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IPSOS VIEWS

The third moment of truth

Why sustainable packaging became a corporate necessity

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GAME CHANGERS

Context

5,000 years ago, in the historical region of southern Mesopotamia, the oldest existing drinking straw was used to help avoid sediment, a by-product in the fermentation of beer. It was a gold tube, inlaid with precious stones. It was reusable.

Habits have changed but today an estimated 390 million plastic straws are disposed of daily in the USA alone,[1] a testament to their enduring appeal. Taking 200 years to degrade, drink with one today and it may well be with us into the 23rd century.

Single-use plastics have therefore become poster children for environmental irresponsibility. Already, four in 10 consumers report that they have started using fewer plastic straws due to recent attention on the issue, according to a recent Ipsos/ Buzzfeed poll.[2]

Nearly half support local governments banning their use. What's more, nearly eight in 10 people globally believe we're heading towards an environmental disaster unless we change our habits quickly.[3]

Although only one aspect of a complex issue, repeated exposure to highly impactful images challenge consumers to consider the consequence of their choices. In what is now a highly emotive issue with growing saliency, manufacturers and retailers are being challenged to take leadership and demonstrate genuine change, consistent with stated CSR objectives.

Packaging has long been the intersection between tangible and intangible brand assets – an expression of the brand through design and functionality. It plays *the* critical role in helping protect, transport and preserve assets which themselves have only been produced at a cost in terms of material, energy, time, labour, water, plant and animal resources. In that context, it is a necessary and pragmatic investment: "typically, the energy used to make packaging is 8% of the total energy used to produce and deliver all the products that we buy."[4]

"Nearly eight in 10 people globally believe we're heading towards an environmental disaster.

Increasingly, brands will have to operate in a more constrained environment with packaging material, for example, coming under more scrutiny from government and consumers alike. Fifty years on from the birth of the recycling symbol, we're at a metaphorical tipping point where fundamental attributes of packaging design are challenged.

But necessity is the mother of invention and those companies who grasp the opportunity to take leadership have the potential for great reward. In a world of flat CPG growth, it is packaging which offers manufacturers real opportunity to develop meaningful differentiation, driving distinctiveness, salience and ultimately influencing choice.

Issue 1: Taking Leadership On Environment

Recyclability is only one aspect of the product lifecycle, but perceived environmental responsibility provides comfort for consumers that they're doing the right thing. We feel good about recycling and the large majority believe it makes a positive difference without necessarily knowing how.[5] The physical act of sorting leads to reward.

Behaviour can be nudged by carefully considered design. In a 2008 study, "two sets of three bins where placed throughout an academic building. One set had no lids, while the other had a flap lid for trash, a lid with a 6-inch hole for recyclables and a lid with a narrow slit for paper. The results were astonishing: Not only did the shaped lids increase correct recycling by 34%, but the amount of contaminants, such as food, in the recycling stream collapsed by 95%."[6] However, the evidence that these sorts of 'nudges' are able to change behaviour across a variety of situations remains less than compelling.

Considering packaging from a consumer perspective …increasingly there's a third moment of truth

Zero moment of truth	**First moment of truth**	**Second moment of truth**	**Third moment of truth**
Memory saliency	Stand out in store	At home, on the go, in-use…	Disposal and recycling

Tangible design features which trigger associations	Ability to stand out from competitive set	Physical characteristics and functionality driving usage and repeat	Pack as a positive aspect in product's sustainability

"We can't solve the plastic pollution crisis by substituting one kind of unnecessary single-use plastic with another," says John Hocevar, the ocean campaigns director for Greenpeace.[7] There's a compelling argument that it's not enough to replace one bad-for-the-environment format with a format which is slightly less bad i.e. that mass disposability is the problem. The shorter-term reality, however, will likely be experimentation with material and format. If these provide demonstrably better environmental outcomes versus substitutes, they should be applauded. Consider three examples:

NEW TECHNOLOGY

Newsworthy and consistent with corporate CSR manifesto. Same amount of product in a much reduced format.

