CLEAN, GREEN AND AFFORDABLE

Striking a balance between sustainability, hygiene and value in packaging

By Ian Payne, Greg Clayton, Alex Baverstock | August 2020

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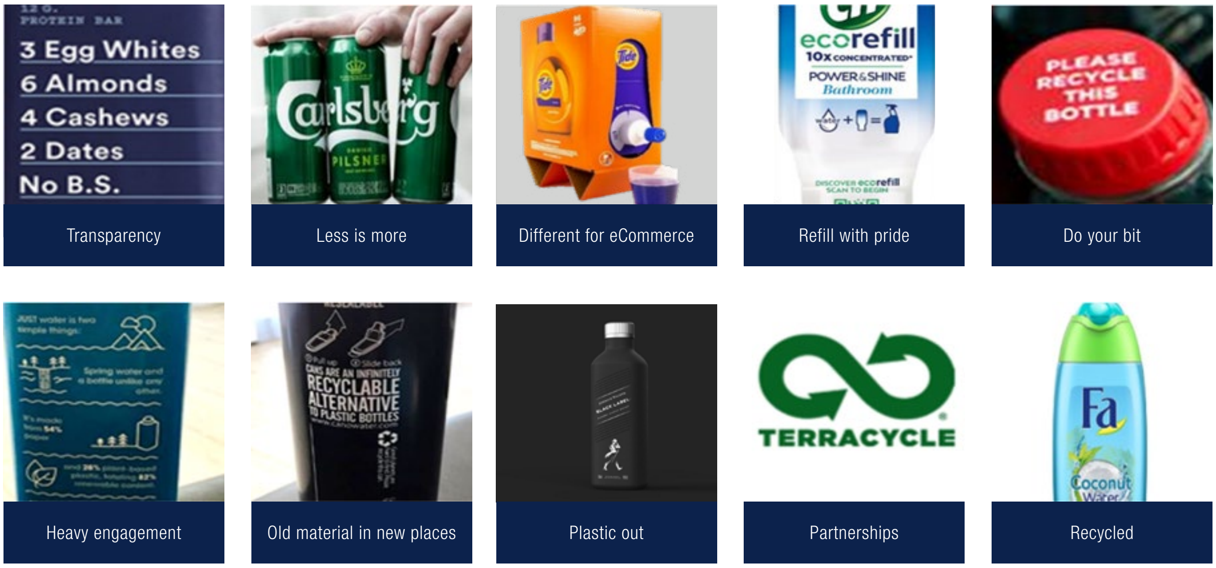
CONTEXT – WHERE WE WERE

Corporate sustainability, consisting of environmental, social, and economic pillars – the 'triple bottom line' – is an important measure of the future viability of successful businesses. First popularized in the late 80's[1], the notion of sustainable development was a response to the conflict between globalized economic growth and the accelerating ecological degradation occurring on a global scale.

With this context, CEOs have long recognised the sustainability imperative as a key corporate goal, often reflected in commitments to address positive outcomes on specific UN Sustainability Goals. Plastic elimination garners most attention but innovation takes multiple forms. Improved end of life outcomes through compostable and biodegradable materials and better recycling infrastructure, carbon reduction emerging in brand communication and on-pack claims, improved functionality reducing food wastage and the breakthrough or rather re-emergence of refill and reuse systems; these all have the potential to deliver significant long term changes in the products we buy.

> **"Plastic has its place, but that place is not in the environment. We can only eliminate plastic waste by acting fast and taking radical action at all points in the plastic cycle."**
>
> **Alan Jope, Unilever CEO**

Figure 1 Commitments to change – and demonstrable action on these commitments – have led to a wide variety of different outcomes



Source: Ipsos

Of course, sustainable competitive advantage implies developing a business alongside – indeed, in advance of – evolving consumer and societal demands. It is clear from research that consumers recognise their role in avoiding detrimental environmental impact and expect businesses to take a lead in doing the same.

Waste is a significant issue for consumers. In early 2020, across 28 markets tested, Ipsos research highlighted 'dealing with the amount of waste we generate' as a top three environmental concern, almost as important as global warming and air pollution (see figure 3).

