

Script for April 21st 2010 Sustainable Business Conference

Market Intelligence: Challenge your assumptions on how to market your low-carbon product: 5 top tips based on international primary research data

Haddock Research & Branding

Intro Slide:

James

Hi, 1st of all a very quick apology. Peter Winters, who was due to host this session is unable to attend. He was due to fly over from Canada for this conference & other events this week – but his flight has been cancelled due to the ash cloud from the unpronounceable Icelandic volcano.

I did ask him to row across the North Atlantic, but for some unknown reason he declined.

Peter

Hello, my name is Peter Winters of Haddock Research. This online presentation is a direct response to an Icelandic volcano, which stopped my flight to England on April 15th 2010.

*I was due to give this presentation about **Challenge your assumptions on how to market your low-carbon product; 5 top tips based on international primary research** at the SustainabilityLive conference in Birmingham, England, on April 21st.*

Instead, my UK-based partner, James Ambler, stepped-up to do it, (thanks James) and this Brainshark on-demand presentation allowed us to collaborate more closely on the content. Also, quite a few delegates, especially those who lived abroad, have not been able to attend the conference, and this gives them a chance to see what they missed.

Slide 2: Challenge your assumptions

So... on to the talk

At Haddock Research & Branding we are a market research and branding agency which focuses on how to support innovation in the low carbon economy.

In this presentation we have put together our 5 top tips for how companies can better market their low carbon products.

We have pulled these ideas together, both from our public opinion survey data we have collected in North America and the UK, and from talking about these issues with a large number of companies working in all areas of the low carbon sector.

Our goal is to challenge some of the more common assumptions that we come across, and provide an alternative view, based on our analysis.

Slide 3: 5 top tips for low carbon marketing

In summary, here are our 5 top tips for low carbon marketing.

First, think of public interest in climate change as a niche. This is about recognising that the public are very divided when it comes to climate change, and that those who are engaged have made strong emotional ties to the subject matter.

Second, companies developing low carbon products should provide an integrated value proposition for their potential customers. This means that a low carbon proposition should be desirable, it should offer personal benefits to the customer at the point of purchase, and it should offer 'reflective pleasure' once they have bought it.

Third, consider existing high-carbon attachments. Your new low carbon product will be pitched against the 'brand equity' of established high-carbon brands – and sometimes these existing attachments are very powerful.

Fourth, be wary not to assume that the 'low-carbon consumer' is the same for every industry sector. They often involve different demographics, and different incentives for change.

Finally, think carefully about the ideas used to communicate your low-carbon brand. Metaphors are a powerful way of doing this, and they should be targeted at particular groups.

Slide 4: About the Environmental Choices International Monitor

I'd first like to introduce you to the survey I just mentioned. It's a survey that is fully-owned by Haddock Research, and is called the Environmental Choices International Monitor. The idea behind it is to try and get an holistic and quantitative understanding of the public's attitudes, circumstances and behaviour as it relates to climate change – and the implications that has for the low carbon sector.

Slide 5: Environmental Choices International Monitor

Here are some more details about the study.

The information comes from a very wide-ranging, and fairly lengthy, questionnaire about many aspects of people's lives. We wanted to know how much people used public transport, what cars they drove, how much they flew, what types of houses they lived in, their passions and responsibilities, their awareness and usage of products, their attitudes to a range of issues including towards climate change, and much else.

We were careful not to forewarn respondents about the study being really about climate change. This was to avoid self-selection bias, and designed to encourage people to be more truthful in their answers.

The first wave of the study was fielded in late September/ early October 2008,

and was conducted online amongst nationally representative samples of over 1,000 adults per country in Canada, England and the USA.

The results are available in 14 different reports – with each of these section reports dedicated to addressing a particular subject.

Our vision is that this Environmental Choices Monitor be run amongst larger samples, in all major countries of the world.

Slide 6: 1. Think of public interest in climate change as a niche

Turning to the first 'top tip' - it is about the need to think of public interest in climate change as a niche.

Slide 7: Misleading assumption

The reason for this tip is that looking at opinion polls it is easy to conclude that the public is not really that interested in climate change, and that the low carbon business opportunity is therefore limited.

Slide 8. Evidence for this misleading assumption - US

Here is some recent data from the US which places 'dealing with global warming' at the bottom of the public's list of priorities.

