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Top 10 CPG Sustainability Trends for 2010

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The Consumer Packaged Goods (CPG) industry is weathering the economy's emergence from the recession as we start a new year and a new decade. One question on everyone's mind is whether sustainability initiatives will be a casualty of the recession. Is sustainability still a top concern for the CPG industry, and if it is, what new developments can we expect to see on the sustainability front during 2010?

Most CPGs will tell you that sustainability is increasingly central to their business – but what does “sustainability” mean in 2010? What are some of the new ways that CPG's will be taking action to reduce costs, boost profits, and improve the lives of the people they serve (while also helping to reduce their environmental impact)?

1. CPG firms will look to the Triple Bottom Line: People, Planet, Profit – as a broader way to measure success.

The idea that businesses ought to be concerned about the environment – and actively take steps to improve their sustainability – is a relatively new concept. For generations, from the industrial revolution until the rise of the environmental movement in the 1970s, most business leaders subscribed to the idea that the only mission of a business was to make a profit.

This attitude has evolved over the years, to the point where many business leaders would feel rather uncomfortable stating that they are “only” in business to make a profit.



Profit.” This is a broader way to measure the success of a company – a business must not only make a profit and generate wealth, but also be attentive to people’s lives and to the health of the planet.

People: What are the social costs and benefits of packaging? How can we make better contributions to people’s well-being?

Planet: What are the costs to the planet and how can we reduce the environmental burdens created by the packaging that people use every day?

Profit: Sustainability is also good for business. In a slow economy when CPGs cannot expect to raise prices or grow sales as quickly, it’s time to look to the “bottom line” to add a few percentage points of cost savings - which equals higher profit.

2. Consumers will want to buy more sustainable packaging – and avoid “bad” packaging.

One ongoing trend that CPGs will want to watch for is the tendency of consumers to want to buy packaging that is recyclable. Many consumers prefer to recycle as much packaging as they can – in fact, they often feel guilty when they have to throw packaging away. Other consumers feel frustrated when they have to deal with packaging that is hard to wash and hard to recycle – for example, a plastic lid that is hard to remove and rinse out, or a poorly-designed plastic bottle that is full of residue and cannot be recycled. When consumers have negative feelings (guilt, frustration, impatience) with respect to the sustainability of a company’s packaging, those feelings often transfer over to the way they relate to the brand of the packaging as a whole.

Sustainable, recyclable packaging and overall “greener living” is also a good fit for America’s current cultural moment. At a time when the economy is slumping, unemployment is high and many people are feeling financial pressures, there’s an added sense among consumers of wanting to reduce waste. Just throwing things away when they could be recycled seems especially “wrong” in the current economic climate – people want to look for packaging that is simple, recyclable and easy to use.

One exception to this trend is that even while consumers will seek out sustainable packaging options, they do not want to pay more for more sustainable products.

According to new research from Mintel International, consumers are still interested in helping to save the environment, but they don’t want to pay for it. According to a survey of consumers in the United Kingdom, the number consumers willing to make lifestyle compromises for the sake of the environment dropped four percent from 2008 to 2009. However, nearly one in five people still said that adjusting their lifestyles for the environment is worth doing if it will save them money¹. In 2010, CPG companies need to find a way to present more sustainable packaging without driving up the

too expensive, they will find other ways to express that commitment. They may buy fewer green products, but they'll do things like cut their energy costs or reduce consumption." The study finds 60% of people now believe green products are too costly, a six point increase from 2006.²

3. Packaging will get smaller...and bigger.

This trend is going in two directions at once. With the economy in a slump, many people are looking to buy certain items in bulk – both to save money and to reduce packaging costs.

And yet...people are also looking to buy smaller sizes and reuse the package several times (especially by purchasing refills of soap, detergent and household items). Rather than buy a new package to replace an item that has been used up, they'll buy a refill and reuse their existing package at home.

People are also going to be buying a greater frequency of "single use" packaged items – rather than buy more costly, larger items, they might buy a smaller one that they know they will be able to use up. This is also part of the trend toward avoiding waste. Whether people are buying "big" packages or "small" packages, the size and amount of packaging needs to be "just right:" one powerful trend is that consumers are increasingly uninterested in "overpackaged" products. People don't want to see a lot of unnecessary layers of "stuff" on their purchases; in the postrecession cultural climate, this sort of packaging is perceived as wasteful and unsightly. Packaging is going to be increasingly "lean and mean" in 2010.