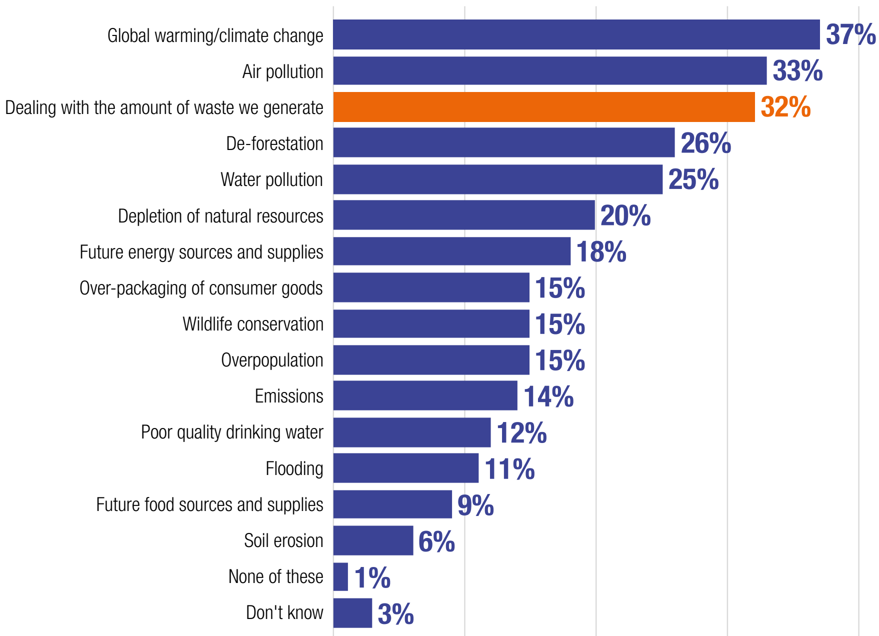
The topic of waste is also generating increasing active commitment and interest. There was a significant spike in Google searches around the term "plastic pollution" in June 2018 (prompted by World Environment Day 2018 among other high-profile events and stories), and the baseline of search behaviour around the term has been maintained over the last two years as people seek more information about this newly prominent concern (see figure 4).

Figure 2 Manufacturers should be obliged to help with the recycling and reuse of packaging that they produce

Base: 19,515 online adults under the age of 75 across 28 countries. Fieldwork dates: July 26th – August 9th 2019.

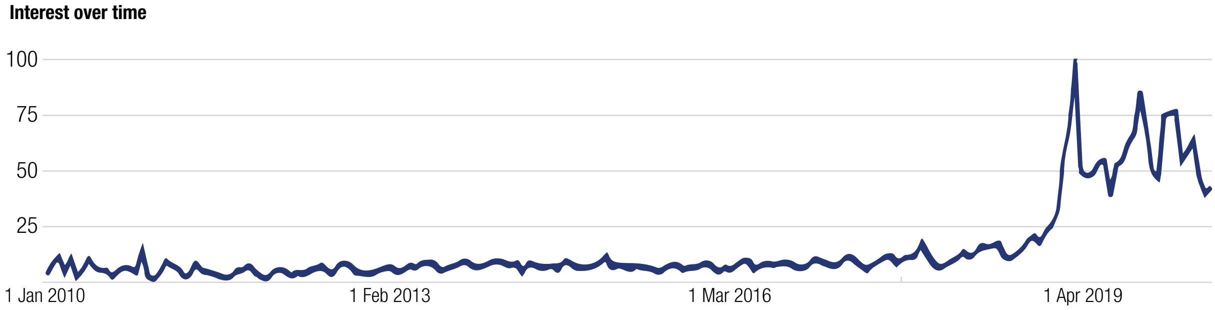
Figure 3 Top environmental issues around the world

In your view, what are the three most important environmental issues facing [COUNTRY] today? That is, the top environmental issues you feel should receive the greatest attention from your local leaders?



Base: 20,590 online adults aged 16-74: Fieldwork dates: Friday, February 21 to Friday, March 6, 2020

Figure 4 "Plastic Pollution" in Google Trends. Worldwide from 2010 to 2020.



Source: Google Trends

These attitudes have emerged in a period of relative socio-economic stability. The unparalleled global crisis of COVID-19 and inevitable subsequent recession may disrupt consumer attitudes and behaviours around packaging and sustainability in even more dramatic ways.

IMMEDIATE IMPACTS OF COVID-19

COVID-19 has had a profound and immediate impact on the lives of generations who have never known scarcity or been subject to restrictions in freedom of movement. Government policy combined with public instinct for self-preservation have introduced significant lifestyle changes alongside a more pronounced desire for hygiene. The potential era-defining recession may prompt a significant shift in our purchase behaviour.

Pre-COVID, the extreme caution exhibited by some consumers would have seemed incredible; now these anecdotes (see figure 5) are less surprising as concerns around packaging and surface transmission have become more widespread. This, despite the available evidence suggesting transmission risk to be limited with consumers only recommended to adhere to "good hygiene practices, including regular and effective hand-washing".[2]

As well as people's own concerns, retailers' actions have also influenced behaviour: food retailers closing fresh food counters, stores banning re-usable bags, restaurants turning to single-use plastic utensils.

