MAPPING THE JOURNEY TO SUSTAINABLE PACK

What consumers want

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Sustainability is a critical issue for Consumer Packaged Goods (CPG) companies. The question is not whether they *should* be on a path to demonstrably better outcomes, but rather *how* do they get there. A key part of a holistic sustainability strategy for most CPGs is their packaging blueprint. This is a complex matter, especially when manufacturers are operating across markets and categories, and relying on scale to make their environmental shift both effective and profitable.

Most CPG companies have defined and communicated near-term sustainability goals with 2025 or 2030 the typical reference. More than half of Ipsos Reputation Council Members say that Environment, Social and Governance (ESG) concerns have fundamentally changed the way their business operates (Figure 1).

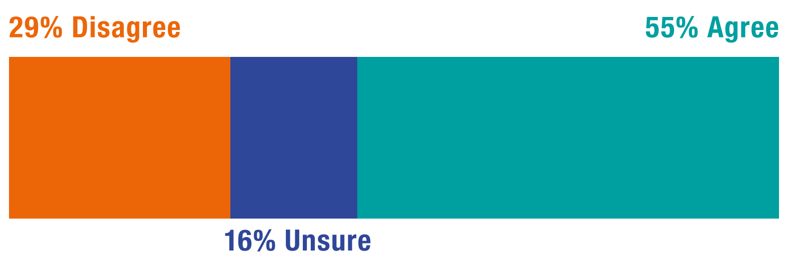
Some have signed Non-Governmental Organisation (NGO) agreements, while others have aligned with country specific objectives, and/or defined their own targets. Whichever the scenario, to deliver against those goals, the overall sustainability vision and strategy needs to be translated and integrated at business unit level by each function within the company to build a clear project pipeline.

The move towards more sustainable packaging is not only an opportunity to help the planet but also a commercial opportunity, with consumers looking for more environmentally friendly solutions. Considering various environmental concerns, the accumulation of waste, packaging and plastic is the third-biggest concern across the globe (41%), after the threat posed by climate change (46%) and extreme climate events (43%).[1] Three-quarters of people across 28 countries agree that single-use plastic should be banned as soon as possible and more than eight in ten global citizens say they would like to see an international treaty to combat plastic.[2]

Yet, consumer perception of recyclability doesn't always align with the actual carbon impact of packaging.[3] In this paper, we share five key insights indicating how much consumers are ready to trade-off for sustainability, and show what to consider to best design a holistic sustainability strategy, from packaging material sourcing to communication, on or off pack.

Figure 1 A majority of Ipsos Reputation Council Members agree that ESG concerns have changed how a business operates

Has ESG fundamentally changed the way our business operates?

