

How to Fit a Square Carton in a Circular Economy

How Retail Sustainability Efforts are Impacting the Paperboard Carton Market

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Three Big Messages, and a Recommendation

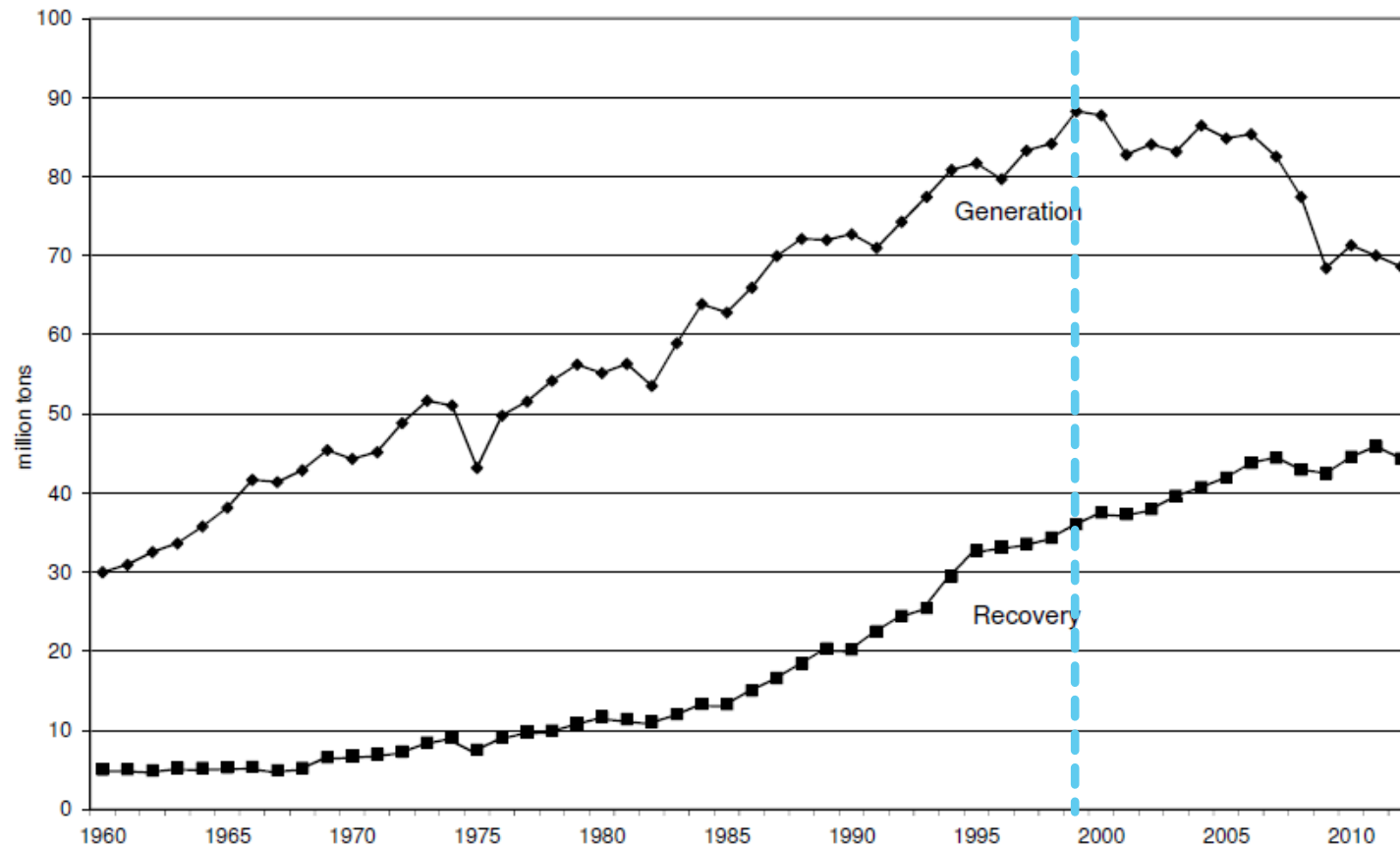
- ▶ Sustainability—and how it is understood—is increasingly affecting consumers' decision-making processes
- ▶ Millennial Moms will make most of the important decisions affecting your business today and for the next 30 years, and they look for companies that support their values
- ▶ Successful packaging innovation needs to support retail strategies
- Put yourself inside the head of your customers—the CPG companies—and think about how they interact with their retail customer

