

## Buying into it Making the consumer case for low-carbon



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# Buying into it Making the consumer case for low-carbon

This report focuses on a crucial piece of the puzzle in the creation of a low-carbon economy – consumers. With three quarters of the UK's greenhouse gas emissions either directly or indirectly attributable to consumer actions, we cannot ignore the significant influence of the public's purchasing decisions on our ability to hit our 2020 climate change targets.<sup>1</sup> Only when business and government properly connect with consumers on this agenda can we create the conditions for a mass market in low-carbon goods and reap the longer-term economic benefits.

This will be a huge challenge, but it is possible and necessary. The good news is that we are not starting from scratch. Seven out of ten people already feel a sense of responsibility to do something about climate change.<sup>2</sup> The business case for action is already clear for many companies: they are taking action to drive up standards and setting up pilot initiatives for green products. Energy efficiency and carbon labels and descriptions currently adorn many of our shopping shelves, increasing transparency.

Yet consumers remain unconvinced. Business and government have a responsibility to work together to promote a clear, coherent message – it is this joint action that can help turn the tide. This report highlights what resonates with the public and what falls on deaf ears. While many companies are doing excellent work with consumers, on a macro scale, this diverse handful of individual initiatives cannot create a significant surge in demand for low-carbon products. We need wider, more concerted action to build the mass market integral to the rebalancing of our economy towards low-carbon. In *Buying into it* we look at how best to connect the dots to make this happen – including:

- **Harnessing green buying power to hit our climate change targets**
- **Businesses are going green – but need clear signals to invest**
- **Raising awareness and building trust can strengthen consumer buy-in**
- **Government and business must work together to build market momentum and change consumer behaviour**

# 1

## Harnessing green buying power to hit our climate change targets

Our 2007 climate change report identified consumers as the essential driver for change.<sup>3</sup> Four years ago we anticipated that consumers would need reliable and consistent information about the consequences of their choices and much wider access to low-carbon products and services than on offer at the time. Today, that need is greater than ever: as we head towards our first legal climate change target in 2020, we are seeing limited change in consumer purchasing behaviours.

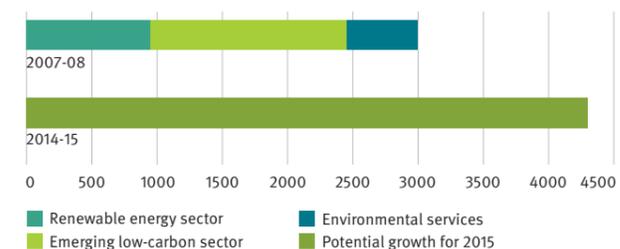


We believe that greening the consumer market is a win-win for business and consumers. So often the public narrative on climate change is distorted by talk of a 'trade-off' between environmental and economic gains – that it costs more to 'go green'. Our consumer-facing website, [www.mycarbonsavings.org.uk](http://www.mycarbonsavings.org.uk) and our 2010 publications *Tackling climate change closer to home* and *Everyone's business: time to focus on consumers and climate change*, both challenge this 'trade-off' – and this report continues our campaign. We can promote both the environmental and economic benefits in the long term from boosting current consumer demand for low-carbon goods and services – increasing demand to boost supply and reduce prices.

Greening the consumer market will help us to meet our emissions targets and bring more innovative products to market. The government calculates the current value of the UK market for low-carbon goods and environmental services at over £112bn – and estimates a future growth rate of 5% a year over the next decade.<sup>4</sup> At a time of economic austerity, such growth potential should be seized. This calculation is an estimate of the size of the UK domestic market – it does not take into account the potential impact of low-carbon innovation on the UK's international competitiveness. The Department for Business, Innovation and Skills estimates the size of the global market for low-carbon and environmental goods and services at £3tn, set to expand over the next few years at a ferocious rate and hit £4.3tn by 2015 (**Exhibit 1**).<sup>5</sup>

Exhibit 1  
Global size of green sector (£ billions)

(Source: Investing in a low carbon Britain, HMG 2009)



The UK's share of this global market already stands at 3.5%, employing 910,000 people. The government remains confident that we have significant potential for further growth, but this virtuous circle needs a kick-start to open up new areas of economic activity, encouraging the further development of new products. Here, the government is looking to business to provide the necessary investment.



## Businesses are going green – but need clear signals to invest

Action on climate change is now championed by many business leaders as integral to their licence to operate in the UK. With business activities accounting for about half of all emissions in the UK, many are taking action to embed efficiency and sustainability into their business models. In the 2010 CBI/KPMG London business survey, two thirds (65%) of respondents recognised the value of a low-carbon approach to their corporate reputation and the associated economic gains to be made from brand differentiation.<sup>6</sup> Business leaders understand that markets work when consumers are empowered and see the importance of being part of the solution, demonstrating advocacy within their sector, through the supply chain, to their employees and – vitally – to their customers.



### Many companies are leading the way on the green agenda

With a growing domestic market already in existence, it is clear that some companies are working successfully to nurture consumer buy-in. This report sets out some of the success stories, with each example demonstrating how businesses are using different approaches to boosting green demand – such as raising consumer awareness, using government incentives to influence behaviour or providing greater information and choice for consumers.

But to increase the scale of activity, we need to demonstrate the environmental and financial gains to be made, with companies being able to make a clear business case for investment in low-carbon innovation.

### Companies recognise the importance of shaping consumer attitudes...

Many business leaders acknowledge that it is not sufficient to operate in a sustainable way – they also have a responsibility to inform consumers about green choices. Business cannot boost demand for low-carbon products without the appropriate signposting. While many consumers might be environmentally aware, without the right information they may not necessarily make the link between the product they are buying and its potential impact on climate change.

To tap into this potential green market, many companies have recognised the need to raise public awareness about the benefits of low-carbon goods. Just as businesses need to highlight both environmental and financial gains to justify investment in low-carbon innovation and development, some have recognised that consumers respond in a similar way. Michelin's *Fill up with air* campaign is a useful example (**Case study 1**). The company aimed to educate drivers about both the financial and environmental benefits of having their tyres properly inflated – highlighting the green agenda in the eyes of consumers and boosting the company's credentials as an environmentally-aware manufacturer. Similarly, Proctor & Gamble's successful *Turn to 30* campaign with Ariel linked the financial benefits to consumers of washing at lower temperatures with the positive environmental impact. Both these examples show how businesses have targeted campaigns on consumers' personal impact to try to raise awareness and influence behaviour.

#### Case study 1

### Michelin's *Fill up with air* campaign – informing thousands of motorists

Tyres can play an important role in reducing emissions from transport as tyre type makes a significant difference to the amount of fuel a car consumes. One tank of petrol in five is used to overcome the rolling resistance of car tyres – 4% of all UK CO<sub>2</sub> emissions. Since 1992, Michelin has been innovating to reduce rolling resistance and has developed its 'energy saver' tyres.

The challenge is that most UK motorists do not recognise the impact that different models of tyre can have on fuel consumption and the potential financial and environmental savings to be had. The UK public is less aware of these benefits than in other European countries – including Germany, France and Russia. Many UK drivers are also not aware of the large fuel and CO<sub>2</sub> savings to be had from having tyres properly inflated. Michelin has calculated that if all UK cars had correctly inflated tyres, drivers would save more than £440m on fuel and one million tonnes of CO<sub>2</sub> each year.