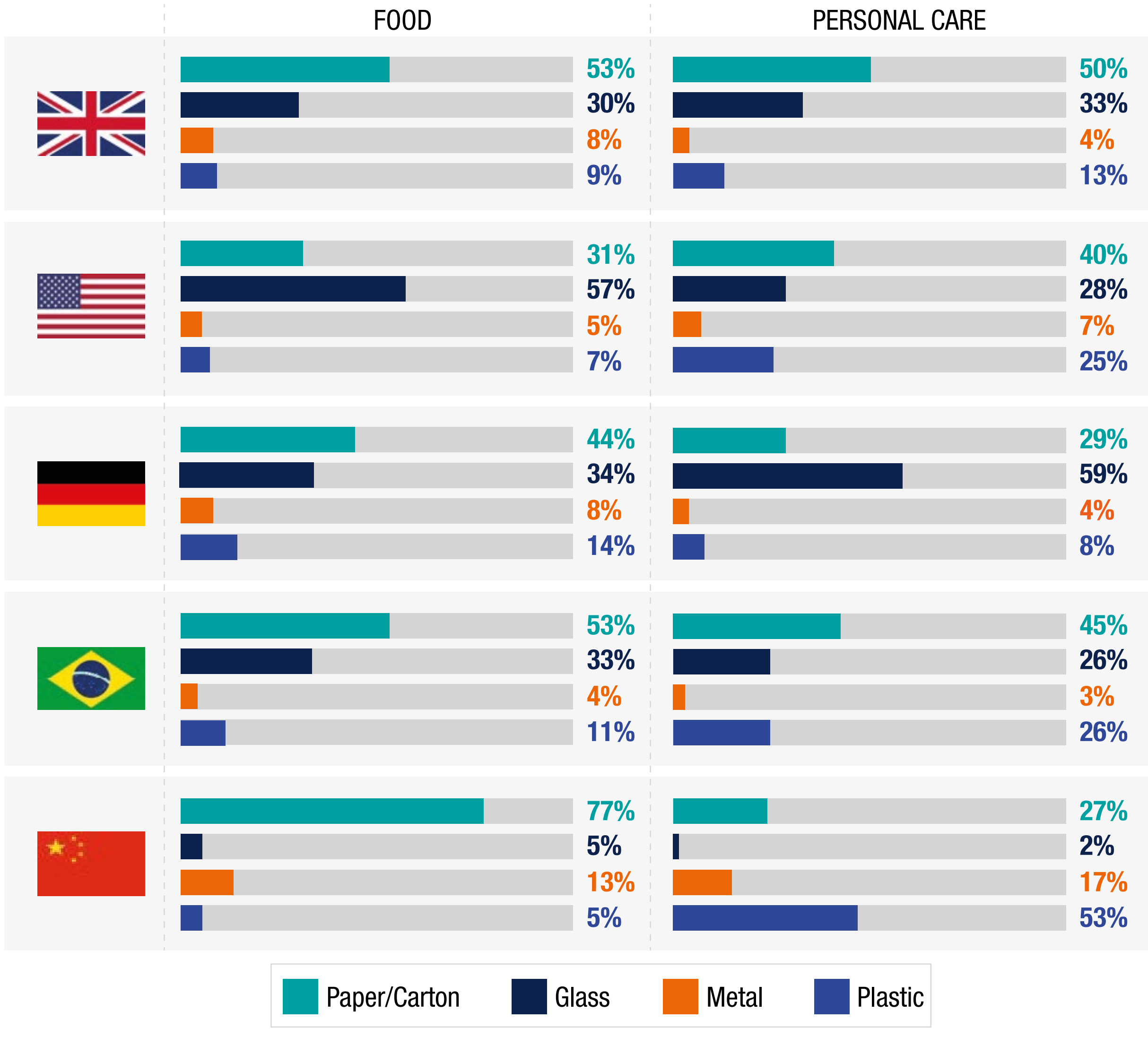


Source: Ipsos Reputation Council 2022

1. FOR CONSUMERS, THERE IS NO UNIVERSAL SUSTAINABLE MATERIAL

Ipsos asked consumers in Brazil, China, Germany, the UK and the US about which pack material among paper/cardboard, glass, metal and plastic they perceive to be the most environmentally friendly for two categories, Food and Personal Care. Their opinion differs by country and category (Figure 2).

Figure 2 Opinions on the most environmentally friendly packaging material differ not only by country but also by category



Base: c. 400 respondents each in Brazil, China, Germany, the UK and the US
Source: Ipsos R&D

2. CONTEXT, EXECUTION AND CLAIMS MATTER

While consumers can show a clear opinion about which packaging material they perceive as being the most environmentally friendly for a particular category, loading additional factors can lead to different outcomes in a choice situation.

The following sustainability claims were tested in combination with different pack materials through Ipsos DUEL, a choice-based survey where appeal is defined through preference and response time:

- **Widely recyclable** (all packaging can be recycled through your usual recycling collection)
- **Fully recycled** (all of this product's packaging is made from reprocessed waste materials)
- **Reduces CO_2** (greenhouse gas emissions from production have been reduced)
- **Supports biodiversity** (implementing/funding initiatives supporting biodiversity)
- **Vegan** (no animal products used in production)

In the UK, consumers show a strong preference for paper/cardboard for the Food category. When presented with a specific product - a single-serve RTD café latte from a hypothetical brand 'Café Maison' - and asked to choose the most appealing combination of pack material and sustainability claims, the carton execution does not have an advantage, with glass bottles and sleeved plastic bottles achieving a similar level of preference (Figure 3).

Plastic bottle

Sleeved plastic bottle

Can

Glass bottle

Carton

In this research, no price was provided, so price is not a factor driving choice. Rather, it is the combination of material associations, category expectations, brand associations and claims which are determining outcomes. In the UK for example, recyclability without friction is driving preference. In other markets, the picture can be less clearcut.

Mobile phone screen display of an Ipsos DUEL survey

Source: Ipsos

Figure 3 Beverage: In the UK, the claim is an important driver of preference. The ability to conveniently recycle is the most effective determinant of choice

LESS/MORE APPEALING

Glass bottle	All packaging can be recycled through your usual recycling collection	137
Sleeved plastic bottle	All packaging can be recycled through your usual recycling collection	134
Carton	All packaging can be recycled through your usual recycling collection	132
Plastic bottle	All packaging can be recycled through your usual recycling collection	121
...	...	...
Sleeved plastic bottle	Greenhouse gas emissions from production have been reduced	73
Can	Greenhouse gas emissions from production have been reduced	71
Can	Implementing/funding initiatives supporting biodiversity	70
Sleeved plastic bottle	Implementing/funding initiatives supporting biodiversity	67

Source: Ipsos R&D

3. THERE IS NO UNIVERSALLY APPEALING MATERIAL-CLAIM COMBINATION

The association between the pack material and sustainability claim varies between category and country.