Pausing the use of personal cups and "for here" ware, Rossann Williams, EVP and President of Starbucks' U.S. and Canada-operated businesses, pledged to focus on two main priorities; "caring for the health and well-being of customers and partners" and "supporting local health officials and government leaders" in their attempts to contain the virus.[3]

Alongside consumer-targeted messaging and actions, there's an ongoing dialogue between industry and legislators with respect to 'single use' and existing plans for phased obsoletion. For example, in the EU, the position of European Plastics Converters trade association (EuPC) is that the coronavirus pandemic has thrown Europe into "a completely different world where hygiene and consumer health will be the number one priority."[4]

Figure 5 An extreme manifestation of hygiene concern

What precautions are you all taking during the global pandemic? My mum is bathing her Tesco delivery

Source: Twitter

Furthermore, EuPC called on the European Commission "to lift all bans on some of the single-use plastics items" and postpone the deadlines in the directive "for at least an additional year". This has been echoed in the UK where the government ban on single-use straws, stirrers and cotton buds has been delayed until October 2020.

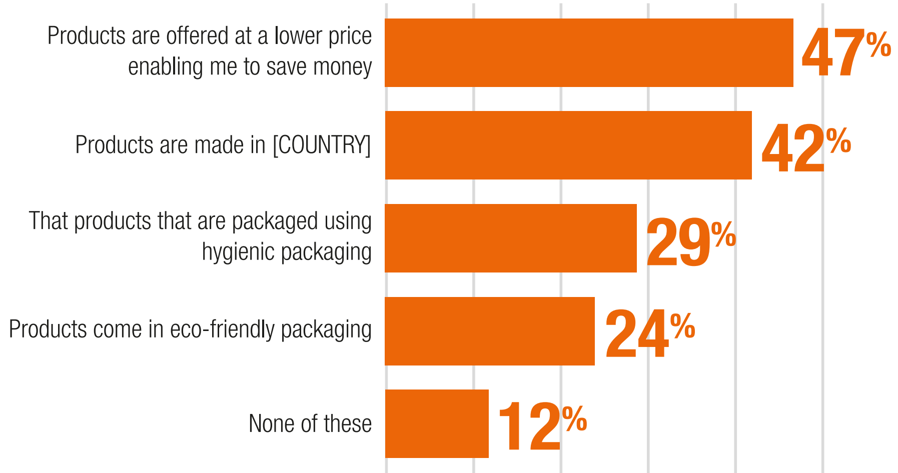
The emerging emphasis on hygiene and its impact on packaging sustainability, in terms of salience, attitudes and behaviour, is a new issue to be addressed by brands, retailers and the supply chain. And this is further complicated by consumer confidence being supressed, which is likely to significantly impact consumer decision-making. A balanced context is therefore vital.

CONSUMER ATTITUDES

Research conducted in mid-May, with many people having experienced the peak of the COVID-19 outbreak, gives an indication of the multiple pressures that need to be addressed.

With all else equal, out of the four features tested, the top two stated drivers of purchase choice are provenance and value, notably ahead of both hygienic and eco-friendly packaging.

Figure 6 When comparing household products of similar quality and features, which two of the following are most important to you when making a final purchase decision?



Source: These are the results of an Ipsos survey conducted May 10th to 14th, 2020 on the Global Advisor online platform among 16,000 adults aged 18-74 in Canada and the United States and 16-74 in Australia, Brazil, China, France, Germany, Italy, Spain, India, Japan, Mexico, Russia, South Africa, South Korea and the United Kingdom.

Hygiene and sustainability are therefore secondary concerns across the 14 countries surveyed. This is unsurprising, particularly in a period of economic uncertainty, but nevertheless it is an important reminder on consumer priorities, and an indication of the risk to brands from retailer/own label products for which the two key triggers are relatively easily actionable.

This is particularly clear when considering country level data. Most markets tend towards the value metric. Brazil, India and China are noted for concerns on hygienic packaging, along with Mexico. China is notable for high claimed sensitivity to 'eco-friendly packaging' (see figure 7).

