THE CLIMATE GROUP sky LIPPINCOTT

Consumers, Brands and Climate Change

HELPING BUSINESSES CONNECT UK 2007

Foreword

It won't have escaped anyone's notice that climate change is now big news in the UK and the U.S. Not a day goes by without another alarming story or report hitting our TV screens or the front pages of our newspapers. We now have unprecedented levels of awareness and concern on the climate issue. However, as yet, this has not translated into significant individual action.

This is why The Climate Group has launched *Together*, a ground-breaking new partnership of famous brand name companies and retailers committed to making it easier for their customers to take up low-carbon solutions. The findings of the Consumers, Brands and Climate Change research programme will provide food for thought for the *Together* brands and other consumer-facing companies on how to make their climate-friendly offers as popular and successful as possible. The research will promote a deeper understanding of this complex and rapidly evolving market. We believe that this understanding is crucial for the many businesses that want to engage with consumers on climate change, and we look forward to exploring the research findings with them over coming years.

Steve Howard

Chief Executive Officer
The Climate Group

It's just over a year since we published our first climate-conscious-consumer research with The Climate Group and Lippincott. This year's report intensifies the challenge we identified of how to translate genuine concern into action. It shows that the barriers holding people back are issues with which consumer brands can help, through informing, inspiring and building trust. Victories will come by providing real opportunities for consumers to act.

The research challenge was to help us better understand the consumer in order to achieve this. The six segments identified – Campaigners, Optimists, Confused, Followers, Unwilling and Rejecters – give companies a clear way to build engaging campaigns that meet direct needs.

It is important for the business community not to draw a green halo over their brand. It is rather to create the mutual benefit of creating real action on climate change and building stronger relationships with the consumer in the process.

There is much still to do. But we hope this report will be another small catalyst on the road to helping consumers live a lower carbon lifestyle.

Ben Stimson

Director of Responsibility and Reputation
BSkyB

We are delighted to join again with The Climate Group and Sky to try to understand the consumer reaction to climate change and so help business to engage consumers more effectively.

The world's major brands are now talking climate change to an extraordinary degree, setting out their contributions to sustainability and inviting the support of their customers and other stakeholders. But do the intention and the investment turn into impact?

As we show here, today most people cannot name a single brand they feel is taking a lead in tackling climate change.

Why not? Consumers, too, are talking climate change – but they are reacting with a variety of attitudes and behaviours. It is hard for a brand to tap into all these different reactions, especially while they are still evolving.

We have therefore designed this research to understand what different people are doing in response to climate change and what is driving them to do it. We hope the insights will help businesses to connect better with consumers on this critical issue.

Simon Glynn

Senior Partner
Lippincott

Executive summary

While our research shows a market receptive to companies taking a lead in tackling climate change, it is a strongly divided market – not only in the degree of consumers' engagement, but also in the nature of that engagement. Companies are achieving little traction with climate-conscious consumers today, but can do far more by targeting what they do, recognising the priorities of different consumers.

Our research, with 2,000 people in the UK and U.S., confirms a **receptive market** interested in what companies are doing in tackling climate change and eager for them to do more. The rejecters are a minority and the overall response is supportive. The business imperative goes beyond doing one's bit, and provides positive opportunities. More people have actively selected a brand for its good environmental practices than have avoided a brand for its bad ones.

Consumers' market involvement today, however, is limited. Its potential is much greater. In general people are only active today in the relatively easy and obvious activities that are both intuitively linked to carbon emissions and have the potential to save money through reduced energy use. But their declared interest goes much wider than that, and the barriers holding them back are issues with which consumer brands can help, through marketing, informing and building trust. The potential for brands to engage consumers in tackling climate change, for the mutual good of the brand, the consumer and the planet, is substantial.

In this embryonic market, however, despite the substantial marketing investment being made, people are **not well aware** of the environmental leadership that many brands are seeking to offer. Most people – 69% in the UK and 74% in the U.S. – could not name a single brand that is taking a lead in tackling climate change.