To increase awareness and encourage motorists to ensure that their tyres are running at the correct pressures, Michelin has been running its *Fill up with air* campaign since 2005. The 2010 campaign was the biggest yet: the roadshow visited over 50 locations across the UK and Ireland, providing free tyre checks to over 5000 motorists and giving advice about the fuel and CO<sub>2</sub> savings from having tyres properly inflated.

Michelin's Head of Communications, Peter Snelling explained: "We are fully committed to engaging with consumers to encourage more economical journey planning. With tools like our website – [www.viamichelin.co.uk](http://www.viamichelin.co.uk) – we can communicate the environmental and cost saving benefits of low rolling resistance tyres to consumers and promote improved MPG, lower emissions and longer tyre life through campaigns like *Fill up with air*."

## Case study 2

## Toyota Auris Hybrid – demand ahead of plan

With production beginning in mid-2010 at the Toyota Motor Manufacturing (UK) Ltd plant in South Derbyshire, the Toyota Auris Hybrid is the first European-built full hybrid vehicle. The decision to produce Auris Hybrid in the UK, illustrates Toyota's commitment to manufacturing in the UK and its desire to expand its offering of low-emission hybrid vehicles to customers in Europe. The C-segment is the centre of gravity of the European automobile market; therefore Auris was considered the best model to start the European manufacture and roll-out of the hybrid technology which Toyota will offer to all core Toyota and Lexus models by the early 2020s.

In the UK, Auris Hybrid returns a class-leading combined fuel consumption figure of 74.3mpg (giving a possible range of up to 735 miles on a single tank of fuel) and tax efficient CO<sub>2</sub> emissions from just 89g/km, resulting in a zero rating for Vehicle Excise Duty

(VED). Company car users enjoy a Benefit-In-Kind tax calculation of just 10%, and the low emissions also gain Auris Hybrid exemption from the London Congestion Charge. In addition, Auris Hybrid has no Particulate Matter (PM) emissions and significantly lower Nitrous Oxide (NOx) emissions than those of diesel cars of comparable performance.

"The UK Burnaston-built Auris Hybrid has sold well and our current volume demand is higher than the original sales forecast" confirmed Graham Smith OBE, Managing Director Toyota Motor Europe London Office. "Since November we have worked overtime to meet the demand and the increase has been sustained. As a result we plan to increase the speed of our production line and to support this we started hiring a number of agency staff from January 2011".

With the introduction of Auris Hybrid, Toyota is supporting the UK in becoming a world class leader in the low carbon economy. The introduction of Auris Hybrid will make a significant contribution to this transition both in terms of manufacturing and for road transport.

Toyota continues to invest in a range of technologies to address the key issues of CO<sub>2</sub> reduction, air quality and energy diversity. Toyota's full hybrid technology will continue to act as the core technology platform that opens the way for future green mobility solutions including plug-in hybrids, electric vehicles and fuel cell hybrid vehicles.

### ...leading in low-carbon innovation...

Some companies are using the targeted incentives and regulatory drivers provided by the government in a handful of sectors to make the case for investment in low-carbon innovation. The right fiscal and regulatory signals can give companies in those sectors the confidence to move quickly and try to capture a niche market.

The combination of consumer fiscal incentives and CO<sub>2</sub> emissions standards has paved the way for motor manufacturers to invest in greening their product range. The successful introduction of the Auris Hybrid car is a good illustration: its early popularity has given Toyota the momentum to invest further in low-carbon technologies (**Case study 2**). Certainty about future demand – as demand exceeded initial sales forecasts – has allowed the company to plan for growth, making plans to speed up production and hiring agency workers to meet demand. The motor industry as a whole has worked to create the right conditions for low-carbon investment by raising consumer awareness about the low carbon options available (**Case study 3**) through the Low Carbon Vehicles Partnership.



## Case study 3

## Motor industry's labelling improves consumer awareness

The successful voluntary roll-out of the fuel economy label in the automotive sector shows what can be achieved when a sector comes together to engage consumers on the green agenda and accelerate the shift to low-carbon vehicles.

With the objective of improving motorists' awareness of fuel efficiency and its impact on climate change, the industry worked together to develop an easy to understand energy efficiency label to be displayed in car showrooms. The scheme was led by the Low Carbon Vehicles Partnership (LowCVP) and the Society for Motor Manufacturers and Traders (SMMT) – and launched by the Secretary of State for Transport in 2005.

The label format mirrors the colour-coded A-G energy efficiency labels on items such as fridges and washing machines. It ranks all cars from A (best) to M (worst) according to their tailpipe CO<sub>2</sub> emissions and provides information on estimated fuel costs for 12,000 miles and vehicle excise duty. In 2009 the initiative was extended to used cars.

By providing consistent and reliable information for consumers, the fuel economy label helps to build public trust in manufacturers' green claims. It also clearly shows the link between CO<sub>2</sub> emissions, fuel consumption and running costs. Despite the scheme being voluntary, in 2009 94% of new car dealerships were displaying the label.

Consumer feedback has been very positive, as Greg Archer, Managing Director of the LowCVP explains: "Our latest survey showed awareness of the scheme had risen to almost 60% among new car buyers – but even more importantly, nearly 75% said it provided important information which influenced their purchase choice." He added: "What's clear is you need to provide information in a very simple, clear and direct way, and emphasise the impact on running costs and saving money, as well as saving the environment. That way you get real traction."



Once a business has confidence in demand for green products, it can quickly make gains. Early market leaders can secure competitive advantage and establish brand loyalty. Government regulation can set a direction of travel, driving up standards from the bottom and giving firms the confidence to position themselves ahead of competitors. Philips' success in energy efficient lighting is an excellent example: the strategic decision to develop the energy efficient lighting side of its business led to successful positioning at the forefront of innovation. Similarly, Electrolux used increasing standards as investment justification for greening its product range (**Case study 4**), thereby raising the industry bar and cementing its environmental reputation.

Many SMEs operating in niche low-carbon markets are also flourishing. Four years ago, Green Energy Options – a company which specialises in the innovative design and manufacture of energy monitoring systems – comprised just two people. Since then, different government initiatives have highlighted the issue of energy use in the home – and the development of the Green Deal looks set to increase awareness over the coming years – providing growth opportunities for companies like Green Energy Options. Today they employ 35 staff directly and have generated sales of over £9m this year.



## Case study 4

## Electrolux – labelling drives innovation

Electrolux is a global leader in home and professional appliances, selling more than 40 million products to customers in 150 countries every year. By putting sustainability at the heart of business strategy, Electrolux is using the industry trend towards tougher standards and greater transparency as a springboard for growth and innovation. For manufacturers such as Electrolux, energy labelling has been a particularly important tool with which to engage consumers on the green agenda.

A-G labelling on appliances is a simple and easy-to-understand tool to help consumers make green choices. It scored highly in terms of consumer recognition (see Ipsos MORI research p.23) and is an example of how introducing workable standards can help to drive innovation.

Since the early 1990s, manufacturers and retailers in Europe have had to provide customers with information about the energy consumption of white goods – including fridges, freezers, tumble dryers, dishwashers and ovens – through the A-G labelling scheme. The early labels rated each appliance on a scale from A (most energy efficient) to G (least energy efficient). This transparency has encouraged greater investment and innovation over the last decade to the extent that most new fridges and freezers now score highly.

### ...and empowering consumers to make green choices

While some manufacturers are taking responsibility for improving the energy efficiency of their product range, a handful of retailers and service providers are shifting the focus back onto consumers to make informed choices. Rather than restricting the products on offer, these companies are instead offering consumers information about the green credentials of the products available. This transparency allows consumers to take energy efficiency and sustainability into consideration when making a purchase.