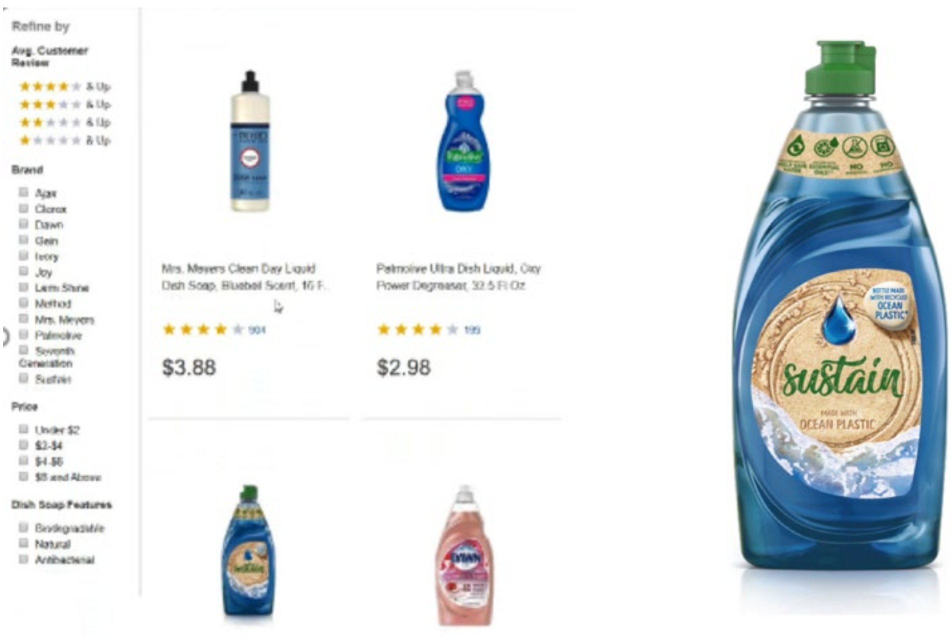
On this evidence, as brands continue their journey towards the 2025 goals and other similar change commitments, they do so in the knowledge that perceived compromise on pricing, to promote more sustainable choices, will continue to be a brake on demand. This is in line with research conducted by Ipsos in February 2020 which showed that positive sentiment can convert to positive behaviour only when there is no friction or compromise with cost.

Figure 7 When comparing household products of similar quality and features, which two of the following are most important to you when making a final purchase decision?

	ALL	AU	BR	CA	CH	DE	SP	FR	IN	IT	JA	ME	RU	KO	UK	US	SA
Products offered at a lower price enabling me to save money	47%	50%	47%	55%	28%	36%	40%	37%	33%	44%	49%	48%	57%	46%	59%	55%	64%
Products are made in [COUNTRY]	42%	59%	21%	54%	35%	39%	46%	59%	47%	46%	45%	34%	29%	40%	31%	41%	42%
That products are packaged using hygienic packaging	29%	20%	38%	16%	57%	19%	34%	13%	53%	22%	20%	44%	18%	34%	18%	23%	36%
Products come in eco-friendly packaging	24%	20%	22%	18%	51%	30%	18%	31%	38%	19%	12%	24%	16%	23%	22%	17%	22%

Source: These are the results of an Ipsos survey conducted May 10th to 14th, 2020 on the Global Advisor online platform among 16,000 adults aged 18-74 in Canada and the United States and 16-74 in Australia, Brazil, China, France, Germany, Italy, Spain, India, Japan, Mexico, Russia, South Africa, South Korea and the United Kingdom.

Figure 8 Ipsos Simstore trial for new environmental dishwash brand

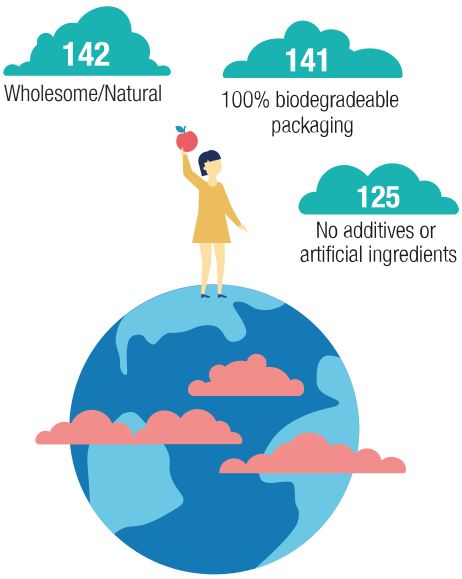


Source: Over 2,000 US participants were invited to shop the dishwash category in a familiar looking eCommerce channel. A new brand 'Sustain' was introduced with two versions (1) no environmental claims (2) with environmental claims, led by 'ocean plastic'. Additionally, three price levels were tested. The research showed that at parity pricing, more consumers chose 'Sustain' when environmental claims were present. However, with premium pricing there was no significant gain in trial.