Even when picking brands from a prompted list, in many categories most consumers could not select a climate change leader, and among those that could no winner emerged. In some categories the market leader emerged as the climate change leader (Tesco in retail). In some, perceived leadership is probably helped by a broader brand 'halo' (Virgin in airlines, trains and media; similarly Disney, Timberland and Southwest Airlines in the U.S.). Only in a few categories is there a clearly recognised climate change leader whose position is not just based on scale or halo: PowerGen in energy, BP in petrol, Toyota and Honda in cars, and The Co-operative in financial services.

A prime difficulty that brands have in appealing to consumers on climate change is that **the market is strongly divided.** The division is not simply between those more vs. less engaged with the issue. Even among the most engaged consumers, there is a critical division between those who are doubtful about our prospects and are looking for an authentic, compelling approach that is rationally demonstrated (the *Campaigners* in our segmentation), and those who are much more positive about our prospects and looking for a more involving and visible approach that makes them feel good emotionally (the *Optimists* in our segmentation). Similarly, among the least engaged, the *Unwilling*, who accept the climate change issue but are not interested in doing anything about it individually, are a different prospect from the true *Rejecters*, who confidently reject the issue as well as the action.

The market segmentation presented here suggests three broad approaches to market, based respectively on *rational demonstration, emotional involvement,* and *respectful facilitation,* which each offer more coherent, targeted propositions to their respective segments than is the norm in the market today.

The opportunity

A RECEPTIVE MARKET

Consumers are supportive of companies tackling climate change and want them to do more. Consumers themselves are interested in contributing well beyond the relatively easy, obvious and costless activities that most are doing today. But so far consumers' support and interest are translating only into distant respect for brand leaders, not to closer involvement, loyalty and trust.

Consumers are generally receptive to companies working to tackle climate change. We see their support in three measures:

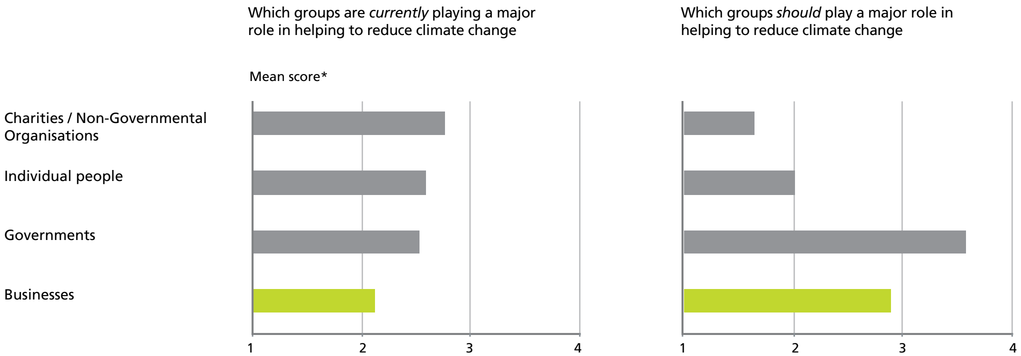
Net admiration: There is a minority (sometimes vocal) who are suspicious of companies tackling climate change (29%), but far more people are admiring (56%).

Role allocation: When asked which groups are currently playing a major role in helping to reduce climate change, people place businesses last, behind Non-Governmental Organisations (first), individual people and governments. But when asked which of these groups should play a major role, the order is almost reversed, and businesses come second, behind governments (figure 1).

Positive choice: Perhaps most encouragingly, more people say they have positively chosen a product or service from a particular brand because of its environmental practices (38%), than say they have avoided buying one for the same reason (30%).

In terms of consumers' own involvement in tackling climate change, most claim to have done something, but usually those activities that are easy to do, without cost (or even with cost saving), and with an obvious link to carbon emissions – such as turning lights off or washing at lower temperatures. Activities that require more effort or that involve spending are much less tried, though interest is significant (figure 2).

