



SUSTAINABLE PACKAGING: ARE CONSUMERS BUYING IT?

1st ASEAN Pulp and Paper Summit

November 2024



Insight + Action
Consultants in Sustainable Packaging

Consumer Insights

- Quantitative: Consumer surveys for new product and packaging development
- Qualitative: Focus group moderating; in-depth interviews

Sustainable Packaging Consulting

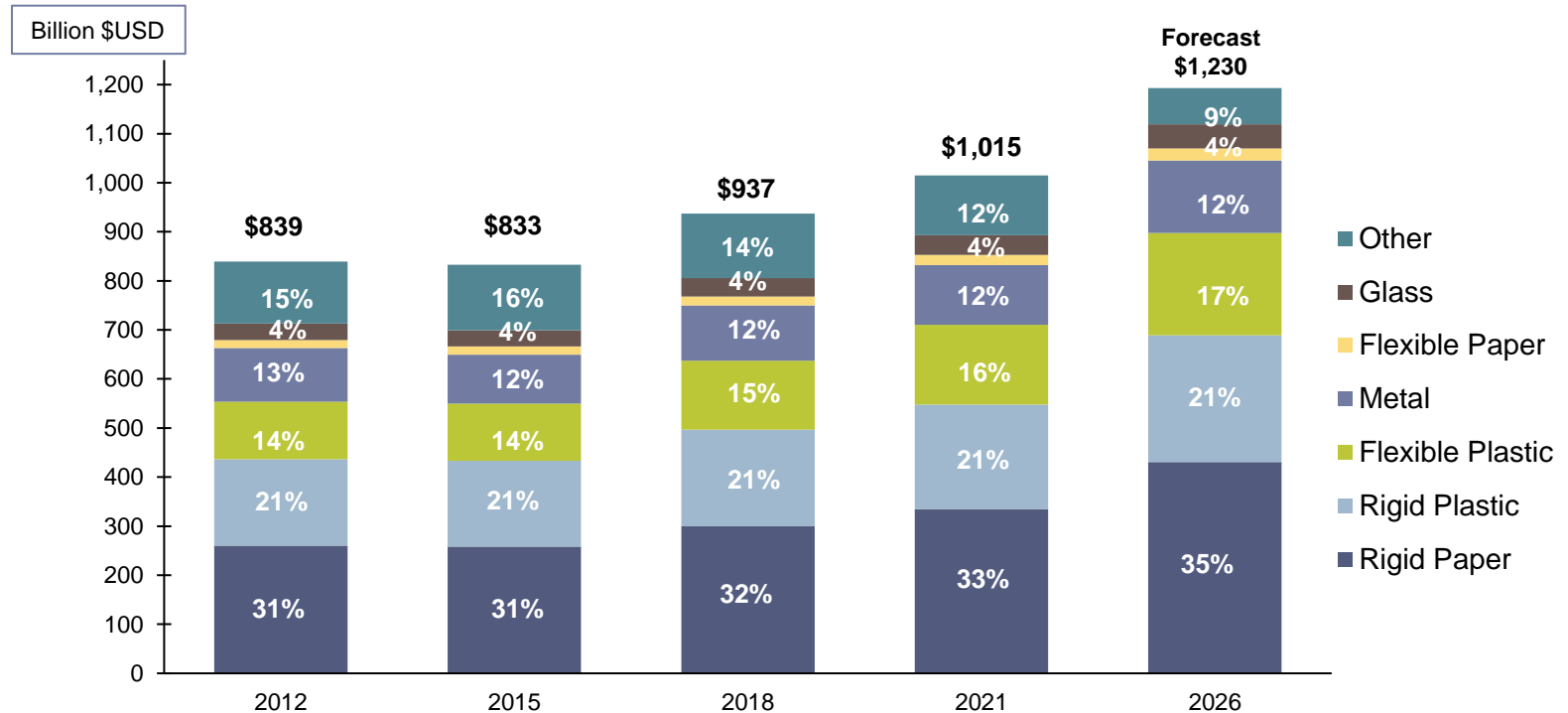
- Tracking sustainability initiatives
- Packaging design guides
- Packaging recyclability audits; Reusable packaging strategies
- Implications of EPR (Extended Producer Responsibility) for packaging