4. CPGs will integrate sustainability into every aspect of their operations/manufacturing processes.

Consumer opinion about sustainability tends to ebb and flow depending on the economy and other factors, but CPGs are going to continue the trend of including sustainability in every part of their internal businesses. The business benefits of sustainability have become impossible to ignore.

The main focuses of sustainability in CPG business and manufacturing operations in 2010 will be:

Reduce energy costs: in an economy where it is impossible to raise prices, the "bottom line" becomes the place to generate profits. If companies can reduce their energy costs by 1% or 2% a year, that makes a substantial difference to their overall profitability. For one example, the McCormick Corporation, a leading producer of spices, has set a goal to reduce its use of electricity by 15% by the end of 2010³.

Reduce waste: Even a minute reduction in the amount of plastic used to make a package, or the amount of

wasted materials and unnecessary effort. As one of America's largest and most cost-conscious companies, Wal-mart has been a leader in reducing packaging waste – and has achieved significant cost-savings, environmental benefits as a result. Wal-mart has set an overall target to reduce the total amount of packaging in its supply chain by 5 percent by 2013⁴.

Cultivate a “lean manufacturing” sensibility: Lean manufacturing was a concept originated by Toyota, with their “Total Quality” system. But the mindset that once was used to make cars can also be adopted to make packaging. With a larger focus on eliminating waste and improving processes, CPG firms will be looking to get even more efficient in 2010 – with the ideal of no waste, no unnecessary inventory, lower costs and higher profit. Procter & Gamble, one of the largest consumer product manufacturers in the world, has established a set of five sustainability strategies that guide its business operations around the globe. These sustainability strategies include measurable goals to reduce the company's use of energy and water, and to lower the amount of waste and carbon dioxide produced in the process of making P&G products. P&G established its sustainability goals in 2007 with a target deadline of 2012 – and they have made so much progress that they decided to raise their targets for sustainability⁵. Watch for more companies to follow P&G's example in 2010 – with a relentless focus on process improvement and a sense for the total impact of the company's work, it is possible to track, measure and make improvements on many areas of sustainability.

5. Design will take center stage.

CPG companies will make added efforts to re-design their packaging to be more sustainable – while also saving money and improving the consumer experience.

The incredible shrinking water bottle: As one example of this trend, Nestle Waters North America has recently announced its next-generation Eco-Shape ® bottle design, which, at only 9.3 grams, weighs 25% less than its predecessor bottle. The new Eco-Shape® design will help exceed the company's goals for reducing the amount of plastic in its single-serve 0.5 L bottles by an additional 15% by 2010.⁶ Nestle's new water bottle also includes a lightweight cap, which weighs only 1 gram. The new lightweight water bottle will be initially rolled out with Nestle's Poland Spring brand natural spring water, Arrowhead mountain spring water, and Nestle Pure Life purified water, with other brands and product sizes to follow by the end of 2010.

Environmentally-sensitive affluent and younger consumers: Even with the recent recession, there is still a considerable segment of consumers who have the buying power and the willingness to pay more for sustainable products. Younger consumers are especially likely to be environmentally conscious – they will reach first for packaging that is sustainable. (And customer loyalties often start at a young age – if CPG companies can include sustainable packaging in their

current cultural moment, “overpackaging,” excessive packaging and unnecessary packaging waste create an appearance of being out of step with the times. In our current era of economic hardship and growing concerns about human impact on the environment, most consumers do not want to see a lot of unnecessary “bells and whistles” or added layers on their packaging. The trend in package design will be toward clean, efficient, safe, no-waste – and yet still thoughtfully presented and appealing to the eye.

6. Taking the Long View: Life Cycle Assessments, Life Cycle Perspective

In recent years with growing concerns about climate change, many more businesses and consumers have become aware of the concept of “carbon footprint” – the totality of all the carbon dioxide emissions that result from any particular product, service, or human activity. As part of this growing awareness among consumers, CPG companies are also finding new ways to measure and ameliorate the total environmental impact of their products.

The full environmental impact of a piece of packaging is not limited to whether or not the consumer decides to recycle the empty container. In 2010, CPG companies will be taking an increasingly hard look at the full environmental “life cycle” of their products – everything from sourcing the initial materials to shipping the product to the CPG, to filling the packages on the loading dock, to driving them to the retail store.