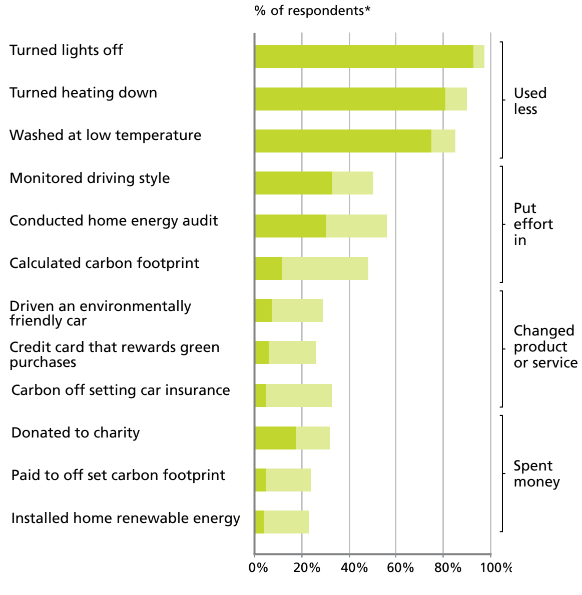
Figure 1: Consumers want businesses to be playing a bigger role than they are today



*1st = 4pts, 2nd = 3pts, 3rd = 2pts, 4th = 1pt; n = 928

Figure 2: Consumers are currently focusing on the easy, more obvious activities that have a direct link to carbon emissions

Which activities have you done and of the ones you haven't done, how likely are you to on a scale of 1 – 7 where 7 = very likely



*n = ~310 per category

Similarly, when comparing consumer involvement across categories, we see greater action today in the more obvious high-carbon categories (household energy use and heating equipment), than in the less obvious such as food and other household shopping. The level of interest, however, goes far beyond obviously high-carbon products. It is in the least obviously carbon-related categories (which do have a substantial carbon footprint) that people are most likely to say 'I am interested but don't know what I can do' (figure 3).

Figure 3: While consumers have done more in clearly high-carbon categories, interest extends as much to less obvious categories

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

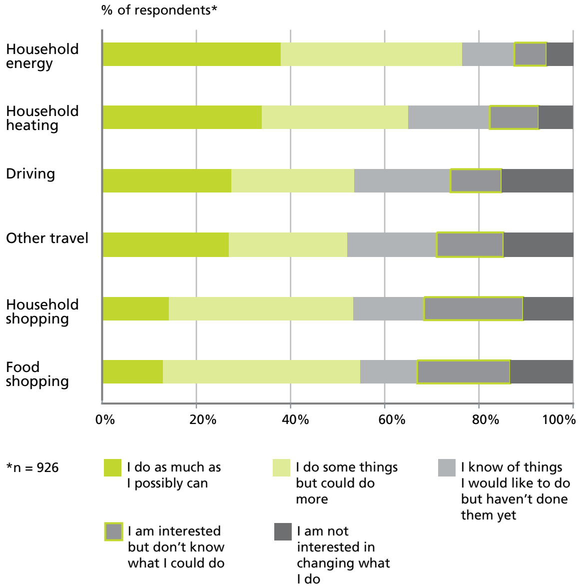
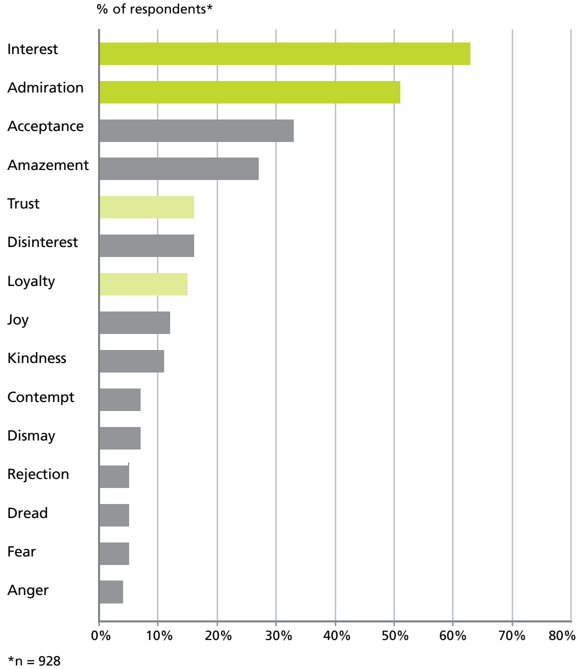