COMPOSTABLE MATERIAL

"The ecologic packaging is the perfect articulation of our brand" John Replogle, CEO Seventh Gen. The world's only commercially-viable paper bottles made from recycled materials.

RETHINKING A WELL-KNOWN FORMAT

Uses glue instead of plastic rings. Taps into emotive issue (ocean plastic waste). Delivers an audible click on separation.

Although there's less scope to deliver significant behaviour change through packaging design alone, each of these examples have the potential to stand out and ultimately drive change. They are newsworthy, as well as being clear and plausible demonstrations of leadership. And consumers give manufacturers credit. Recent Ipsos community research in the US on the 2020 Starbucks announcement highlights significant upside with 48% of people aged 18-34 being more favourable to the brand.

> **Starbucks is finally drawing a line in the sand and creating a mould for other large brands to follow.**

Chris Milne, director of packaging sourcing for Starbucks

HOW CONSUMERS RESPONDED TO STARBUCKS' ANNOUNCEMENT TO STOP USING PLASTIC STRAWS AFTER 2020

	Total	Age 18-34	Age 35+
I felt much more favourably about the brand	20%	27%	16%
I felt slightly more favourably about the brand	18%	21%	16%
It did not change my impression of the brand	43%	36%	47%
I felt slightly less favourably about the brand	4%	5%	3%
I felt much less favourably about the brand	5%	3%	5%
I did not know about this announcement until now	11%	9%	12%

Issue 2: Private Labels

Demonstrating leadership is critical because it's the category captains and other incumbent brands which have most to lose – "there's a giant surgency in private brands, those are growing. And there's a lot of surging in new entrepreneurial companies selling online as well. Little Mom and Pops are springing up everywhere. But those big brands, they've got to do something."[8]

The performance of private labels in Europe highlight the potential for erosion of distinctive assets that define national brands. Hard discounters like ALDI and Lidl have aggressively leveraged design norms to deliver category fluency. The positive associations which brands have developed over many years with much marketing spend are available for a significantly lower price; readily triggered through packaging design:

BRANDS

LIKE BRANDS. ONLY CHEAPER

> **Like Brands. Only Cheaper is ALDI's candid summary of a consistent strategy.**

"Like Brands. Only cheaper" is ALDI's candid summary of a consistent strategy which has helped nurture a clear positioning versus more established retailers.[9]

The development of private label offerings from more established retailers like Tesco in the UK is testament to that impact:

TESCO VALUE (1993)

Tesco was the first supermarket to launch a value range back in 1993, the blue-and-white striped brand giving customers an option outside brands.

EVERYDAY VALUE (2012)

Relaunched to provide products "that taste better, look better and are healthier". Combined with product line changes too in a major relaunch.

EVERYDAY VALUE PLUS (2016)

Tesco stepped up its fight against German discounters Aldi and Lidl and revamped its budget range of value products with a new range of own-label "farm" brands.

JACK'S (OCT 2018)

Tesco unveiled its new discount chain Jack's as the UK's biggest supermarket throwing down the gauntlet to the discounters.

Brands are dealing with multiple pressures and flat sales are perhaps understandable in the context of a competitive environment markedly changed compared to even 10 years ago. Private labels have raised the bar in terms of design and performance, delivering deep associations with value. The danger for brands is if hard discounters and retailers in general, take leadership on environmental sustainability. And there are clear indications that this is already a battleground. In the UK for example, national retailer 'Iceland', which has 800 stores 'pledged to completely remove plastic packaging from our own label range by 2023 and are proud to be the first major retailer to do so.'[10]

Issue 3: Digital And The Electronic Shelf

Digital offers huge opportunities to certain sectors in terms of engagement, which is impacting brand development, activation and measurement. The China Cosmetic and Personal Care market, for example, is predicted to be 40% online sales by 2021.[11]