Research on Recycling

- Strategies for recycling market development
- Market sizing and forecasting

Global Packaging Market Size by Substrate, 2012-2026

- Rigid paper and flexible plastic (pouches) are growth areas



NOTE: 'Other' includes other & flexible foil packaging. Flexible paper is 2% through all years.
Sources: Smithers (2021); Bain (2023)

Growth in Packaging & Challenges

- By 2020 China's packaging industry accounted for 55% of the Asia-Pacific market
- The size of China's packaging market exceeded that of the United States in 2020
- Globally, Asia-Pacific is the fastest growing packaging market
- Everywhere -- more packaging means more potential waste
- Many locations in Asia lack waste collection and recycling systems at the scale needed to match the growth in demand



More Packaging, More...



- Global Consumer Packaging Goods (CPG) companies are major producers of packaging, have set goals to reduce packaging
- In order to capture growth opportunities, these companies are trying to understand consumer perspectives on sustainable packaging
- Governments are making commitments to phase-out single use plastic and use more sustainable packaging. Many jurisdictions are following the Extended Producer Responsibility (EPR) programs pioneered in Europe and Canada.
- EPR has been introduced in Japan, South Korea, the Philippines, Thailand, Malaysia, Singapore, Indonesia, and Vietnam.
- Malaysia has set a deadline of 2026 for a mandatory EPR system, following the introduction of voluntary system. The Malaysia Plastics Sustainability Roadmap, Dec. 2021, is a strategic plan aimed at helping the country achieve plastics circularity.

What's New in Paper Packaging

- **Food & Foodservice Packaging:** Much innovation to improve barrier coatings to protect fiber from grease, oil, and water. Many paper converters are launching new paper products with specialty barriers.
- **Beverages:** Liquid aseptic manufacturers are removing aluminum barrier layers. Spirits producers testing fiber-based bottles instead of glass. Both with polymer-based barrier layers.
- **Personal Care:** Work on fiber-based packaging materials to replicate the premium look and feel of plastic, and entirely new non-plastic materials.
- **Industrial & Shipping Packaging:** More fiber-based alternatives emerging, especially protective components and dunnage for ecommerce channels. Greater demand for micro-flute and mini-flute packaging.
- **Molded Fiber:** One of the strongest sectors for growth is molded pulp/fiber.



Brand Owners:
Committing to
Sustainability

Packaging Sustainability Goals

2018-2020, top 25
Consumer Packaged
Goods (CPG):

- Reduce virgin plastic
- Increase recycled content
- Recyclable, Reusable, Compostable/ Biodegradable



Nestle, 2025

- 100% recyclable or reusable packaging
- Reduce use of virgin plastics by 33%



Procter & Gamble, 2030

- 100% recyclable or reusable packaging
- Reduce virgin plastic in packaging by 50%



PepsiCo, 2025

- 100% recyclable, compostable, biodegradable
- Reduce virgin plastic in beverages by 35%



