

# Creating a Sustainable Future: Packaging and the Client-Agency Relationship

A white paper by

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## Introduction: why is packaging innovation an important issue for retailers, brand owners and agencies?

As sustainability and efficiency commitments form an ever increasing importance in retail strategy, packaging agencies have entered the dawn of greater influence. They must not sit back reluctant to the challenge, but rather embrace the growing culture of greater retailer-agency understanding and grab its potential to encourage change. This white paper seeks to explore the role that the client-agency relationship has in the creation of a sustainable future via the development of sustainable packaging solutions. Firstly, however, we must examine why it is becoming an increasingly important issue.

The past ten years has seen consumers' views in regard to the environment and climate change harden considerably. Such a change in attitude was most evident in the amount of public debate that surrounded the December 2009 Copenhagen Summit on climate change. In the UK alone, the Stop Climate Chaos Coalition has an estimated combined support base of over 11 million people who demand practical action against rising emissions.<sup>i</sup> In the run up to the Copenhagen summit, this pressure culminated in the biggest climate change march in history, calling on the government to take a more urgent and effective action on environmental issues.

However, it is true to say that only a small percentage of the UK population are passionate enough about the environment to actively protest against climate change. Many continue to see 'being green' as an alternative lifestyle.<sup>ii</sup> But statistics are revealing. Within the general consumer population, a 2008 Ipsos Mori poll of public attitudes to packaging demonstrated the extent to which consumer views on the environment have strengthened. Over 82% of respondents agreed with the statement 'packaging is a major environmental problem', a significant 11% increase on the 1997 response.<sup>iii</sup> What's more, from a list of product-focused environmental and ethical issues, 51% of respondents said that they were personally concerned about the amount of packaging retailers used.<sup>iv</sup> This was the most prominent issue reported and was significantly more pronounced than consumers' worry of issues such as how many miles the product has travelled (24%) and a product's carbon footprint (16%).<sup>v</sup> Thus, within the retail sector, it is apparent that packaging is an important issue for the consumer, many of whom consider it to be a key barometer of a retailer's progress on environmental issues. Unlike issues such as carbon footprinting and the distance a product has travelled, packaging is seen to have a direct impact on the consumer's day to day routine.

Sustainability is thus increasingly becoming a pressing issue for consumers, manufacturers and retailers alike. We cannot rely on retailers and brand owners, however, to force the hand of agencies to perform more sustainably. With the positive rise in emphasis on Corporate Social Responsibility and environmental accreditations, many agencies are working towards or have achieved ISO1400 status. However, within an individual agency setting, meeting ISO standards will have a minimal, although important, impact on the environment. Far greater resource efficiency improvement, as well as meeting the needs of the consumer, could be achieved through the development of focused innovation surrounding packaging via the creation of a meaningful client-agency partnership.

## What are the benefits for the retailer or brand owner of creating sustainable packaging solutions?

There are many benefits of creating sustainable packaging solutions other than adhering to government guidelines and acting as a response to CSR initiatives.

It is clear that the demand for more sustainable packaging options in the UK is increasingly being driven by consumer demand. As Heinz engineering department manager Phil Crompton states:

"Consumers are increasingly aware of issues surrounding packaging. By taking a lead on packaging optimisation, manufacturers can show that they understand consumers' concerns and they are socially responsible."<sup>vi</sup>

Retailers are more frequently adopting this stance, with Marks and Spencer's Plan A actively positioning itself as responding to consumers' needs, its tag line being: 'We're doing this because it's what you want us to do. It's also the right thing to do.'<sup>vii</sup> The customer is thus at the forefront of the plan. Through an interactive website, the consumer is also actively encouraged to join the discussion and commit to their own 'Plan A'. This creates a joint and long-lasting pledge between the retailer and the consumer which in turn has had a positive outcome on customer loyalty towards the brand. By placing sustainability and the customer's needs on an equal footing, the two have become synonymous within Marks and Spencer's multi-channel strategy.

What's more, optimising packaging to adopt an on-pack explanation as to how a business is responding to the green agenda has capacity to shape consumer opinion. A clear, simple, consistent and co-ordinated message has the ability to change public perceptions of so-called 'excess' packaging. Consumers will begin to see it as a valued resource.