Although consumers place other priorities over sustainability, the overall sentiment of doing right by the environment still stands. An initial indication of how consumers may respond to potential manufacturer and retailer actions during COVID-19 is presented in Ipsos research in the UK from May 2020. A range of food and beverage category claims – both established and new to the world – were tested, with the objective of identifying those that resonated most strongly with consumers in the context of lockdown measures and social distancing.

At a basic level, more familiar claims with positive messaging – doing better for the environment, eating and drinking more healthily, sleeping better – are much more persuasive than claims which are new to the world and arguably more opportunistic.

Figure 9 A range of food and beverage claims tested in the UK in May 2020



1. Sustainability remains a priority for UK consumers with *"Wholesome/Natural"*, *"Biodegradable"* and *"No additive"* scoring in the top three.

This preference is observed in many countries. Ipsos Global Trends show people want products which are healthier and better for the environment.
Discover Ipsos Global Trends 2020

2. New opportunities around health benefits emerge: *"Sleep better"*, *"Immunity boost"* and *"Stress relief"* claims performed well

Helps you sleep better
124

Provides your family with the immuity boost they need
116

Calms your mood and helps relieve stress
113

2. But not all health and prevention benefits are embraced with enthusiasm.
Covid specific claims like "Anti-viral pack" *or "New plastic pack for extra safety" fall to the bottom, suggesting that benefits around health must be carefully articulated and tested.*

61
Packages made with anti-viral material

68
Packaging made from 100% new plastic for extra safety

Source: Ipsos DUEL claims research tested on the Ipsos Digital Platform on 7th May, 2020, UK

Packaging is represented in several ways. The most aspirational – '100% biodegradable packaging' – benefits from sustained messaging and public debate around the negative sentiment towards plastics specifically, even if the reality of 'biodegradable' might be hard to achieve in practice. More novel hygiene benefits are not immediately appealing and risk being subject to scepticism from the general population.

As well as these specific examples, a more general view also highlights that consumers are supportive of positive action on sustainability in a post-COVID-19 world.

Figure 10 A range of food and beverage claims tested in the UK in May 2020

Classification	Claim tested	Promise
Priority (120+)	Wholesome and natural	142
	100% biodegradable packaging	141
	No additives or artificial ingredients	125
	Helps you sleep better	124
Rework (80-119)	Provides your family with immunity boost they need	116
	Calms your mood and helps relieving stress	113
	Made with Fair Trade certified ingredients	111
	Packaging made from 100% recovered ocean plastic	109
	Contains the best mix of vitamins your immunity system depends on	108
	Improves your cardiovascular system functions	106
	Helps the local community	106
	Helps with memory and cognitive functions	106
	Gives you the energy and strength you need	106
	Packaging uses less material and is better for the environment	106
	Packaging keeps food fresher for longer	106
	Helps you recover faster after illness	105
	Has a very long expiration date	104
	Remains fresh taste even when stored for a long time	103
	Made with organic ingredients	103
	Manufactured under the highest health and sanitation standards	99
	Improves your respiratory system functions	96
	High in antioxidants	94
	Made from carbon neutral packaging	91
	Completely plant based	90
	Packaging uses less material to keep price low	90
	Balance gut microbiome to promote overall health	87
	Made with non-GMO ingredients	86
Eliminate (<80)	**Packaging "smart labelling" tells me if product contaminated**	72
	With nutrients to help feel fresher after hours in front of a screen	70
	Packaging made from 100% new plastic for extra safety	68
	Packages made with anti-viral materials	61
	Packaging specially designed for home delivery	57

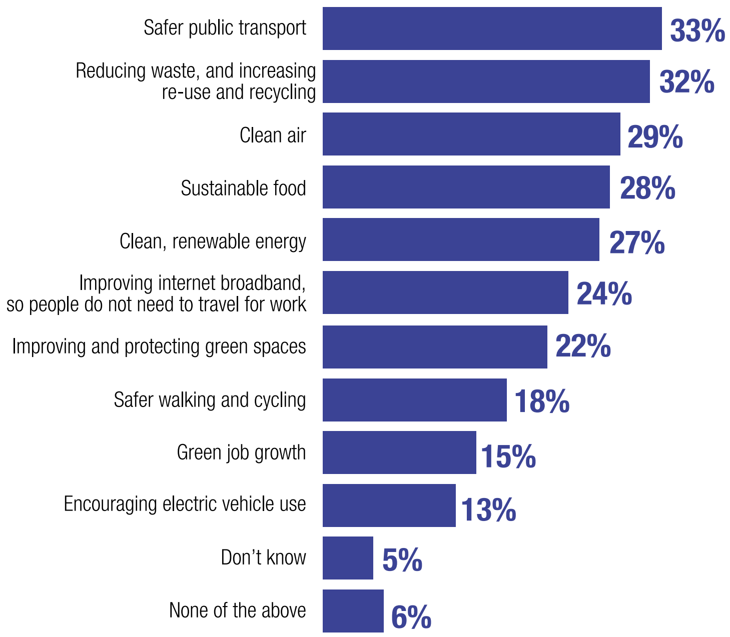
Source: Ipsos DUEL claims research tested on the Ipsos Digital Platform on 7th May, 2020, UK

