‘ECOFFECTIVENESS’: THE MISSING MEASURE IN A CLIMATE CRISIS
EFFECTIVENESS: WHAT MEASURES DO YOU THINK OF?

FINANCIAL/HARD
Revenue (Quarterly/Annually)
Market Share
Market Growth
Gross Profit
Gross Margin
Operating Profit
Penetration
Footfall
Rate of Sale
Distribution

BRAND/HEALTH
Brand Awareness
Brand Affinity
Brand Consideration
Distinctiveness
Salience
Relevance
Brand Love
Reputation

SERVICE/FOCUSED
Net Promoter Score
Employee Engagement
Customer Satisfaction
Customer Volume
Cost per Acquisition
Churn/Retention
Lifetime Value
Cost to Serve
Complaints

Source: Fran Cassidy & IPA: Culture First 2018
YET BUSINESSES ARE EMBRACING A NEW SET OF MEASURES

The value of reporting on non-financial performance

Beyond the bottom line

Investors make unprecedented commitment to net zero emissions

Big Four firms release ESG reporting metrics with World Economic Forum

Integrating SDGs in business

Looking Beyond the Profit Metric

The Shift to Stakeholder Capitalism
AN INCREASING NUMBER OF MAJOR BRANDS HAVE SET CLEAR & AMBITIOUS SCIENCE BASED TARGETS

‘Achieving a state in which the activities within the value chain of a company result in no net impact on the climate from greenhouse gas emissions’ SBTi working definition Sept 2019
THE TARGET IS CLEAR - BUT NOT HOW TO GET THERE

<table>
<thead>
<tr>
<th>Year</th>
<th>Historical CO₂ Emissions</th>
<th>IPCC Future Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1920</td>
<td>5</td>
<td></td>
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<tr>
<td>1940</td>
<td>10</td>
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<td>1960</td>
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<td>45</td>
<td></td>
</tr>
<tr>
<td>2100</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

**Historical CO₂ Emissions**
- Red: Fossil Fuels + Industry + Land use
- Blue: Fossil Fuels + Industry

**IPCC Future Scenarios**
- In pathways limiting global warming to 1.5°C with no or limited overshoot as well as in pathways with a high overshoot, CO₂ emissions are reduced to net zero globally around 2050.

We need to follow the turquoise trend line and reduce the carbon emitted into the atmosphere year upon year.

Data from Global Carbon Project + Preliminary 2017 values
ADVERTISING EFFECTIVENESS’ 21ST CENTURY CHALLENGE

HOW TO INCREASE PROFITABILITY WHILE REDUCING EMISSIONS TO ZERO?
ECOFFECTIVENESS.
The missing measure.
A CONSISTENT MEASUREMENT FRAMEWORK THAT NEEDS TO BE A KEY ELEMENT OF ALL EFFECTIVENESS CASE STUDIES

1. Honest reporting of our carbon impact
2. Consistent and comparable approach
3. Openness in how to improve
APPLYING THE FRAMEWORK TO ONE OF OUR INDUSTRY’S MOST SUCCESSFUL AND CELEBRATED ADVERTISING CASE STUDIES

AUDI: THE 2018 IPA EFFECTIVENESS AWARD GRAND PRIX WINNER

£1.78 billion incremental revenue
£2.07 profit for every £1 generated
Audi UK’s highest ever return on advertising
HONEST REPORTING OF OUR IMPACT

Take responsibility for the full impact of our work and report the greenhouse gas emission uplift.
WHAT IS THE CARBON IMPACT?
A SIMPLE EQUATION PROVIDES THE ANSWER

The uplift in sales driven by advertising \( \times \) The carbon footprint per item sold = The uplift in greenhouse gas emissions driven by advertising
UPLIFT IN SALES DRIVEN BY ADVERTISING

132,700

incremental sales driven by advertising (2015-2017)

Based on sales volume and percentage of sales attributed to advertising submitted in Audi’s 2018 IPA Effectiveness award paper.
The carbon footprint of a product is reported in a Life Cycle Assessment (LCA), which analyses the total emissions across the whole life of a product, from raw material extraction to end-of-life disposal. Brands and businesses are publishing LCAs as part of annual company reports and sustainability plans.

UPSTREAM

- MATERIAL ACQUISITION + PRE-PROCESSING
- PRODUCTION

SCOPE 3 EMISSIONS required by the Scope 3 Standard

DOWNSTREAM

- DISTRIBUTION & STORAGE
- USE
- END-OF-LIFE

SCOPE 3 EMISSIONS required by the Scope 3 Standard

SCOPE 1 & SCOPE 2 EMISSIONS required by the Corporate Standard

PRODUCT LIFECYCLE EMISSIONS required by the Product standard

### The Carbon Footprint: Audi LCA Data

Audi makes LCA data on some of its models publicly available on its website. Where specific model data wasn’t available, we applied the closest model data as a proxy.

Taking a breakdown of incremental orders from the IPA paper and attributed an LCA carbon figure to each, we can work out a weighted mean of 39 tCO₂e per car.