Taking the example of the Café Maison RTD in China (Figure 4), the picture is different from the UK (Figure 3). In China, the most appealing combination is carton and widely recyclable, followed by glass and reducing CO_2. In the UK, glass and widely recyclable comes first followed by sleeved plastic bottle and widely recyclable.

On a side note, this also shows that brands still need to educate consumers about the CO_2 impact on the environment of materials such as glass.[4]

Figure 4 Beverage: Compared to the UK, Chinese consumers are more sensitive to emissions claims. Further, there is more alignment around material with carton more likely to be preferred

LESS/MORE APPEALING

Carton	All packaging can be recycled through your usual recycling collection	139
Glass bottle	Greenhouse gas emissions from production have been reduced	128
Carton	Greenhouse gas emissions from production have been reduced	128
Carton	Vegan, no animal products used in production	126
...	...	...
Can	Vegan, no animal products used in production	75
Sleeved plastic bottle	All of this product's packaging is made from reprocessed waste materials	72
Can	All of this product's packaging is made from reprocessed waste materials	67
Plastic bottle	All of this product's packaging is made from reprocessed waste materials	64

Source: Ipsos R&D

The ranking of most appealing material and claim combinations changes again in the context of 'Soffly', a hypothetical body moisturising cream, with execution of pack as a complex material pump, plastic tube, plastic pot, glass pot, carton pot or a metal pot (Figures 5 and 6).

The most appealing combination pack material and sustainability claim will be influenced by various factors, whether cultural, environmental and societal.

Figure 5 Personal Care: Category fluency and functionality

LESS/MORE APPEALING

Pump bottle	All packaging can be recycled through your usual recycling collection	140
Glass pot	Greenhouse gas emissions from production have been reduced	138
Glass pot	All packaging can be recycled through your usual recycling collection	137
Pump bottle	Vegan, no animal products used in production	130
...	...	...
Plastic pot	Greenhouse gas emissions from production have been reduced	73
Plastic tube	All of this product's packaging is made from reprocessed waste materials	72
Glass pot	All of this product's packaging is made from reprocessed waste materials	71
Carton pot	All of this product's packaging is made from reprocessed waste materials	55

Source: Ipsos R&D

Figure 6 Personal Care: In Brazil, category relevant claims of no usage of animal products drive preference

LESS/MORE APPEALING

Pump bottle	Vegan, no animal products used in production	141
Pump bottle	All packaging can be recycled through your usual recycling collection	140
Metal pot	Vegan, no animal products used in production	128
Plastic tube	Vegan, no animal products used in production	126
...	...	...
Plastic pot	Implementing/funding initiatives supporting biodiversity	82
Plastic pot	All of this product's packaging is made from reprocessed waste materials	79
Carton pot	Implementing/funding initiatives supporting biodiversity	68
Carton pot	All of this product's packaging is made from reprocessed waste materials	56

Source: Ipsos R&D

4. SUSTAINABILITY AND PREMIUMNESS – BRANDS NEED TO UNDERSTAND THE INTERPLAY

While consumers are worried about climate change - 80% of global citizens say that we are heading for an environmental disaster if we don't change our habits soon[5] - and say they would pay more for sustainable products, this doesn't always materialise at the point of purchase.

To provide additional context, a series of Ipsos surveys were conducted in the US between 2020 and 2022, with participants invited to shop the dishwash category in a simulated eCommerce channel. Two brands were independently considered: 'Sustain', developed by Ipsos for R&D purposes, and 'Dawn Free & Clear', a market leader dishwashing liquid from P&G. Both were tested in the context of competition. Alternative versions of each were presented with these differences:

! **CLAIM**
With or without a 'bottle made with recycled ocean plastic' claim

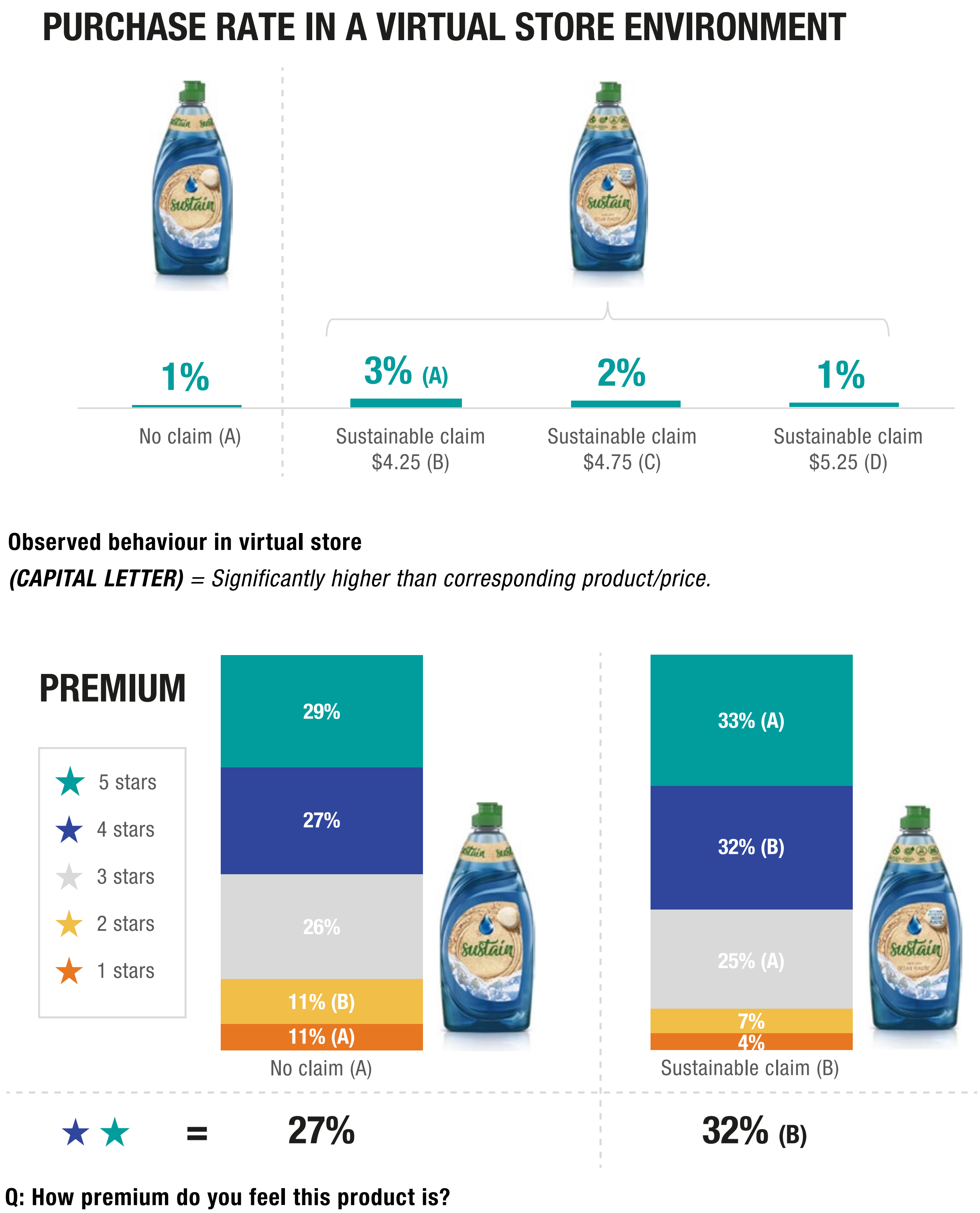
$ **PRICE**
The sustainable claim version was tested at three price levels

Consumers shopped the category in a virtual store environment where different behaviours were passively measured. They then completed a short survey.

These studies show that in the dishwashing liquid category, at price parity, the penetration of a new product launch increases with the presence of a sustainable claim vs. no sustainable claim at all. However, when a higher price tag is applied to cover the higher cost of the raw materials or processing, in spite of the product being seen as more premium, and people *claiming* to be willing to pay an extra $1.00 for it, their *actual behaviour* shows that they're not even committing to an additional $0.50 (Figure 7). This is an illustration of the 'say-do' gap (what people actually buy and at which price vs. what they say they would buy based on sustainable claims).

> 80% of global citizens say that we are heading for an environmental disaster if we don't change our habits soon.

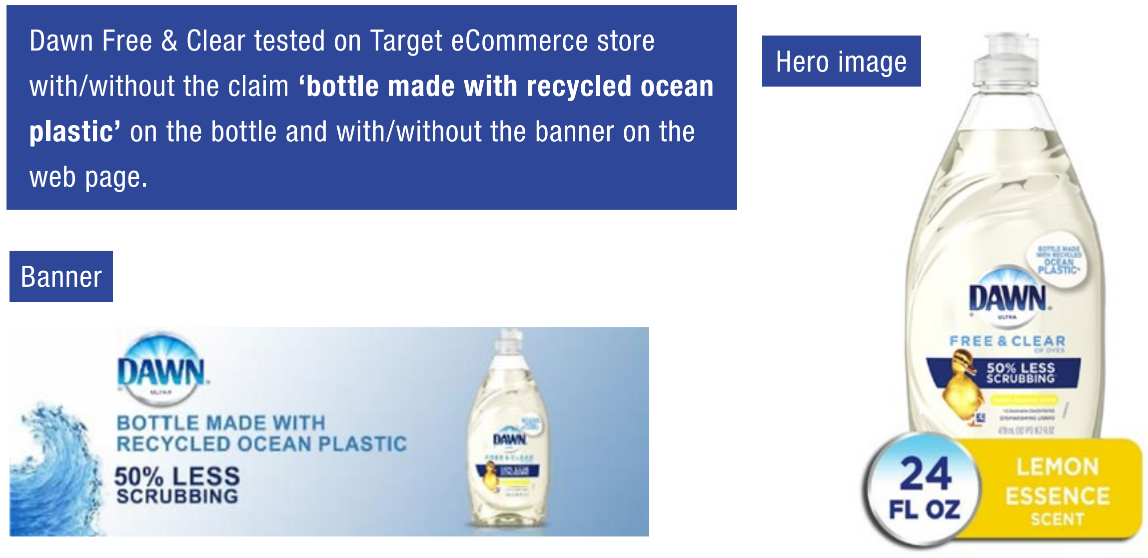
Figure 7 Recycled ocean plastics drive higher purchase rates in the virtual store when price is parity. With increased price, there is no longer a statistically significant difference between claim and no claims packs