On the face of it, this is a reassuring view. However, the challenge for manufacturers and retailers will be to continue to demonstrate leadership in the face of growing complexity brought about by the long-term impact of COVID-19, manifested in multiple seemingly conflicting ways. How do manufacturers stay on the path to a more sustainable future with a consumer base who, in a significant number, are visiting stores less, shopping online more, buying more meal kits, buying larger 'value' packs, are more concerned about hygiene, still want to do right by the environment but have a negative outlook on their own prosperity?

Figure 11 Across the world, safer public transport, reducing waste, and increasing re-use and recycling are the top environmental issues for a green recovery. Green job growth and encouraging electric vehicle use remain at the bottom.

Q. In your view, which environmental issues, if any, should be prioritised in [YOUR COUNTRY]'s recovery from COVID-19?

Please choose up to three of the following.



Source: These are the results of an Ipsos survey conducted June 12th to 15th, 2020 on the Global Advisor online platform among 16,000 adults aged 18-74 in Canada and the United States and 16-74 in Australia, Brazil, China, France, Germany, Italy, Spain, India, Japan, Mexico, Russia, South Africa, South Korea and the United Kingdom.

MANUFACTURER / RETAILER CHALLENGES

CONSUMER BEHAVIOUR

The short-term reality is that in June 2020, consumers are making significant behavioural adjustments – mainly with a view to mitigating risks to personal health. How do brands react to this and should this current behaviour play into longer term planning?

A rational response is that nothing should change with regard to how brands package their products, despite one in three consumers believing that COVID-19 can be spread by boxes and packages received from other countries[5]. The US-based Center for Disease & Control (CDC) has stated that “consumers face a low risk of spreading the virus from products or packaging that are shipped over a period of days or weeks at ambient temperatures. With store bought packaging often having similar surface characteristics, the implication is that no matter how manufacturers package their products, the risk of COVID-19 transfer from products, already limited, is in any case dependent on issues outside manufacturers’ control i.e. what happens in store.

Nevertheless, if disinfecting and washing products remains a significant behaviour, does this become a potential source of innovation? And will this innovation have a positive or detrimental impact on environmental commitments?

Figure 12 Recent innovation in beer category

Source: Albacher, Romania

A simple and intuitive ‘innovation’ for example, in beverages, would be for more brands to follow San Pellegrino’s long-established premium cue of adding foil lidding which offers a protective barrier to the can mouth. While recyclable, widescale adoption would be a backwards step from an environmental aspect, particularly if it doesn’t lead to better outcomes in terms of viral transmission.

PACKAGING-FREE SOLUTIONS

In the UK in 2019, Tesco and Waitrose both made national news for introduction of ‘packaging-free’ trials in selected stores, with shoppers able to bring their own re-usable containers to stock up on cereals, pasta, and even beers and wines. Despite these being in only a handful of stores, more than one in three (36%) in the UK said they were aware of ‘stores trialling packaging-free’ initiatives’, and 61% said they would consider using them if they were available near where they live.

However, during COVID-19 sales of loose products like fresh fruit and vegetables, cooked meats, and cheese have fallen while their packaged equivalents have increased. This is in part driven by retailer actions, but also by purchasers themselves – 20% globally have the perception that they have ‘purchased products that are packaged using hygienic packaging’.

It remains to be seen whether consumers’ acceptance of plastic packaging will be increased if it is associated with greater hygiene, both in enclosing and protecting products from contamination, and greater ease of cleaning.

Figure 13 Q In the last few weeks have you purchased products that are packaged using hygenic packaging?

Base: 16,000 online adults aged 18–74 in Canada and United States and 16–74 in Australia, Brazil, China, France, Germany, Italy, Spain, India, Japan, Mexico, Russia, South Africa, South Korea and the UNited Kingdom. Fieldwork dates: May 10th – 14th 2020.

Manufacturers and retailers may need to devote more time and resources to reassuring consumers that sustainability and safety needn’t be in conflict.

