

## **Consultation on Carbon Emissions Reduction Target (CERT) 2008-2011 Supplier Guidance Amendments – Tesco Response**

### **Introduction**

1. We welcome the opportunity to comment on the Carbon Emissions Reduction Target (CERT) 2008-2011 Supplier Guidance Amendments and in particular the proposals on Carbon Fluorescent Lightbulbs (CFLs).
2. By way of background, we are committed to helping our customers reduce their carbon emissions by making it easier for them to choose and use green products. Our customers tell us they need information, choice and low prices to make this happen. Our approach to promoting energy saving light bulbs reflects these priorities.
3. We want to provide the widest choice of energy saving light bulbs, so that customers can find an alternative to any incandescent light bulb they might otherwise buy. We already have a range of 40 different types of CFLs in over 700 of our stores. We also provide information at the point of sale about the performance of energy saving light bulbs and the environmental and cost savings that they bring.
4. The biggest barrier to customers actively choosing energy saving light bulbs over incandescent ones has been price. Access to CERT funding has helped us to offer energy saving bulbs at permanently half price, and to offer promotions that attract potential new customers to try energy saving light bulbs and encourage permanent behaviour change. Our customer research shows through our approach, we have successfully engaged lower and middle income customers to buy CFLs over incandescent lightbulbs, so that they are the biggest customer base for these products.

### **General Comments**

5. We are proud of our record in this area, but we still have a long way to go. Sales of incandescent light bulbs still account for over 50% of our total sales. We support the aim of the consultation and many of the measures. We agree with the distinction between the arbitrary distribution of energy saving light bulbs such as through indiscriminate mailings, and those that encourage customers to make an active choice to purchase light bulbs and the need to offer customers a variety of bulbs that match their requirements.
6. However, we are concerned that some of the well-intentioned proposals contained in the document will restrict our ability to encourage customers to switch from incandescent light bulbs to CFLs. Specifically, multi-purchase offers of light bulbs should be set at a maximum of five bulbs not three, and “buy one get one free” promotions should be allowed to continue under CERT funding (see paragraphs 12, 13 and 15). As the document points out “Ofgem consider that if consumers actually purchase CFLs then they are highly likely to be used”.

### **Mail outs**

7. We recognise OFGEM's concerns about the number of free energy saving light bulbs that are distributed to households whether or not they are requested and we agree that the range of bulbs that customers have will impact on whether they use the bulbs that they receive.

8. In light of the evidence in the consultation we have decided not to take advantage of the opportunity to deliver a significant number of bulbs free of charge to our Clubcard customers for those that have not already been offered such a promotion. We support Ofgem's proposal to ensure that light bulbs already purchased for such promotions are instead distributed in the spirit of the act.

### **Choice of CFL**

9. Our promotional activity always includes our full range of energy saving light bulbs with different caps including edison screw, bayonet cap, small edison screw and small bayonet cap, wattage from 9w to 23 w and design, including sticks, spirals and decorative bulbs. We adopt different promotional activity to reflect the existing price of the products, the likely number of bulbs customers would be keen to buy and ensure that customers can compare and hopefully choose the product over the incandescent equivalent.

10. We would support the requirement for a range of bulbs to be included in any multi-purchase promotions, provided a variety could be achieved by cap, wattage or design so that retailers can ensure that promotions reflect our experience of what customers want, rather than have to comply with detailed requirements from Ofgem.

11. We do not sell multipacks of energy saving light bulbs as it is important that customers have a wider choice of bulbs to select, especially when we run promotions. Ofgem should distinguish between multi-purchase promotions, which give customers greater flexibility to match the bulbs that they buy with their preferences and light fittings, and those in multipacks which make the choice for customers especially in terms of offers available.

### **Size of multi purchase promotions**

12. Specifically, we believe that if Ofgem wants to restrict the number of bulbs as part of a multi-purchase promotion, the limit should be set at five bulbs, not three as suggested in the consultation document. Retailers adopt a number of promotional strategies to encourage customers based on a range of factors. It is important to retain the flexibility of offering such promotions to attract customers used to buying six packs of incandescent bulbs, especially where a variety of bulbs is being offered that the customer can choose from, as is the case in multi-purchase promotions. The majority of customers continue to buy incandescent bulbs and restricting promotions that are genuinely aimed at changing customer behaviour in both purchasing and use should be avoided.

### **Pricing**

13. We would support the introduction of a "virtual giveaway" test to ensure that the price of a light bulb creates a genuine purchasing decision and prevents offers of 1p for 10 bulbs or similar.

### **"Buy one get one free" messaging**

14. We strongly encourage Ofgem to ensure that retailers are allowed to offer the range of promotions they feel will best encourage both purchasing and use of CFLs. In particular, "buy one get one free" promotions, which are particularly important to encourage take up of the full range of energy saving light bulbs available, including

spirals and decorative bulbs, should continue. It has helped us to achieve broadly similar sales of sticks, spirals and decorative bulbs, even though the latter two are significantly more expensive.

15. Our experience shows that “buy one get one free” promotions are a powerful message to encourage customers to try products for the first time. Even offering the products under a “two for the same price” or “buy one get one half price” at the same price point would reduce the number of new customers who would otherwise be encouraged to buy and use energy saving light bulbs.

16. Ofgem should ensure that a suitable definition is included to allow such offers to continue and protect CERT funding from being used in ways that go against the spirit of the agreement. We would be happy to work with Ofgem in drafting guidance to achieve this.