THE FUTURE OF SUSTAINABLE PACKAGING

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Understanding the bigger context

Brands, retailers and consumers increasingly want to reduce their reliance on plastics, unsustainable products and packaging. However, visiting a supermarket anywhere in North America tells a different story. Consumers still shop without reusable shopping bags, while garbage and recycling bins are only getting fuller.

There are some positive signs: in 2021, over 40 percent of holiday shoppers in Canada stated they avoided using plastic and single-use materials where possible due to concerns surrounding sustainability. Many Canadians also said they try to be environmentally responsible by buying items with less packaging in general. However, when you look into what shows up at the curb on garbage and recycling day, it appears we may not be trying as hard as we say.

There is a silver lining for brands and retailers. A PWC study identified there is a financial benefit to sustainable packaging. Some 32 percent of survey respondents stated that they are willing to pay a premium for non-food items with sustainable packaging. In addition, 42 percent of survey respondents indicated that they avoided using plastics where possible, while 28 percent of respondents buy brands that promote sustainable practices. Based on a UK Britain Thinks study, brands and retailers are seen as the key catalyst to change towards sustainable products.

The same Britain Think survey noted that 49 percent of respondents reported producers were the most responsible for improving sustainable efforts, followed by retailers at 17 percent. This means sustainable behavior is seen as a positive benefit that may have an increasingly strong impact on loyalty as younger, more climate-conscious consumers become adults - and brands are expected to deliver.

In order to understand consumer expectations about sustainability and opportunities for brands to better meet them, we conducted a study in North America with 1000 grocery shoppers.

HYPOTHESIS

The main hypothesis of our research was that although grocery shoppers are aware and committed to sustainable practices, their actions do not reflect their intentions. As such, there may be opportunities for brands and retailers to help accelerate the consumer behavioral shift to sustainable packaging.

Some of the finer points we wanted to explore were:

- Do shoppers consider sustainable packaging as an influencing factor in what they purchase?
- If they do take into consideration the need to become more sustainable, what are the key drivers in helping them make the shift in behavior?
- What is the role of brands and retailers in accelerating current shopper mindsets and behaviors towards more sustainable practices?

RESEARCH GOALS

Determine the level of awareness, understanding, and relevance of sustainable packaging as a platform in becoming more environmentally focused.

1. What is the level of awareness and attitudes towards sustainable practices?
2. Which consumer segment is the most predisposed to purchasing sustainable packaging?
3. What materials are perceived to be sustainable and easy to recycle?
4. What other forms of sustainable practices can help reduce reliance on plastic?
5. What is the role of the retailer and brand in helping accelerate the move towards sustainable practices?

ABOUT THE STUDY

In an online quantitative survey, more than 1,000 grocery shoppers participated in answering 20 key questions. The research also examined differences in opinions and approaches between Canada and the US, in addition to customer segments. Ultimately, the study allowed the identification of key strategies to facilitate an acceleration of sustainable packaging practices.