Figure 4: Companies are winning interest and admiration (from a distance), but not trust and loyalty (closeness)

Select up to three emotions that best describe how you feel when you hear about a company describing what they are doing to tackle climate change:



But despite this interest and positive support, people are not yet connecting well with what companies are doing on the issue of climate change. Even where consumers recognise a company's contribution, that recognition translates more into passive respect than active involvement. We see this in two measures:

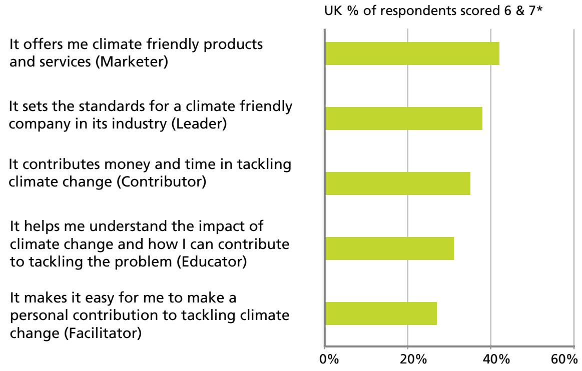
Distant admiration, not close trust. We asked consumers to choose, from a list, which emotions best describe how they feel when they hear about a company describing what it is doing to tackle climate change. The most popular emotions were interest and admiration. While both desirable, these emotions are quite distant. The closer emotions that brands would typically look for, and that would help to engage consumers more deeply in the issue – such as trust and loyalty – were much less common (figure 4).

Leaders not facilitators. When consumers did name a brand they thought was leading in tackling climate change, we asked them why. We asked them to score that brand on five different attributes, which describe the five roles our previous research identified that brands can constructively play in this area: leader, educator, contributor, facilitator and marketer. Most of the chosen brands scored highest as 'marketers' ('it offers me climate-friendly products and services') and 'leaders' ('it sets the standards for a climate-friendly company in its industry').

Again, these are statements made from a distant perspective. Almost all the brands scored lowest as 'facilitators' ('it makes it easy for me to make a personal contribution to tackling climate change') and 'educators' ('it helps me understand the impact of climate change and how I can contribute to tackle the problem') (figure 5).

Figure 5: Companies are recognised as 'leaders', but not as involving consumers

Perception of all unprompted brands that are taking the lead in tackling climate change



* 1 = strongly disagree, 7 = strongly agree; UK n = 928, US n = 926

If companies can achieve the involvement that is missing, the reward – both economic and environmental – should be substantial. When we asked people why they did not do particular activities, the biggest barriers were to do with cost, not knowing what to do, and disbelief: not trusting that businesses would do what they say, and doubting that the result would actually make a difference. As issues of price, information and trust, these are areas where brands can contribute. More intractable barriers, to do with climate science or the role of individuals, were much less common.

The brand leaders

WHO CONSUMERS ARE LOOKING TO TODAY

Consumers' ability to identify climate-change brand leaders varies hugely by category. Overall, consumer recognition is low, but there is meaningful brand leadership in some categories, principally retail, energy, petrol and cars. Tesco is the most often named climate-change brand leader in the UK, and GE in the U.S.

Despite the low level of consumer recognition for brands that are leading in tackling climate change, some patterns are emerging.

