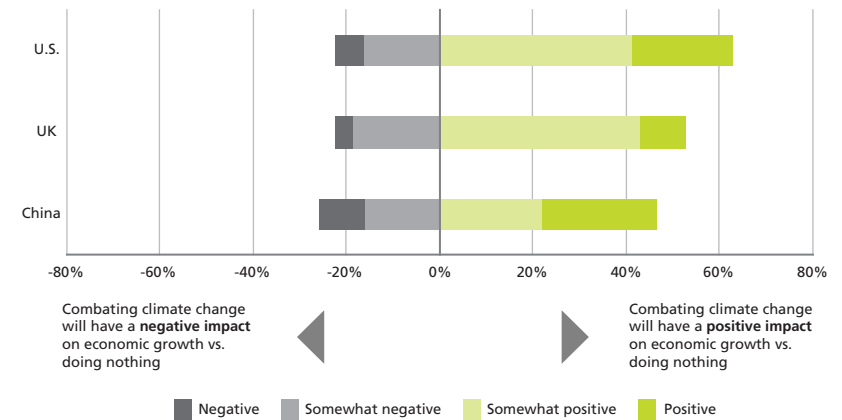
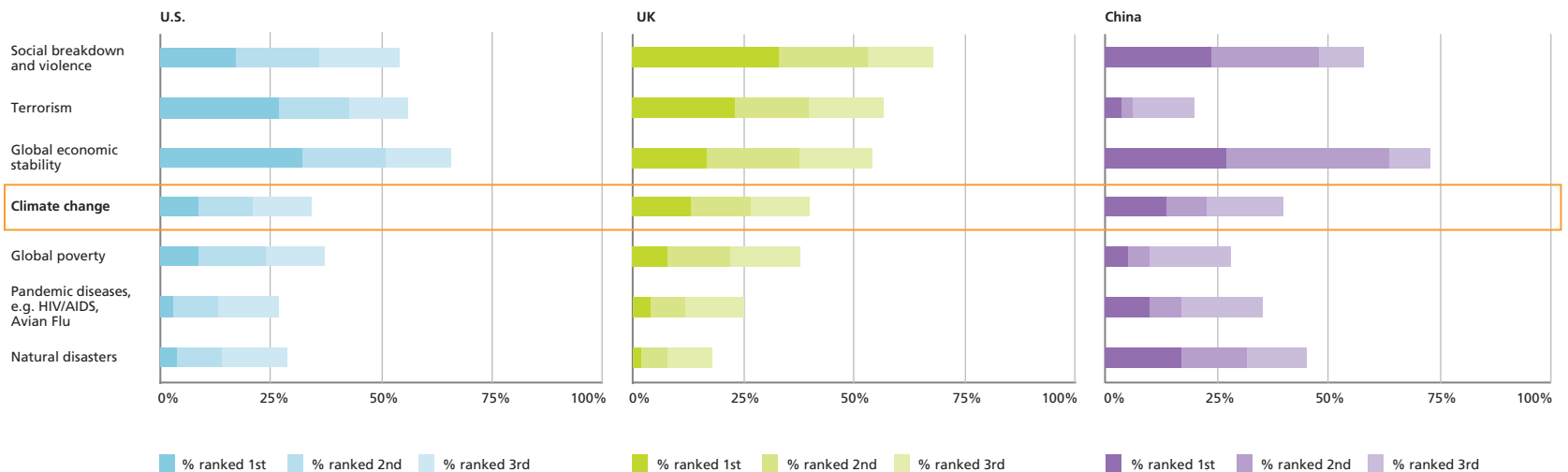


Figure 1: Global issues

Most concerning global issues



Opinions are more divided on the personal financial impact. 37% in the U.S., 38% in the UK and 28% in China believe they can save money by combating climate change, while 48%, 42% and 33% respectively believe it will cost them money (figure 3).

Spending extra money is not being considered as an opinion by the vast majority. Many more are prepared to make changes to their lifestyles and invest their time to help reduce climate change, than are prepared to spend extra money (figure 4). Only 19% in the U.S., 13% in the UK and 29% in China are prepared to spend extra money, so the impact of tightening wallets will be limited.

Concern about climate change is translating to greater activity. 21% in the U.S., 24% in the UK and 41% in China now say they are personally making a significant effort to reduce climate change through how they live their lives, up 8%pts from last year in the U.S., 9%pts in the UK.

We see an increase in knowledge driving this increase in personal commitment (figure 5). Continuing the trend from last year, we see more people doing something in the more obvious high-carbon activities such as household energy use and driving. However, this year there is a notable rise in personal action in food shopping, and to a lesser extent in driving. Many people who last year did not know what could be done, or were not interested in changing what they do have changed their shopping or driving behavior.