“Always better to be leading trends than chasing them”, confirms Ian Banes, head of Electrolux UK. “We see a clear role for government in driving up standards in our industry, stimulating a race to the top. This drives innovation in our company to deliver the best energy efficiency savings for consumers.”

He adds, “Further modification or additions to the scale will soon be necessary to reflect the technological progress, but government must ensure that the timetable for any change mirrors the production life cycle. This will give manufacturers time to take action. The consumer behaviour and experience with the newly added classes A+, A++ and A+++, need to be taken into account when the label is further revised in the future.”

Many business leaders understand the reputational risk of transparency – especially when competitors do not follow suit. Nevertheless, our case studies show that in these circumstances empowering consumers to make green choices can have a positive impact on corporate reputation and point towards good environmental outcomes. The work O2 has done in producing its own eco-rating label to allow consumers to assess the sustainability of different handsets is an excellent example of this (Case study 5). Similarly, Tesco has worked to highlight the carbon footprint of its products to help consumers understand the impact of their purchasing decisions (Case study 6, see p.12). Both examples also show how companies can work successfully with third parties – O2 with Forum for the Future and Tesco with the Carbon Trust – to boost the credibility of the information they are providing.

### Demand is not meeting supply: business needs clear signals from the market to invest

All these case studies are encouraging, but it is clear that we are still in early days. These select examples are not indicative of mass consumer demand for low-carbon products. While there is clear enthusiasm for progress in some companies and sectors of the economy, there is a wider disconnect between business and consumer that prevents a mass market developing. Despite the potential for growth and the government’s projections for the size of the consumer market, without a firm signal of consumer intent, many of our members tell us that they cannot justify investment in low-carbon innovation and services beyond small-scale pilots.

In this situation, low-carbon products and initiatives will remain niche or specialist in the absence of the business case to upscale production. This is not through a lack of effort from parts of the business community – as the case studies in this report demonstrate – but the action they can take to boost their low-carbon offerings is subject to normal investment criteria.



## Case study 5

## O2 initiative informs consumers on environmentally-friendly handsets

O2 has set out to become a UK leader on sustainability by 2012, developing community and environmental initiatives through its ‘Think Big’ campaign to achieve this goal. The trigger was a belief that the industry will see heightened consumer awareness and growing demand for sustainable products. Working with Forum for the Future, O2 has responded to consumer calls and set about providing greater opportunity for consumers to make green choices.

“We knew our customers were starting to get interested in the sustainability agenda and we wanted to be part of the solution,” confirms Ronan Dunne, CEO of O2 UK. “The eco rating project is one of many initiatives we are developing to raise the profile of environmentally responsible handsets and offer consumers greater opportunity to think green.”

The eco rating project is a simple and transparent system that offers consumers greater information about the sustainability

credentials of handsets. Customers are able to weigh up these details against other considerations, such as functionality, design and price, in order to make a more informed purchasing decision.

Going beyond other carbon-focused labelling initiatives, eco rating takes into account the overall environment and social impact of devices over their whole lifecycle, with extra points given to products that can replace multiple products – for example, a phone that acts as mp3 player, camera and sat nav negates the need to purchase these as separate products.

O2 has also taken the message further down their supply chain. It recognised the importance of bringing manufacturers with them on eco rating, giving an extra incentive to innovate by ensuring the sustainability of its products will be flagged to consumers by the retailer.

The eco rating project shows that there is demand for greater green choice even at the higher end of the technology market – but it needs to be framed in language customers understand. Environmental concerns are one of many factors that feed into a purchasing decision, but with eco rating O2 wants to move it up the agenda. Ronan admits: “If we simply talk about carbon we’re missing the point. We need to create a demand that customers are interested in.”

Case study 6

## Tesco's carbon labelling is raising consumer awareness

Tesco has set a bold ambition to be a zero-carbon business by 2050 without purchasing offsets. But the company's direct footprint only represents a small fraction of the emissions generated by the production, manufacture and use of the products sold.

The generation of greenhouse gas emissions during product consumption represents a key challenge. In response, Tesco has set itself a target of finding ways to help customers reduce their own carbon footprint by 50% by 2020. Tesco has therefore worked with the Carbon Trust and other stakeholders to develop an innovative universal carbon footprint label which describes both direct and indirect emissions associated with the product.

Over the past four years Tesco has worked with Environmental Resources Management to deliver a large-scale carbon footprinting programme. To date, 1,000 product footprints have been calculated in line with the PAS 2050 method and so far there are 500 products with carbon labels either in store and/or online.

A key aim of the carbon labelling programme is to empower customers to make low-carbon choices, either in how they use a product, or between products. Certain product labels also contain details of how customers can reduce the product's carbon footprint during its use or disposal, such as washing clothes at a lower temperature or recycling packaging. This is particularly important where product use or disposal represents the largest component of the overall product carbon footprint. The product carbon footprinting programme has provided a large and valuable evidence base which has been used to inform a wide range of other Tesco customer communication initiatives.

The latest customer research performed in November 2010 shows 17% of customers have seen the carbon label on a product in a Tesco store, with a higher level of awareness displayed by younger customers (23% of 16-24 year olds have seen the label). Tesco will continue to monitor customer awareness and understanding as the number of products with carbon labels in store and online increases.



They need clear signals about projected demand and a degree of certainty about investment returns in order to justify the outlay.

Currently, many businesses wanting to invest in low-carbon products and services are stuck in a vicious circle (Exhibit 2). Manufacturers will make investment decisions for new products based on risk and potential rate of return. Without evidence of wider demand – and subsequent interest from retailers – the risk of investment in new low-carbon product ranges is too high. This explains why companies will often first choose to test the market in pilot projects. But if sales volumes for niche products do not reach sufficient heights quickly to provide further investment in production capacity, the pilots will not be scaled up. The lack of certainty about projected sales volumes is holding companies back. Even where sales are much greater than expected – Toyota's experience with the Auris Hybrid, for example – the volatility of the market adds risk.

### We need a new sense of momentum to break the mould

To break the vicious circle, the first hurdle is to understand what drives consumers' purchasing decisions and how best to nurture demand for low-carbon choices. In the current economic climate there is little immediate room for further fiscal incentives to help boost demand, so we need to be realistic about what can be done. Businesses acting in isolation are unlikely to make much progress: there needs to be a joined-up effort that challenges the status quo. The case studies give some hints about different ways to influence consumers – when they buy a house (Green Energy Options), choose a washing machine (Electrolux), or have an MOT (Toyota) – where they have the opportunity to make green choices. Getting consumers to 'think green' at these moments will make the low-carbon choice feel increasingly normal in the future. But above all, businesses need consumer demand to justify investment and we must turn our attention to creating that demand.

Exhibit 2 Supporting the green market: a vicious circle



## Raising awareness and building trust can strengthen consumer buy-in

Until now, the climate change debate has been abstract to many people. Warnings about climate hazards and irreversible damage in future decades soon slip down the list of priorities in the face of immediate economic pressures and job insecurity.



We need a much better understanding of what drives consumer behaviour. Although 71% of people say they are concerned about climate change – and this level has dropped from 82% in 2005 – only 17% cite it as one of the three biggest issues facing individuals today.<sup>7</sup> To complicate the issue, while 63% of people believe they can personally help to reduce climate change by changing behaviour, only 10% of people believe they should be mainly responsible for taking action.

