

Global climate protection provides opportunities for consumers and for retailers

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58th GfK Conference in Nuremberg looks at the issue of climate-friendly consumption

Nuremberg, July 4, 2008 – "Climate change represents the big challenge of our time for politics, companies and consumers. The Intergovernmental Panel on Climate Change regards a cut in greenhouse gas emissions of between 25 to 40% in the industrialized countries as being urgently required by 2020. How the consumer can make an active contribution to climate protection was the subject of the GfK 2008 Conference, held on July 4, 2008. The subject was "Climate-Friendly Consumption: Challenge and Opportunity for Manufacturers, Retailers and Consumers". Around 600 marketing specialists from Germany and other countries came to Nuremberg for the Conference.

Private consumption accounts for almost a quarter of all CO₂ emissions. Irrespective of whether it is a matter of heating, air-conditioning or clothes-washing, food-shopping or travel, private consumption offers many opportunities for significantly reducing CO₂ emissions. Five speakers examined the subject from a number of different standpoints.

USA better on climate protection than people think

TV journalist Tom Buhrow, considered the USA and its activities in the climate protection area. It appears that the European view, and particularly the German view on the role of the USA in this area is under a misapprehension. At first glance, the performance of the only surviving super-power is not exactly impressive: rejection of the Kyoto Protocol, the world's largest user of energy measured in terms of consumption per head, largest user of fossil fuels, largest emitter of CO₂, a lack of energy-saving actions – the list could be continued.

These points though hide developments which have already started at state level and which may convert the USA into a pioneer in protection against climate change. Unlike in European countries, the Federal Government only establishes the framework, while the key initiatives come from the individual states. California for instance – amazingly under Republican Governor Schwarzenegger – has developed into a "green" state. California is widely recognized as an economic, social and technological laboratory. Just as this state led with the setting up of internet firms, it will also lead in developing new strategies for energy. Half of all investments are already being made in the area of protection against climate change. In the past year, companies already invested 1.8 billion US dollars for what are called "green technologies". Since 1990 this business has grown by 84% and the number of jobs has doubled.

But in other states as well, the signals are flashing up change. The states with low rainfall in the West of the USA have set up a taskforce and are identifying sites for solar energy parks. On the other side of the American continent, ten smaller states in the North-East have agreed on a sort of "Mini-Kyoto".

Additionally, these regional efforts have benefited from another coincidental development: the explosion in energy prizes. This means that the development of alternative energy sources becomes potentially profitable. And because of the political implications of an excessive dependence on fossil fuels, this interlocking set of issues becomes a question of national security. This has provided a huge impetus to the "away from fossil-based energy" trend. In the eyes of the European climate change campaigners, who are entirely driven by ecological considerations, this may look suspicious but the result is that energy and climate changes policies overlap. The Germans were perhaps the first to recognize the seriousness of the issue, but the Americans could be the first to take concrete actions.

Big potential savings with energy-efficient devices

Dr. Kurt-Ludwig Gutberlet, CEO of BSH Bosch und Siemens Haushaltgeräte GmbH approached the problem of climate change from the standpoint of the consumer and looked at the opportunities for climate protection with refrigerators and freezers. Private households consume non-renewable resources in significant quantities. In Germany, they use more than a quarter of all electric current, 141 billion kilowatt hours, around 20% of water and are responsible for about 23% of CO₂ emissions. But German households could save annually over 8 billion kilowatt hours if high-efficiency refrigerators and freezers with energy efficiency ratings of A+++ became well-established in the market. Over 15 years, the manufacturers have succeeded in reducing the power consumption of refrigeration appliances by up to two-thirds. Since 90% of the power consumption occurs when they are running, there is therefore a large opportunity for savings, compared with the obsolete appliances which are in use.

Consumers are inclined to use electrical household appliances until the end of their technical lives. As a result, the average age of major domestic appliances in Germany is currently 13.5 years, while refrigerators and freezers are respectively only replaced after 14.6 and 16.9 years. Additionally, around two-thirds of the refrigeration appliances sold in Germany have an energy rating of at best A. In the course of a further 15 years, these products will use 40% more energy than the highly efficient products with energy ratings of A+ and A++.

Consumers often shy away from early replacement with an optimum appliance in energy-efficiency terms on account of the additional costs. A number of European countries, for instance, Italy and Spain, have established government programs to promote high efficiency domestic appliances, with proved excellent results in sales terms.

In the final analysis, consumers can only win with high-quality products. Up-to-date devices are much better equipped than the previous generation and they use much less energy. This enables energy bills to be cut and also provides the consumer with the opportunity to do something positive for the environment and against climate change.