The influence that placing sustainability at the forefront of the business has on the consumer's perceptions of a brand cannot be underestimated. This is very apparent within the positive feedback that Marks and Spencer have received from consumers about their environmental initiative: the retailer is perceived to have an honest concern for both customer needs and the needs of the environment. As a customer recently commented on a social networking site:

"A refreshingly genuine eco-initiative! Nice work M&S!"<sup>viii</sup>

Although Plan A has had a positive impact on customer loyalty and brand perception, it cannot be denied that the £200m cost of implementing the initiative is a factor that many retailers are cautious of, especially in the current economic climate. However, Marks and Spencer have stated that this spend has been more than offset by savings that have been made through policy changes as a result relating to energy efficiency and supply chain management.<sup>ix</sup>

Other retailers have also found that through re-designing packaging, supply chain efficiency has been improved which has led to large savings. Tesco, for example, found that re-designing packaging on

fresh chickens saw a 68% reduction in weight and improved supply chain efficiency through increased crate fill.<sup>x</sup> Heinz also found that by light-weighting cans, each lorry load weighs 83kg less and fits 18% more on a pallet, meaning annual savings of over £450k a year.<sup>xi</sup>

Adopting 'Smart Packaging' (inbuilt technologies to aid the consumer in making the most of food purchased, such as tags which change colour when the product's useable life is approaching) could provide a competitive advantage, providing a new point of differentiation and helping to project an innovative brand image that consumers would be prepared to pay for. Even in the depths of the recession, almost half of all respondents of the 2009 Defra survey agreed that they would be prepared to pay more for environmentally-friendly products.<sup>xii</sup>

Through building a deep relationship with the retailer or brand owner, an agency will come to understand which solutions will be most beneficial, offering the most in both competitive advantage and resource optimisation. However, all solutions must be practical. It is an agency's role to understand how the structure of the economy, cultural constraints and political direction has an impact on packaging innovation and sustainability. The most realistic solutions offer not a complete shift but varying degrees of change.

## How can we work together to develop the right packaging solution?

### Redressing the balance.

It is clear that sustainability needs to be at the heart of the client-agency partnership. By placing such issues at the centre of the relationship, the capacity exists to redress the balance that many retailers and brand owners place on the environment, whilst simultaneously helping to educate the consumer and change their habits.

Whilst it is true that consumers' views on the environment have hardened in recent years, it can be questioned as to what extent they truly understand phrases such as 'carbon footprint' and 'carbon offsetting'. In the 2009 survey of public attitudes and behaviours towards the environment, less than half of the respondents said they knew at least a fair amount about the term 'carbon footprint' and the majority of people reported they have no real understanding of 'carbon offsetting'.<sup>xiii</sup> Throughout media channels we are constantly surrounded by such phrases: they are the 'buzzwords' of the twenty first century. As such their meaning is becoming lost to many: consumers agree that such environmental issues are important, but in practice customer behaviour often lags behind general concern. Even in areas that the consumer has a clear understanding of, such as the impact of landfill sites on the environment, research has found that only a minority habitually undertake behaviours such as reusing bags (39%) and avoiding products with too much packaging (30%).<sup>xiv</sup>

Furthermore, one of the biggest barriers to sustainability can be the way it is perceived within businesses and organisations. Positively, increasing government legislation on environmental issues has encouraged many companies to consider their environmental policies. The Courtauld Commitment has seen over 40 retailers voluntarily sign an agreement to take positive action to reduce the

environmental and the financial impact of the 5.9 million tonnes of packaging waste and 6.7 million tonnes of household food waste that is generated in the UK every year.<sup>xv</sup> However, despite this, for many retailers sustainability is often perceived simply as a CSR strategy or a green initiative. As a spokesman from leading retailer Asda says:

"To get the focus and momentum needed... sustainability needs to be at the heart of an organisation... to be viewed as business as usual rather than a product or initiative."<sup>xvi</sup>

By building a deep and long-lasting relationship, agencies will develop a true understanding of the retailer's strategy. Such a relationship has the potential to lead to the creation of innovative and sustainable packaging solutions; educating the consumer, reducing waste, increasing recyclability and optimising retailer benefits through light-weighting, adding value and driving sales. By placing packaging and sustainability at the heart of the partnership, the client and the agency will work together to respond to the needs of the environment and the next generation, whilst also understanding the concerns of the consumer.

