



sustainable
packaging alliance

Sustainable Packaging Alliance Round Table Series

Round Table Number 11 Summary Report

The Challenges of Retailing: Implications for Sustainable Packaging

Thursday, 19th October 2006

Background

Retailers are the only sector which interfaces directly with consumers. Their business strategies have a flow on effect to business strategies throughout the supply chain. Most retailers are working to reduce supply chain costs to improve financial performance. Retailers are continually adjusting strategies and product mix in response to consumers' purchasing patterns. Demand for added functionality and convenience at the same or lower price must be balanced with increasing expectations of government and environment organisations for reduced environmental impact of products and operations.

The aim of this Round Table was to:

- provide participants with an insight into the commercial and environmental challenges faced by retailers;
- present some examples of the environmental initiatives and achievements of retailers; and
- explore the implications of retail trends and requirements for sustainable packaging design.

This report provides a summary of the presentations and discussions of the 11th SPA Round Table.

Retailer Perspective

Helen Lewis (Sustainable Packaging Alliance) provided the forum with an overview of retail trends. Retailers are important to brand owners as they interact directly with consumers, determine which products are sold and, increasingly, how they are packaged. Retailers aim to reduce supply chain costs through changes in technology, logistics and product mix. There are increasing demands on retailers to become more environmentally responsible. A challenge for retailers is the potential conflict between environmental demands and business drivers such as cost reduction. The challenge for brand owners is to meet the retailers' marketing requirements without compromising their NPC commitments.

Steven Newton (Metcash Ltd) explained that Metcash is the champion for the independent sector in the retail market. Metcash is the biggest wholesaler/distributor in Australia, trading packaged fast moving consumer goods (FMCG) to the value of \$9 billion per annum. It distributes 25,000 food, grocery, meat, deli, liquor and medical items to 1,800 major supermarkets and approximately 3,000 regional mini-supermarkets. All suppliers' labels and packaging are assessed bi-annually and reviewed against NPC requirements. Packaging must be tested for transportability and strength under a range of distribution regimes. Each product must arrive at the consumer intact and safe from contamination. Metcash has had to identify not only how to recover materials but also how to create incentives for waste recovery from multiple retailers.



Roslyn Dent (McDonald's Australia) explained that McDonald's is made up of 740 small businesses 70% of which are owned by licensees. The company has a turnover of around \$3 billion/year. Issues such as nutrition and obesity are a major focus for the company but environmental concerns are also a high priority. McDonald's has recently shifted from recycled content cartonboard to forestry certified packaging. They have also moved from clear PS cups to recycled PET cups. Some of these changes have cost more but have been justified because they will support improved recycling systems in the stores because the range of materials is being reduced. McDonald's have found that simplicity is the key to making recycling systems work in store.

Implications for sustainable packaging design

Alan Randall (Cadbury Schweppes) began his presentation by showing some of the criteria that Shelf Ready Packaging (SRP) should meet to make its use worthwhile. These include: ease of opening; ease of recognition in back of store; good on-shelf appearance and performance; self-merchandising capability; and structural soundness. It is important that packaging producers understand the motives of the supermarkets in making particular packaging requests. A win-win solution can be attained if a process of consultation is undertaken. The entire packaging chain should be considered when investigating solutions to find an answer which fits all stages.

Jenny Henty (Environment Victoria) discussed sustainable packaging design and systems in juice and coffee retailing. Jenny stressed the need to adjust packaging to suit waste management systems or conversely, adjust systems to fit the packaging. Research undertaken by Environment Victoria aimed at quantifying the amount of packaging generated by juice and coffee franchises was discussed. The study produced a report promoting the use of reusable or refillable cups for juice, and the removal of misleading environmental claims in marketing material. It is important to create a trend for reusable cups. Single use cups should be seen as undesirable like single use plastic bags.

Bradley Wardrop-Brown (Blu Oak Innovations) discussed the development of SRP as a technical development. Studies have shown that the major portion of cost in the retail supply chain is incurred between the loading bay and the supermarket shelf, that is, in restocking shelves. The driver of the SRP technology has been to reduce cost for the retailer but currently such savings are anecdotal. The introduction of SRP should be seen as a chance to make improvements and optimise opportunities. Companies should undertake adequate research prior to the development of SRP. Technical capabilities that are not available in-house should be sought. Consultation with all involved, including sales, marketing and retailers will avoid the need for later re-work. Adequate testing must be undertaken on packaging to ensure it can survive the rigours of the supply chain.

Outcomes and learnings

This Round Table gave participants insight into the complex and vast retail network in Australia. Retailers operate under a lot of different pressures but customer safety is paramount. National Packaging Covenant design requirements (eg the Environmental Code of Practice for Packaging) must be integrated in product development and this is commencing for some retailers. Retailers have the power to dictate terms to suppliers but if a co-operative approach is taken, mutually beneficial outcomes can be achieved. The SRP system may not provide all the answers and may, in fact, produce more rather than less packaging.

Find out more

A full report including copies of the presentations and details of the round table discussion feedback, conclusions and learnings is available in PDF format at a cost of \$125 + 10% GST.

For further information or to order your copy of the full report please contact: Robert Jordan on (03) 9681 8199 or robert@sustainablepack.org