First, a small number of big brands are widely recognised for their leadership. Unprompted, the five most often named brand leaders in the UK are Tesco, BP, The Co-operative, Marks & Spencer and Sainsbury's (figure 6).

The five most often named brand leaders in the U.S. are GE, Toyota, BP, Ford and Honda.

What people appear to be recognising here is partly the leadership of individual brands, and partly the maturity of different categories in their responses to climate change. The most named brand leaders in the UK tend to be retailers and energy companies: two sectors that have engaged strongly with the issue from the two extremes of the energy value chain. The most named brand leaders in the U.S. tend to be leading manufacturers, especially of clearly carbon-related products: cars, aero engines, turbines.

We see a similar picture when we ask people to choose brand leaders from a prompted list of brands from within the same category. In retail, domestic energy, and car manufacturers, most people could select at least one brand leader; in some categories only a minority could do this (figure 7).

So what is it that makes people recognise a brand as a leader in tackling climate change? In some categories, such as UK retail, people are most often naming the market leader (Tesco). Controlling for this effect, the climate-change leadership is less clear (figure 8): the findings could result simply from people tending to name 'their' supermarket. In some categories, perceived climate-change leadership may come from a broader brand 'halo' that is not necessarily only issue-related: Virgin scores highly across all three categories we tested – airlines, trains and media.

In a few categories, however, there is a clearly recognised climate-change leader whose position cannot be explained by scale or halo. These leaders in the UK are PowerGen in energy, BP in petrol, Toyota and Honda in cars, and The Co-operative in financial services (figure 9).

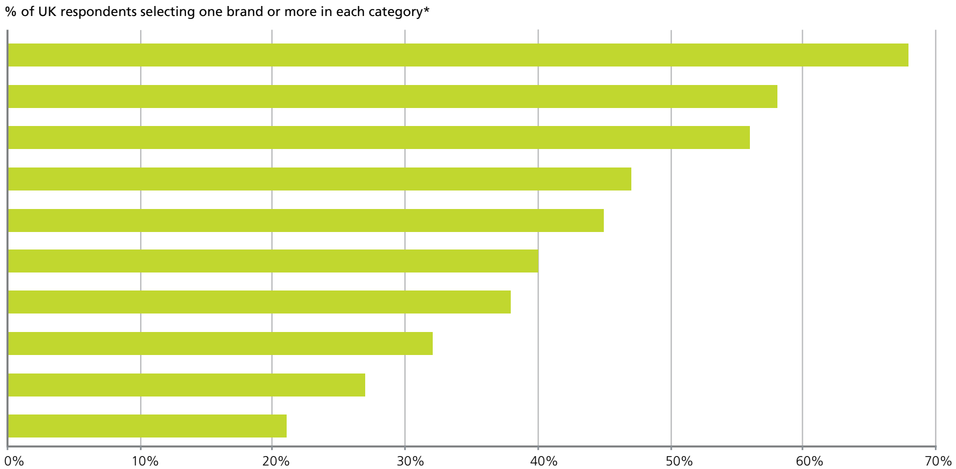
Figure 6: The top five climate-change brand leaders (unprompted)

	UK	U.S.
1	TESCO	GE
2	bp	TOYOTA
3	The co-operative	bp
4	YOUR M&S	Ford
5	Sainsbury's	HONDA
	69% of UK respondents could not think of a brand that is taking a lead in tackling climate change	74% of US respondents could not think of a brand that is taking a lead in tackling climate change

*"Please rank and type-in up to five brands or companies that you feel are taking a lead in tackling climate change." 1st = 5pts, 2nd = 4pts, 3rd = 3pts, 4th = 2pts, 5th = 1pt

Figure 7: People find it easier to identify climate-change leaders in some categories than others