## How should a partnership act?

It is apparent, then, that in order to make the greatest resource efficiency improvement, the client-agency relationship must be based around understanding. It is of utmost importance that an agency understands consumer attitudes, retailer priorities and environmental objectives.

Research has shown that many consumers' perceptions of a brand are greatly influenced by how the retailer or brand owner responds to the environment. However, there is a noticeable difference between the consumers' willingness to drive the change themselves (for example through product choice: 63% do not check whether an item could be recycled before purchasing) as opposed to their willingness to let the retailer, manufacturers and the government drive change on their behalf.<sup>xvii</sup> According to a recent survey, the majority of consumers agree that any changes that they make to help the environment need to fit in with their lifestyle; many are reticent to change habits. Indeed, the majority of people say that businesses and government should set examples in tackling climate change, with 58% agreeing that 'if businesses did more to tackle climate change, I would too'.<sup>xviii</sup> Consumers expect companies to lead green initiatives and will actively engage with them, but they also want their own needs met and to save money. Agencies, retailers and brand owners must appreciate that the most successful packaging solutions offer and communicate benefits in all of these areas: environment, function and saving.

What is clear is that for the retailer, brand owner and consumer alike, the importance of creating sustainable packaging options cannot be underestimated. However, although many consumers see packaging as a symbol of a 'throw away' society and believe that retailers should take action to reduce waste, in reality packaging has an important role in ensuring that goods survive the distribution chain and are delivered to consumers in good condition. According to an Industry Council for Packaging and the Environment (INCPEN) report, in developing countries up to 50% of food is wasted on the journey from farm to shop. In Western Europe less than 3% goes to waste.<sup>xix</sup> Removing packaging from many products, therefore, is not an option.

Moreover, recent government legislation and voluntary agreements (such as the Courtauld Commitment) have perhaps overemphasised the reduction of packaging waste as one of their key targets. This distracts attention from designing resource-efficient packaging that can make the best use of all resources through the distribution chain. Marks and Spencer's have been influential in recognising this and incorporating it within their 'Plan A' which aims to tackle some of the most important social, ethical and environmental issues that face our world. Their 39th commitment states that as a business, they will aim to ensure that:

"All packaging can be easily recycled or composted, accepting that in some cases this may require the use of heavier materials."<sup>xx</sup>

Agencies must understand that as well as working towards a sustainable solution, the retailer or brand owner has a responsibility to ensure that their packaging protects public health and complies with legal demands on health and safety standards. Packaging must also be designed to be cost effective, allowing the retailer to continue to be competitively priced in order to protect their business whilst simultaneously meeting consumer needs and creating a positive brand perception.

In summary, then, a successful retailer-agency partnership is based on:

- An understanding of the retailer's strategy and consumers' attitudes
- An understanding that successful packaging communicates environment, function and saving
- An understanding that packaging is often a necessity
- A belief that weight reduction is not always the right path to sustainability
- An understanding that a solution must be practical, taking into account economic, political and cultural constraints
- An understanding that the right solution is often unique to a retailer or brand owner.

## **Conclusion: changing habits, challenging the balance.**

There are many conclusions and views that can be taken from this paper, some very specific and others related to the broader impact that consumers, retailers, brand owners and agencies have on climate change. In the short term, whilst infrastructural, economic and political barriers often prevent an immediate turnaround, it has to be recognised there is a strong advantage for resource efficiency to deliver immediate savings that support our wider climate change objectives. Agencies must support these strategies by focusing their attentions on delivering innovative solutions that challenge the status quo. Retailers and brand owners must also challenge where they place environmental issues in their business strategy. By doing this, the balance of power will shift and environmental issues will begin to sit at the heart of a business. Through creating a deep and long lasting client-agency partnership, agencies will benefit from greater insight into the role of the industry in resource efficiency, whilst both sides will come to see the huge potential for change.

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