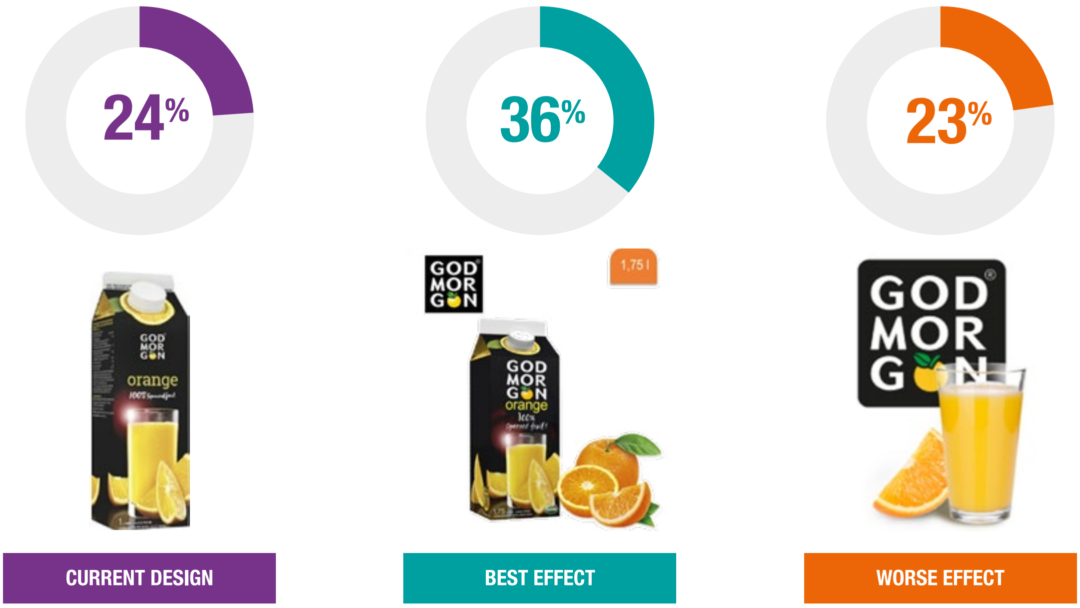
RECYCLING/ REUSE

To many people 'sustainable' packaging is something that they believe can be recycled, and recycling is an action that most consumers feel ready and able to do. However, with some refuse and recycling collection services being disrupted by lockdown and social distancing measures, there is concern that this will result in more recyclable materials going to landfill.

Even without this challenge, recycling can be a complex matter for consumers.

If any disruption to recycling services remains, maybe we'll see a golden age of reuse of packaging. This has long been encouraged in emerging economies[7], and the Pfand scheme is deeply entrenched in Germany's environmentally-progressive society. Could the upcoming recession see a renewed focus on the reuse of materials in more developed markets?

Figure 15 How behaviour is impacted as a function of packaging execution online (% show share of choice for different designs when presented within an eCommerce category page)



Source: Ipsos research

MOVE TO ONLINE AND RETAILER POWER

As indicated by the growth of online retailers, a direct consequence of restricted movement is that more people will shop online for groceries. This means that product choice is happening on-screen and not between physical products, which in turn means that packaging images need to operate effectively in eCommerce environments, on both large and small screen devices.

Consistent with Mobile Ready Hero Image Guidelines[8], Ipsos research conducted in Sweden has highlighted the dramatic effect in choice behaviour which can be achieved through optimisation of eCommerce-optimised packaging images and assets.

ECommerce retailers are in an increasingly strong position to dictate physical changes to packaging, not just the designs that are shown in their online stores. For instance, Amazon's Frustration-Free Packaging (FFP)[9] initiative encourages certain categories to provide primary packaging that is suitable for safe shipping without additional packaging materials, in some cases leading to ingenuity that benefits the retailer, manufacturer and the consumer.

The SARS crisis of 2003 provided the conditions for eCommerce retailer Alibaba to launch Taobao, now China's largest mobile commerce destination. It seems likely that COVID-19 will serve as another significant catalyst for eCommerce, making considerations of packaging for this channel even more important.

Executions which retained and promoted key design assets while emphasising important product details tended to be more effective.

CONSUMER CONFIDENCE

The impending recession is already significantly impacting on consumers' outlook on employment, their personal financial situation and their national economy – the Ipsos Expectations Index in April 2020 was four points lower than at any time in its 10-year history.[10] Consumer confidence is a known lagging indicator that recovers slowly after an immediate crisis and these long-term effects threaten to make 'value' an overriding purchase decision factor for a significant period ahead.

An immediate indication of changing behaviour is a shift in spending towards store brands, hard discounters and online. For example, in the 12 week period ending on 22nd March, discount supermarkets in the UK, Aldi and Iceland saw double digit growth in sales year-on-year, with Lidl seeing a 17.6% rise on the same period in 2019.[11]

To what extent are we going to find that sustainability concerns are going to be cast aside when consumers are faced with these new economic realities?