We need to drill down into consumers' motivations, perceptions and awareness to gain a thorough understanding of their decision-making process. The value of such information is already understood by business – many companies already carry out their own industry-specific research to test attitudes towards particular products and campaigns.

Building on this existing consumer insight work, we commissioned an in-depth piece of research from Ipsos MORI. With the budget deficit making fiscal incentives for low-carbon products unlikely in the short term, our research focused in particular on better understanding the role which information can play in encouraging consumer demand and identifying insights into how information provision could be improved. Through a combination of face-to-face interviews and focus groups, the research shines a forensic light on the process of consumer decision-making (**Exhibit 3**). The results have important implications for policymakers and business leaders.

### Consumers talk about energy efficiency and cost savings – rather than environmental concerns...

Making the connection between climate change and individual purchasing decisions is hampered by a disconnect in language. Our research shows that two distinct conversations are taking place – and the amount of crossover is minimal. One conversation is between policymakers and business leaders, where talk of carbon impacts and footprints is commonplace and widely understood. The other conversation is taking place among the general public, where talk in low-carbon terminology is rare.

But consumers do talk openly and widely about energy efficiency and associated running costs. Whereas climate change and low-carbon issues seemed abstract, energy efficiency and cost savings are tangible and particularly relevant during a period of economic austerity. It is vital that energy efficiency is leveraged wherever possible to increase consumer interest in low-carbon products.

*“Just because you’re saving energy, I don’t think of the environment.”*

#### Exhibit 3 Ipsos MORI research

The research was conducted in the second half of 2010 and comprised two elements:

##### A qualitative study of focus groups and filmed interviews

Conducted during July and August 2010, the study involved four mini-groups of six to seven people and eight short filmed interviews. The conversations explored the purchasing decision-making process in detail, probing participants' knowledge of the climate change impact of products and its influence – or lack of – as they decide what to purchase. Focus was given in the

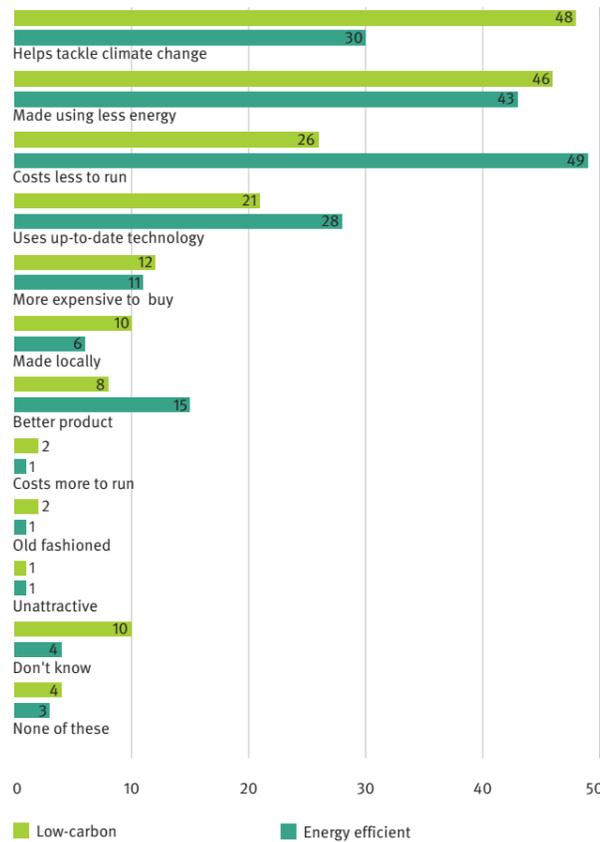
conversations to four very different products – cars, washing machines, TVs and washing detergent – in order to understand consumers' views across different product categories. Edits from the interviews can be viewed on the CBI's climate change website.<sup>8</sup>

##### A quantitative study of public attitudes

Conducted during September 2010, the study comprised 1,988 face-to-face interviews with adults aged over 15, completed as part of the Ipsos MORI Omnibus survey. Data is weighted to be nationally representative of adults in Great Britain, making the weighted total 1,992 interviews.

**Exhibit 4**  
Which of these phrases do you believe apply to products described as 'low-carbon' and 'energy efficient'? (%)

(Source: Ipsos MORI)



This important point is particularly well demonstrated in **Exhibit 4**, which shows how differently people interpret the two very similar labels, 'low-carbon' and 'energy efficiency'. Nearly half (48%) of survey respondents could see the link between low-carbon and helping to tackle climate change, whereas less than a third (30%) identified the link between climate change and energy efficiency.

These findings help explain why the messages to consumers are not getting through. The language of low-carbon is not perceived as relevant to the choices people make in their everyday lives. This is reflected in **Exhibit 5** which draws the link between consumers and climate change, but also demonstrates where the disconnect happens. Given consumers' decisions influence three quarters of the UK's emissions, this disconnect represents a clear breakdown in communication. Linking the two conversations to ensure business and government are speaking the language of energy efficiency will be crucial in generating greater interest around low-carbon products.

Nevertheless, it is encouraging that many participants believe energy-efficient products will become more prevalent in the future and that technology has a role to play. Quotes from our focus groups suggest that people are positive about the public's future buying habits.

*"People are becoming much more aware about the environment. I know much more than when I was 20. When people come around to buying their next new [TV] they will be more energy efficient."*

*"It will be a less disposable culture in five years' time."*

**Exhibit 5**  
Consumers are not making the link between product and power station

(Source: Ipsos MORI)

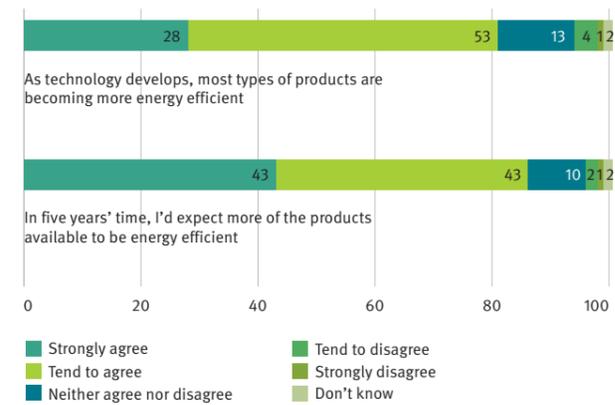


Similarly, four out of five (81%) survey respondents expected further technological development to increase the energy efficiency of products (**Exhibit 6**), with 86% predicting a greater range of energy efficient products to be available in five years' time.

The findings reveal a disconnect between consumers and business – between the language of energy efficiency and low-carbon – making the link between individual purchasing decisions and how they impact climate change more tenuous. Yet consumers remain optimistic about future innovation. The challenge for business is to stimulate sufficient demand to provide the right investment signals to make consumers' predictions about the development of energy-efficient products a reality.

**Exhibit 6**  
How strongly do you agree or disagree with each of these statements about energy efficiency in products? (%)

(Source: Ipsos MORI)



**...but consumers still differ in their interpretation of energy efficiency**

Energy efficiency can be used as a stronger platform for communication – but government and business must remember that consumers of a particular product are not a homogeneous group. Our focus groups illustrated how differently the concept of energy efficiency can be interpreted.