Moving from a physical to digital environment impacts the role that packaging plays but more fundamentally, in embracing its potential, companies like L'Oréal are raising the bar in terms of "reinvesting in the consumer experience through innovation, services and personalisation. And for that L'Oréal is looking to new technology such as augmented reality, conversational commerce and artificial intelligence." L'Oréal's acquisition of Modiface, which develops custom AR beauty apps demonstrate their intent (as we can see in the example below).[12]

Clearly, some categories benefit disproportionately in what digital offers for engagement. How CPG brands transition from a heritage of brand blocked, bricks & mortar distribution to representation in the

online shelf has the potential to further undermine the distinctiveness of established brands. Not only are physical features diluted online, but even the label is increasingly simplified in an effort to drive clarity and stopping power.

Finally, the consumer voice through online ratings means the conversation is not only brand to consumer but also consumer to consumer. "Research shows that 91 percent of people regularly or occasionally read online reviews, and 84 percent trust online reviews as much as a personal recommendation."[13]

These are three issues facing brands today. The net result is that brands must be smarter in terms of developing mixes which make sense to consumers who are more than ever likely to be concerned about environmental impact, exposed to increasingly sophisticated private label offerings and have more choice online.

"A Mobile Ready Hero Image (MRHI) is a representation of a real-world product that may differ from a standard pack shot, but that maintains the majority of the physical pack's key elements of design, shape and colour, and is therefore recognisable on a Digital Shelf. The image should include, or be closely associated with, key elements customers are likely to use when making a purchase decision/choosing the correct product from search results."[14]

Development Framework

Ipsos research confirms an intuitive truth that brands have a greater chance of success when they're supported by distinctive packaging which communicates relevant benefits in a unique way.

Success requires a deep understanding of motivations as well as comprehension of the impact of executional elements. Packaging design testing is catered for by an abundance of methodologies with a focus on evaluation and A/B testing. Change tends to be incremental as brands rightly guard the distinctive assets which support automatic behaviour at shelf.

> **We must consider the degree to which the pack can communicate higher order meanings, such as brand purpose and packaging's role in the complete product life-cycle.**

With the issues described, packaging development will be well served by leveraging insights which recognise people as both consumers and citizens, by understanding underlying motivations. Increasingly, we must consider the degree to which the pack can communicate higher order meanings, such as brand purpose and packaging's role in the complete product life-cycle with attention to environmental sustainability.

Added to this is the requirement of packaging not only to work in a physical environment, at the shelf, but also in a digital context. Pack has a more complex role to play in the customer journey and it is important to explore the way in which it needs to fulfil this variety of objectives.

Behavioural science for packaging evaluation

Research methods which promote natural responses, in the context of realistic choice situations, can evaluate effectiveness and recommend optimizations of current practices and marketing collateral. Semiotics plays a key role in design development, providing the cultural context to help understand consumer reaction to the signs and symbols which drive the overall effectiveness of design. Increasingly, behavioural science also emerges as a key discipline to inform design decisions.

Applying a behavioural science lens can help identify the psychological mechanisms at work and further our understanding of the way pack influences attitudes and behaviours. Incorporating a framework helps drive consistency across the organization as well as raising awareness of the deeper considerations being made about design, particularly if the goal is, for example, to activate higher order outcomes related to enhanced understanding of pack's role in environmental sustainability for example.

A 'Five H' framework can help pack deliver on these ever more complex requirements. This is drawn from a theory of experience that has been developed by Schmitt (1999). The starting point for pack design has a broader strategic underpinning – the desired outcomes rather than the design attributes. It offers a consistent basis for comparing different packs (both own and competition), which helps to identify opportunities for differentiation. We can use it to articulate the strategic requirements of the pack and how these can be converted into design. Finally, it can be used to understand the role that pack plays in the wider consumer journey.

Clearly each of these may have many distinctive characteristics within them – so we use a design brief which helps articulate the type of consumer experience required of pack. Each has various aspects of design that can support the desired experience.