Unilever, 2025

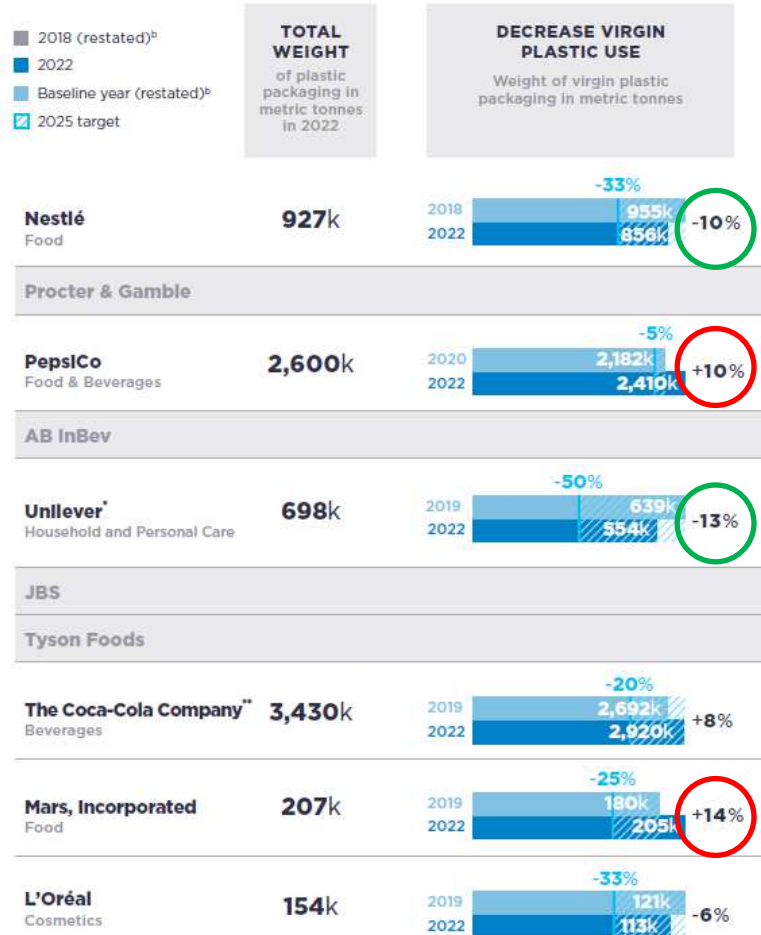
- 100% plastic recyclable, reusable, compostable
- Increase recycled content in plastic to 25%



Anheuser-Busch, InBev, 2025

- All products in returnable packaging
- All with recycled content

Progress: Decrease Virgin Plastic





• Paperization of Packaging?

Paper Bottles

- Kraft Heinz, 2022: Fiber-based ketchup bottle
- Wood fiber bottle
- Interior spray-on coating
- Allows it to be curbside recyclable
- Suitable for both oil and water-based products
- Not yet launched



- L'Oreal, 2018: Seed Phytonutrients line of hair products and lotions
- Wood fiber bottle with a PET liner
- Recycle bottle at curbside; liner separately 'where facilities exist'
- 70% less plastic than plastic bottle

No More Plastic Rings

- Molson Coors: Wrap all NA product lines by end of 2025
- Save 1.7 million pounds of plastic waste annually



- Coca-Cola 2022: NE bottler will remove 75,000 pounds of plastic
- Pepsico 2023: Wrap is recycled paper and curbside recyclable

Noodles Go Paper

- Nissin Foods USA: First change since 1973 from polystyrene foam to paperboard which is 40% recycled fiber.
- Now microwaveable, recyclable, and also eliminated clear plastic film encasing the foam cup.



- Working with a biomaterials producer, a S. Korea convenience store introduced a paper noodle cup that is both microwaveable and compostable.
- Coating on inside of paperboard cup combines polyhydroxyalkanoate (PHA) and polylactic acid (PLA).
- PHA works well as a modifier with other polymers. Increases bio-based content, accelerates biodegradation, and allows for more stable use across of range of temperatures.

Snack Food Goes Sustainable

- Walkers/PepsiCo UK: flexible paper
- Fully recyclable at curbside
- The British Crisp Co: paper with a hydrophilic polymer coating
- Recycled at curbside OR composted



- Pringles: 90% recycled paper tube, paper end
- Inner liner is multiple layers of foils and films
- Belgium & UK



Ice Cream & Candy

- Nestlé Hong Kong: Kit Kat stick ice cream packaging moving to paper
- Made of 100% pulp that is Forest Stewardship Council (FSC) certified
- Reduce plastic consumption and boost recyclability



- Nestlé 2020: Smarties, global move to recyclable paper
- 2 years of testing in Europe to ensure paper would perform during transportation, warehouse, in store
- Canada: 'Tough' paper grade overlacquered with a water-based dispersion coating

Candy

- Mars Wrigley Australia, UK, 2023: Paper-based wrappers
- Curbside recyclable
- Eliminates more than 360 tonnes of plastic packaging



- Mars China, 2023: Monomaterial polypropylene wrapper
- Recyclable at drop-offs
- Flexible packaging typically has multiple layers of different materials, making recycling difficult.