“I want it cheap, with free shipping, and it would be great if it got here tomorrow”

- ▶ 1962 - birth of Big Box Retail
- ▶ Retail Disintermediation in 2000's
 - ▶ Growth of On-line Purchases
 - ▶ Showrooming
 - ▶ Mobile technology
- ▶ New Retail Drivers in 2010's
 - ▶ Social influencers
 - ▶ Social purchasing
 - ▶ Seamless Media shopability

First, some background...

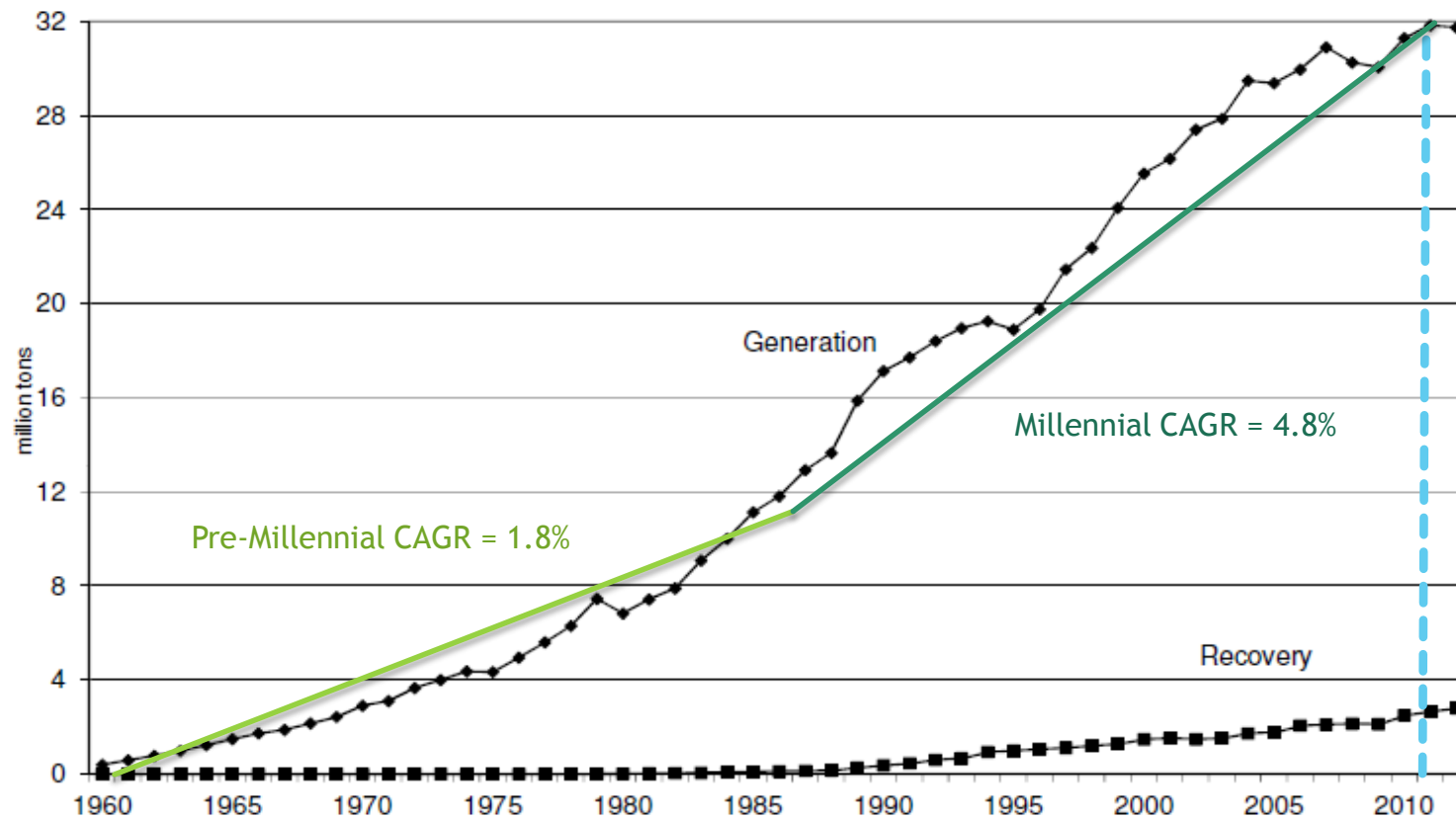
Figure 3. Paper and paperboard generation and recovery, 1960 to 2012



Source: U.S. Environmental Protection Agency, 2014

Where are the trends taking us?