The framework consists of:

Heart
AFFECTIVE
both sensory and emotional experiences

Head
COGNITIVE
conscious mental processes, problem-solving and creativity

Hands
BEHAVIOURAL
physical actions, lifestyles and interactions

Herd
SOCIAL
the social context of an experience

Hero
ETHICAL
experiences which support ethical outcomes

The Ipsos behavioural science team has undertaken research to examine the way in which various aspects of design can generate positive outcomes. By comparing to the context of the other choices available to consumers, a given design is considered against a desired outcome e.g. “I make responsible choices with respect to the environment”. This framework accounts for the outcomes which are already long established in branding (Heart, Head, Hands) and additionally incorporates facets which will play an increasing role in determining choice – whether this product offers a better outcome in both a social and ethical context, versus other alternatives in the consideration set.

This is important because design’s role is no longer about driving standout, image, personality etc. Manufacturers must increasingly demonstrate to consumers tangible packaging outcomes which are understandable as a direct consequence of the CSR aspirations written in every annual report.

For example, take the below context:

> **82%** of US adults agree with the statement “**I think manufacturers should actively support recycling initiatives for the products they sell**” [Ipsos research on 1,310 adults aged 18 -65, November 2018]

“Brands which are perceived to take leadership in relation to environmental sustainability will benefit.

There is an opportunity for manufacturers to both promote better understanding of the reason why a particular material is used as well as providing more transparency on the environmental outcomes related to that packaging. Effectively, manufacturers will be well served in getting ahead of a day where legislation might require a packaging ‘health warning’.

Brands which are perceived to take leadership in relation to environmental sustainability will benefit. For example, 48% of US adults aged 18-34 have a more favourable impression of Starbucks following their announcement to remove plastic straws by 2020 [see page six].

Consideration of such issues within the broader framework provides for a holistic view, but also will help level set expectations of what is achievable.

The table below shows how one aspect of design relates to aspects of the consumer experience:

Design Lever	Effect	Experience outcomes: Heart	Head	Hands	Herd
Visual Complexity	Attention / Appeal / Comprehension	High	Med	Med	Low
Colour / Colour Embodiment	Attention / Emotion	High	High	Low	Low
Logo	Attention / Recall	High	Med	Med	Low
Typeface	Recall	High	Med	Low	Low
Visual Cues	Comprehension	Med	Med	Low	High
Material	Perceived sustainability benefit	Med	Med	Med	High
Managing choice / navigation	Preference / Comprehension	Med	High	High	High

Presentation design lever's impact on shaping experience dimensions

Note that other aspects of design may also be covered – such as the physical form of the pack etc. The point is to level set how each aspect of design might affect the consumer outcome.

So, in this example above, we can see that there are many ways in which design levers can be used to deliver an emotional (heart) experience. A wide range of options are available from typeface (example) through to colour. In the case of colour, research suggests that shorter wavelength hues (e.g. blue) induce greater feelings of relaxation than longer wavelength colours (e.g. red).

We see that social behaviour (Herd) is less influenced by presentation attributes. Instead choice architecture – the way decision-making criteria is presented – can have a significant effect on the way that choices are perceived, and the degree to which people are likely to share and participate in an experience. Packaging which promotes interaction can have a powerful impact on driving more cognitive attributes – processing of information, empowerment, developing a sense of competence and mastery, while potentially changing consumers' preferences.

The framework provides an approach for consistently identifying the different elements of the ideal experience outcomes (across the H's) and relating this back to the research literature to establish how design can help to deliver that experience.

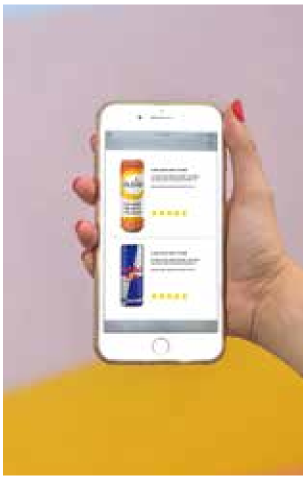
Behavioural science can directly assist in the optimisation of pack design through **Pack audits**. Our audits begin with an identification of the desired outcomes – what experience is the brand aiming to communicate? Then, we review the pack to assess the extent to which aspects of the design are supporting the consumer experience objectives. We then make recommendations concerning the ways in which the pack can be optimised to best meet the objectives.