Alternative Materials

- LIMEX, short for limestone and calcium carbonate, is a registered trademark material composed of limestone (51%-80%) and PP resin (20%-49%).
- A highly eco-friendly materials as limestone is an abundant and ubiquitous resource



- Thai supermarket Rimping started using banana leaf packaging instead of plastic in 2019.
- Supermarket chains in Malaysia, Vietnam, the Philippines, and India followed.

Paper Industry Implications

- Paperboard demand expected to increase significantly
- Fisher estimate: If 10% of plastic beverage cups globally were replaced with paper, would require a 20% increase in global cup stock capacity
 - Enough fiber from sustainably-managed forests?
 - Would a rapid increase in demand for pulp increase the price so much that it would be a negative for conversion to paper?
 - How quickly will consumer behavior shift to renewable packaging materials?

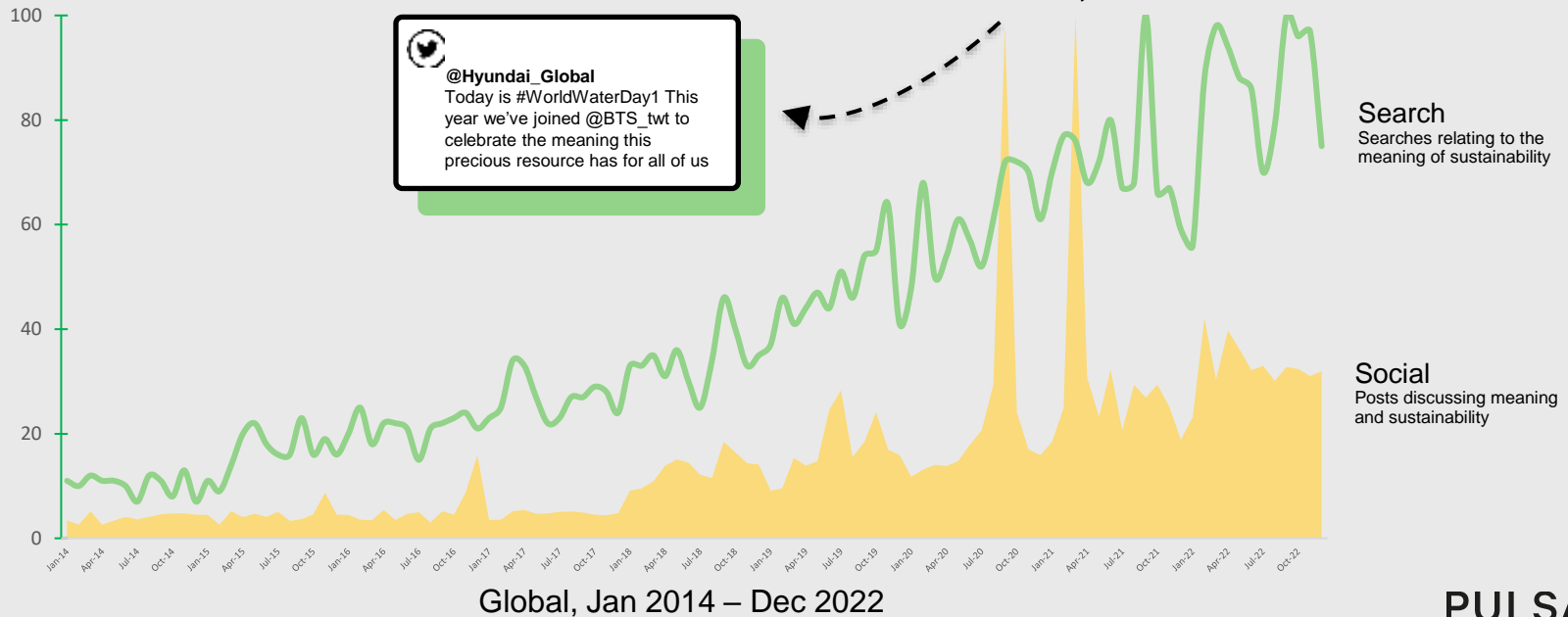




• Are Consumers
Buying It?