Source: Ipsos R&D
Base: ~400 per cell minimum

In the same way that adding a sustainability message to advertisements does not necessarily make ads more effective (see Ipsos' *Sustainability and Advertising: Friends or Foes*), adding sustainability as an additional claim on the pack of a *market leader* will not necessarily lead to an uplift in purchase or perceived premiumness. In a test of Dawn, the new on-pack claim alone was not sufficient to trigger higher rates of purchase even at parity pricing. More activation is required, in this case through a banner, to drive significant behaviour change at an overall level (Figure 8). This is understandable in a context where multiple similar products compete for attention and engagement. Even a category as modest as dishwashing liquid can be home to multiple claims.

Banner and hero image as presented on the Target eCommerce platform for the survey



Source: Ipsos R&D

Figure 8 Activation at point of sales through a banner supports higher purchase rates.

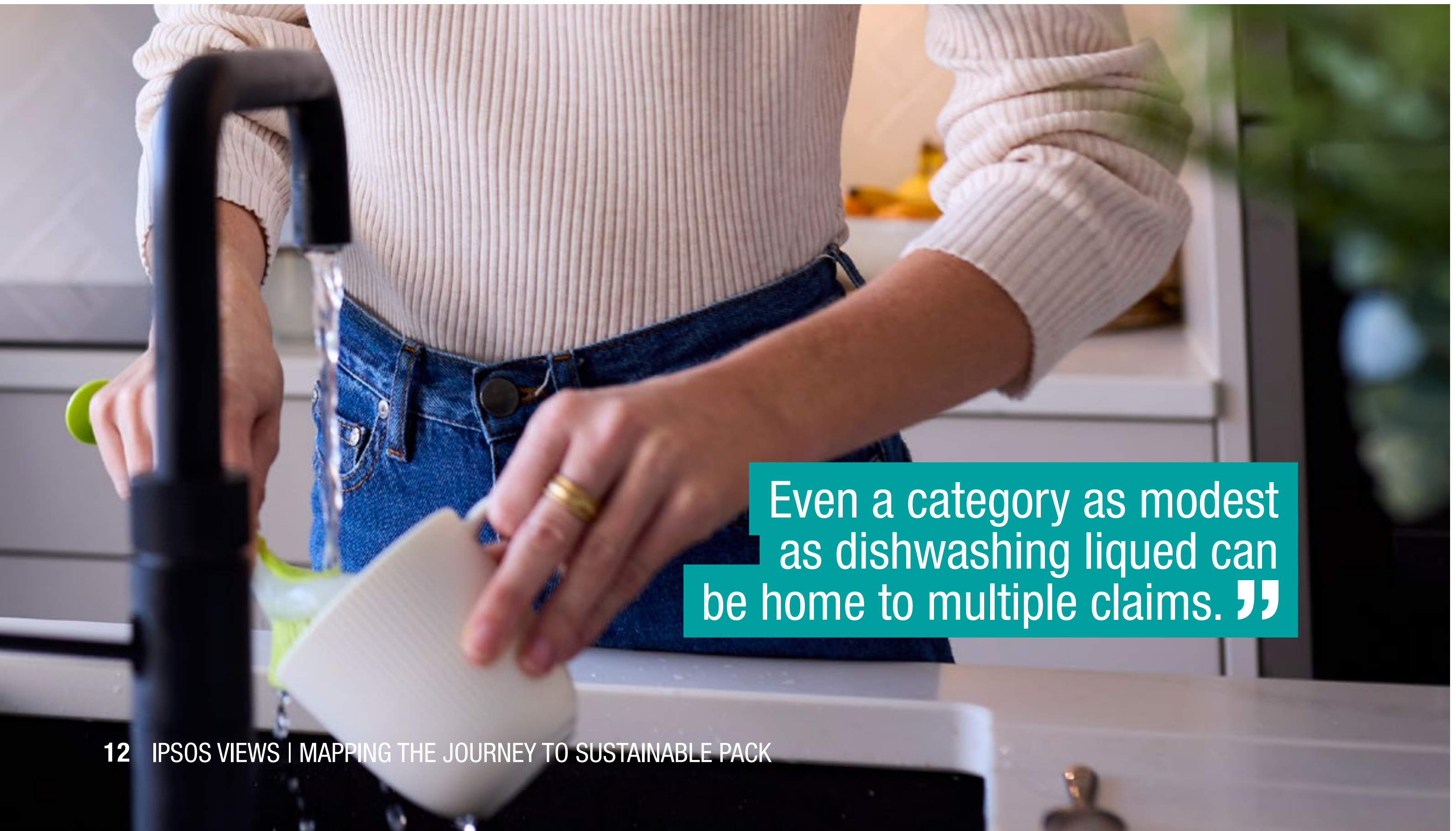
PURCHASE RATE IN A VIRTUAL STORE ENVIRONMENT