And it's quite a long list! It comes far below the economy, jobs and terrorism.

Slide 9. Evidence for this misleading assumption - UK

Here is some similar type of data for the UK – taken from a Dept of Transport survey from January this year.

We can see that from this list, around 8% think that Climate Change is the most important issue facing Britain – quite a lot lower than for Health, Crime and Immigration.

But we need to remember that these questions are all about the proportion of people who are concerned about a topic.

They tell us nothing about intensity of interest.

Also, we should be wary of questions which ask people to choose from a list where something is 'the most important'. Let me explain.

Slide 10. 'Climate change' is a niche interest, like 'rugby'

To illustrate the point about climate change being a niche, I am going to take a sports metaphor, using data from our Environmental Choices survey.

We showed respondents a long list of sports and pastimes, and asked them:

Which of these sports, and pastimes, do you really enjoy doing, or watching – if any? We are not thinking about things that you don't mind watching for light entertainment, but rather, these are things which you do/watch, at least occasionally, and can **change the way you are feeling!**

The data shows that 37% of English people are passionate about football, 30% are passionate about gardening, and 20% are passionate about rugby.

We can also see that **only 5%** of people are **exclusively** passionate about rugby from this list of 3 pastimes.

Now think about the data I showed you in the previous chart about climate change. When you ask people to indicate, from a list of items, which is the item they think is 'most important', you will likely reduce the apparent interest in the more minor interests – or smaller, more niche, brands.

This phenomenon is known in marketing theory, as 'double jeopardy'.

Slide 11. Even if they are fewer in number, rugby supporters are still emotionally involved

If you think this means that 'English people are enthusiastic about football and gardening' but 'are only modestly interested in rugby', you ought to get out more, and buy tickets to a 6-nations international at Twickenham!

Even if they are fewer in number, rugby supporters are still emotionally involved.

And so are people about climate change.

And our data shows that society is really very divided in their concern about climate change. Some people are very concerned, others less so, and others, not at all. Like rugby, we should think about climate change as being a 'minor brand'.

Slide 12. 3 coherent groups ... Climate Citizens (33.1%)

As part of our analysis we have created a 3-way attitudinal segmentation model. We asked 5 structured attitudinal questions about climate change, and then used a statistical technique called **cluster analysis** on this data.

Unlike some other segmentation models you may have encountered this does not consider general 'green' concerns or behaviours. We wanted this purely to reflect people's beliefs about **climate change** – and what ramifications this has for low carbon products and propositions.

Let me introduce you to Climate Citizens, a third of the total sample set, who are most concerned about climate change. There are two other groups – Mild Greens and Sceptics & Uninvolved – who I'll introduce you to shortly.

All Climate Citizens believe that:

- Climate change is caused by human activity
- That it is a serious threat
- And that we should focus on changing the way we do things **now** to tackle the problem

Amongst Climate Citizens, there is some variability on:

- How much climate change impacts on the day-to-day decisions they make in their lives
- And personal interest and knowledge about climate change

However, for both these last two items, Climate Citizens are more involved than other groups.

Slide 13. 3 coherent groups ... Mild Greens (36.2%)

Mild Greens, as the name suggests, are those who are more moderately concerned about climate change.

They will:

- Likely believe that it is caused by human activity, but alternatively might believe it generally has natural causes
- See climate change as one of a number of serious threats that we face
- Most likely believe that climate change should be handled by **balancing** what we do now with managing problems 'if and when' they occur
- Feel they know a reasonable amount about climate change
- And that climate change is sometimes a consideration in their day-to-day decision-making

Slide 14. 3 coherent groups ... Sceptics & Uninvolveds (26.6%)

Those least concerned about climate change are a group we have called Sceptics & Uninvolved. As the name suggests, this group comprises elements who are actively sceptical about climate change, and those who are really not engaged by the whole issue.

In summary:

- Although half think that the climate is changing, few think it is caused by human activity
- They do not believe that climate change is a serious risk (and a sizeable minority really have no opinion on the issue)
- They do not believe we should focus on dealing with climate change now. Rather, there should be a balanced approach, or deal with any problems if and when they occur, or that they have no opinion on the subject
- Some have good knowledge about climate change (in their minds, anyway), but most do not
- Climate change has very little impact on the decisions they make in their lives

Slide 15. There is divided opinion about climate change in each country

We can see that significant numbers of each of these groups is represented in each country.