<table>
<thead>
<tr>
<th>Model</th>
<th>New Model LCA (Tonnes)</th>
<th>Incremental sales</th>
<th>% Weighting</th>
<th>Weighted Mean</th>
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<tr>
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<td>101</td>
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<tr>
<td>A7, 8, 9 (uses A8 data)</td>
<td>45.3</td>
<td>31</td>
<td>0.02</td>
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<tr>
<td>Q2 (use Q5 data)</td>
<td>47</td>
<td>138</td>
<td>0.08</td>
<td>3.7</td>
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<tr>
<td>Q3 (use Q5 data)</td>
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<td>185</td>
<td>0.11</td>
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</tr>
<tr>
<td>Q5</td>
<td>47</td>
<td>136</td>
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<tr>
<td>Q7</td>
<td>46.1</td>
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<td>145</td>
<td>0.08</td>
<td>3.7</td>
</tr>
</tbody>
</table>

40.6 1745 1.00 39.0

---

The calculation:

The uplift in sales driven by advertising \[ \times \] The carbon footprint per item sold \[ = \] The uplift in greenhouse gas emissions driven by advertising

132,700 cars \[ \times \] 39 tCO\(_2\)e \[ = \] 5,175,300 tCO\(_2\)e
5,175,300 tCO$_2$e
That’s equivalent to 1.3 coal power stations run constantly for 1 year.

More than the whole of Iceland generated in 2017.

More than the annual emissions of the 43 million people who live in Uganda, who are already suffering some of the worst impacts of climate change.
It’s a very big number and it’s easy to try and dismiss it: ‘The client should change their product’ ‘The government should regulate’.

But we believe this is on us. We created the work. We celebrate work that sells. We need to step up and take responsibility for all the consequences of this.
A CONSISTENT MEASUREMENT FRAMEWORK

2

CONSISTENT & COMPARABLE APPROACH

A universal cross category methodology for how this impact is calculated and shared
A CONSISTENT MEASURE “RETURN ON CO$_2$e”
ROI shows how hard we made each pound of a finite budget work. The same principle can be applied to emissions. We just need to change the currency.
For every tonne of carbon emitted, how much revenue / profit can you return? Your carbon budget is even more finite than your fiscal one, so how hard can you make each tonne work?

We’ve revenue rather than profit, as it is more publicly available. but would endorse the use of a profit metric too.
THE ROCO₂ (RETURN ON CARBON) CALCULATION

Incremental revenue from advertising

The uplift in greenhouse gas emissions driven by advertising

Revenue per ton of CO₂e

£1.78 billion

5,175,300 tCO₂e

£344 /tCO₂e
THE ROCO$_2$e (RETURN ON CARBON) CALCULATION

The ROCO$_2$e should be as high as possible—we’re trying to maximise the return on each ton of CO$_2$e.

But this number doesn’t mean much on its own. We don’t know what good looks like.

We need to know what kinds of returns we should be aiming for as we progress to net zero.

The only way to achieve objective understanding of what a good return is, is to build up a database where we start reporting and tracking this measure across multiple sectors and campaigns.

Every time we publish an ROI, we need a Return on CO$_2$e too.
THE MODEL ACROSS SECTORS

Applying the model to two other IPA winners from 2018 - IKEA’s 3-year Wonderful Everyday campaign and a smaller but highly effective social media program from Starbucks.

<table>
<thead>
<tr>
<th>Total GHG</th>
<th>Total ROCO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,175,300 tCO₂e</td>
<td>£344</td>
</tr>
<tr>
<td>650,000 tCO₂e</td>
<td>£1,161</td>
</tr>
<tr>
<td>8,076 tCO₂e</td>
<td>£3,479</td>
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</table>
Transferable, open-source insights on how advertising can help achieve net zero.
SWITCH THE PRODUCT

LOW CARBON ALTERNATIVE
Promote electric models

CIRCULAR ECONOMY
Promote used cars over new petrol cars

LONG LASTING QUALITY
Promote a longer purchase frequency cycle
CREATE CARBON-FREE VALUE

SERVICE-BASED VALUE
Aftersales and finance models

INTANGIBLE BRAND VALUE
Drive premium perceptions

PREMIUM UPSELL
Upsell to high-premium, low emission products
ENCOURAGE POSITIVE HUMAN BEHAVIOUR

DEPICT RESPONSIBLE PRODUCT USE
Showing a full car
No engine revving

NORMALISE LOW IMPACT DECISIONS
Applaud public transport users

ESTABLISH NEW BEHAVIOURS
Hero new tech making a positive difference
UNDERSTANDING THE LEVERS AND HEADROOM FOR IMPROVEMENT

Visualising these 9 levers, we can use the IPA data to develop a score against each of them to identify where the greatest headroom for improvement exists.

Width is weighting, depth is score.

We can immediately see that there is headroom to make significant improvements, and the areas where this headroom most exists.

Source: Iris Strategy Unit Ecoffectiveness Wheel
INCREMENTAL VS UNPRECEDENTED CHANGE

When used in combination these levers can make a big impact. But many of these changes are incremental.

The IPCC is clear that reducing emissions at the required rate will require rapid, far-reaching and unprecedented change in all aspects of society.

What would unprecedented change look like for high carbon emitting cars?

It’s our responsibility as an industry to discuss what kind of work we should be awarding or even creating. We need to decide what our threshold of acceptability is.
IF NET ZERO IS A KEY BUSINESS TARGET, THEN EMISSIONS IS A KEY EFFECTIVENESS MEASURE.

Reducing emissions while maintaining profitability is a challenge that requires all our best minds.

To build knowledge we need to report the data even when it’s uncomfortable.

To achieve Net Zero every country, company and citizen on this planet needs to play their part.
GET INVOLVED

https://greatreset.com/

Please join us and contribute to the development of the Ecoffectiveness framework. We urgently need you and your data

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