

## Analysis

### Stern lessons for the green sector

**Brand owners are gearing up to launch a flood of environmentally friendly products as they seek to cash in on consumers' fears about global warming.**

Early signs of the new gold rush are evident at electrical chain Currys, which is selling solar panels that cost £9,000. Meanwhile, Powergen has launched the WhisperGen boiler which heats the home and generates electricity as a by-product. It is not cheap at £3,000, but Powergen claims it pays for itself within four years. Along with energy saving light-bulbs, these are just the beginning.

Last week's Stern Report warned of catastrophic consequences unless measures are taken to reduce carbon emissions. This apocalyptic vision creates a huge opportunity for marketers to play on consumers' concerns and launch premium products offering them environmental peace of mind.

A spokeswoman for consultancy Added Value says: "Consumers are frustrated and scared by what they see on TV. Marketing is going to have to provide solutions." She adds that companies are quietly working on

new products with environmental benefits and believes there will be a "sea change" over the next year as the new green products are launched.

At Added Value's recent Branding for Good conference, marketers were asked to suggest green innovations. One idea was for an ethical mobile phone with long-life batteries and a tariff that rewards those who keep their handset longer. Downloadable upgrades would remove the need for changing phones and its charger would switch off automatically when not in use.

Another proposal was for a travel industry-endorsed scheme where everyone has a personal carbon trading account enabling them, for instance, to buy the carbon surplus from a friend if they wanted to fly to Australia. Another plan would be to create a retailer reward scheme based on an ethical points system rather than expenditure.

However, there have already been false dawns for ethical products. When environmental issues surfaced in the media in the 1980s, green products such as Ecover detergent sold

well, but the sector's fortunes faded as other matters gained salience. This time round, though, it looks like the issue of climate change is here to stay.

Paul Walton, chairman of innovation agency The Value Engineers, says brand owners are looking at issues of transparency in sourcing, how products are made and ethics as well as the products' effects on the environment. But he adds: "The big question is whether this has mainstream appeal or is for an educated middle-class niche. Will people pay for the trade-offs between performance and price against a set of other needs?"

Meanwhile, some sectors are finding it harder to play the green innovation game than others. According to Graham Lewis, creative director of Satellite Marketing Communications, which organises the Green Awards for environmentally sound marketing, not one entry has been received from a cosmetics company, a sector which has been criticised for creating wasteful packaging.

Shortlisted for the awards are Procter & Gamble's "Turn to 30" campaign for Ariel encouraging consumers to



Window to the future: Solar panels are easily available, but will their cost limit them to middle-class homes?

wash clothes at lower temperatures. Mobile phone company O2's "Letterbox challenge" innovation has packaging for mobile phones that can fit through letterboxes, avoiding the need for them to be sent by courier.

Brand owners are torn between gaining first mover advantage by launching green products early or holding fire as they learn from others' mistakes. Much will depend on the prevailing media climate. But as long as environmental issues keep making front-page news, marketers will continue the search for green gold.

**David Benady**



# Heat is on for short-hauls

The Stern Report has exposed the urgency of cutting carbon emissions, and short-haul budget airlines have emerged as an early target. Several measures are on the cards to deter passengers and make the industry greener. Not all brands will survive the turbulence, says Mark Choueke

Short-haul budget airlines are some of the fastest growing businesses in Europe and all have plans for expansion. Only last week, Flybe doubled its size when it bought British Airways' regional division BA Connect.

Proposals to expand the UK's airports could treble the number of flights by 2030 but such plans might be poleaxed by the latest predictions on the rate and consequences of global warming.

Experts have predicted that Sir Nicholas Stern's report on the economics of climate change will mark a turning point in consumers' attitudes towards the environment.

A collective will on the part of consumers to cut carbon emissions would be welcomed by governments around the world keen for the public to get tough on industries that contribute heavily to the amount of carbon in the atmosphere.

Airlines, particularly those that operate the low-cost short-haul business model, have emerged as an early target. Greenhouse gas emissions from air travel, which is currently responsible for just under 6% of UK emissions and 3% of those in Europe, are rising faster than those in any other sector in the economy. The Government wants to introduce legislation aimed at reducing carbon emissions by 60% in the UK by 2050, although scientists suggest such a reduction needs to happen by 2030.

## THE BLAME PLANE

Pressure group Plane Stupid has already begun campaigning against an industry it calls "the fastest growing cause of climate change". According to the group, 45% of all flights within Europe are less than 500km in length – the distance from London to the Scottish border. The group points out that the aviation industry pays no tax on fuel or VAT on transactions and calls for the scrapping of airport expansion plans and an end to short-haul flights.

Liz Tinlin, strategy director at marketing consultancy Added Value, says the short-haul market will decline and predicts that some carriers will go out of business altogether.





Plane talking: EasyJet chief Harrison (above) says taxing won't put off holidaymakers, it will just 'fill government coffers'; while Ryanair's O'Leary says the emissions focus should stay on the main culprits – power and road transport

She adds: "Realistically, we have to put an end to European short-haul travel but is there a government brave enough to place blanket travel restrictions? Probably not."

Two possibilities being discussed are the taxing of aircraft and mandatory carbon allowances per person. But whatever action the Government eventually takes, Tinlin is certain that not all the budget airline brands will survive.