Certainly there is a greater degree of public concern about climate change in Canada than in the USA, but I believe the more important point is that there is divided opinion about climate change in each country.

This is an important point in understanding international public opinion data about climate change. Too often, the analysis compares one nationality against another, and this way of analysing data can hide more than it can reveal.

Slide 16. 2 PROVIDE AN INTEGRATED VALUE PROPOSITION

Our second tip is about providing an integrated value proposition to your target customers.

Slide 17. MISLEADING ASSUMPTION

First there is the assumption that customers are only interested in functional or price aspects of a product – and that environmental benefits are not really influential. We hear that quite a lot when speaking with telepresence companies.

People's concern about climate change should help create desire for low carbon products. But how can this be tested?

The issue underlying this need is to measure 'causality' – how to measure the importance of various factors in getting people to act in a certain way. Somewhat akin to medical randomised trials, one approach is to separate people into those who are 'concerned about climate change' from those who are 'unconcerned about climate change' to see if there is a difference in the 'test outcome'.

This is what we did with our Environmental Choices™ study, using a statistical technique called CHAID.

Slide 18. 'Enthusiasts' for prototype micro-generation product

As part of the study we tested consumer reactions to a simple, factual description of a prototype micro-generation product. This product profile had no brand positioning, no mention of the manufacturer, and did not refer to climate change, carbon emissions – or any other environmental benefits.

The dependent variable tested was being an 'Enthusiast' for the product or not; defined as those who found the product both 'very appealing' and who indicated they would be 'very likely to install'.

For the predictor variables, we included a range of demographic variables (age/sex, region, number in household, presence of children, income, political allegiance), as well as the 3-way segmentation of Climate Citizens, Mild Greens and Sceptics/Uninvolved.

Slide 19. Climate change concern creates low carbon desire – CHAID analysis

The CHAID analysis showed that the best predictor for being an 'Enthusiast' was whether someone was concerned about climate change or not. 25% of Climate Citizens were 'Enthusiasts' compared to 13% of everyone else.

This analysis provides evidence that 'concern about climate change' is a valuable motivator for this particular low-carbon product. It is also part of general findings from the Environmental Choices™ study that Climate Citizens are particularly likely to have interests and behaviours which are more 'low-carbon'.

This analysis shows that concern about climate change **does** make a difference!

Slide 20. Three integrated challenges for any low-carbon proposition

But, desire for a low-carbon product is not enough. There are three integrated marketing challenges for any low-carbon value proposition:

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First, how well does it evoke emotional desires – especially amongst those concerned about climate change? This could be to do with how it helps the customer do 'good for the environment', and/or its visceral, aesthetic appeal.

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Second, how can the proposition be designed so that it 'makes sense' to a consumer to buy? It is about satisfying the individual customer, and likely to be at least in part to do with financial justification – although a creative use of other rewards might also work. Depending on the type of product and buying situation, this can be about rational argument, or it could be more about framing the customer decision in a more sub-conscious way.

{click}

Thirdly, once the customer has bought the low-carbon product, what could be done to enhance each customer's satisfaction in this purchase? This is about a rational reflection of 'making a good decision', leading to emotional attachment to the brand. This is the basis of building brand equity, and word of mouth recommendation.

Companies developing low-carbon brands should be wary of charging a premium to customers for 'being green' - the danger is that people will feel ripped-off.

Instead of trying to get people to 'pay extra to buy green', companies can often make the case that their low-carbon brand is both green and saves money. When it comes to getting people to invest in improving the energy-efficiency of their home, it is usually a matter of overcoming people's reticence to pay up-front capital costs in order that they can generate savings over time.

In line with behavioural economics, different versions of the value proposition – the balance between rational & emotional criteria - can be tested among target consumers to discover which is actually most effective in getting people to buy.

Slide 21. Considering 2 low carbon value propositions

The well-established 'A to G' scale is a brand device which successfully integrates emotional desires and rational rewards. It provides information helping to determine how environmentally-friendly a product is, and delivers benefits to the individual customer allowing them to save energy running-costs, and enhancing resale value on major products, such as on cars or houses.