Figure 4: Willingness

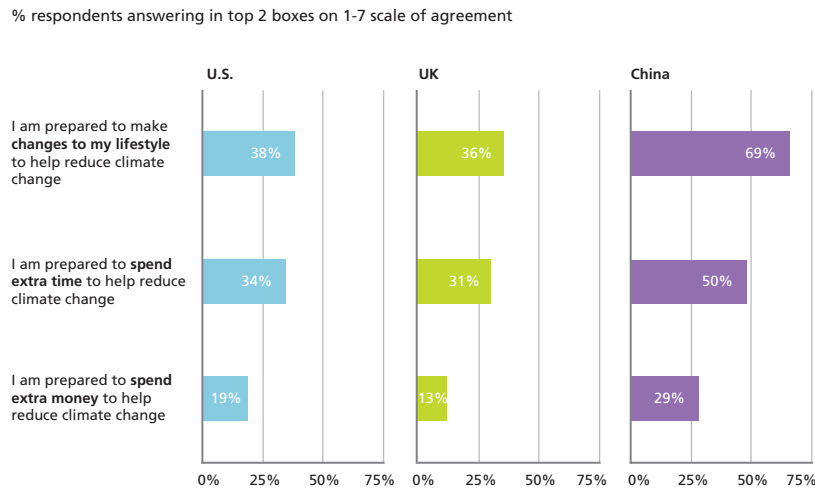


Figure 3: Personal finances

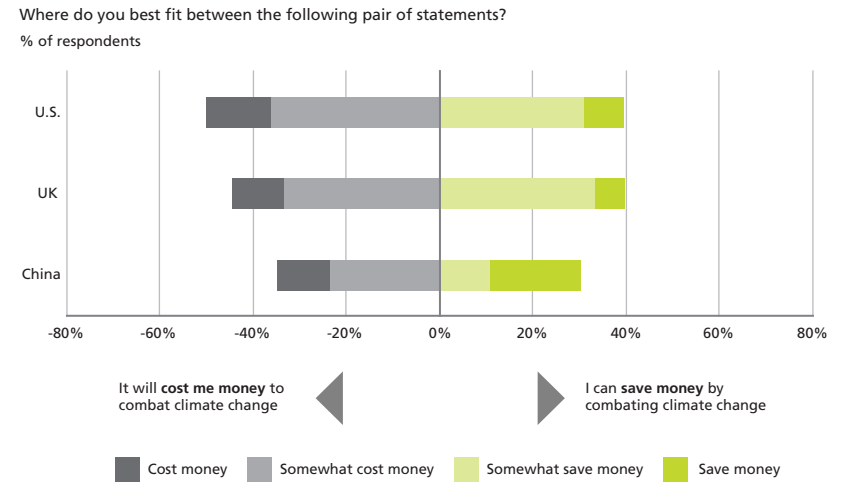
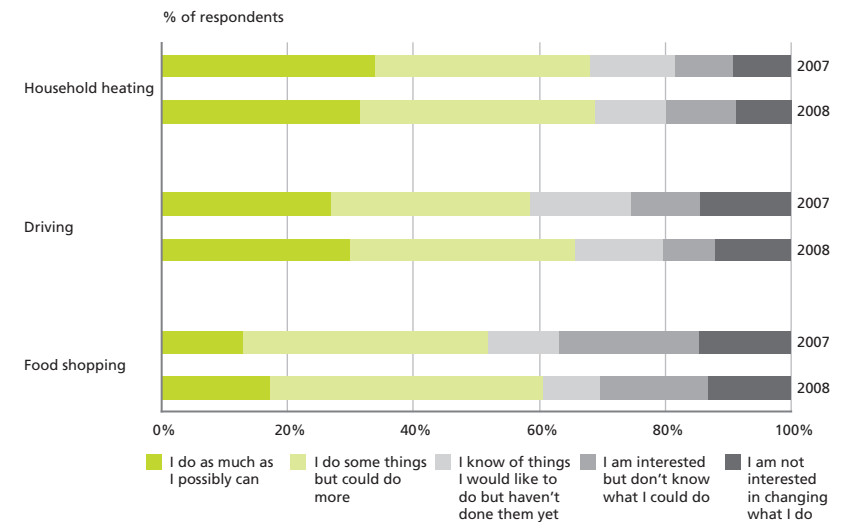


Figure 5: Category behaviour

Please indicate the statement that best describes your attitude towards taking personal action to reduce the impact on climate change of each activity



The challenge

HOW BEST TO ENGAGE?

The majority of consumers are receptive to businesses engaging them on combating climate change. 68% in the U.S., 67% in the UK and 56% in China say they admire companies that are tackling climate change (up from 63% in the U.S. and 56% in the UK last year). The vocal minority who are suspicious has increased from 16% to 20% in the U.S. but declined from 29% to 18% in the UK, where the issue is more polarizing. 28% in China say they are suspicious of companies that tackle climate change.