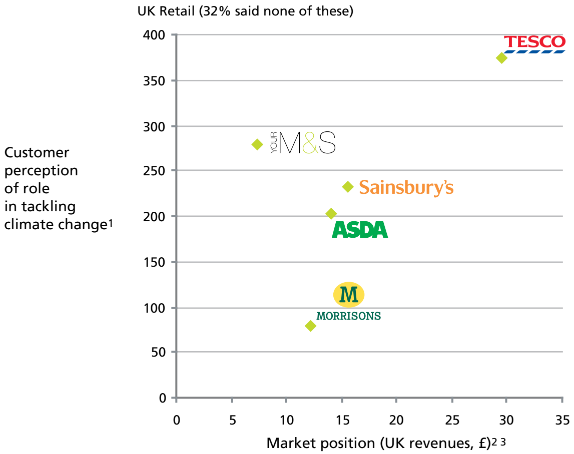
Rank up to three companies from the following list that you feel are taking the lead in tackling climate change:



*n = ~330 per category

Figure 8: Climate-change leadership or market leadership? (UK retail)

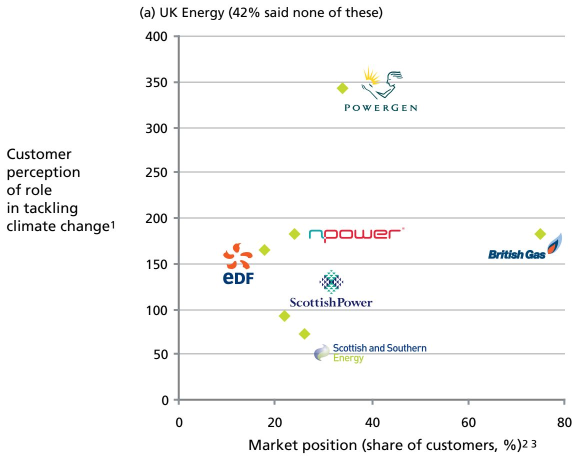
Consumer perception of company's role in taking the lead to tackle climate change against market position



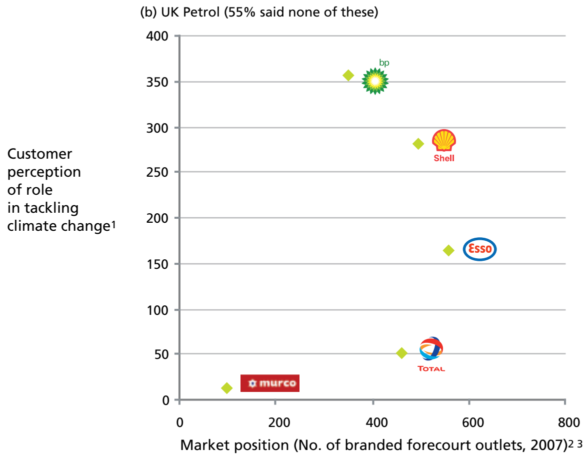
1 "Please rank up to three companies you feel are taking the lead in tackling climate change. 1st = 3pts, 2nd = 2pts, 3rd = 1pts
2 Source: Retail week
3 Source: Company annual reports

Figure 9: Categories with clear climate-change brand leaders

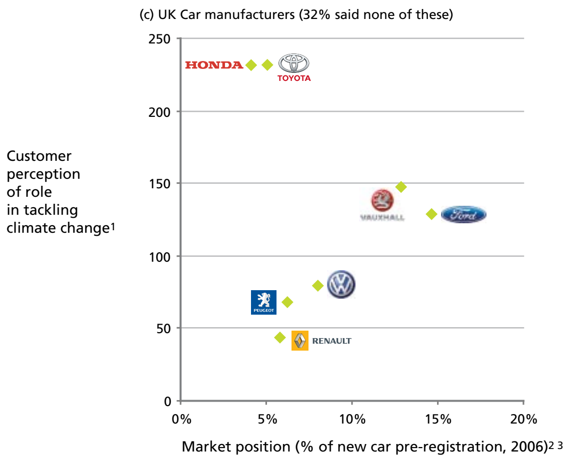
Consumer perception of company's role in taking the lead to tackle climate change against market position