According to the first wave of our Environmental Choices™ survey, 72% of English people recognised the 'A to G' scale, and 47% of English people indicated that this scale had had an impact on their behaviour. This impact was higher amongst those most concerned about climate change (Climate Citizens; 59%) compared to those least concerned (Sceptics & Uninvolved; 32%).

A recent UK marketing device is 'Carbon Labelling', a system designed to reassure consumers that the manufacturer is measuring, and committed to reducing, the carbon footprint of a product. It is an impressive achievement to be able to provide this information, enabling people to make 'low-carbon' consumer choices. But how much do such choices directly benefit the individual? Could more be done to encourage adoption – maybe with prize draws, social recognition and/or some form of 'Green Credits'? By late 2008, our Environmental Choices™ survey showed that just 9% of English people recognised the 'Carbon Labelling' logo, and only 2% indicated that it had affected their behaviour (mostly Climate Citizens) – though we should recognise that 'Carbon Labelling' is still quite new.

Slide 22. Considering existing high-carbon attachments

This top tip is regarding existing 'brand equity'.

It's about how we all build relationships, and attachments, with various things – and how we are can be reluctant to give them up.

Slide 23. Misleading assumption

People do not necessarily adopt new brands, or technologies, because they are 'better'. People have fond associations and feelings for some high-carbon concepts or brands – and these will need to be overcome.

Slide 24. Using coal's warm homely image in advertising

Let's look at the example of coal.

It would be difficult to think of a more climate-threatening, high-carbon product than coal.

Yet, for all that, coal doesn't seem that bad to many people.

Here is an advert for a cargo company which transports coal – and how coal makes a house into a home. Indeed, it brings **value to life!**

Slide 25. Coal, Restaurant in Wimbledon

And the positive brand associations of 'coal' are shown here from a restaurant in Wimbledon.

Slide 26. Associations and feelings about 'coal'

As part of the survey we tested people's attachments to 'coal'. We presented them with the word via a 2-second Tachistoscopic test.

Much like this. **{click}**

Having been shown the word for two seconds, we asked them for their immediate thoughts. They were told there was no right or wrong response – we literally wanted their top-of-mind thoughts.

We then re-presented the word coal & asked people to select up to 3 emotions they felt it evoked in them.

Slide 27. Associations about 'coal'

As part of our analysis we coded, and netted all of the top-of-mind associations into various categories – as shown here.

The predominant association amongst the English was one of **warmth** – with about half of respondents expressing associations linked to the concept of 'warmth'.

Only a small proportion – about 3% - associated coal with 'climate change' or 'fossil fuels'.

It is worth mentioning that the results were somewhat different in each of Canada, England and the USA. It seems that our cultural heritage makes a big difference in how we think about coal.

Slide 28. Feelings about 'coal'

We also went through every emotion registered about coal and again, coded and netted them into groups.

We then coupled all of the emotions/feelings to the top-of-mind associations – as can be seen here. This slide shows the most mentioned feelings expressed for each association.

Slide 29. Associations and positive feelings about 'coal'

... and as can be seen here the predominant emotions evoked in relation to coal are positive: 'warm glow', 'calm', and 'nostalgia'.

Remarkably, even within those who associate coal with climate change 16% still feel it evokes a 'warm glow'.

AND amongst the group who associated it with top-of-mind grouping 'Bad / Black / Death' just under a quarter felt it evokes 'warm glow' and a fifth 'nostalgia'.

Clearly there are strong emotional ties with coal - as there may be with other high-carbon brands. Companies selling low-carbon brands need to recognise this in their marketing strategies to increase their chances of success.

Slide 30. Haddock Coal advert

And this is why we produced this advert.

We took a bit of artistic licence as I think that it is actually wood in the grate – but it does give a sense of how cosy a coal fire can be. How could low carbon alternatives challenge this emotional

connection? What associations and feelings would they like to communicate for their low-carbon brand?

Incidentally, we have set up a blog – analysisnotassumptions.com - to discuss the various themes covered by the series of adverts we are running over the next 12 months. And we invite anyone to visit & comment – ideally we'd like a lively debate to evolve – so please do visit & chip in with your comments.

Slide 31. 4. THE 'ACTIVE LOW-CARBON CONSUMER' VARIES BY INDUSTRY SECTOR

This tip is about being wary not to assume that the 'low-carbon consumer' is the same for every industry sector.