However, only 35% of consumers in the U.S. and 34% in the UK can name a brand that they think is taking the lead in tackling climate change. This is an improvement on 2007 (26% in the U.S., 31% in the UK), but there remains a huge leadership gap for ambitious brands to fill.

The brands that are identified as leaders inspire positive emotions. All inspire interest, acceptance, and admiration to some degree. However, we see a wider range of responses on loyalty and trust – emotions that indicate deeper engagement (figure 6).

Another concern is that brands are not yet building equity and ownership from the innovative climate responsible products and services that they are introducing to the market. We tested the appeal of different propositions in four sectors (oil and gas, cars, retail and financial services) and discovered that brand ownership is very low. Consumers generally think the largest or perceived ‘greenest’ brand in each sector is behind everything – whatever the details of the product or service.

This all suggests that many of 2008’s brand leaders ‘could do better’ at building long-term brand equity from their responses to climate change. It also raises challenges for brand leaders who

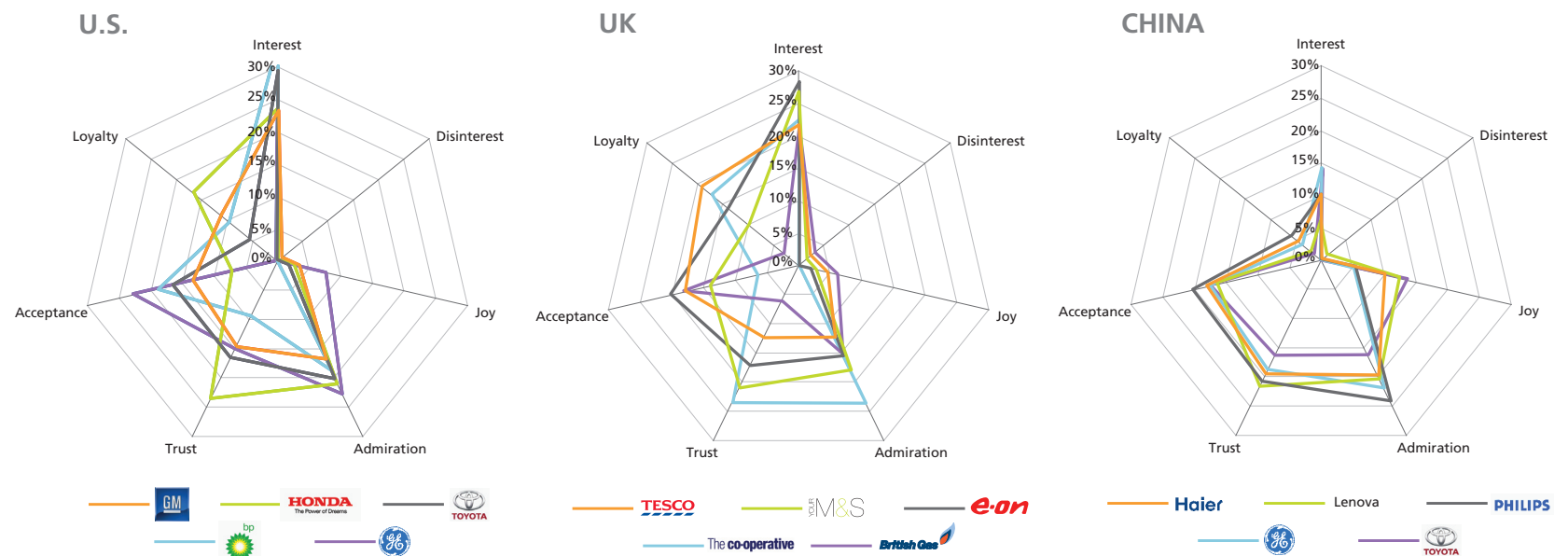
are considering how they can have the greatest impact: For example, should recognised leaders focus on presenting climate change in the context of well established brand messages that are clearly working? In the UK, M&S ‘Plan A’ is succeeding this way. If your brand is not identified as a climate change leader today, what distinctive positioning can you make your own if you want to become one? British Gas’ drive on energy efficiency, has helped it enter the top 5 for the first time.

Whatever your answer to these questions, it will be critical to do the right thing ‘under the skin’ – as our research also shows how sensitive consumers are to what other people say about companies’ responses to climate change.

The following pages explore who the climate change brand leaders are today, and what help consumers are asking for in oil and gas, cars, retail and financial services.