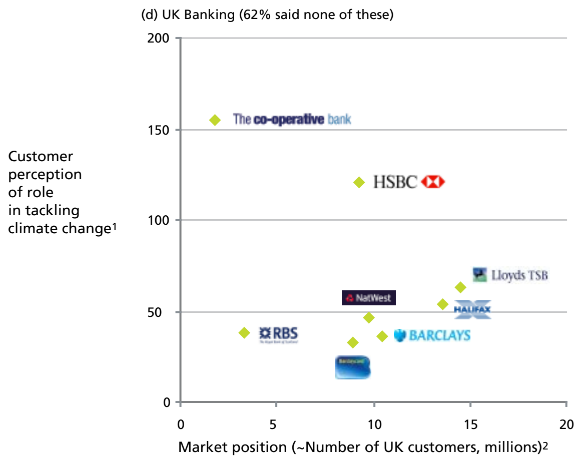
1 "Please rank up to three companies you feel are taking the lead in tackling climate change. 1st = 3pts, 2nd = 2pts, 3rd = 1pts
2 Source: Office of gas and electricity markets 2005. Share of gas and electricity combined
3 Source: NPN 2006



1 "Please rank up to three companies you feel are taking the lead in tackling climate change. 1st = 3pts, 2nd = 2pts, 3rd = 1pts
2 Source: IGD Research
3 Source: The Society of Motor Manufacturers and Traders Limited

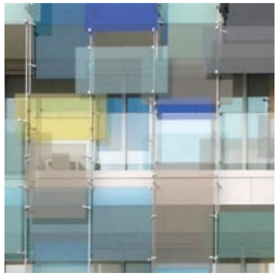


1 "Please rank up to three companies you feel are taking the lead in tackling climate change. 1st = 3pts, 2nd = 2pts, 3rd = 1pts
2 Source: IGD Research
3 Source: The Society of Motor Manufacturers and Traders Limited



1 "Please rank up to three companies you feel are taking the lead in tackling climate change. 1st = 3pts, 2nd = 2pts, 3rd = 1pts
2 Source: Company annual reports; Company press releases; Reuters

The market



A PRACTICAL GUIDE TO TARGETING BY SEGMENT

Understanding the different motivations consumers have within a divided market can help businesses target their climate change approaches much more effectively than is the norm today. The segmentation created in this research provides a practical tool.

A core aim of our research was to understand what different people are doing in response to climate change and what is driving them to do it. Only with this insight will businesses be able to meld their own climate change activities with the passions and priorities of consumers, and so create the close connections that are missing today.

We see many companies segmenting the 'market' for climate change communications and propositions along a single dimension: how 'deeply green' the audience is. But the question is not just *how much* someone is involved; it is also *what sort* of involvement they are looking for.

To understand what is driving people's different reactions, we statistically reduced a wide range of attitudinal statements into four core attitudinal factors. These are:

Personal change: my personal readiness to make changes to help tackle climate change.

Acceptance: acceptance of climate change as an urgent issue that is everyone's responsibility.

Optimism: belief that we can solve the problem.

Know what to do: clarity about what I individually can do to help.

Based on these factors, we have identified six contrasting segments of the market, each defined by a distinct profile across the four factors – see segment profiles over the page. Starting with the most deeply engaged:

Campaigners, relative to the average, accept the issue, know what to do and are ready to change. But they are pessimistic about our prospects of success.

Optimists have a similar profile to the campaigners, with the critical difference that they are optimistic that we will succeed. This one distinction drives a big difference in mindset, in motivation for getting involved, and therefore in the benefits they look for from a consumer brand.

Followers have an unintuitive profile: they are ready to change, despite not fully accepting the issue. In their case the motivation to get involved has more to do with fitting in and looking good.

The **Confused** are neutral on most factors but stand out for not knowing what to do. They are open-minded and unclear who to believe as well as what to do.