Slide 32. Misleading assumption

We are taking aim at the assumption that the same detailed segmentation model about 'the green consumer' will apply to all markets.

Slide 33. Different demographics according to the industry sector.

Our first challenge is that there are different demographics according to the industry sector.

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The target 'low-carbon consumer' for laundry products would be amongst older women;

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for micro-energy products it would be amongst middle-aged men with children at home,

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and for telepresence or video-conferencing technology it would be amongst high-income, younger business travellers.

If you are looking to reduce emissions from business flying, you are really targeting a small number of people. For long-trip business flights of 4 or more hours in length, the 3% of English people who are 'heavy business flyers' (that is, take 3 or more such flights a year), we calculate are responsible for around 75% of airline seats in this category.

Each of these demographics would likely have **different values, passions and circumstances**.

Slide 34. Behaviour change and contextual incentives

The second challenge is to do with behaviour change. To get your target consumer to respond to your low carbon proposition, you need to know **both** their attitudes towards climate change, **and also** whether there is an incentive, or not, to make the desired behaviour change.

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If you want *Climate Citizens* to stop using oil-fired boilers, you need to know whether they already have (and love) an Aga.

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If you want *Climate Citizens* to start using public transport, you need to know if it would be very difficult for them to do so.

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If you want *Climate Citizens* to support increased taxes on flying, you need to know whether or not they fly.

According to our Environmental Choices monitor, just 3% of English people are responsible for 75% of long-haul business flying. These are people who take 3 or more business flights of over 4 hours, per year.

Slide 35. As part of a program of green taxation, in principle, I like the idea of increased taxes on flying

Indeed, here is some data to illustrate my last point.

English people are fairly equally split between those who fly, and those who do not. We define 'flyers' as those who fly once a year or more.

We asked respondents to say whether they liked the idea of increased taxes on flying.

Approval for extra flying taxes is well correlated with both 'concern about climate change' and 'whether someone personally flies or not'.

If you are a 'Climate Citizen non-flyer' in England, you would be pretty likely to support increased taxes on flying! This demonstrates that a powerful segmentation approach often combines 'attitudes towards climate change' and 'behaviour & contextual incentives within a particular sector'.

Slide 36. Two-dimensional, sector-specific, segmentation

Here is a way of combining the attitudes towards climate change, and support for a specific low-carbon proposition.

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In the top-right hand corner are those people who are Climate Citizens, and **little incentive not** to switch to the low carbon proposition – they are going to be strong supporters.

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In the bottom-left hand corner are those **most likely to resist** the most since they care little about climate change, and are strongly incentivized to keep doing what they are doing.

Slide 37. Two-dimensional, sector-specific, segmentation

A particularly interesting group are those *Climate Citizens* who have a strong incentive not to switch to the low carbon solution. These people are in a conflicted / ambivalent position – likely to be a state of 'unmet need' for an alternative solution.

For example, this could be *Climate Citizens who fly*, (as seen on the previous slide) - a ripe target market for telepresence companies and offset providers.

Slide 38. 5. IN COMMUNICATIONS, THINK 'OF METAPHORS & MEN'

Our final tip is about thinking carefully about the ideas used to communicate your low-carbon brand. Metaphors are a powerful way of doing this, and they should be targeted at particular groups.

A metaphor, defined as 'an implied analogy between two objects or ideas', offers tremendous opportunity for succinct and powerful communication.

The recent hacking of climate scientist emails show how metaphors are being used in the battle for public opinion over climate change. Sceptical opinion quickly termed these emails as 'Climategate', using the 'gate' as in Watergate, which has become a metaphor for 'scandal/deception'.

Some liken global warming to the Internet dot-com bubble, or of ponzi schemes; situations where people, en masse, are duped. In contrast, Gordon Brown talked about these hacked emails using a metaphor from the classical world - saying that we must not be distracted by 'flat-earth' sceptics.

Slide 39. Misleading assumption

Often low carbon brands use images of nature, such as polar bears, within their advertising. But are metaphors to do with nature going to be right for your low carbon brand?

Slide 40. CHAID Analysis – ‘Beautiful Nature’

Within the Environmental Choices study, we tested 6 environmental ideas to see how powerful they were. Overall a ‘Beautiful Nature’ idea was one of 3 ideas which were rated well. 58% thought it the best, or best equal idea.