"Those that do will be the ones that cut out the grief, denial and anger at the necessary measures, and reposition their brands and business models so that fuel efficiency replaces price as the main driver of sales," she argues.

Tinlin believes that short-haul budget airlines are about to face the same problem coal did in the 1980s because they are "unnecessary and outdated and therefore facing decline".

It seems innovation will be key in separating the short-haul airlines that survive from those that do not. The brands have a two-year grace period to strengthen their carbon efficient offer-

ing before legislation is passed. The budget airlines have been trumpeting their green credentials while angrily pointing the finger at culprits in other industries.

Ryanair's outspoken chief executive, Michael O'Leary, describes calls to curb airlines' carbon emissions as "the usual horseshit" and adds: "If people are really serious about this then we need to focus on this issue and concentrate on the main causes – power generation and road transport."

O'Leary says Ryanair is the greenest airline in Europe, having spent over \$10bn (£5.3bn) in the past five years on a fleet of new aircraft which he claims reduces fuel consumption by 50% per passenger.

#### BURNING ISSUE

Flybe marketing director Simon Lilley claims almost 70% of his airline's fleet burns half the amount of fuel as conventional jet aircraft – at a cost of £2bn.

EasyJet has welcomed the Stern Report, agreeing with many of its conclusions. The airline will be the first in the budget short-haul market to launch a new strategy in its advertising that concentrates on pushing its environmental credentials as opposed to focusing on ticket prices. The new campaign will break early next year.

But chief executive Andy Harrison roundly rejects the idea of taxation on flights: "Taxes don't help the environment, they only fill government coffers and burden the economy." He thinks the EU's current emission trading scheme is the answer. Critics, though, have labelled national carbon trading as "toothless" because the EU allows nations to set their own limits on carbon emitted by businesses, and while the UK Government has set itself an allowance that equates to a cut in emissions, other nations have ensured their businesses can run as normal.

Industry sources see hard-hitting taxes as the only way to make the necessary reductions in air travel. One says: "Despite everybody's good intentions, there will only ever be a minority of people, perhaps 20% at the most, that deny themselves a flight to a holiday destination because it is better for the environment. Most will change their behaviour only because they are priced out of the market. There's only one way this is going for budget airlines: a survival of the fittest scenario in a shakedown where maybe the lowest priced return ticket to Rome or Barcelona could be £200 as opposed to £50."

#### TAX MESSAGE

Aviation analysts agree taxation looks a likely scenario but question who will be taxed and in what form. David Pope of Brewin Dolphin Securities says: "If you tax the airline for each plane taking off, how is that cost transferred to the passenger? Do economy passengers pay the same as business class passengers because they are using the same amount of fuel? And the real question is will it even have an effect?"

Pope says the escalation in the price of fuel has driven fuel surcharge rises for three years in a row – but passenger numbers have still increased by 4% per year.

He adds: "Maybe if taxes raise the price of tickets by 25% it will be the straw that broke the camel's back and people will stop flying. Or maybe they will take it on the chin and continue flying because people like to holiday abroad. And what is the Government going to do with the money? Will it be spent on planting trees or will it end up going to fund asylum seekers?"

Budget airlines will monitor the situation closely, concerned that their industry could become the next social pariah after tobacco, alcohol and fast food. Sooner or later they may have to admit that the continued expansion of their businesses is unsustainable and that a focused reduction of their offerings – fewer flights to smaller airports – is the only answer. ●

The budget airline plans ads to push its carbon credentials in the wake of the Stern Report

# EasyJet abandons price-led campaigns for green focus...

By Mark Choueke

EasyJet is planning a major shift in advertising strategy away from price-driven offers to promoting its green credentials. It would be the first airline to focus on the environment rather than price.

A campaign highlighting EasyJet's efficiency in reducing carbon emissions will break in the New Year. It will be developed through its agency Ogilvy & Mather.

The change in strategy follows the publication of a report into the economic consequences of climate change, written by Sir Nicholas Stern. The report, which was launched last week, is

expected to mark a turning point in consumer attitudes towards the environment.

Industry experts say the European short-haul airline market is likely to face decline and that carriers should act now to reposition themselves as "the most environmentally friendly rather than the cheapest" to ensure survival.

Liz Tinlin, a board director at marketing consultancy Added Value, says: "Those [airlines] that survive will be the ones that cut out the grief, denial and anger at the necessary measures and reposition their brands and business models so that fuel efficiency replaces price as



EasyJet: Change in emphasis follows Stern report

the main driver of sales."

A spokesman for EasyJet says: "There are obvious benefits to pushing our environ-

mental credentials as part of our advertising. We'll be breaking the first of our new advertising that focuses on

green issues early next year. I see nobody else that is likely to beat us to it. Ryanair is still using 'get out of your car and walk' sort of language so we think we'll be the first. Although it's not a race, it's a serious business."

Meanwhile, the airline is launching a campaign on ATM:ad, the cash machine advertising network. The ads, which break this week, aim to highlight special flight deals from selected airports across the UK. It will run for two weeks on 171 ATMs in Newcastle, the East Midlands, Liverpool, Bristol and Belfast.

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