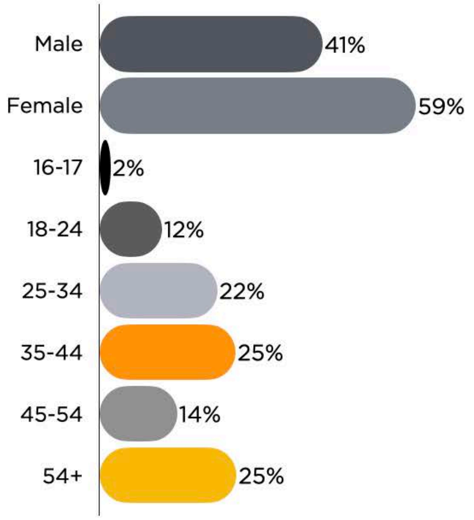
EXECUTIVE SUMMARY

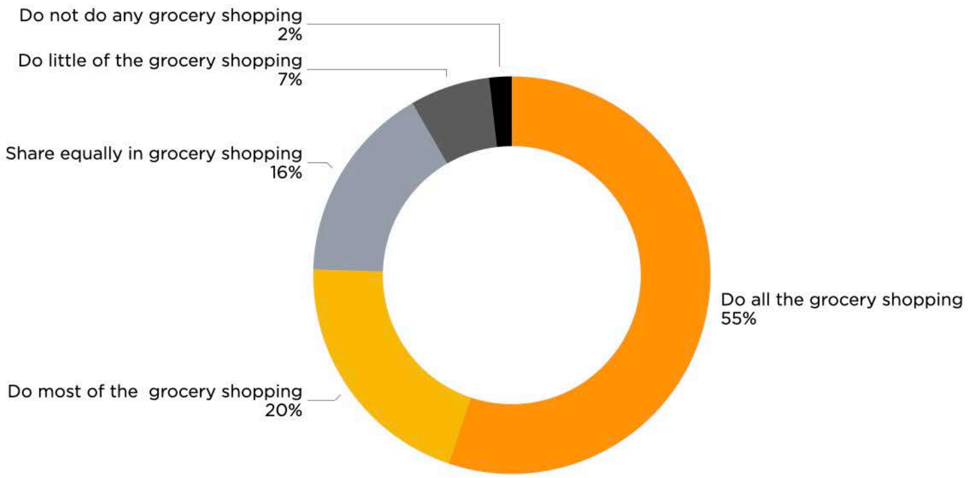
KEY INSIGHTS

BUILDING ON CURRENT INSIGHTS

We wanted to understand who is in a strong position to drive a shift in behavior towards more sustainable packaging. This was the foundation of our study. The insights are pretty discouraging as only a fraction of consumers are genuinely committed to sustainability. However, the study does highlight some positive opportunities to shift consumers sitting on the fence to join those committed to change. This study, we hope, will lead the way for retailers and brands in helping shape the future of a sustainable world.

Age and gender breakdown of respondents:





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KEY INSIGHTS

#1 Retail channel key in helping drive sustainable packaging change

Although price, coupons and family recommendations drive preference, more than 24 percent indicated offering recyclable products would motivate them to select one brand over another.

To help shift consumer behavior towards sustainable packaging, the store is the key. It is the place where young people who are just coming of age are shopping most, at 69 to 72 percent. This group should be easier to convert. The other most frequent in-store shopper is the 54 or older age groups. Although the 25-34 and 35-44 groups had the highest level of shopping online at 15 to 20 percent, most of their transactions occurred in store environments.

In-store, packaging claims are easier to see and read, and there are additional opportunities to communicate a sustainability message. Online, images are small and may not be regularly updated with new information. The store is a space where consumers can experience brands through many touch-points and are more likely to be influenced by what others do.

WHERE DO YOU PREFER TO DO YOUR GROCERY SHOPPING?

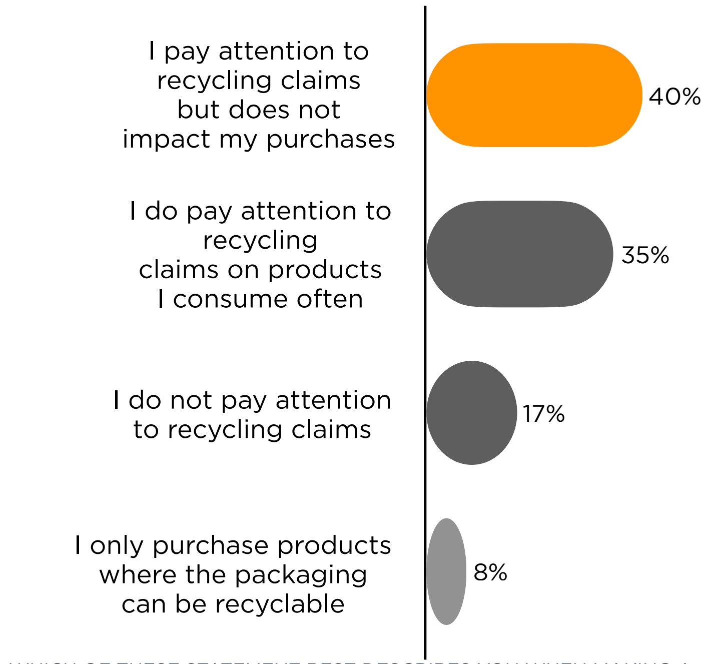
KEY INSIGHTS

#2 Sustainability for brands is all about eliminating plastics and excess packaging