The **Unwilling** have almost the opposite profile to the Followers: they accept the issue, but are not personally prepared to make any changes.

Lastly, the **Rejecters** reject the issue, as well as being unprepared to make changes. They feel well informed, and know what they could do, but have made a confident, considered rejection of the idea.

The interest in these segments is that they provide a simple framework for targeting communications or propositions much more effectively – see opposite page. Broadly, the six segments suggest three broad approaches to market, which each offer a more coherent, targeted approach to the respective audience than is the norm in the market today. The three approaches are:

Rational demonstration for the Campaigners and Confused. This worried audience wants authentic, rational solutions backed up with the evidence needed to earn their trust.

Emotional involvement for the Optimists and Followers. This socially driven audience wants to associate itself with the cause, and to be recognised for doing the right thing.

Respectful facilitation for the Unwilling and Rejecters. This confidently sceptical audience wants to have its point of view respected. Some may be open to contributing if opportunities are sufficiently effortless, but they do not want to be taken for granted in the green wave.

Among other insights, this segmentation highlights why 'greenwash' won't work, despite its superficial appeal. First, the most greenwash-friendly segments, the Followers and Optimists, are only 26% of the market. Secondly, precisely because they are image-conscious and want to feel good about contributing, they will not be satisfied for long with solutions that are not broadly endorsed.

Many businesses today are talking a mixed message that confuses the priorities of the Campaigners, Optimists and others and is therefore not compelling to any one. Brand propositions that recognise these distinct segments, and follow the coherent communications approaches described above, are likely to resonate much more strongly, to the benefit of the company, the consumer and the planet.

SEGMENT MAPPING

Increasing engagement

Campaigners (27%)

Deeply committed but require supporting evidence to trust

Engaged

Responsible

Worried

Rational demonstration

Fact based

Deep messages (Campaigners)

Clear, simple, easy to understand (Confused)

Communicate benefit to tackling climate change

Communicate at a corporate as well as product and service level

Optimists (17%)

Committed and want to feel good

Interested

Fashionable

Confident

Emotional involvement

Warmer messaging, less explanation

Tangible products and services that help tackle climate change

Foster the feeling they are contributing (Optimists)

Products that are visible to others (Followers)

Confused (19%)

Undecided and need clarity of why and how

Detached *Uninformed* *Open*

Followers (9%)

Partially committed, want to look good

Unsure *Image-conscious*

Unwilling (12%)

Accept climate change as an issue but not prepared to act

Unconcerned *Inflexible*

Rejecters (16%)

Actively reject both the issue and taking action

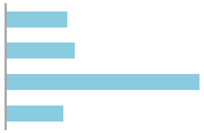
Uninterested *Individualistic* *Confident*

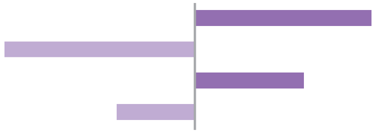
Respectful facilitation

Make it easy – demonstrate no extra effort and no extra cost to them

Respect their point of view: show they are not taken for granted, and that no compromise of price or quality has been made on their part

Seeking functional benefits ⟷ Seeking emotional benefits

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 recognised 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, and 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	 Unwilling	 Rejecters
	PARTIALLY COMMITTED AND WANT TO LOOK GOOD	**ACCEPT CLIMATE CHANGE AS AN ISSUE BUT ARE NOT PREPARED TO ACT**	**ACTIVELY REJECT BOTH THE ISSUE AND TAKING ACTION**
What they are like	Disengaged Image-conscious Pressured Unsure Susceptible	Disengaged Unmotivated Unconcerned Inflexible	Uninterested Suspicious Individualistic Considered Confident
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 behaviour – 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

This report is based on consumer research conducted with 2,000 people in the UK and U.S. in July 2007.
The project was commissioned by The Climate Group, funded by Sky and Lippincott, and conducted by Lippincott.

Figures in this document refer to the UK research results unless otherwise stated.

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