Every step in the life of a package has an environmental impact, and it is increasingly possible to measure (and reduce the impact) of every step along the way.

7. A “PET” project for 2010: increase the recycling rate of PET plastic.

PET plastic bottles are one of the most widely used varieties of consumer packaging, with 5.4 billion pounds of PET products are on U.S. store shelves each year. Although PET is one of the most easily recycled types of plastic, only 24% of the PET that is produced each year ever gets recycled. (One bit of good news – the National Association for PET Container Resources (NAPCOR) released new statistics in Nov. 2009 which indicate that the U.S. recycling rate of PET plastic water bottles rose to 30.9% for 2008 – an improvement of 32% over the 2007 rate⁷.)

In 2010, CPG companies are going to look for ways to improve the recycling rate of PET plastic. Not only is it good for the environment and good for the image of the industry as a whole, but it also gives companies another way to connect with their customers. In addition

shelf, perhaps in 2010 more CPG companies will look to increasing the recycle rate of PET plastic as another avenue to send a message to customers – and demonstrate their own environmental commitment.

Coca-Cola has been a prominent leader in encouraging the recycling of PET plastic. During 2009, Coca-Cola opened the world's largest plastic "bottle-to-bottle" recycling plant in Spartanburg, South Carolina. The recycling plant will eventually produce 100 million pounds of food-grade recycled PET plastic per year – the equivalent of nearly 2 billion 20-ounce Coca-Cola bottles. As for "life cycle perspective," over the next ten years, this recycling plant will also prevent the release of one million metric tons of carbon dioxide into the atmosphere – roughly the equivalent of removing 215,000 cars from the road⁸.

Coca-Cola has also included a strong sustainability message in its marketing campaigns. The "Give it Back" program has helped to educate consumers that empty Coca-Cola bottles should not be discarded – that they have value and are recyclable materials. Watch for other CPG companies to use sustainability in their marketing mix for 2010 – as another way to engage with customers and stay "top of mind" even after the packaged goods have been consumed.

8. Vendors will help CPG companies become more sustainable.

The road to improved sustainability can be difficult for CPG firms to navigate – fortunately, they're not in this alone. In 2010, many CPG companies will look to their packaging vendors for new ideas and innovations in sustainability.

These are a few of the areas where CPG vendors will help their clients become more sustainable in 2010:

Less packaging: There's a reason that the old environmental mantra, "reduce, recycle, reuse" starts with the word "reduce." One of the most immediate ways for CPG companies to be more sustainable is to reduce the amount of "stuff" being produced in the first place – and by extension, reduce the amount of material and the costs of producing it.

Lighter packaging: Even a tiny reduction in the amount of plastic in an individual bottle, cap, or box can lead to significant cost savings (and lower impact on the environment) at every step of the package development process – from molding to palletization to shipping. When dealing with the massive volumes of packages and the vast economies of scale that make up the Consumer Packaged Goods industry, every little bit of cost savings along the way can make a big difference in the end.

Including a set percentage of recycled content: In 2010, it is going to be increasingly rare for any CPG firm to

effect” to the CPG companies who can get it done – while also reducing costs.

Extend the shelf life: Looking beyond the characteristics of the package itself, CPG companies will want their vendors to provide new thinking on how to extend the shelf lives of the product within the packaging. Part of the environmental “life cycle” of every package is the inventory process – some products go unsold and are lost to waste; store shelves need to be re-stocked, and all of these factors have an impact on the shipping, production and storage that affects the CPG company’s bottom line. Even a moderate increase in a product’s shelf life can lead to cost savings – and CPG vendors can add value here in 2010.

Greener production of packaging: In an increasingly connected world, where consumers and environmental advocates have ever-more information at their disposal, CPG companies are no longer held accountable just for their own corporate practices or for the way their own packaging looks on a store shelf; they are also scrutinized for how their packaging is made. In 2010, CPG companies will need to look to their vendors to produce their packaging using power generated from green energy sources like wind and solar. CPG companies will also want to be aware of their vendors’ production practices with regards to the environment – as part of the new awareness of the “carbon footprint” of every product people buy. Vendors who can demonstrate their commitment to the environment and who can show a real value for sustainability are going to be the vendors of choice in 2010.

Cleaner, simpler label design: In 2010, even the choice of labeling on a package can send a message about sustainability. Look for increasingly clean, simple labels – no frills, no fuss. Look for labels that are understated – rather than grab the consumer’s attention with an eye-catching splash of color, the trend will be toward a more holistic approach to package design – the whole picture of the package will send a message about whether that company values sustainability.