Observed behaviour in virtual store

***(CAPITAL LETTER)** = Significantly higher than corresponding product/price.*

Source: Ipsos R&D

Base: ~800 per cell minimum



5. THERE IS NO AVERAGE CONSUMER

The uplift at the highest price point is driven by older, more affluent consumers who have been termed ‘Pragmatists’ in Ipsos’ Global Sustainability Segmentation.[6]

In this segmentation research, Ipsos identified five groups based on their levels of concern and engagement towards the environment.

Each group has their own unique set of concerns, financial means, and priorities that influence sustainability purchase behaviours.

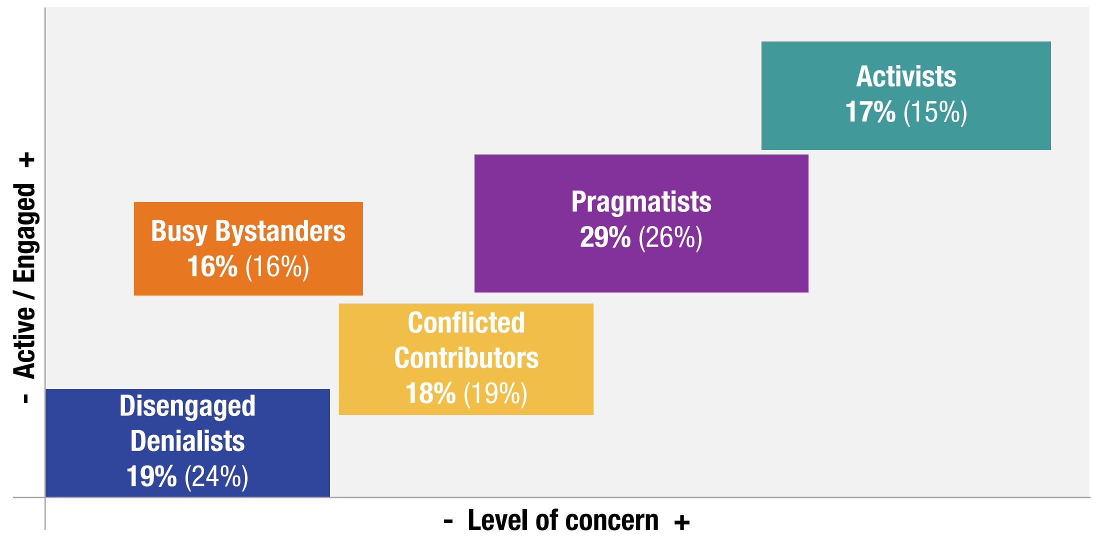
Activists are skewed to be slightly younger and are more likely to be female. They believe the environment is at a critical stage and the world must act now. They say they will compromise their lifestyle to act positively towards the environment.

Pragmatists tend to be older and more affluent. They are concerned about the environment and will take action through low-cost, home-oriented actions. Pragmatists say they would compromise their lifestyle if they believe it makes a difference.

Busy Bystanders are likely to think that concern for climate change is overblown. They see many barriers to action on climate change, believing that it is inconvenient, expensive, and not a priority.

Conflicted Contributors, however, are concerned about the environment but their financial situation takes precedence.

Figure 9 Ipsos’ Global Sustainability Segmentation Proportion of the population globally (and in the US)



Source: Ipsos Sustainability Segmentation - Environmental Sustainability: Who Cares?

Base: 10,530 respondents across 16 global markets

As for **Disengaged Denialists,** they believe the environment is either not a concern, not immediate, or just largely overblown. They are the least inclined to take environmental action nor believe that government/companies should act.