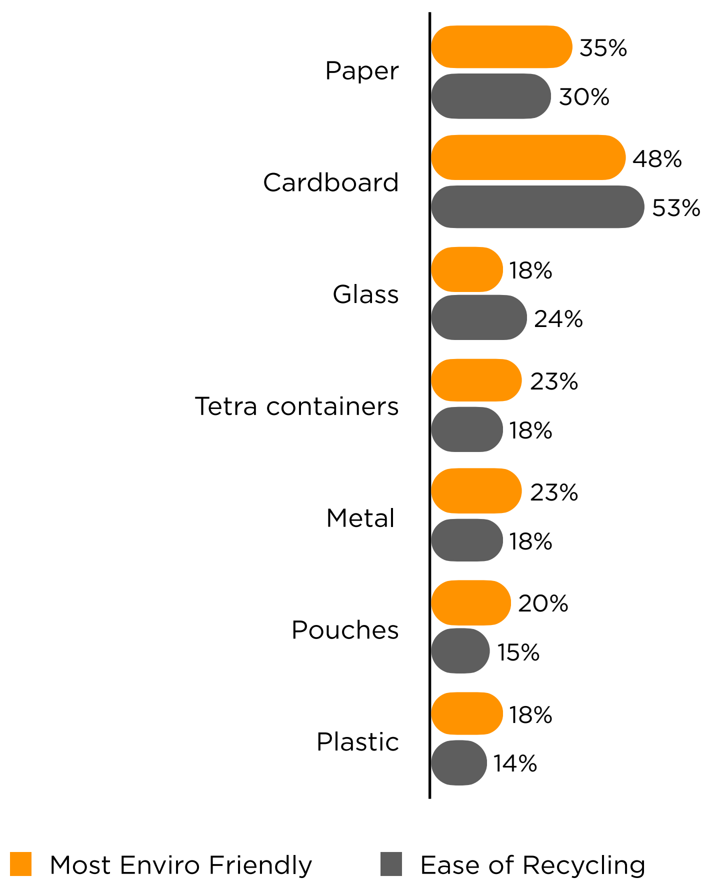
The majority of shoppers pay attention to recycling claims. Still, they have very little influence or impact on their purchase decision. Instead, the results suggest people ignore claims - perhaps because they are already familiar with recyclable packaging formats or because they doubt the claims are reliable.

There was a high degree of consistency across genders and age groups when asked about the perception of different formats and sustainability. Consumers perceive plastics, pouches, tetra containers and (surprisingly) metal packaging substrates as environmentally unfriendly and, more importantly, *not easy to recycle.* Even so, respondents stated over 50 percent of the products they purchase are recyclable. (However, an item simply being recyclable does not guarantee it will be recycled and consumer awareness of this is rising.)

Respondents ranked *too much packaging* and *inappropriate materials* as the most critical environmental factors to overcome. *Confusion around what gets recycled* and *ease of recycling* ranked lowest. This suggests consumers already know what formats are most recyclable, and indicates brands need to move towards the barest packaging and more sustainable materials such as paper, cardboard and glass.



WHICH OF THESE STATEMENT BEST DESCRIBES YOU WHEN MAKING A PURCHASE DECISION.



WHAT PACKAGING CATEGORY IS THE MOST ENVIRONMENTAL TO THE LEAST? AND PLEASE RANK THE FOLLOWING CATEGORIES ON EASE OF RECYCLING.

KEY INSIGHTS

#3 Sustainable packaging change happens in small steps

The study identified that getting shoppers to bring their reusable bags consistently is a crucial opportunity. Although more than 50 percent of shoppers bring their reusable bags to shop, we have plenty of room to improve.

Canadians are more apt to use their sustainable bags (67%) versus their American counterparts (33%). In addition, the likelihood of bringing reusable shopping bags increases with age, with the 54 plus at 58 percent. There is a high level of customer understanding that bringing their bags to the shop will help solve the plastic bag issue. However, customers expect retailers to switch from plastic to paper bags if they forget to bring reusable bags.