The Meaning of Sustainability

- Interest in sustainability began to take off in 2015
- Search -- Growing interest in every aspect of sustainability
- Social Posts – Understand and interpret



they told us to reduce, reuse, recycle, they sold us veganism, fuel efficient cars, "organic," "sustainable," and "eco friendly." green capitalism is meant to deceive us, not save us

Sustainable Packaging a Key Driver

Neilsen 2015

- 30,000 consumers in 60 countries: 'Environmentally friendly packaging' one of top 8 key drivers of purchasing

EcoFocus Tracking 2018

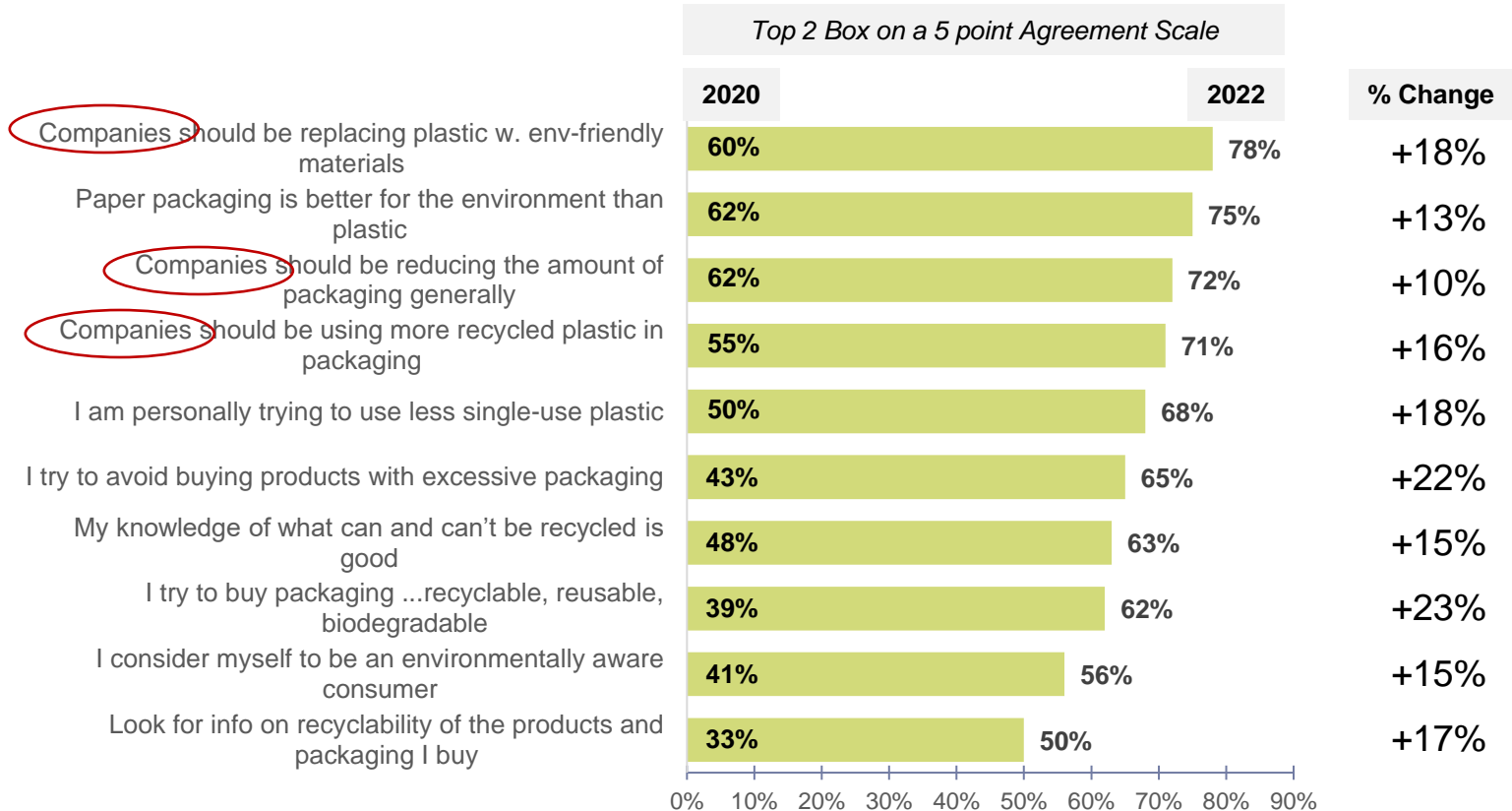
- 68% "I try to buy products in packaging that is recyclable"
- 51% "I have changed what I buy because of the type or amount of packaging"