We applied the CHAID analysis against the data from all 3 countries, with whether the idea was ‘best/equal best’ or not, being the dependent variable.

This analysis showed that the appeal of this idea varied greatly according to whether someone was concerned about climate change or not. *Climate Citizens*, especially female *Climate Citizens*, are particularly likely to think this idea is powerful, whilst Sceptics & Uninvolveds, especially from the USA, are particularly unlikely to think this.

Slide 41. Passions

We also found that Climate Citizens had different passions from other groups. This chart shows the differences between Canadians Climate Citizens and Sceptics & Uninvolved.

Climate Citizens are more likely to be passionate about ‘nature watching’ than Sceptics & Uninvolveds.

Indeed, across all countries, and amongst different age/gender groups, there is a pattern that *Climate Citizens* are more likely to be interested in past-times involving nature, reflection or that are active – whereas Sceptics are more interested in passive past-times or motor-sports.

Slide 42. Haddock Polar Bear advert

And much like the ‘coal fire’ advert shown earlier we have created an advert that addresses these points.

We are suggesting that the polar bear image is not going to work well if you want to engage people other than those already concerned about climate change. There are other advertising concepts which get more wide-spread support.

Again, this is featured on our analysisnotassumptions blog site – with in-depth explanation of the points raised.

Slide 43. Motorcycle passions & climate change attitudes amongst men (35-54)

In designing communications campaigns, it is useful to consider what passions people have in relation to their attitudes towards climate change.

There is something going on in Canada about motor-cycling and denial of climate change – something we do not see in either England or the USA.

In Canada amongst middle-aged men, motorbikes are really a passion amongst the Sceptics & Uninvolved; 22% of this group are passionate about motorbikes. In contrast, to just 2% of Climate Citizens.

Slide 44. Be sensitive to metaphors within national cultures

It's interesting that Marcel Coutu get's interviewed by the Canadian national press both for his day job - representing the interests of oil companies from the Canadian oil sands – and for his personal passion as a motorcycle enthusiast.

Our point is not really about Mr. Coutu, it is more to understand the ethnographic-type voices which speak to the motor-cycling sub-culture in Canada. It is quite a tribal culture. This picture of a lone motorcyclist probably gives the wrong impression as, in summer, you more likely see packs of motorcyclists riding together on the Canadian roads.

Our broader point is that communication needs to be sensitive to such national cultural, and sub-cultural, issues.

Slide 45. Associations and Emotions evoked by Climate Change

Finally, communication about climate change needs to take into account the associations and emotions that people have about the subject.

Much in the same way that we did for coal – as shown earlier - we also assessed the associations and emotions evoked by climate change.

We can see that amongst the entire sample set, around a half of comments were to do with concern about climate change, a quarter were rather unemotional or unsure, and around a quarter were expressing denial or disbelief.

The kinds of emotions reflected the types of thoughts that people had. There is a lot of worry amongst those who made comments which accepted that climate change was happening, whereas those who were dismissive of it were feeling annoyed, bored and/or angry about it.

Climate change evokes a great deal of passion amongst people – most of it quite negative. Communications need to address people's worries, and be sensitive to other people's irritation and anger.

Slide 46: Time to 'bling up' climate change

So, could we be more positive in our low carbon communication?

Is it time to 'bling up' climate change?

Slide 47: 5 top tips for low carbon marketing

To recap, first, think of public interest in climate change as a niche.

Second, companies developing low carbon products should provide an integrated value proposition for their potential customers.

Third, consider existing high-carbon attachments.

Fourth, be wary not to assume that the 'low-carbon consumer' is the same for every industry sector.

Finally, think carefully about the ideas used to communicate your low-carbon brand.

Slide 48: CALL TO ACTION

For more information, free summary reports, public commentaries, blog articles – and to buy our reports – please visit our website.

Also please visit the BLOG analysisnotassumptions.com for discussion of our adverts.

Our new site www.low-carbon-marketing.com hosts a copy of this presentation.

And we are collaborating closely with Sustainable Business magazine, in providing regular Market Intelligence articles – and there is a 15% discount of our Environmental Choices reports for subscribers to this magazine.

Thank you.