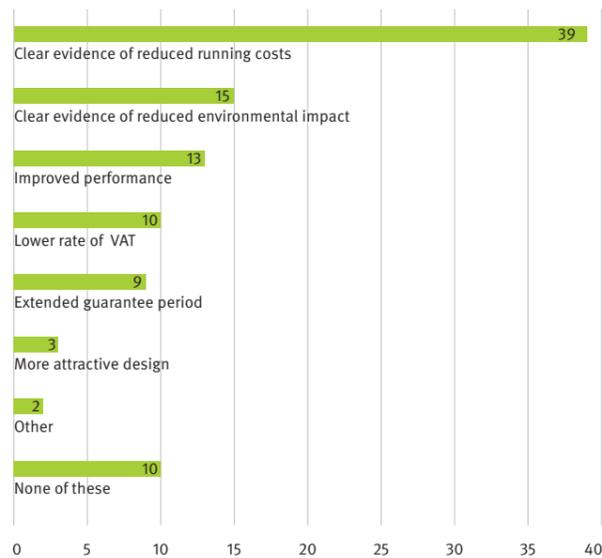
The focus groups made clear that energy efficiency is quite a complex term. For messaging to be most effective, it will be necessary to pinpoint the arguments most influential for different consumer groups. Our survey clearly showed that evidence of reduced running costs is the most influential driver for the majority of consumers to move to energy efficient products (Exhibit 7). Four in ten (39%) participants cited this as the most important single consideration.

This graph becomes more interesting when we pick out examples of where a couple of results differed depending on the socio-economic classification of the participant. For example, only 15% of total participants claimed that clear evidence of a product's reduced environmental impact would be the most important driver – yet this figure jumps to a quarter (24%) when we look at broadsheet readers alone. Similarly, the rate of VAT was considered vital by only one in ten overall but, unsurprisingly, 17% of self-employed participants considered it important – perhaps reflecting the extra attention they pay to VAT in the course of their work. Different groups of consumers respond to different drivers.



**Exhibit 7**  
What single item, if any, would change your purchasing behaviour towards more energy efficient products? (%)

(Source: Ipsos MORI)



Consumer attitudes towards energy efficiency are not black and white but a sliding scale dependent on awareness of the cost benefits and perceived relevance to the product. Running costs are the main consideration but there are other drivers for business and government to consider in making the case for energy efficiency.

**Energy efficiency is prioritised differently in purchasing decisions for different products...**

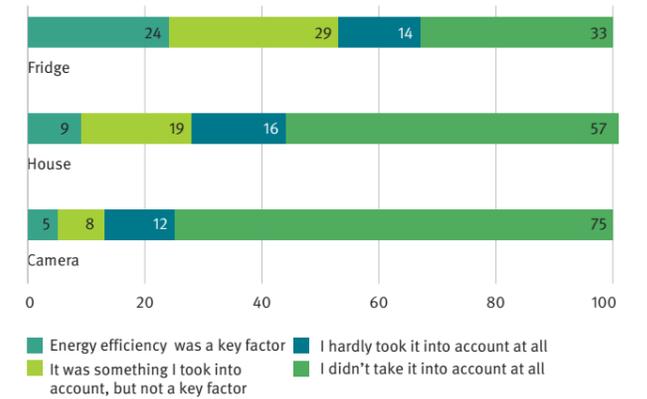
The survey and the focus groups both highlight some interesting differences in how consumers prioritise energy efficiency when purchasing different types of products. In some sectors, it appears that the conversation with consumers is gaining greater traction, whereas in others it is hardly audible. We need to understand what differs between the purchasing motivation for a washing machine and for a TV – and see what lessons we can learn.

Exhibit 8 shows how differently consumers think about energy efficiency when considering different purchases – in this case a fridge, a home and a camera. The results are stark: while over half (53%) of respondents took energy efficiency into account in purchasing a fridge, only a quarter (28%) considered it in buying a home. When we consider that our homes emit nearly one quarter of the UK's greenhouse gases – and the government has put such emphasis on building zero-carbon homes and retro-fitting existing properties – the implications for this difference in attitude are significant. It appears government messages are not getting through to consumers to help them link the products they use and the energy efficiency of their homes.

This situation was replicated in the focus groups, with many participants reporting that they would not take the energy efficiency of some products into consideration. While people generally recognised that some lights, cars and washing machines are more energy-efficient than others, few would consider this when choosing in other product groups. Exhibit 9 shows that while factors such as 'cost to buy' and 'quality' score very highly across the board, we see some sharp differences when energy efficiency and costs to run are considered. About four in ten respondents put energy/fuel efficiency in the top three factors to consider when buying a car (42%) and a washing machine (37%), while only 11% did the same for a TV set. Similarly, the cost to run was prioritised by half of respondents (49%) when buying a car, compared with 26% when buying a washing machine and only 11% again with a TV.

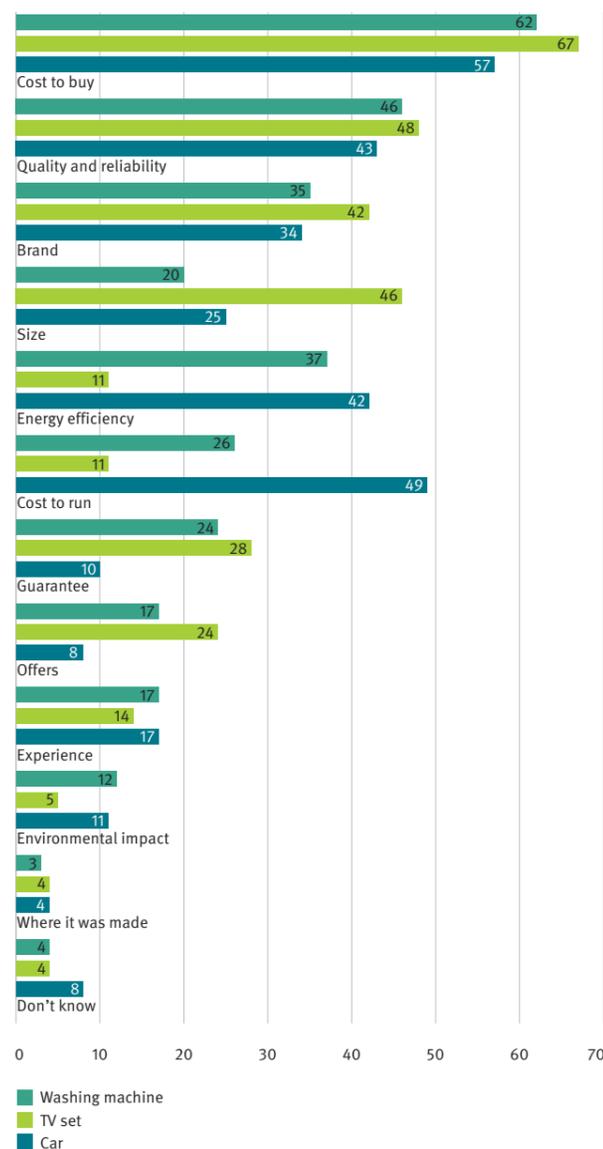
**Exhibit 8**  
The extent to which energy efficiency was a key factor for consumers when they last bought or rented a fridge, home or camera (%)

(Source: Ipsos MORI)



**Exhibit 9**  
**What consumers cite as the top three or four factors shaping their choice of purchase (%)**

(Source: Ipsos MORI)

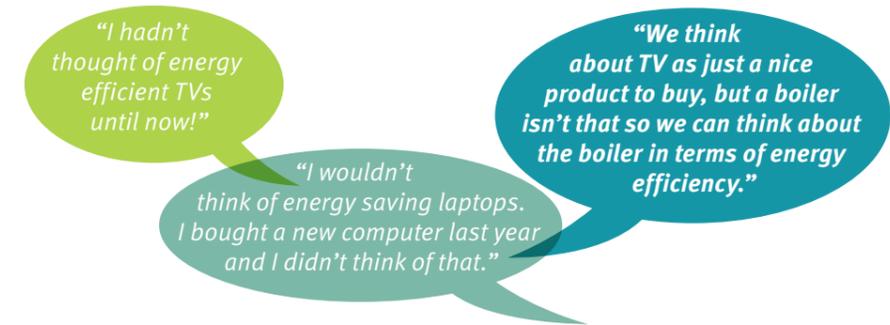


When we consider the importance consumers place on running costs as a measure of energy efficiency (Exhibit 9) and the visibility of these costs for different products – for example, fuel prices – we start to understand the disparity between product groups. Consumers are less likely to consider the running costs for TVs when making a purchasing decision because they cannot easily see the impact on their household bills.