In addition, grocers have an opportunity to move customers to purchase water, cereals, coffee/teas in bulk to overcome too much packaging. The 45-54 age group scored significantly higher in bulk categories, indicating an opportunity to increase their uptake of bulk choices. Fresh produce, cereals and ground coffee rank very high for reusable customer packaging. In contrast, liquid products, such as soups, condiments and colas, ranked significantly lower.

Consumers also indicated having a recycling center within the store and an environmentally friendly packaging section would influence which retail banner they shop. In contrast, offering only bulk or local products has less impact on banner selection.

HOW LIKELY ARE YOU TO SWITCH YOUR SHOPPING TO A RETAILER THAT OFFERS THE FOLLOWING?

KEY INSIGHTS

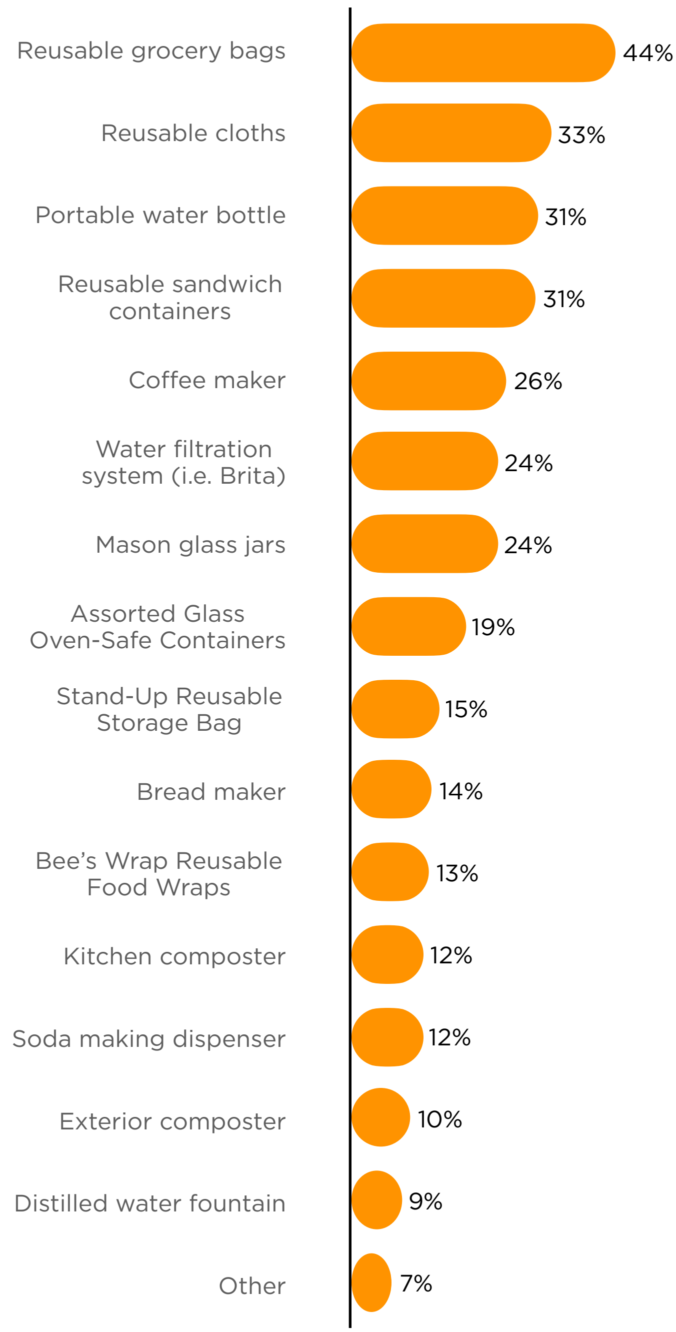
#4 Consumers' home is the second sustainable packaging opportunity

Although reusable grocery bags ranked the highest future purchase intent (44%), the entire reusable category such as water bottles and sandwich containers dominated customers' future purchases.

