

# BIG GREEN & CLEVER

The packaging industry is no stranger to calls for improvements in waste recycling and environmental performance. Packaging suppliers, however, cannot act alone in improving the industry's green credentials. Retailers, too, must shoulder some of the burden, a responsibility understood by retail giant, Tesco.

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**As awareness** of the environmental impact of packaging has grown, it has become clear that all parts of the supply chain must work together to address the concerns of both the public and industry. Work to improve the sustainability of packaging, through materials and design, continues to bear fruit, but the environmental strategy of major retailers is equally important.

For some, the focus on packaging has become a major project. Leading UK retailer Tesco, for instance, has put great emphasis on sustainability, which affects its packaging policy not only for products, but also for in-store consumables like carrier bags. 'Environmental issues are increasingly important in the make-up of our products,' remarks Charles Hunt, Tesco's senior buying manager, whose focus is on in-store consumables. 'Customers, governments, the EU and our staff all say we should be more environmentally aware.'

This has led Tesco to consider a range of materials for its carrier bags, from high density and low density polyethylene (HDPE/LDPE) to paper. Ultimately, the choice depends on balancing factors such as cost against the ability to recycle such materials efficiently.

Costs cannot be ignored, but they do not have to present an insurmountable barrier to the development of a better environmental policy. In fact, the cost implications of going

green has served to focus minds at Tesco, as it heightens the need to choose the right packaging materials. 'The environmental projects that we look at can cost our company more, so we must be sure they are the right things to do,' says Hunt. 'There is an added cost to the supply base, but there are commercial benefits as well.'

## ARE CUSTOMERS GREENER THAN EVER?

It is certain that customers are more aware than ever of environmental concerns in many areas, packaging being among the most prominent. This is evidenced by the improving rates

### SMART GREEN STRATEGIES

- Environmental projects can add cost, so they must be selected carefully.
- The best projects incentivise the end user to change. Tesco rewards customers who re-use plastic bags with Clubcard points, saving them money on their bill.
- TOMRA – Tesco's self-service recycling facility makes recycling easy and also rewards customers with points.

of recycling, though there is still a need to promote this behaviour further. The question for retailers is whether these concerns affect customers in a way that directly impacts their purchasing behaviour.

Undoubtedly, this is a factor that will develop over time, but for leaders in the retail



## FLEXIBLE PACKAGING



Tesco's TOMRA recycling machine uses infra-red real-time technology to sort up to 80 items per minute (see box, p50).

market, the 'wait and see' approach is not an option. Tesco, for instance, has identified that it could generate commercial advantages by reviewing its packaging policy, not least by showing that it is aware of how its customers' attitudes to packaging are evolving.

'We learn to better re-engineer our products and we talk directly to our customers about it,' says Hunt. 'There has been a change of mindset in the last two or three years and people are much more aware of their carbon footprint. So there are more discussions about that issue now, though it is not yet the case that the customer makes fundamental purchasing decisions solely on environmental issues.'

This may be true for the kind of fast moving consumer goods (FMCG) that make up much of what Tesco sells, but such issues are already affecting consumers' choices of products when it comes to consumer durables like cars or dishwashers, for which energy efficiency is now an important marketing tool. FMCG customers ultimately make decisions to suit their lifestyle, with convenience and choice more important than green issues.

Even if customer choices were to become more greatly affected by environmental concerns, for a retailer like Tesco this is likely to be reflected in their customers' selection of individual products from their shelves, rather than driving them to change the supermarket where they do their shopping. There are still, however, advantages for mass retailers who address the green agenda. 'There is a halo effect' says Hunt. 'It reflects well on a brand to be environmentally aware.'



Retailers must be seen to address the green agenda, regardless of how customers makes purchasing decisions.

### A MATTER OF RESPONSIBILITY

The boost to a brand that derives from having a publicly stated green agenda on issues such as packaging is not, however, the only reason to pursue an environmental strategy. For some large retailers there is also a sense of duty, which urges them to make headway on addressing concerns that are likely to become ever more important to their industry and to the world at large. This does not mean pursuing every option that presents itself. Instead, it requires more care and planning to ensure that the right projects are pursued.

'People look to the major international companies to lead the way,' notes Hunt. 'Some retailers, we hear, have started to put the cost of the air miles of the product in transit into their prices, which I think might put some people off buying products from places like Kenya or Sri Lanka, which pulls in the opposite direction to initiatives like Fair Trade.'

In deciding its approach to improving its environmental credentials, Tesco has made packaging a key focus. This entails not only making the right choices in terms of materials, but also keeping closely in touch with customers to assess their attitudes and making them aware of what the company's packaging policy sets out to achieve.

'We put more information on our packaging now, so that customers know what it is made of, where it is from and whether or not it can be recycled,' states Hunt. 'We turn our practices upside down to ensure that they are the right ones to adopt.'

### INCENTIVISE THE CUSTOMER

One headline initiative at Tesco is the Green Clubcard scheme. This encourages customers to re-use their carrier bags by rewarding them for positive changes in their behaviour. Tesco has set itself the target of a 25% reduction in carrier bag use by 2008, and Hunt reports that it is well on its way to achieving this.

This success hinges on the company offering a good range of low-cost, reusable plastic bags, but is also driven by the material benefits – in the form of Clubcard points and, ultimately, savings on the grocery bills – that can accrue to customers. Furthermore, it demands a constant process of policy review and communication with packaging suppliers.

'We are looking at many options – recyclable, compostable and paper bags – but buying managers do what suits their customers,' comments Hunt. 'The choice will depend very much on the product categories. We also have to maintain good relationship with our suppliers, as they bring forward the good ideas and suggest ways in which we can change.'

### A BROAD SPECTRUM OF INNOVATION

To improve a sustainable packaging policy a company must look at its choice of materials, and also at ways to make the packaging supply chain more efficient and eco-friendly.

## FLEXIBLE PACKAGING

'At Tesco, we are never satisfied,' says Hunt. 'We always want more improvement and we are always looking at what customers want. On issues such as the environment we have a chance to stay ahead of the competition, so we are always on the lookout for the next development.' Recycling plays an important role in any major retailer's packaging policy, and Tesco has made a significant move on this front with the introduction of its TOMRA automated recycling machines (see box, right), which allow customers to earn Clubcard points on recycled cans, plastic bottles and other packaging materials.

The packaging industry certainly needs leaders in the retail industry to help set the agenda for addressing environmental issues at all levels, from materials to recycling processes. Tesco has taken up this challenge, and will no doubt pull others in its wake. [pci](#)









### TOMRA: automated recycling

In 2006, Tesco began the rollout of its high-tech, automated recycling machines. Known as TOMRA, these use the latest technology, such as infra-red spectrometers and real-time cameras, to automatically sort plastic, metal and glass.

Able to sort around 80 products per minute, TOMRA machines allow Tesco customers to deposit a mix of packaging materials, making the recycling process easier and quicker. The company initially aims to install 100 machines alongside its existing recycling facilities.

Customers are further encouraged by the ability to earn Clubcard points and save on their grocery bills.

#### The TOMRA recycling process:

-  Waste packaging is deposited in the TOMRA machine.
-  TOMRA scans the material with a high-resolution camera.
-  Material is identified and segregated into separate container bins.
-  Plastic and aluminium are shredded by rotating blades; glass is crushed against an internal stone wall.
-  TOMRA can hold four times the volume of material of standard recycling bins.
-  When full, TOMRA sends an alert for removal of all material.



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