Figure 6: Emotions

Select up to three emotions from the following list that most closely describe how you feel when you hear about the company you have chosen is acting on climate change:



Different countries look to different sectors for leadership: principally manufacturing brands in the U.S. and China, and retail and domestic energy in the UK.

Brand Leaders

Consumers' ability to identify climate change brand leaders remains low overall (U.S. 35%, UK 34%), although up from last year (U.S. 26%, UK 31%). However, a picture of meaningful and consistent brand leadership is emerging.

The U.S. and Chinese lists are dominated by Big Manufacturing brands, with only one energy brand making it into the U.S. top 5. Unprompted, the five most frequently named brand leaders in the U.S. are GE, Toyota, Honda, BP and GM. In China, the top 5 are Haier, Philips, Lenovo, GE and Toyota (figure 7).

GE retains top spot in the U.S., followed by three car brands and one oil company - demonstrating strong American recognition of the part the automobile could play in the solution to climate change. The Chinese top four are all best known for domestic appliances and electrical devices – suggesting a slightly different focus on domestic energy efficiency in China.

Big Retail and Big Energy continue to dominate the UK climate change brand leaders list. The five most frequently named brands are Tesco, M&S, E.On, The Co-operative and British Gas.

Tesco retains the number one spot, but its lead over second-placed M&S has been significantly reduced. M&S has risen from 2007's fourth place to second this year, winning recognition for its Plan A five-year 'eco plan'.

E.On and British Gas both enter the top 5, in third and fifth respectively – demonstrating not only that consumers continue to think of domestic energy as part of the problem, but also that they are willing to give brands in this sector credit for positive steps that they make towards a solution. The Co-operative drops down two places to fourth - continuing to punch well above its weight in the troubled banking sector due to its strong ethical credentials.

Figure 7: The top five climate-change brand leaders 2008 (unprompted)



What consumers are asking for

We tested consumer receptiveness to different climate responsible products and services across four categories (oil and gas, auto, retail and financial services), and asked which of these ideas people thought would make the greatest contribution to reducing climate change.

We also tested the appeal of different stances companies are taking to express their responses to climate change.

We then asked people which brand they thought would be behind the products, services and corporate stances they had selected.

Our findings were revealing – both in terms of different preferences in different sectors, and the lack of genuine connection that leading brands have built so far in this rapidly developing market.

Consumers are asking for different responses in different categories

The tangible benefits of a fuel-saving program for drivers in oil and gas, and permanent low prices on energy-saving light bulbs in retail, are strongly preferred.

Preferences are more divided in auto and financial services. The highest score in either sector is 34%, with opinions split between hybrid car, 'green' SUV and fuel-efficient car in auto, and between 'green' mortgage, credit card and bank account options in financial services.

HIGH CARBON: U.S. OIL AND GAS ENERGY

Figure 8a: U.S. oil and gas propositions

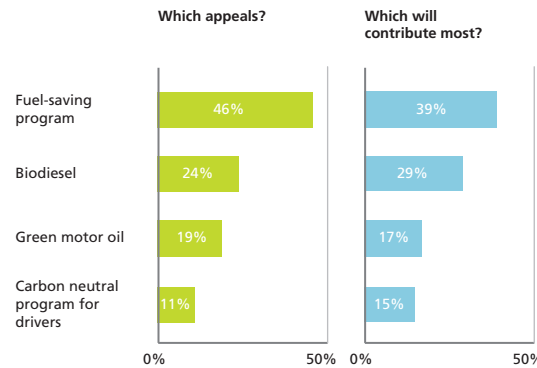


Figure 8b: U.S. oil and gas corporate stances

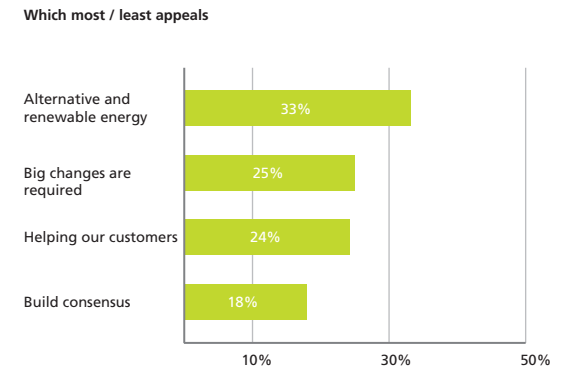


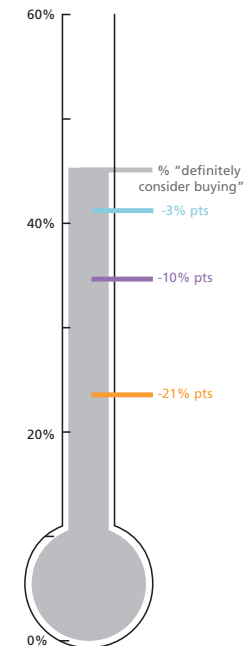
Figure 8c: How do people form - and change - their views?