At price parity, Conflicted Contributors are more willing to choose a product with additional sustainability benefits when they are made aware of it via a banner and claim on pack. This also drives perceptions of premiumness. Pragmatists, are more willing to pay for sustainability and they illustrate this through their choices.

Figure 10 Effect of 'bottle made with recycled ocean plastic' claim and banner on purchase rate in the US

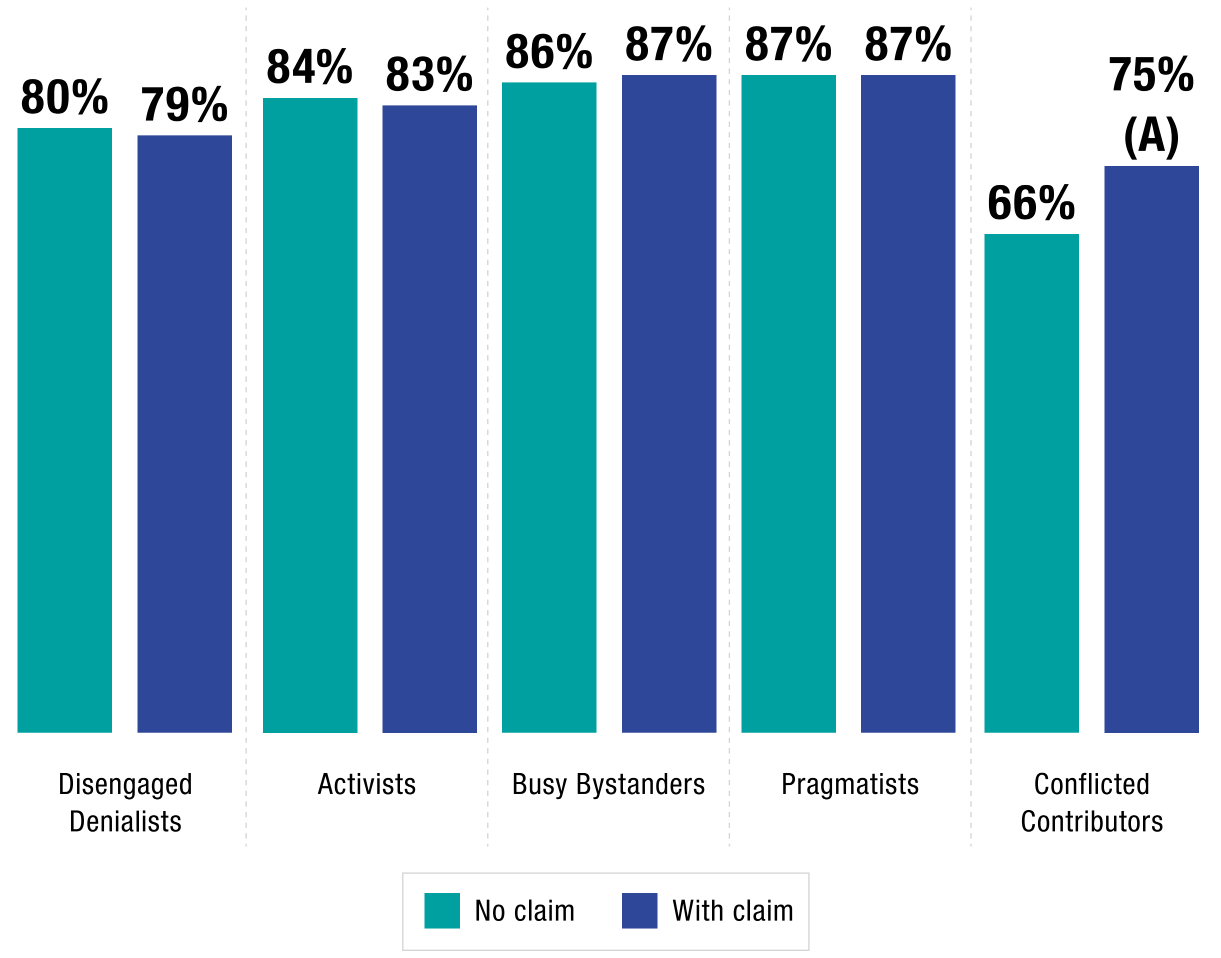
	No banner or claim $4.29 (A)	**Claim only** $4.29 (B)	**Banner only** $4.29 (C)	**Banner and claim** $4.29 (D)	**Banner and claim** $4.79 (E)	**Banner and claim** $5.29 (F)
Total	8%	7%	**10% (B)**	**11% (ABE)**	8%	**10% (B)**
Disengaged Denialists	7%	7%	7%	9%	6%	10%
Activists	10%	7%	9%	**13% (BF)**	11%	7%
Busy Bystanders	10%	8%	11%	13%	11%	12%
Pragmatists	6%	5%	**11% (ABE)**	9%	7%	**11% (AB)**
Conflicted Contributors	4%	5%	6%	**12% (ABF)**	6%	5%

Observed purchase behaviour in virtual store

(CAPITAL LETTER) *= Significantly higher than corresponding product/price.*

Source: Ipsos R&D
Base: ~100-200 per group

Figure 11 Effect of 'bottle made with recycled ocean plastic' claim on perception of premiumness in the US (% giving the product 4 or 5 stars)



Q: How premium do you feel this product is? (1 star = Not at all premium and 5 stars = Very premium).