Figure 9. Plastics generation and recovery, 1960 to 2012



Source: U.S. Environmental Protection Agency, 2014

New Ways to Solve Old Problems

- ▶ Glass Packaging production hit its peak in 1979
 - ▶ Baby food, beverages, condiments, pickles, dairy products, milk, sauces
- ▶ Paperboard Packaging production hit its peak in 1998
 - ▶ Breakfast cereal, cookies, crackers, frozen foods, dairy products, milk
- ▶ Metal Packaging production hit a cyclical peak in 2010
 - ▶ Beverages, shelf-stable foods, pet foods
- ▶ Plastic Packaging continues to take market share

Two Companies, and Two Visions of Sustainable Retailing

Walmart: The Social Argument for Sustainable Packaging

- ▶ “As the world's largest employer and company, Walmart's efforts can influence its many suppliers and rivals...Being a good corporate citizen will also be crucial to winning over socially conscious consumers, particularly millennials” (Fortune Nov. 4, 2016)
- ▶ Sustainable Packaging Playbook
 - ▶ Three Pillars for Manufacturers, Suppliers and Buyers
 - ▶ Guidebook for Innovation Strategy and Product Development
 - ▶ Includes Cost Reduction as one of Several Objectives
- ▶ Seeks to use 100% Recyclable Materials in Private Brand packaging by 2025
 - ▶ Doug McMillon, Net Impact Conference, Nov. 2016

Amazon: Packaging Cost Reductions Feed Sustainability Drive

- ▶ Amazon is Searching for Ways to Save on Packaging Materials through Improvements in Primary Packaging
 - ▶ Eliminate Rework and Shipment Preparation Costs
 - ▶ Reduce Material Costs
 - ▶ Increase Recycling
 - ▶ Improve Shipment Density
- ▶ Amazon's Success in Achieving Cost Reductions will Establish the Packaging Template for other E-commerce players

Walmart - A New Era in Packaging Sustainability

The graphic is a rectangular box divided into four quadrants. The top-left quadrant is yellow with a white upward-pointing arrow and the text 'Improve Sustainability Index Score'. The bottom-left quadrant is green with a white downward-pointing arrow and the text 'Reduce Cost of Goods'. The right half of the box is orange and contains a list of goals in white text: 'Deliver sales', 'Prevent theft and tampering', 'Satisfy consumers', 'Conserve natural resources', 'Protect the product', 'Support human and environmental health', 'Facilitate handling', 'Minimize greenhouse gas emissions', 'Communicate', and 'Close resource loops'. At the bottom of the box is a white bar containing the Walmart logo on the left and the text 'Sustainable Packaging Playbook' and 'A guidebook for suppliers to improve packaging sustainability' on the right.

Improve Sustainability Index Score

Reduce Cost of Goods

Deliver sales
Prevent theft and tampering
Satisfy consumers
Conserve natural resources
Protect the product
Support human and environmental health
Facilitate handling
Minimize greenhouse gas emissions
Communicate
Close resource loops

Walmart 

Sustainable Packaging Playbook
A guidebook for suppliers to improve packaging sustainability