Corporate Statements

"We see our role as pursuing efficiency in our own operations, creating lower carbon products for our customers and contributing to an informed debate"

"We are rapidly increasing our supply of alternative energy and renewable energy – from innovative new solar and wind businesses to advanced biofuels and hydrogen power plants where CO₂ is captured and stored underground"

"It is hoped that these will provide customers with clean, reliable energy and they form an important part of our action to reduce greenhouse gas emissions."



Press comments

"This company is a member of a campaign run by an independent charity, which gives people easy ways to fight climate change in their everyday lives. The campaign partners with some of the best known companies in the USA and gives its seal of approval to only the most worthwhile things people can do."

"While there really isn't a good oil company, they are the oil company best positioned to deal with climate change risks. Although renewables make up no more than 2 percent of their operations, this is more than any other major oil company."

"They still get the majority of their revenue from oil and gas production that adds significant amounts of carbon dioxide to the air, and they're using the ad campaign to cloud the public's eye about what they're really doing."

HIGH CARBON: U.S. AUTO

Figure 9a: U.S. auto propositions

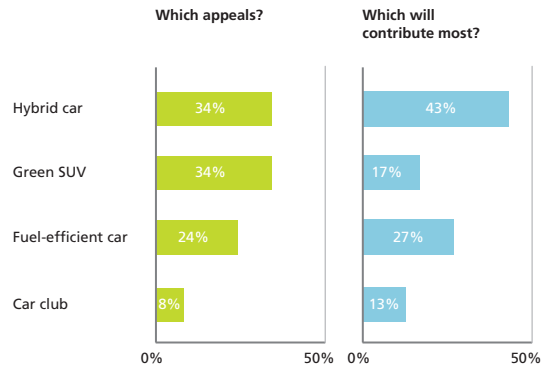


Figure 9b: U.S. auto corporate stances

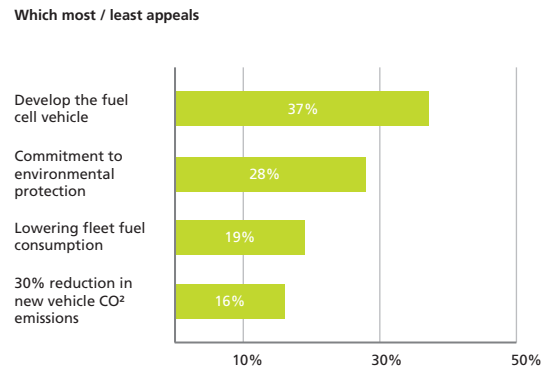


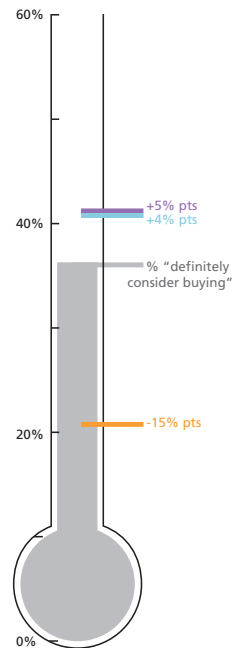
Figure 9c: How do people form - and change - their views?

Corporate Statements

"Green. That's how we'd like the world to be."

"As an environmental leader, we do more than meet industry standards – we seek to raise them."

"With an unwavering commitment to environmental protection, we strive to create clean and efficient products, and to conserve resources before our vehicles even hit the road."



Press comments

"This company is a member of a campaign run by an independent charity, which gives people easy ways to fight climate change in their everyday lives. The campaign partners with some of the best known companies in the USA and gives its seal of approval to only the most worthwhile things people can do."

"The [hybrid car brand] is a fantastic piece of engineering designed to reduce the financial burden at the pump and to recover energy efficiently."

"It has opposed 'clean cars' legislation in multiple states in the USA. It's a member of two major auto trade associations, which are suing to stop California's new law to reduce global warming pollution. They are continuing to lobby against legislative measures requiring increased fuel efficiency."

Different segments want different things

Campaigners prefer propositions that entail greater changes to their lives, such as zero emission deliveries and a 'green' mortgage. They are also interested in biodiesel, 'green' motor oil and hybrid cars.

Equally committed *Optimists* prefer the tangible benefits of energy-efficient light bulbs and a fuel-saving program for drivers.

The money saving benefits of fuel-saving program for drivers and energy-saving light bulbs can still attract less engaged *Unwilling* and *Rejecter* segments. However, a 'green' SUV is particularly attractive to *Rejecters*.