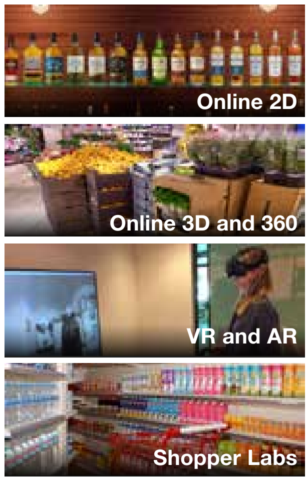
Pack development: The audit can be used to inform the development of new designs. These can be rapidly tested in digital environments, using a variety of methods to report outcomes efficiently in terms of time and resource.

An example application[15] was whether a brand should decrease the size of its bottle cap to reduce material usage (saving money on production costs as well as providing news to consumers on plastic reduction). Several disadvantages of using the smaller cap were identified including: losing visual attention space, decreases in perceived volume, losses in findability, and changes in product perceptions due to category norms. Because of the cost implications, we also proposed a few ways to mitigate these potential negatives of the cap change. Finally, we recommended ways that these changes could be tested experimentally to assess consumers' responses.

Pack Development – Example Methods

Shopper Labs remain the 'gold standard' and suited for late stage validation particularly for highest risk cases, or where material or structural innovation is difficult to render online. Digital representation of shelf, store and ecommerce environments are however valid in the large majority of cases and Ipsos' new Simstore platform for example offers best in class 2D, 3D and 360 environments, getting participants 'closer to real'.





Discover

Provide guidance prior to development. Identify distinctive assets to help maximize memory and attention saliency. Determine if pack drives or undermines. equity.

Create

Enhance design process with a rich set of integrated qual-quant tools and frameworks which leverage deep design knowledge from specialist facilitators.

Screen

KPIs and diagnostics to drive fast and robust quantitative-based decisions within competitive context.

Validate

Go/No Go testing using real or virtual shelves. Incorporate behavioural and implicit measures for deeper diagnostics. Test functionality to ensure format innovation delivers on expectations.

CONCLUSIONS

The performance of hard discounters in Europe and the evolution of private labels help provide context for why many established mainstream brands struggle for growth. As attitudes change globally, further pressure will come from retailers making a more significant play on sustainability, providing another compelling reason for consideration beyond value.

Manufacturers can and must demonstrate leadership through action. Unilever, L'Oréal and Coca-Cola, for example, are among 250 signatories who have pledged to eliminate "problematic or unnecessary" plastic packaging and move from single-use to reusable packaging by 2025, to ensure all plastic packaging can be "easily and safely" recycled or composted and to increase the amounts of plastics reused or recycled into new packaging or products."[16]

And there are increasingly more tangible initiatives which will demonstrate change to consumers. Tide's new Eco Box demonstrates how genuinely new outcomes can be achieved driven by the convergence of significant drivers of change i.e. working in partnership with Amazon for streamlined fulfilment and providing consumers with a sustainability benefit of reduced plastic usage. And, by cannily leveraging a familiar 'wine box' format, Tide were able to clearly tap into an existing functional expectation.

If Tide's new box is a precursor of things to come, then consumers will see genuine packaging innovation more often. Brands which deliver meaningful change and do so without compromising benefits or price, will be rewarded a competitive advantage.

Behavioural science integrates a strategic understanding of market dynamics with tangible design guidance. Adopting a framework can help bring pack into a wider context and help avoid 'scatter gun' recommendations. As the messages that brands need to be communicating to consumers are increasingly higher order, the demands on pack design are greater than ever. The marriage of behavioural science within a wider strategic framework is ever more critical to deliver successful pack design.

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