Walmart: The Social Argument for Sustainable Packaging

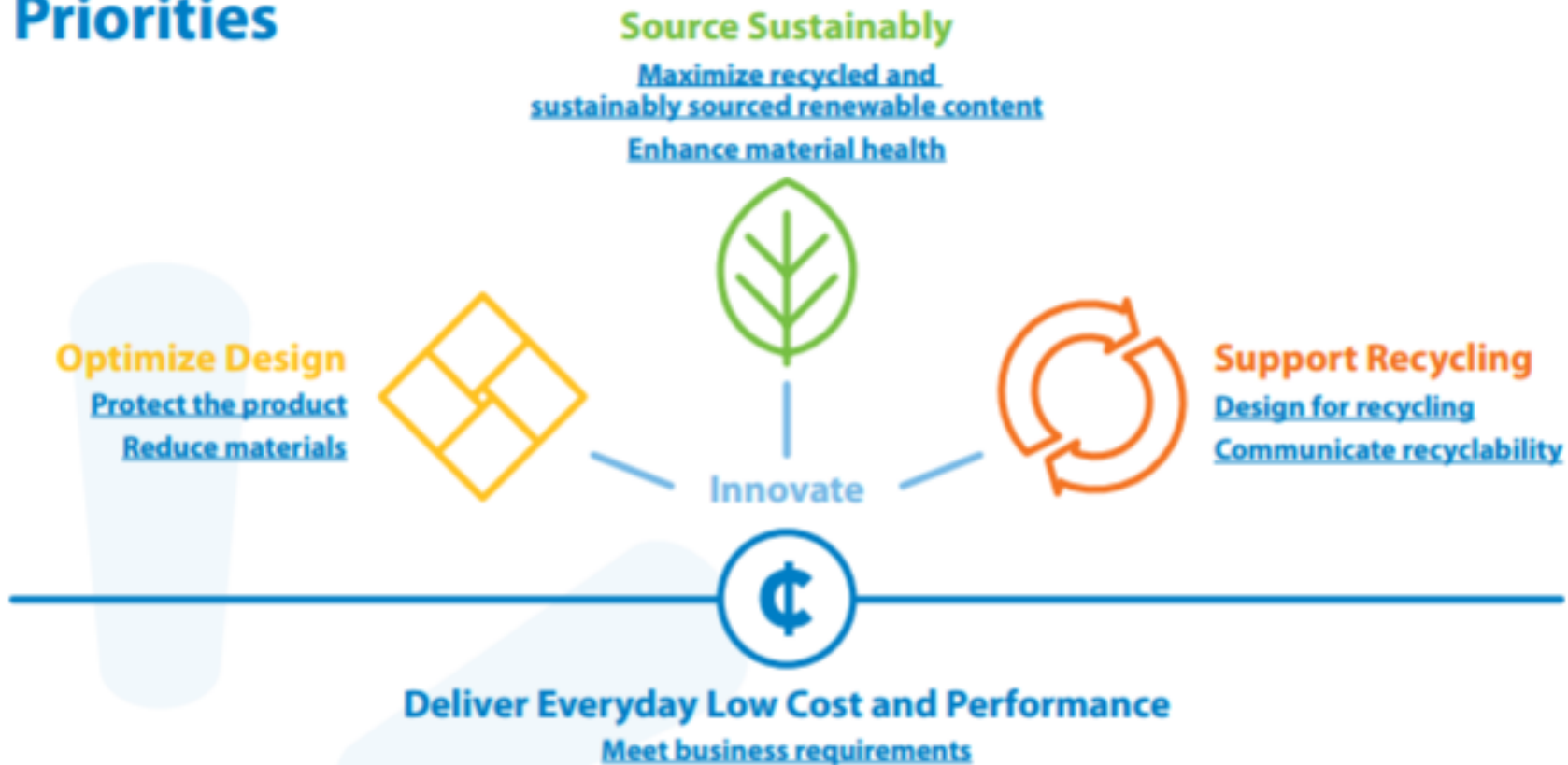
- ▶ From its beginning in 2007, Walmart's effort to improve packaging sustainability has been based on reducing the negative effects on packaging on the environment
- ▶ Phase 1 - "Scorecard" Era
 - ▶ Reduction in the impact of Greenhouse Gases derived from the production of packaging - 9.3% global reduction (2012)
 - ▶ Increase in Recycling of Transport Packaging and Reduction of Waste shipped to landfills
 - ▶ Packaging Scorecard - Numerical evaluation based on packaging weight, material and form
 - ▶ Internal and External Education - Industry engagement, Expo

Walmart: The Social Argument for Sustainable Packaging

- ▶ Phase 2 - “Playbook” Era
 - ▶ Maximize Recycled and Sustainably Sourced Renewable Content
 - ▶ Recyclable Requirement for Private Brands by 2025
 - ▶ Improve Material Health
 - ▶ Optimize Design
 - ▶ Product Protection with Minimal Resources
 - ▶ Support Recycling
 - ▶ Design for Recycling
 - ▶ Communicate Recyclability through use of the How2Recycle Label
 - ▶ Increase Recycling Collection Points