Consumers act in an environmentally friendly way if it is worth their while

Friedemann Stäpcke, Division Manager at GfK Marketing Services, considered in his presentation, the opportunities that the marketing of energy-efficient appliances offer. During manufacture, transport and recycling, emissions have a somewhat secondary role. For the consumer, what matters is the benefits as a whole. The concept of being "environmentally-friendly" will only register with the consumer, if it "adds up" in money terms.

The question therefore that has to be addressed to production, marketing and sales management is whether with slow-moving technical durable goods, CO₂-friendly appliances can enjoy long-term success in the market. In many cases such success can be demonstrated. Taking domestic appliances as an example, it can be proved that standards and strictly adhering to them produce a win-win situation for all parties.

Energy-efficient products are sold. As a result, in the long-term, households save energy costs. For the life of the product as a whole, there is a positive financial benefit together with a significant reduction in CO₂ emissions.

Manufacturers and retailers benefit from an improved structure in terms of appliances. But in some areas, there are either no industry standards, or they only have a secondary role. In other areas, it has been shown that standards really are beneficial for those involved in the market. There have been some cases of special incentives or tax benefits contributing to replacing old appliances more quickly with new environmentally friendly ones. They result in objectives usually being achieved much faster than just by waiting on the natural life cycles of the product.

Environmental protection is central to marketing products

How can one buy fast moving consumer goods in an environmentally way, and for whom is it in any case relevant. These were the questions addressed in his talk at this year's GfK Conference by Thomas Bachl, Managing Director of GfK Panel Services ConsumerScan. According to a realistic conversion of CO₂ emissions to household consumption, which was conducted by the Office for National Statistics UK, it was foods, beverages and tobacco which accounted for the largest proportion of CO₂ emissions – ahead of road travel as well as of direct power consumption in the household.

Currently the range of products offered by food retailers has offered little guidance up to now to the consumer, who wants to live in an environmentally friendly way. In a survey, GfK has examined for which groups of consumers, the foods and fast-moving consumer goods which are produced in an environmentally friendly way are relevant. In doing this, a target group was identified in the GfK ConsumerScan household panel for whom this issue was of considerable importance. This target group was identified with the LOHAS (Lifestyle of Health and Sustainability) concept, and it currently accounts for about 23% of consumers.

These consumers pay attention to their health and to long-term protection of the environment. They combine together therefore their personal and societal interests. Compared with their share of the population, they account for an above average share of sales. As they also disproportionately prefer branded and premium products, they are a particularly important target group for the marketing function of manufacturing companies. GfK's analysis shows that companies which in the brand-management of their products, do not pay sufficient attention to issues which affect the environment, are taking a big risk. This can be seen in examples from the past. On the other hand, this also provides an opportunity which has largely not been exploited, to position branded products more successfully while paying attention to the demands of an environmentally friendly production and distribution.

Winners and losers from climate change

Climate change has not only a climatic dimension, but also an economic one. They include government actions to fight climate change and its negative effects. The changes offer though significant opportunities, as Professor Norbert Walter, Chief Economist of the Deutsche Bank Group demonstrated in his talk.

The power industry is always under the eyes of the world of politics. Renewable energy sources are undoubtedly among the winners from climate change, since over the next few years, they will continue to benefit from government programmes which are driven by political considerations relating to climate change. Meanwhile there is a trend for fossil-based energy sources to be made more expensive as a result of government action. There will in future be a key role for research into and the development of more efficient and newer energy technologies.

In agriculture and forestry, there will be negative impacts, but also opportunities in some cases. For instance, the prices for agricultural products will rise because of among other things, the increased demand for bio-fuels which has resulted

from government action. The competition between food production and energy crops is increasing. In more northerly countries such as Scandinavia, larger harvests are probable. On the other hand, in countries with increasing water shortages such as Spain, conditions are deteriorating. The costs of agricultural production are increasing because irrigation, the application of plant protection agents and fertilizers as well as gene technology are all growing in importance.

Construction will enjoy long-term benefits. For the construction industry, including related activities such as building trades, engineers, architects, manufacturers of insulation materials and windows and restorers of facades, there is enormous potential from the fundamental renovation of already existing buildings. The repair of damage after extreme weather events can generate regional and seasonal local booms.

Many branches of industry can make a contribution to fighting climate change and its negative consequences. That includes the machine tool industry and electrical engineering. They have available tremendous opportunities for growth and are included among the winners from climate change. Even industries covering huge areas such as the chemical industry can profit from it. The booming environmental technology sector will create more jobs than in the past. There are huge challenges facing the automotive industry, but it has the opportunity with energy-efficient vehicles to be successful nationally and internationally.

On services, transportation will face higher costs imposed on it by the state. Within travel and tourism, substantial changes in seasonal patterns and in tourist flows can be expected. In finance, the calculation of risks will become more difficult, although there will be a variety of new business options such as long-term investments.