(CAPITAL LETTER) *= Significantly higher than corresponding product.*

Source: Ipsos R&D
Base: ~200-900 per group

IN SUMMARY

1. **For consumers, there is no universal sustainable material**: from one market to another, for food or household and personal care categories, what consumers perceive as being the most sustainable packaging material differs across plastic, glass, carton, metal.

2. **Context, execution and claims matter**: indeed, even when consumers state a strong opinion about one material being more sustainable, when presented with an illustration, they may still choose a product packaged in a different material.

3. **There is no universally appealing pack material-claim combination**: from one market to another and from one category to another even within the same market, consumers do not intuitively associate the same packaging material with the same sustainable claim.

4. **Most consumers are not ready to pay more for the sole benefit of sustainability**, but sustainability can contribute to the premium perception of the product.

5. **There is no such a thing as an average consumer**, depending on their levels of concern and engagement towards the environment, their attitude towards material and their willingness to pay can be significantly different.

In today's context, sustainability benefits are necessarily communicated as simplified messages. It could be tempting to design the packaging part of a sustainability strategy around a blanket approach of switching all pack materials to one material (e.g. r-PET, carton, glass). This would bring its own challenges however, such as:

- Design restrictions and the typical requirement for category fluency rather than disruption
- Quality preservation of sensorial properties over time e.g. for food items, the management of the aroma volatile migration from one product to another especially during transportation or in warehouses where a pallet of high fat product such as chocolate could be placed close to a pallet of spices
- Supply security and potential price escalation, as this could be in high demand globally
- Replacement of the production/packaging line assets.

There are multiple considerations in designing the pack element of a holistic (and profitable) sustainability strategy. These include the sourcing of material, the potential investment in new production assets, the impact of new materials and pack designs on operations, as well as the communication that should be deployed in every market and in each category. It is critical to understand the details and extent of the say-do gap so that execution risks are mitigated and integrated into a holistic sustainability strategy.

To translate this overall sustainability strategy – whether global or local, into the most effective packaging project pipeline, it is therefore critical to understand, quantify and appropriately communicate sustainability claims that resonate with consumers.

This journey can be mapped through a simple five-step framework: Orientate, Focus, Act, Talk, Evaluate (Figure 12).

> "It is critical to understand the details and extent of he say-do gap so that execution risks are mitigated and integrated into a holistic sustainability strategy."

Figure 12 Mapping the journey of sustainable pack

ORIENTATE

Which material best conveys the sustainability claim in each market? What is the impact of a change to pack material or implementation of your consumers' perception in key markets? Which sustainability segment drives these perceptions? Is there a say-do gap, if so in which market and how big is it?

FOCUS

Translate the consumer insight into:

- Sourcing material options (materials, suppliers, availability, etc.) and costs associated.
- Production asset impacts (investments, performance of the lines, etc.).
- Logistics (cross-sourcing, volumes and weights for transport and warehouse considerations, etc.).
- Communication required depending on options chosen across markets to consumers and retailers.

ACT

Based on the sustainability vision, build a holistic packaging sustainability strategy with clear objectives for all teams (procurement, commercial, finance, marketing, R&D, production and HR - new skills may be necessary), to then build clear integrated project and activity pipeline.

TALK

Execute the communication plan:

- For consumers: they need to know what you are doing, how can they play their role on the sustainability journey.
- For retailers: bring them on the journey, they are a key interface between your brands and the consumers.
- For suppliers: they can help you develop new technologies to achieve your goal, improve efficiencies, etc.
- For internal audiences: ensure your teams understand the choices made and benefits for all parties and ultimately the sustainability of your business.

EVALUATE

Assess the impact of your packaging options and choices in market, to evaluate and mitigate risk, and adjust your pipelines as needed.

Source: Ipsos

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6. Ipsos. 2022. "Environmental Sustainability: Who Cares?." https://www.ipsos.com/en/environmental-sustainability-who-cares

FURTHER READING

- Sustainability and Advertising: Friends or Foes? https://www.ipsos.com/en/sustainability-and-advertising-friends-or-foes
- The Sustainability Imperative https://www.ipsos.com/en/sustainability

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