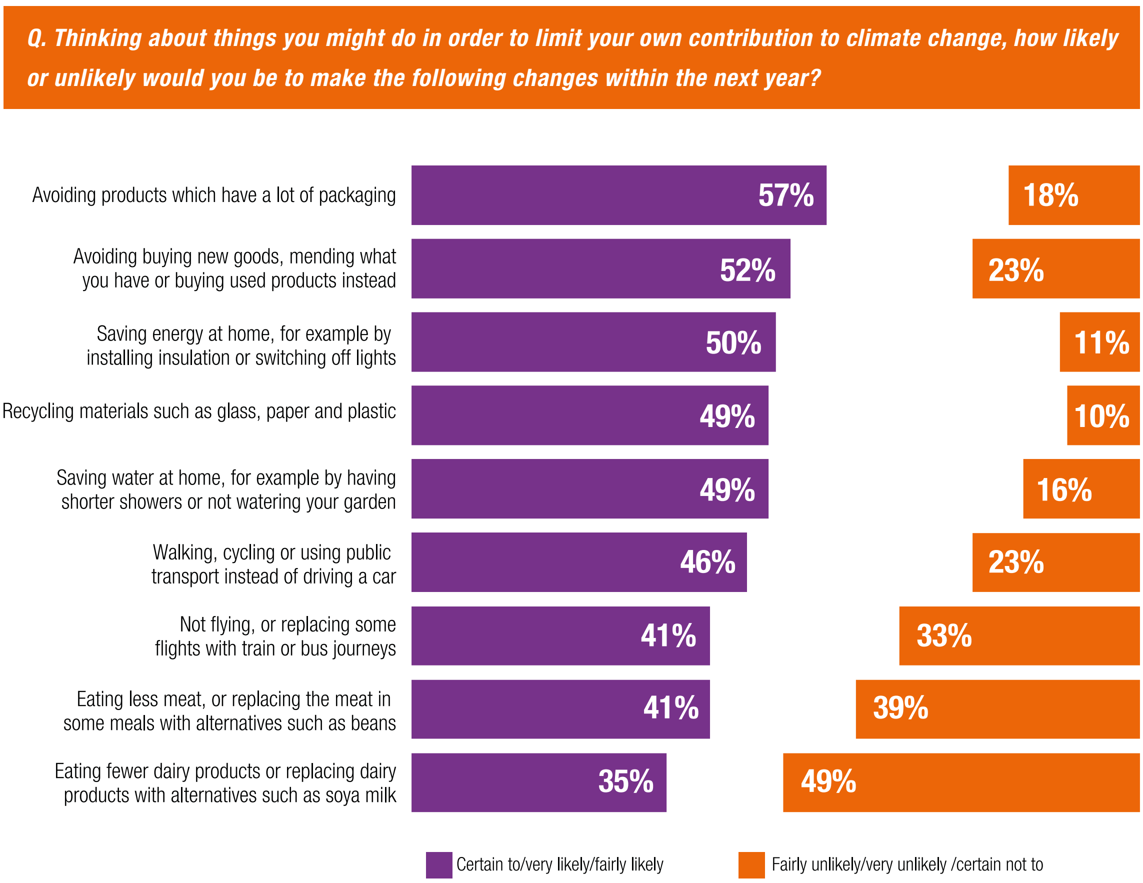
CONCLUSIONS

The potential tension that the COVID-19 crisis has generated between sustainability, hygiene, and value is clear. Many consumers around the world are going to be facing very immediate pressures on lower-order Maslow needs (health and disposable income), so the issue of sustainability risks being deprioritised in practice, despite the strength of feeling behind it.

By assuming positions of societal and ethical leadership, manufacturers can ensure that consumers aren't forced to make uncomfortable trade-offs between any of these factors. Product and packaging development will need to equally cater to the 'new normal' demand for strict hygiene, the immediate restrictions on household expenditure as well as the long-term societal recognition for sustainability if we are going to emerge from this crisis with humanity strengthened.

Sustainable business practices remain relevant even in the height of COVID-19 as illustrated by people's attitudes to health and the environment. In that context, those companies which can continue to drive better environmental outcomes in the face of reduced consumer confidence and increased sensitivity to hygiene have an opportunity to build themselves long-term reputational equity and better chances of success.

Figure 17 Willingness to take action on climate change - global data



Source: Base: 20,590 online adults aged 16-74: Fieldwork dates : Friday, February 21 to Friday, March 6, 2020

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