Sustainable Packaging Scorecard

Priorities



Source: Walmart Sustainable Packaging Playbook (25/10/2016)

http://www.resource-recycling.com/images/e-newsletterimages/Walmart_Sustainable_Packaging_Playbook.pdf

Amazon: Packaging Cost Reductions Feed Sustainability Drive



Amazon: Packaging Cost Reductions Feed Sustainability Drive

- ▶ Packaging Initiatives are described both internally and publicly as “Multi-Year Cost Reduction Programs”
 - ▶ Reduction in packaging materials, labor and other shipment preparation costs
 - ▶ Increased use of recycled materials
 - ▶ Improvement in density of shipped packages
 - ▶ Reduction in damages
 - ▶ Elimination of waste

Amazon: Packaging Cost Reductions Feed Sustainability Drive

▶ Special Packaging Programs

▶ Frustration-Free Packaging (FFP)

- ▶ Easy Open
- ▶ Minimal Amount of Packaging Material and Tape
- ▶ Easy to Recycle
- ▶ Verified by Simulated Transportation Testing and Customer Feedback
- ▶ 400,000 products
- ▶ 50,000,000 pounds of packaging material eliminated in 2015

▶ Ship In Own Container (SIOC)

- ▶ Elimination of Secondary Shipping container and additional packing materials
- ▶ Simplifies pre-shipment Preparation and eliminates additional costs

The Wide World of E-commerce...

- ▶ 1 billion products available globally
- ▶ 10% of total retail sales in 2016
- ▶ Projected to reach 40% by 2026
- ▶ Growth in the “do-it-for-me” economy
 - ▶ Curated selections
 - ▶ Predictive marketing
- ▶ “What I want, when and where I want it”
 - ▶ Shipment Size
 - ▶ Service Requirements