People do not always choose what they believe will have the greatest impact

Generally, people choose the product or service that they believe will contribute most to reducing climate change. However, where no one proposition is preferred, there is recognition that some would have greater impact (e.g. hybrid and fuel-efficient cars), and over 30% of people who choose a fuel-saving program for drivers or an energy-efficient car believe other options would have greater impact.

The perceived 'greenest' brand is thought responsible for everything

In each sector, one brand dominates: in oil and gas BP is thought to be behind all four products and services, and three out of four corporate stances; in auto Toyota is thought responsible for six out of eight; in retail Walmart for six out of eight; and in financial services Bank of America for eight out of eight. However, these leading brands were only behind two of the thirteen products and services and of only two of the fourteen corporate stances for which they were given credit.

In a few cases consumers correctly identified the brand behind the propositions and messages, but the chances were little better than random. This suggests brands are not yet succeeding in making the responsible products, services and positionings they are introducing to the market truly ownable. This may not be a problem for the brands that are perceived as 'green' today, but represents both a hurdle and an opportunity for those brands that seek to challenge them.

LOW CARBON: U.S. RETAIL

Figure 10a: U.S. retail propositions

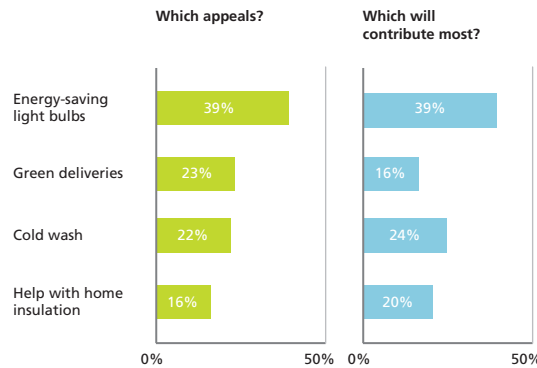


Figure 10b: U.S. retail corporate stances

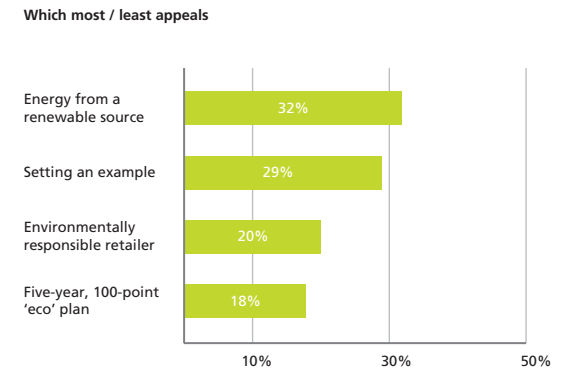


Figure 10c: How do people form - and change - their views?

Corporate Statements

"We are tackling climate change by making green choices easier and more affordable for our customers."

We plan to label all our products so that customers can compare their carbon footprint as easily as they can currently compare their price or their nutritional value.

We are setting an example by measuring and making big cuts in our greenhouse gas emissions around the world.

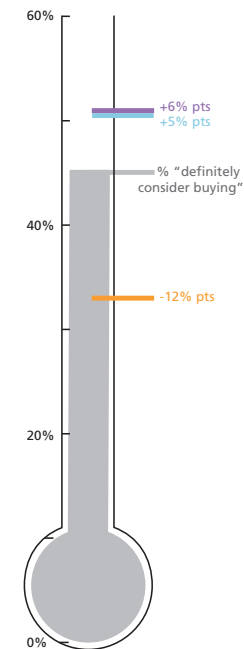
We are working with others to develop new low-carbon technology throughout the supply chain."

Press comments

"This company is a member of a campaign run by an independent charity, which gives people easy ways to fight climate change in their everyday lives. The campaign partners with some of the best known companies in the USA and gives its seal of approval to only the most worthwhile things people can do."

"[The retailer's] commitment to count and display the carbon cost of every product is groundbreaking. It shows that they are serious about tackling climate change and intend to do it by helping millions of customers make straightforward and affordable choices."

"They are calling it the green supermarket but yet it is a huge store on the edge of a small town. So it's going to be drawing in shoppers in their cars over long distances."