These categories also reflect the more habitual high frequency of usage behaviors. Appliances such as kitchen composter, soda dispenser, exterior composter and distilled water fountain have a lower level of future purchase intent.

Shoppers considering purchasing products intended for multiple usages identified that it was good for the environment, but the overall motivator was saving money over time, followed by convenience. Also, the most significant barrier in purchasing in-home products or appliances that reduce packaging waste is cost. Therefore, retailers and brands may want to calculate the cost to the environment as part of their pricing model.

The second obstacle to purchasing products using personal reusable containers is *food safety* and *not being available in the store*. The third factor, inconvenience, is the opportunity retailers and CPG companies can address to create brand loyalty.



PLEASE IDENTIFY FROM THE LIST BELOW WHICH OF THESE ITEMS YOU ARE CONSIDERING PURCHASING IN THE NEXT SIX MONTHS

KEY INSIGHTS

#5 Appliances focused on reducing single-use beverage pack formats are primarily driven by convenience and far less on sustainability

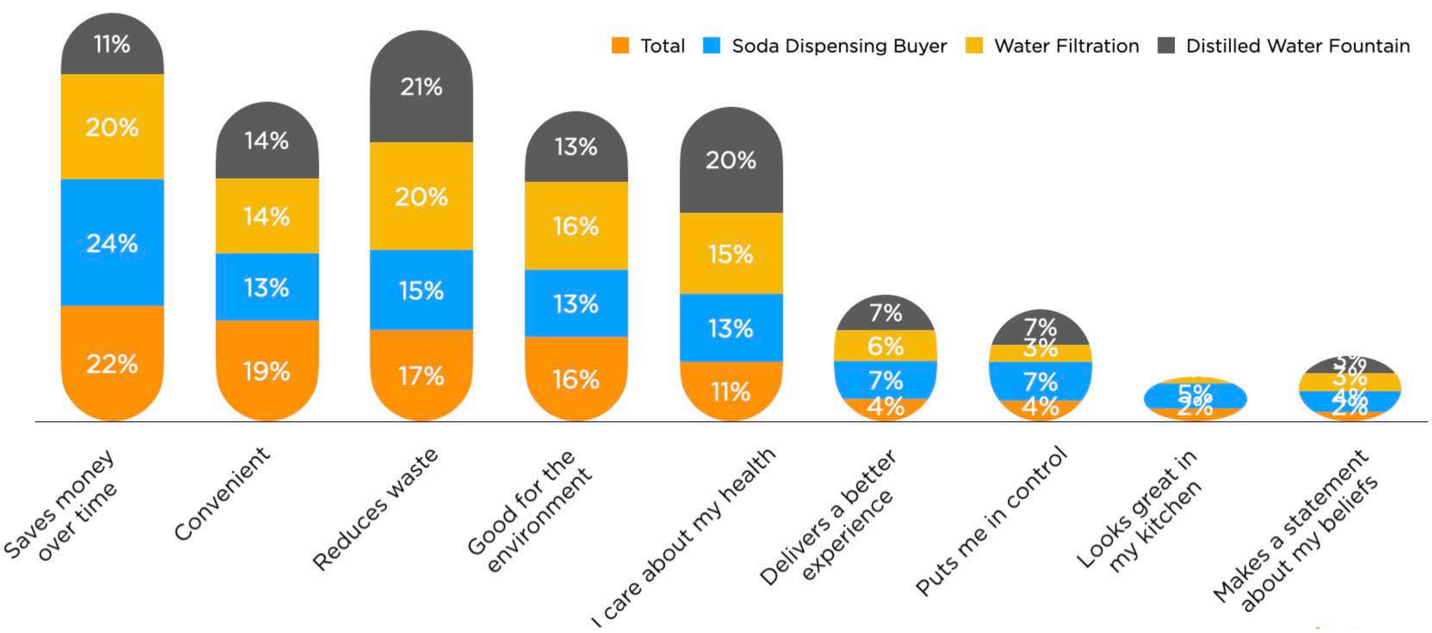
The study dug deeper into the critical drivers motivating purchase choices beyond saving money.