Asia Pulp & Paper (in US) 2018

- 52% of Americans willing to pay over 10% more for products with sustainable packaging



Attitudes to Sustainable Packaging



Q. How much do you agree or disagree with the following statements?

Products with Eco Claims Grew Faster

- McKinsey and NeilsonIQ tracked spending instead of sentiment, past 5 years
- Products with eco claims had higher average growth than those with no claims:
 - 28% growth over the past five years vs. 20% for products with no claims
 - Claims = faster growth in 11/15 food categories; 3/4 personal care; 2/9 beverage categories
- No one claim consistently outperformed all the others
- Products with multiple claims did even better



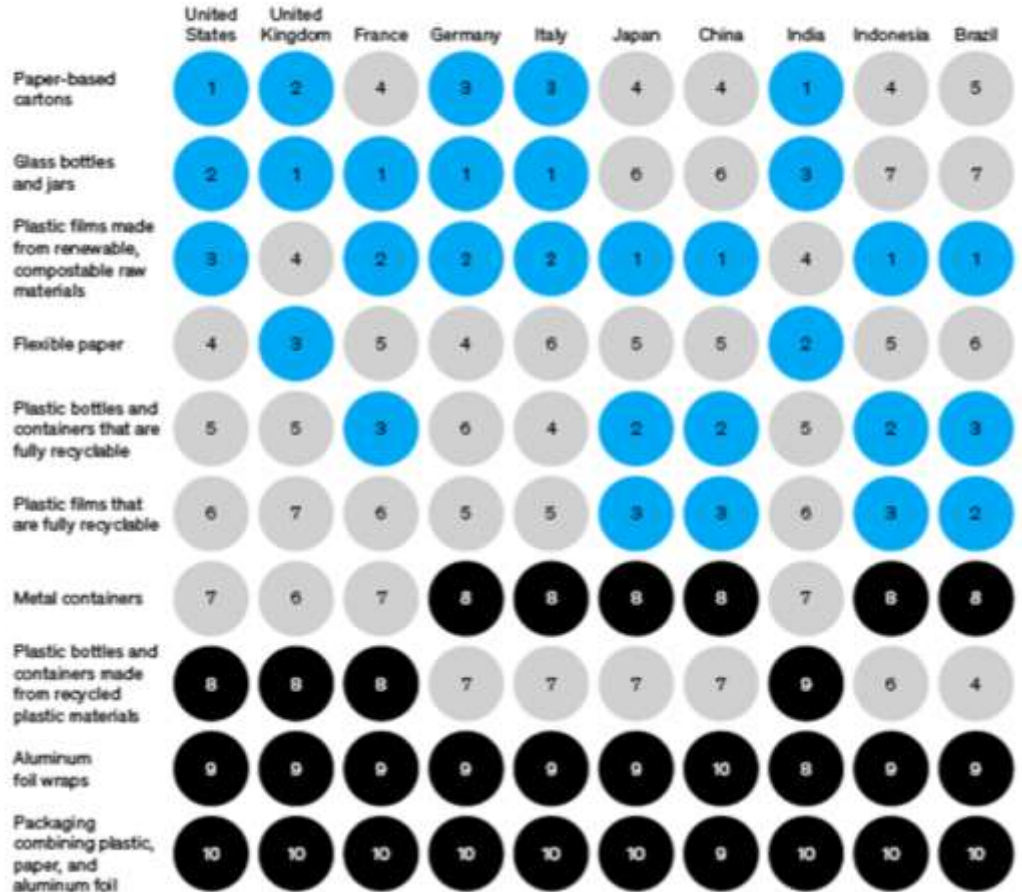
By Substrate

- Packaging substrates ranked on sustainability
- More agreement on what is not sustainable: packaging that combines materials, and aluminum foil wraps

How sustainable do you think each of these packaging types is?