LOW CARBON: U.S. FINANCIAL SERVICES

Figure 11a: U.S. banking propositions

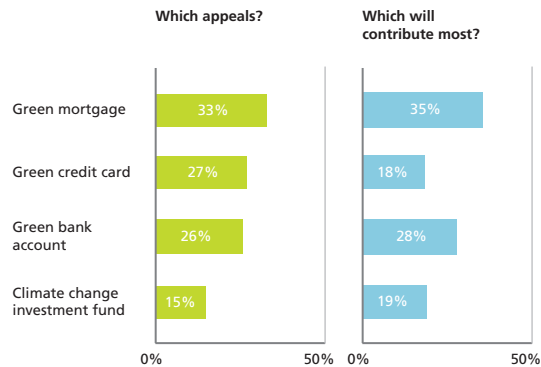


Figure 11b: U.S. banking corporate stances

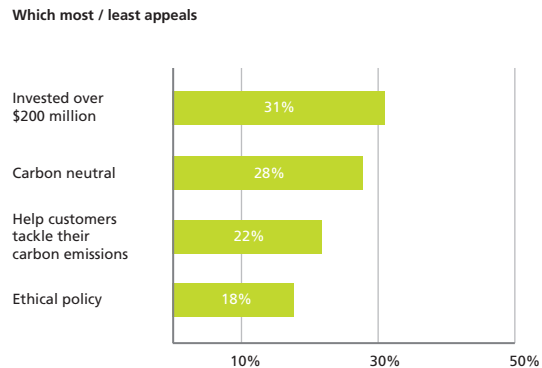


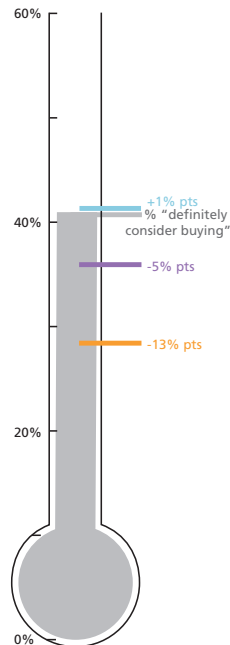
Figure 11c: How do people form - and change - their views?

Corporate Statements

"We don't just talk the green talk, we are committed to saving more than money."

"Having invested over \$200 million in activities designed to protect the environment to date, we've really put our money where our mouth is."

"Since 1992, projects we've been involved with have helped conserve nature, aided the combat of climate change and, with your help, simply cut the amount of paper used in every-day banking."



Press comments

"This company is a member of a campaign run by an independent charity, which gives people easy ways to fight climate change in their everyday lives. The campaign partners with some of the best known companies in the UK and gives its seal of approval to only the most worthwhile things people can do. To date the campaign has helped inspire over 20 million individual climate change actions, saving UK consumers half a million tons of CO2 and over £100m from household bills."

"When it comes to climate change, most of us are guilty of hypocrisy to some degree. The important thing is to try to do something about it. [The bank] seems to be going about it in the right way."

"[The bank] is restricting its actions to its own carbon dioxide emissions from buildings and executive travel. Its real environmental impact is the result of loans it makes to big projects, such as dams, oil exploration and mines."

Reputations are vulnerable to what others say

Consumers are sensitive to both positive and negative press criticism. For example, before criticism 37% say they would definitely consider buying/using products or services from the car brand behind the emotive 'green' stance. Reading a press comment saying this manufacturer has opposed 'clean cars' legislation in multiple states reduces this consideration by 15%pts to 22%.

In contrast, reading that the company is "a member of a campaign run by an independent charity", a reference to The Climate Group's Together campaign, increases consideration of the car brand by 4%pts to 41%.

This result highlights that however a brand decides to respond to climate change, it must make sure that it does the right things 'under the skin', so that the brand benefits from praise and is not vulnerable to negative stories. A positioning must be sustainable from a brand's own perspective as well as the planet's.

Segments



Campaigners

DEEPLY COMMITTED BUT REQUIRE SUPPORTING EVIDENCE TO TRUST



Optimists

COMMITTED AND WANT TO FEEL GOOD



Confused

UNDECIDED AND NEED CLARITY OF WHY AND HOW

What they are like

Engaged
Responsible
Empowered

Active
Worried

Interested
Fashionable
Empowered

Active
Confident

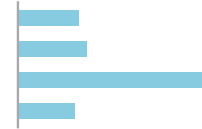
Uninformed
Detached

Undecided
Open

Who they are

Defined by...

- PERSONAL CHANGE
- ACCEPTANCE
- OPTIMISM
- KNOW WHAT TO DO



More likely to be...

- Female
- UK (vs. U.S.)
- Higher socio-economic
- Without children

- U.S. (vs. UK)

- Female
- U.S. (vs. UK)

What drives them

- Moral responsibility to act – even if others do not
- Belief that their actions can make a difference

- Social responsibility to act
- Need to feel recognized for doing the right thing
- Belief that we will succeed if we all act together

- Uncertainty about their role
- Need for clarity and direction

What they do

- Participate, broadly – including time and effort, with activities less obviously linked to carbon
- Both avoid and choose brands due to environmental practices

- Change how they spend more than what they do
- Positively choose brands due to environmental practices
- Reward brands with warmer emotions such as joy, loyalty and trust

- Common sense activities that also save money (through energy efficiency)
- Respond with distant admiration and interest