We specifically looked at consumers purchasing soda water dispensing units, in-home water filtrations such as Brita or distilled water fountains and other in-home beverage appliances. Ironically, the purchase drivers for coffee makers and soda dispensing home units were focused on *saving money, putting them in control, caring about their health, great taste,* and *looking great in their kitchen,* and much less driven by *reducing waste* or *being good for the environment.*

Water filtration and *distilled fountain units* were driven by sustainability as well as *good health.* The decision to buy coffee makers and soda dispensing units are very similar and looks trump benefits for the environment. Consideration should be given to ensuring more significant differentiation of messaging on the benefits of these two products.

Many current advertisements are anchored on the number of plastic bottles being eliminated. Although this may be a truly sustainable feature, if consumers are more motivated by *saving money, control, delivering a better experience* or *caring about their health*, those messages need to be given greater focus.

Even though consumers are interested in sustainability, an altruistic message does not always have a positive effect if it overrides the key benefit of the product.



KEY INSIGHTS

#6 Talking to the right consumer will accelerate change

The study identified two emerging marketing personas brands and retailers need to consider to drive greater adoption of sustainable packages and products, namely:

Green-Aspirer: This group is committed to being environmentally sensitive, purchasing only recyclable packaging. They will be loyal to brands and retailers who are actively engaged and promote recycling and environmentally friendly packaging. They view sustainability and recycling as part of a holistic approach, from home appliances that reduce packaging to brands that promote their products are easily recyclable. This segment has the highest percentage of purchasing recyclable packaging every month (50%-79%). In addition, more than 80 percent bring their bags for grocery shopping.

MOTIVATOR:
Heavy commitment to the environment and only purchase products where the packaging is recyclable.

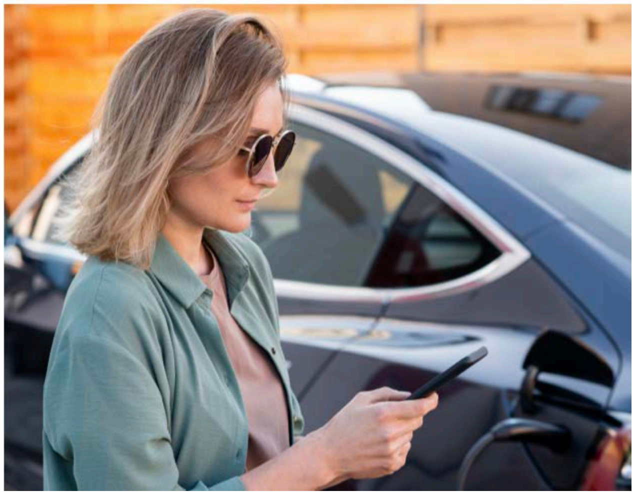
DEMOGRAPHICS:
- Predominantly women (57%)
- Between 25 and 44 years of age
- Medium to high-income levels
- University or post-graduate degree (58%)

IMPLICATION:
- The key target group for sales of soda dispensing units or any other home appliance that reduces packaging waste
- Recycling claims on packaging should be highly visible
- Retailers need to appeal to this group by featuring an in-store recycling center and a new recycling section in the store
- In addition, retailers should be providing a higher level of promotion for reusable shopping bags

BEHAVIORS:
- About 7 percent of the total sample
- Tend to be responsible for all the grocery shopping
- Beyond price as a motivator, *the product is recyclable* ranked second followed by *loyalty programs* and *commitment to a social cause*
- Prefer to shop in a grocery store
- Highest percentage of purchasing foodservice brands and meal replacement programs (40%-60%)
- They view cardboard as the most environmentally friendly packaging and easiest to recycle
- They view *too much packaging* as the key environmental challenge to overcome
- This segment has the highest percentage of purchasing recycling packaging on a monthly basis (50%-79%)
- More than 80 percent bring their own bags for grocery shopping
- Highest interest in purchasing a soda dispensing machine and portable water bottle in addition to a composter and their primary reason is being good to the environment

KEY INSIGHTS

#6 Talking to the right consumer will accelerate change (cont'd)



Enviro-Savers: This group is aware of the impact of packaging ending up in landfills and oceans and wants to do the right thing, as long as it also helps reduce their grocery bills. This group's critical sustainable packaging motivator is about saving money first and being good to the planet second. Price is the key factor to purchasing a given brand over another one (77%), followed by coupons (50%) and family recommendations (46%).