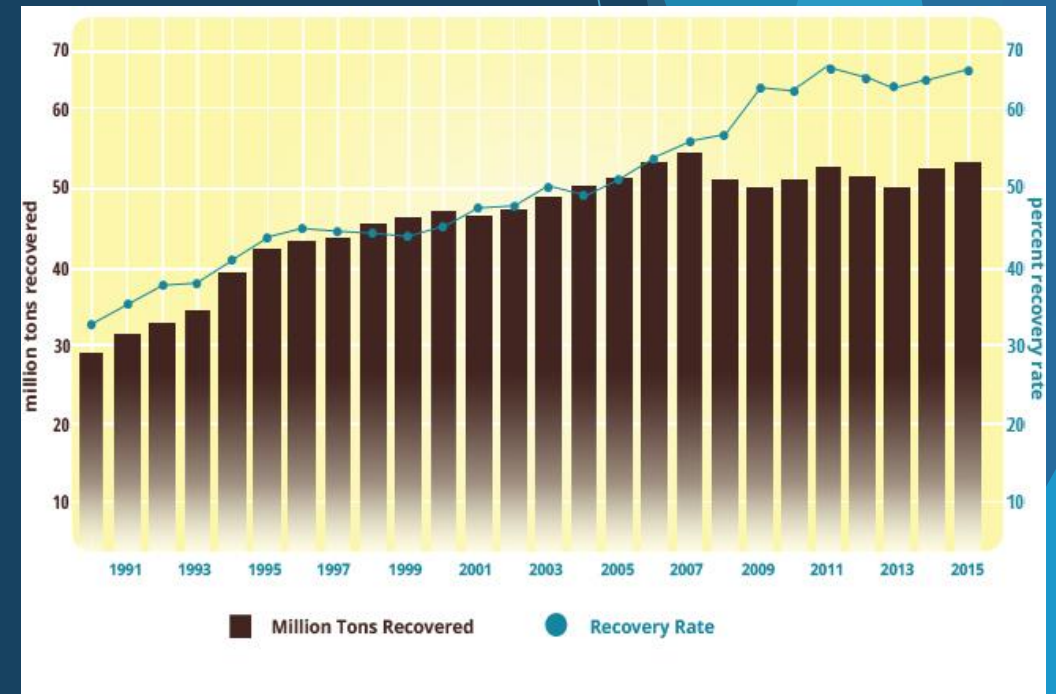


...and its Impacts

- ▶ More packages traveling to more destinations
 - ▶ Size
 - ▶ Materials
 - ▶ Predictive Durability
- ▶ Distribution Centers increasingly replaced by Fulfillment Centers
 - ▶ Personalization vs. Automation
 - ▶ Individuality vs. Efficiency
 - ▶ Intelligent Costing vs. Cost Reduction
- ▶ Transformation of the “Store” experience
- ▶ Changing Delivery Model

The Good News about Packaging Sustainability...

- ▶ Paper-based Packaging is by its very nature a more sustainable alternative than most other materials
- ▶ Paper-based Packaging is benefiting from broad expansion within curbside collection programs
- ▶ Paper-based Packaging is recovered and recycled at higher rates than most other packaging materials and its raw materials can be reused for essentially the identical purpose in each reuse cycle
- ▶ Households can generally recycle paper-based packaging with minimal additional steps



The Bad News about Packaging Sustainability...

- ▶ The Plastics Industry is making strides in educating consumers about recyclability and reutilization options
- ▶ Flexible Packaging suppliers are innovating in areas where they have not traditionally been competitive, such as child resistance
- ▶ Corrugated Packaging suppliers are introducing additional lightweight papers and even smaller flutes to better compete with heavyweight paperboard
- ▶ Paper-based Packaging is generally seen to be less innovative and therefore less likely to be used with new product launches



Today's In-Store Environment

Let's take a walk and see what's working...

A Packaging Lesson from the Deodorant Aisle...



Innovation in Freshness

...challenging venerable standards in traditional center store categories



Orlando



Kansas City

Format Evolution for New Usages

...giving old products new life through new packaging presentations



St. Louis



St. Louis

Helping Time-Starved Moms

...even in the dairy case, where change comes very slowly



Orlando



Orlando

Commitment to Real Ingredients

...with structural innovation being used to communicate authenticity



Jane, MO



Jane, MO

Finding New Influencers

...to help old categories become relevant to new consumers



Bentonville



Bentonville

Packaging Innovation and Retail Reality

...pay close attention to price point, shelving, and operational simplicity
...does your new format help retailers establish a new price point?



Orlando



Kansas City

Packaging Innovation and Retail Reality

...what is needed to operationalize your new packaging format?
...how complicated is it to stock, shop and face?



Jane, MO



Jane, MO

Packaging Innovation and Retail Reality

...what is the impact of the new package format on carrying capacity of the shelf?



Chicago



Chicago

Why do new products succeed, and how do they displace the competition?

- ▶ Innovative packaging offers a measurable consumer benefit
 - ▶ Ease of use, dosing, performance, freshness
- ▶ Primary and Secondary packaging form a co-dependent selling unit that consumers understand and retailers need
 - ▶ Multi-pack, meaningful communication, connection to shopper
- ▶ Packaging supports individuality, single-use, and customization
 - ▶ Key millennial purchase drivers
- ▶ On-shelf efficiency in presentation, sku count, and flavor/variant
 - ▶ Era of large retail facings is over, replaced by fierce competition for slots

Two Final Thoughts about Retail...

- ▶ Commerce is becoming increasingly disconnected from its historical track record
- ▶ Retailers will continue to struggle with overbuilt physical locations (wrong size, wrong place, wrong banner) as they seek to grow sales without expanding their physical footprint
 - ▶ Top 100 Global Retailers plan to open this year the smallest number of new locations in the history of Planet Retail's annual survey

If You Only Remember Two Things from my Presentation, they should be...

- ▶ Sustainability—and how it is understood—is increasingly affecting consumers' decision making process
- ▶ Millennial Moms will make most of the important decisions affecting your business today and for the next 30 years, and they look for companies that support their values

When You Get Back to Your Office, the Two Things You Should Do are...

- ▶ Find out who in your organization is monitoring the sustainable packaging strategies of your top 10 customers and ask them to update you in two weeks
- ▶ Look for ways to strengthen the performance of your packaging materials in small parcel shipping tests—your future, as well as everyone else's, is digital

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