What they want

- Authentic contributions, not gimmicks
- Deep, fact-based messages
- Make climate-change benefits explicit
- Communicate at both corporate and product level

- Emotional engagement
- A positive experience
- Focus on what more than why
- Sell the product not the company

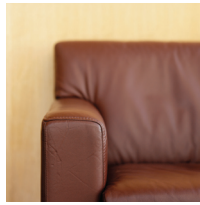
- Clear practical guidance
- Explain why solutions are effective
- Make climate-change benefits explicit

Segments



Followers

**PARTIALLY COMMITTED
AND WANT TO LOOK
GOOD**



Unwilling

**ACCEPT CLIMATE CHANGE
AS AN ISSUE BUT ARE
NOT PREPARED TO ACT**



Rejecters

**ACTIVELY REJECT BOTH
THE ISSUE AND TAKING
ACTION**

What they are like

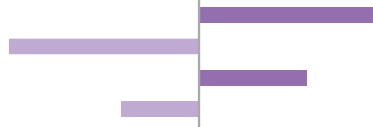
Disengaged Unsure
Image-conscious Susceptible
Pressured

Disengaged Unconcerned
Unmotivated Inflexible

Uninterested Considered
Suspicious Confident
Individualistic

Who they are

Defined by...
PERSONAL CHANGE
ACCEPTANCE
OPTIMISM
KNOW WHAT TO DO



More likely to be...

- Older
- U.S. (vs. UK)
- Lower socio-economic

- Older
- Male

What drives them

- Image and association
- Being seen to do the right thing
- Personal benefit - more than climate impact

- Focus on today
- Wish to believe that it's others' responsibility
- Convenience

- Living for today
- Feeling the threat is exaggerated
- Rejection that people need to change behavior
- Scepticism about companies' motives

What they do

- Activities with minimum lifestyle change, even if carbon linkage is remote
- May respond with loyalty if they want to be associated with what a company stands for

- A few activities that save money
- Not prepared to invest extra time or money

- A few activities that save money
- Will not compromise their lifestyles
- React with contempt, rejection and lack of interest

What they want

- Tangible products and service that are visible to others
- Positive image and association
- Image leadership

- Accessible, non-threatening messages
- Easy, undemanding activities

- Freedom
- Not to be told what they should do
- Respect for their point of view

Foreword



Amongst The Climate Group's members are a number of companies who are already recognized leaders when it comes to engaging customers on climate change. But they, alongside many of our other members across the UK,

U.S. and China, are still looking to develop their thinking and strategy in this crucial area. We are committed to supporting them as we believe that communicating effectively on climate change not only empowers individuals but is also good for business and, of course, for the climate.

This year's research shows that consumers are becoming more confident when it comes to recognizing and rewarding those companies taking the lead on climate change. In fact, the picture emerging is of an increasingly sophisticated climate change consumer who believes, for example, that tackling climate change is beneficial for future economic stability. The fact that the majority of individuals hold this view should give confidence to governments and business that economic and environmental concerns can be tackled together. This is indeed a reassuring piece of news given recent uncertainties surrounding the global economy.

Steve Howard
Chief Executive Officer
The Climate Group



Consumer attitudes to climate change have changed considerably since we started out on this research series with The Climate Group and Lippincott. Today, awareness about the issue and the need for urgent action is higher than

ever. Consumers are giving us a clear direction: they are committed to playing their part in the solution, whatever the economic weather.

This year's report demonstrates that there's more work to be done to build brand loyalty through environmental initiatives. But I believe there is an opportunity for businesses to build trust in their brands over the long term by taking a lead in providing practical solutions that make a real difference.

There's no doubt that connecting with consumers on environmental issues is challenging – but many UK companies, including Sky, are accepting that challenge. The question is: will you?

Ben Stimson
Director of Reputation and Responsibility
Sky



We are delighted to join again with The Climate Group and Sky to continue to track the consumer reaction to climate change and so help businesses focus their efforts to engage consumers. This year, we have extended scope to include the

very receptive Chinese market for the first time.

In the last year, despite challenging economic times, consumers and brands have both strengthened their respective commitments to tackling climate change. Each needs the other: brands need consumers' involvement for legitimacy and commercial viability; consumers need companies' involvement for leverage.

Consumers are telling us they are not willing to drop their efforts to tackle climate change, they do not want companies to either, and they believe the combined efforts will be good for the economy as a whole. However, the two efforts remain disconnected: most consumers in the UK and U.S. still cannot name a brand that is taking the lead tackling climate change, and among the recognised brand leaders few inspire deeper emotional connections such as trust and loyalty.

It is no longer a question of whether consumers will support, but what they will support; answering this will enable each brand to make the greatest impact – on climate change and its long-term bottom line.

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