MOTIVATOR: Being green is all about saving money first, and being good to the planet.

DEMOGRAPHICS:
- 37 percent of respondents
- Predominantly women
- Skews older consumers age 45 plus (42%)
- Do all or most of the grocery shopping

IMPLICATION:
- This is the largest group that can impact the change of course for sustainability
- Promoting sustainability should focus on the savings to the pocketbook before promoting the environmental impact
- Promoting usage of reusable shopping bags will be key in enlisting this group to reduce the usage of plastic shopping bags
- Reinforcing the cost savings of home appliances that reduce packaging use will also be critical

BEHAVIOURS:
- Price is the key factor to purchasing a given brand over another one (77%), followed by coupons (50%) and family recommendations (46%)
- *The product is recyclable* scored higher than the total sample (40% VS 25%)
- They pay attention to recycling claims but they do not influence product purchase
- They prefer to shop in a grocery store (61%)
- Their weekly food spend from foodservice brands, and grocery home meal replacements are low at 0-20%
- They rank paper as the most environmentally friendly packaging and easiest to recycle
- View *too much packaging* as the key environmental issue
- They purchase between 50 to 70 products that are recyclable
- Only 46% percent bring reusable shopping bags when buying groceries and view bringing their own bag as key in reducing plastic bag usage
- They are willing to buy bulk water, cereal, coffee and flour to overcome too much packaging
- They are willing to switch your shopping to a retailer that has a recycling center within the store
- They are considering purchasing reusable shopping bags in the next six months for reasons of convenience

RETAILER'S OPPORTUNITIES

Taking action for retailers

Strategies in driving sustainability and lowering the impact of the use of plastics:

- Build a business case supporting vital sustainability programs and customer shopping behaviors.
- Installing recycling centers within stores to facilitate recycling and reusables.
- Consider a section in the store promoting 100% recyclable and/or compostable packaging.
- Drive promotions of reusable shopping bags and provide an incentive for using these bags versus the current model of charging for the use of plastic bags.
- Shift to paper bags and eliminate plastic bags.
- Increase bulk sections and sell reusable containers.
- Provide a discount for reusable containers in order to purchase bulk items and fresh produce.
- Introduce a new appliance section to promote products that reduce packaging use.
- Introduce new, simplified recycling iconography to support which product packages are 100% recyclable.

BRAND OPPORTUNITIES

Taking action for retailers

Promoting new behaviors supporting recycling and environmental responsibility is a crucial opportunity for brands:

- Bring sustainability claims on packaging to the front panel as currently the majority are found on the back panel - but ensure it is in the right place in the communication hierarchy.

- Consider consumer promotions or loyalty programs that support reusable packaging and recycling behaviors, such as promotions for reusable shopping bags.

- Target marketing of sustainability to both the Enviro-Savers and Green-Aspirers who represent the most significant opportunity to swing the scale of sustainability.

- Reduce use of secondary packaging (outer boxes, shrink-wrap sleeves, etc.).

- Shift from plastic to glass and paper substrates.

- Consider biodegradable accelerants such as MidoriBio, which reduces composting time by 60 to 70 percent.

- Create industry norms to drive awareness and new behaviors.

ABOUT THE AUTHORS

Jean-Pierre Lacroix, SLD President

Innovator, designer, strategist, futurist, transformer of brands for growth, Jean-Pierre Lacroix is President of Shikatani Lacroix Design (SLD). Jean-Pierre Lacroix is strongly committed to design innovation. In addition to pioneering the successful firm, Jean-Pierre is also Past President of The Association of Registered Graphic Designers of Ontario, Past President of DIAC (Design Industry Advisory Committee), board member of SEGD (Society of Environmental Graphic Designers), as well as former Director of the Packaging Association of Canada.

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