Interestingly our focus groups highlighted how people are surprised by results from energy monitors and smart meters because they make visible for the first time the impact on energy consumption of turning on particular products in their homes. The Visible Energy Trial of 75 homes in East Anglia similarly found the introduction of energy displays made a significant difference to consumer attitudes. Not only did the displays increase people’s confidence in understanding their own energy use, but 30% reported that their introduction had also encouraged them to buy energy efficient products, with 35% even considering fitting solar panels and 25% insulation as a result.<sup>9</sup>

We know that in some other western economies the level of consumer awareness is already much higher, illustrating the relative success of other governments and businesses in building consumer buy-in. UK consumer awareness of energy-efficient products was found to be the lowest in a 2009 survey by Michelin – behind Germany, France, Italy, Spain and Russia.<sup>10</sup>

The conversation with consumers about the importance of energy efficiency is clearly better developed and understood in some sectors than others. To move forward, we need to look at how to build on this sectoral success in linking energy efficiency to product choice in certain circumstances. There is plenty of room for business and government to improve their messaging and clear potential to improve consumer choice.



**...with energy efficiency most highly factored in white goods and cars**

The focus groups identified washing machines and cars as the best examples of how energy considerations can affect purchasing decisions. This was reiterated by the quantitative survey, which confirmed the relative priority given to energy efficiency when it comes to cars and white goods such as washing machines and fridges. Ipsos MORI’s analysis of the conversations among participants found a clear narrative that linked the consumer experience of these products to energy efficiency.

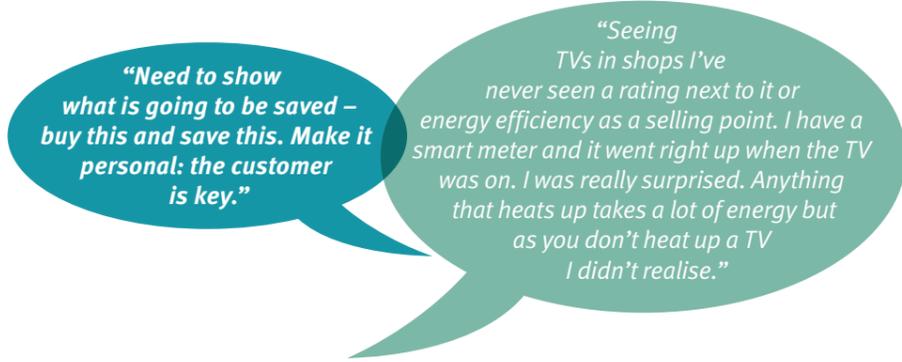
We found that the characteristics most highly valued in a washing machine by consumers could easily be linked to energy consumption and therefore cost. Washing machines are normally ‘distress purchases’, bought to replace a broken predecessor. People value reliability and longevity, wanting the appliance to run as long and as cheaply as possible. As a result, the upfront cost can be less of a priority – the balance shifting to a broader assessment of lifetime running costs. This contrasts sharply with a TV set, where upfront costs are a greater consideration and product specification is very important.

In using a washing machine, consumers are constantly reminded of its energy consumption. Every time they measure load size, set the temperature and the spin speed, select the detergent, they are making a choice about how efficiently to run the appliance.

There is a parallel here with the priority given to efficiency in car purchases and the regular reminder of the price and consumption rate of fuel. The most energy intensive life-phase of a car is during use due to fuel consumption – so attention has been focused here. Many dashboards in newly manufactured cars, for example, are fitted with readers informing drivers about fuel consumption. Fiscal policy and the banding of vehicle excise duty along fuel efficiency lines have also increased motorists’ awareness of the differences between cars. By contrast, consumer knowledge of other product categories is still much more limited. For example, in our focus groups people were surprised to find that televisions and IT appliances vary in their energy efficiency.

Some products are naturally more suited to messages about energy efficiency due to the ease with which consumers can associate increased cost with increased energy consumption. The characteristics of a washing machine are similar to many other household appliances – vacuum cleaner, oven, microwave, lawn mower – and therefore provide opportunity for cross messaging.





**Consumers suggest that simple information in standardised language would help them make greener purchasing decisions...**

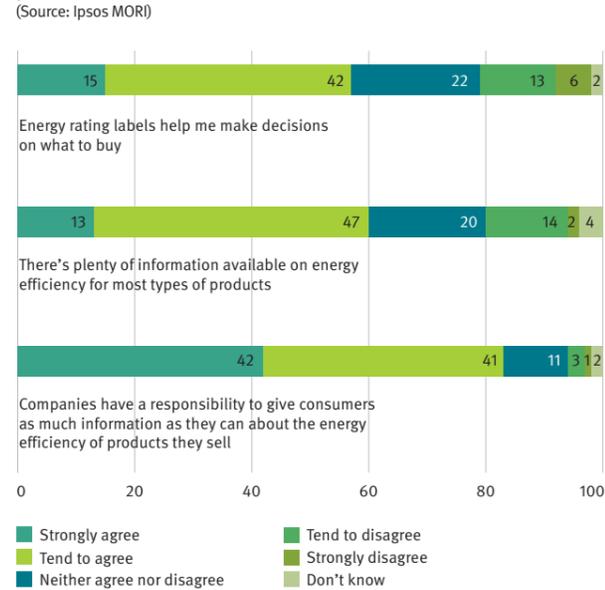
The survey has revealed a lack of awareness among consumers about the energy consumption of some appliances and the impact on household bills. This points to the need for better, more targeted and consistent information for consumers. Our qualitative and quantitative studies both show that consumers agree and have the appetite for more information on energy efficiency. Four out of five survey participants (83%) believe companies have a responsibility to give as much information as they can about the energy efficiency of products they sell – a clear message that business must step up to help consumers make greener choices (Exhibit 10). Only 19% of respondents believed that energy rating labelling did not help them to make a decision on what to buy, suggesting the vast majority of consumers find such labelling useful.

But consumers do not appear satisfied with the current standard and type of information available. While 60% of respondents agreed that they could access information on energy efficiency for most types of products, feedback from the focus groups suggested the material is patchy and often irrelevant to the consumer’s purchasing decision.