9. Plastic is here to stay...for now.

It’s not too much of a bold prediction to say that in 2010, PET will remain the dominant plastic used in CPG packaging. While there have been some promising studies of corn-based PLA/Biopolymer plastic, this type of “bioplastic” is still too costly to produce and too complicated to dispose of.

For example, while PLA plastic is already being used for various medical and industrial devices, and while it is used in such consumer products as the plastic “clamshells” that hold freshly cut fruit⁹, it poses several challenges when it’s time to recycle. PLA plastic technically can be composted just like any other plant-

Also, PLA plastic needs to be kept out of the regular PLA plastic recycling stream – it can cause problems in the recycling process if it gets mixed in with the PLA plastic being recycled.

Although PET plastic will still be the “top dog” in packaging, there is the potential for growing consumer unease and criticism by environmental activists. In 2010, watch for continued scrutiny of plastic as an environmental concern, continued efforts by CPGs and packaging manufacturers to encourage plastic recycling, and extra efforts to reduce the size of plastic packaging (thus saving on costs and materials, and reducing environmental impact).

Companies can also avoid criticism and engage with their customers by creating programs that re-use their plastic packaging. One of the main focuses of plastic recycling is polypropylene packaging – also known as #5 plastic. Until recently, this type of plastic has not been accepted by most municipal recycling programs, and there has been growing concern among environmental advocates about the impact of this type of plastic, which is widely used in food containers, bottles and other consumer packaging.

Aveda, a leading producer of cosmetics and personal care products, has created a popular public outreach program to recycle #5 plastic bottle caps. Aveda’s “Recycle Caps with Aveda” campaign¹⁰ has become a popular and effective marketing technique to show that company’s concern for the environment – while at the same time partnering with schools and environmentally-conscious consumers.

Another recent development related to #5 plastic is the Preserve Gimme 5 program¹¹ started by Whole Foods Market, Stonyfield Farms and a plastic recycling firm named Preserve. Starting in 2009, select Whole Foods locations have been accepting #5 plastic containers (such as Stonyfield yogurt cups) to recycle into toothbrushes, plates, mixing bowls, cutting boards and other products. This is another example of a “win-win” partnership where various companies can band together to send a powerful message about their commitment to sustainability.

10. No more “greenwashing.”

In the past, it was easy for some companies to pay lip service to their environmental/sustainability initiatives (“We are committed to protecting the environment”) even if it was not true.

That kind of “green washing” (like “whitewashing” but in “green”) does not work anymore. Consumers are smarter, savvier and more environmentally conscious than ever before – and with the research power of the Internet, it is easier than ever for people to find out which companies are serious about sustainability, and which ones are just pretending.

their daily shopping trips. As one example, the iPhone App Store now offers a free application called GoodGuide¹² which enables people to scan the bar codes of consumer items (right there in the store) in order to find out the environmental impact of the product and see how it is rated for sustainability. Consumers don't need to read newspapers and do research to find out about a company's record for sustainability – increasingly, the information is right at their fingertips, right while they are about to make a purchasing decision.

Conclusion

2010 will be another interesting year in the Consumer Packaged Goods industry. Even in a slow economy, companies still have a multitude of opportunities to use sustainability as a competitive advantage. CPG companies will pursue these 10 sustainability trends to reduce their costs, improve their customer experience, upgrade their marketing outreach, and enhance the profile of their companies and our industry as a whole.

The Consumer Packaged Goods industry is ultimately about touching people's lives. Every time someone opens a bottle of water or takes a package off the shelf, they are benefiting from the convenience and time savings, physical nourishment and emotional appeal contained within that package. Consumer packaging is central to the human experience in the modern world – and sustainability is an increasingly important concern for every interaction that a customer has with consumer packaged goods. By staying true to the sustainability-driven "Triple Bottom Line" – People, Planet, Profit – CPG companies can realize great achievements and continuing success in 2010.

Weatherchem Corporation is an innovative manufacturer and marketer of convenient plastic dispensing closures and controlled access packaging. As the creators of the original Flapper® dispensing closure, Weatherchem now offers one of the industry's most innovative closure product lines. In addition to LiquiFlapper® these include: NutraFlapper®, FlapMate®, Grinder NR, NutraGen II®, and Agricap®.

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