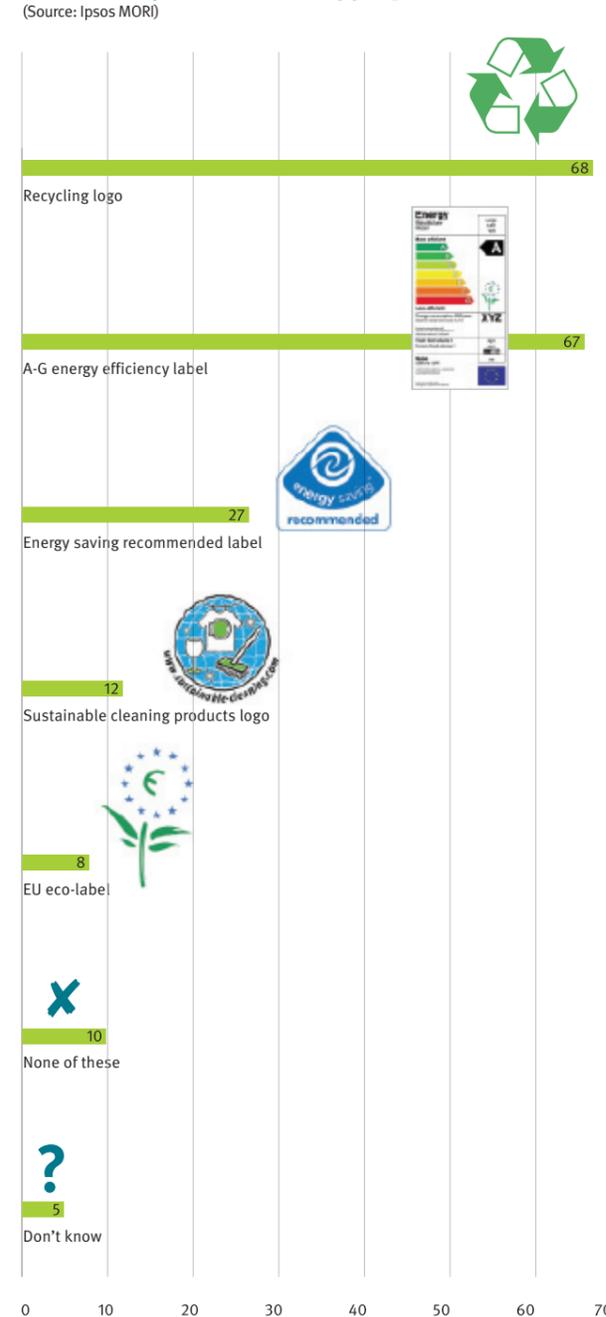
We know that the kind of information made available to consumers varies depending on the product and the producer or retailer. We asked survey respondents to identify different labels in the public domain. There is clearly a split between the more established labels – recycling (68%) and A-G labelling (67%) – and the niche labels, such as the sustainable cleaning products logo (12%) in terms of recognition. In fact, 10% of respondents failed to recognise any logos (Exhibit 11).

We can draw links to the products most associated with energy efficiency – washing machines for example – and the use of logos in building awareness about energy consumption and efficiency savings. A-G labelling has been a particular success, and is particularly well recognised among those aged between 35-64 (76%) and those earning over £25,000 a year (83%). It is no coincidence that products where the energy efficiency story is most developed for consumers tend to be those where the A-G label is displayed, such as fridges. As the Electrolux case study illustrates (Case study 4), A-G labelling has also played an important role in driving competition on energy efficiency and encouraging innovation in white goods.

**Exhibit 10**  
**How strongly do you agree or disagree with each of these statements about energy efficiency in products? (%)**  
(Source: Ipsos MORI)

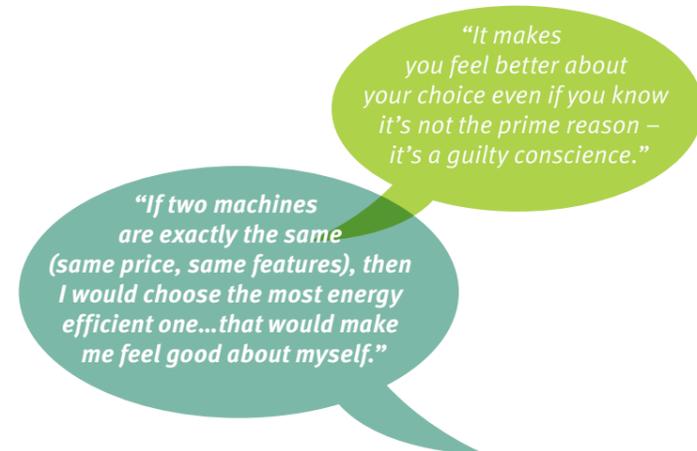


**Exhibit 11**  
**Which, if any, of these labels or logos have you seen when you've been shopping? (%)**  
(Source: Ipsos MORI)



While energy efficiency is not going to become the primary factor in purchasing decisions on high value, high technology, heavily branded goods – such as TVs and digital goods – our evidence shows that it can tip the balance. While only 13% of consumers say they are prepared to make a trade-off on performance for a product that is more environmentally friendly,<sup>11</sup> recent research by the Waste and Resources Action Programme (WRAP) suggests that where two products have broadly the same specification and upfront cost, the energy efficiency factor can tip the balance.<sup>12</sup> Feedback from the focus groups also suggests people were motivated by the idea of ‘doing the right thing’.

It is clear that consumers welcome information and labelling as a means of product differentiation, but there are challenges for business in knowing how best to articulate their message. The research suggests there are gains to be made by attempting to simplify and standardise the kind of information available to consumers.



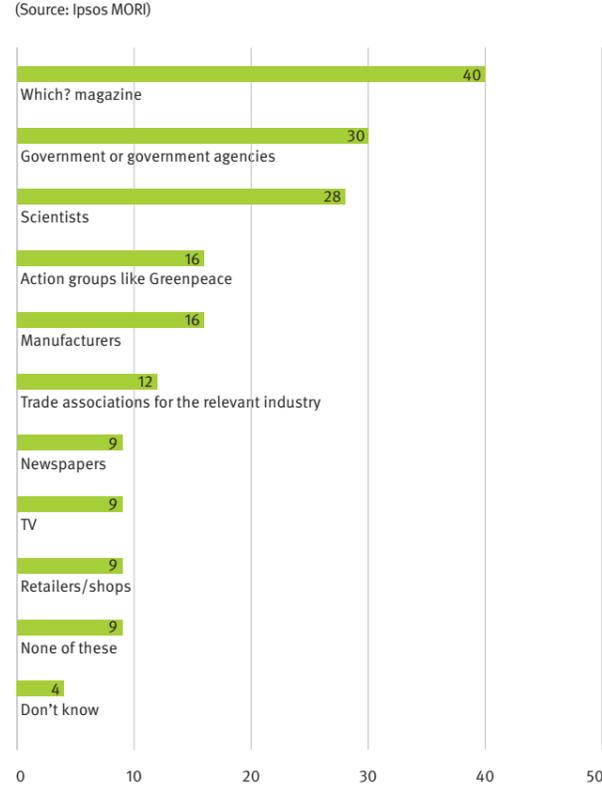
**...but cynicism remains about green claims**

While consumers acknowledge that information on energy efficiency and potential cost savings already exists in the public domain – and they believe companies should disclose as much information as possible about the efficiency of their products – they worry about the authenticity of this data. Our survey found that only a small minority of consumers trust the information that retailers (9%) and manufacturers (16%) currently provide (**Exhibit 12**).

This message was backed up in the focus groups, with many participants questioning the veracity of the information.

The misleading use of green marketing to sell products – or ‘greenwash’ as it is often called – has damaged consumer faith in the genuine energy efficiency and environmental claims made by companies. This mistrust helps to explain our further findings that consumers prefer information that has an independent stamp or third party verification. We found the consumer group Which? was most trusted to provide reliable energy efficiency and climate change information, with 40% of people citing it as a reliable information source (**Exhibit 12**). This proportion increases further in certain socio-economic groups – to 52% of people earning over £25,000 and 50% of those educated to degree level and above, for instance.

**Exhibit 12**  
**Which of these sources, if any, would you trust to provide reliable information about energy efficiency or climate change? (%)**  
(Source: Ipsos MORI)



*“The majority of the time these claims haven’t been tested.”*

*“I’d like someone else to say it, like Which?.”*

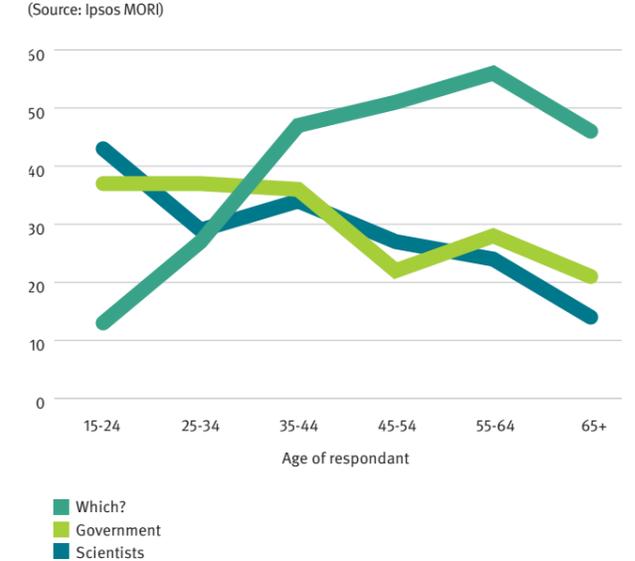


The results also present an opportunity for government. Three in ten people considered the government to be a trustworthy source of information, suggesting that more could be done to standardise and disseminate the information produced.

The preference for who delivers or accredits the message changes with age (**Exhibit 13**). While the messages need to be delivered in the language of energy efficiency and cost savings, consumers pay great attention to the messenger. The three most trusted groups – Which?, the government and scientists – are each favoured by different age groups.

**Accreditation is key to reducing greenwash and upholding genuine claims. Businesses have a clear role to play in building trust and persuading consumers of the veracity and relevance of their low-carbon work.**

**Exhibit 13**  
**Preference for sources of reliable information, by age group (%)**  
(Source: Ipsos MORI)



# 4 Government and business must work together to build market momentum and change consumer behaviour

Our survey shines a spotlight on the workings of the consumer market for low-carbon goods. While markets may be imperfect, this market is particularly constrained by the flow of information and the lack of demand. The aim of business and government must be to address these constraints and empower consumers through greater informed choice. Clarity and confidence must replace confusion and cynicism in the minds of consumers.



Where information about energy efficiency or environmental benefit is coupled with an added incentive – a fiscal rebate for example – and standards, consumers are more likely to make a green choice. This successful combination was illustrated in our Toyota case study, where the company’s investment in low-carbon technologies combined with a government scheme to incentivise low-carbon choices created a successful hybrid, the Auris – so popular that demand exceeded initial sales forecasts. Examples like this remind us that consumers are persuaded to act by a combination of factors. The response of business and government should address the three main variables:



Our research confirms the widely held business view that price is usually the most important factor in a purchasing decision (**Exhibit 9**). While the state of the public finances means there is little scope at present for further fiscal incentives, this important variable should not be ruled out in the future as a key driver towards green choices. Without such incentives, the government can drive a market for energy efficient products and services in parts of the private sector through public procurement but its direct reach into the wider low-carbon consumer market is less pervasive. This highlights the importance of government and business working together where possible to exploit the benefits of information and regulation – the non-financial tools available now.

We need the right regulatory framework and business support to encourage greater consumer buy-in – but this cannot happen without first building public trust in the ‘green’ agenda. The disconnect identified between government and business on the one hand, and consumers on the other, needs to be mended.

**Moving on** The CBI will convene a task and finish group, bringing together business and government, to build on the findings of this research and develop practical recommendations to boost consumer demand. We need to set in motion ideas and initiatives that cover the main drivers of consumer demand and lay the right foundations for green growth.

There are some clear messages that stand out in our research and these should form the basis of the task and finish group’s agenda:

- Government and business must make the link between purchasing decisions and climate change
- Consumers need simple, clear and comparable information to make an informed choice
- Businesses need to build trust in their green credentials.





## The next steps

### Businesses need to build trust in their green credentials

Our case studies highlight many companies that have enjoyed success, using their well-earned green credentials to nurture public interest in energy efficiency and sustainability, while boosting corporate reputation and justifying further green investment.<sup>16</sup> In many cases, success has hung on the ability of the company to personalise the benefits of 'going green'. Businesses are highlighting the savings consumers can make by taking simple actions, and then linking this action to tackling climate change. Where initiatives have been successful in driving behaviour change, the wider business community should learn how best to engage and inform consumers.

**Action:** DEFRA should work with trade associations and consumer groups to improve the consistency and relevance of business communication to the public. They should promote common language and symbols, making it easier for consumers to compare and contrast green claims.

Our research illustrated the constructive role third parties can play in adding credibility to companies' green credentials. Providing clear and consistent information is one step forward – but having that information accredited by an independent source is more likely to negate any suspicions of 'greenwash' in the eyes of the consumer. The survey results showed that consumers varied in their preferences: older age groups trusted consumer watchdog Which?, while younger age groups looked to the government and scientists for independent advice. Businesses should bear these differing trends in mind and work with third parties appropriate to their brand and/or product range.

We believe that greater use of independent accreditation is a necessary step towards building consumer trust. On this objective, the government has already made inroads having recently published its revised Green Claims Guidance. With clear advice and case studies for businesses on how to communicate their green credentials accurately and effectively, this is a welcome development. There may be a case for going even further here and looking at other ways to protect companies making genuine claims and encourage consumer trust.

**Action:** Building on the Green Claims Guidance, business and DEFRA should also work together to explore developing a clear standard for low-carbon terms – universally recognised and trusted – to encourage consumer trust and comprehension.

This report marks not the completion but a renewed momentum for the CBI campaign to build a mass market for low-carbon goods and services. We believe business and government working together can be an effective driving force for change, but it is clear that further work through our task and finish group needs to be done to understand how best to approach the consumer challenge.

Businesses learn best from other businesses – details of successful consumer engagement initiatives should be shared in order to change consumer behaviour on a wide scale. The CBI's climate change website will provide case studies and interviews with business leaders that will span different industries and company sizes, and can be used as a stepping stone to further innovation. For more detailed information on the CBI's climate change work and to see video case studies accompanying this report, please visit: [www.cbi.org.uk/climatechange](http://www.cbi.org.uk/climatechange)

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## Climate change: everyone's business

The CBI climate change board:  
building a low-carbon economy

The CBI climate change board was set up in 2008 to deliver the commitments set out in the CBI 2007 climate change taskforce report 'Climate change: everyone's business.' The report recognised that government, business and consumers all have a role to play in making the shift to a low-carbon economy. The board brings together senior business leaders from a range of sectors to demonstrate business commitment to managing the risk of climate change by:

- promoting business-led policy solutions to realise carbon savings
- showcasing business opportunities for green growth
- leading by example on corporate commitments to manage carbon footprint
- monitoring progress by government and business in realising the UK's carbon targets
- influencing a post-2012 international climate change agreement.



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