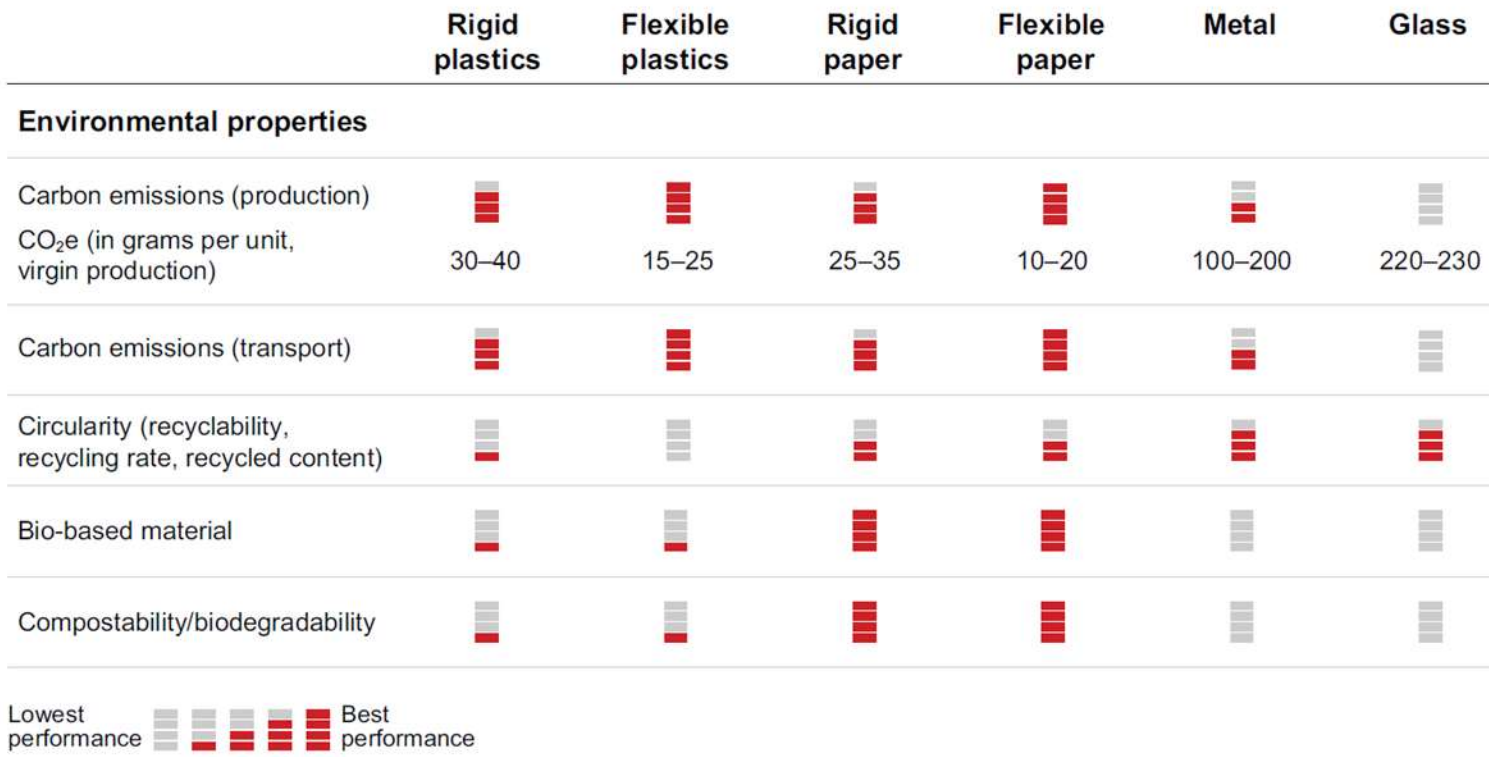
Packaging substrates ranked by number of respondents who indicated "extremely" or "very" strong

● Ranked top 3 ● Ranked 4-7 ● Ranked lowest 3



Source: McKinsey Packaging Survey, 2020

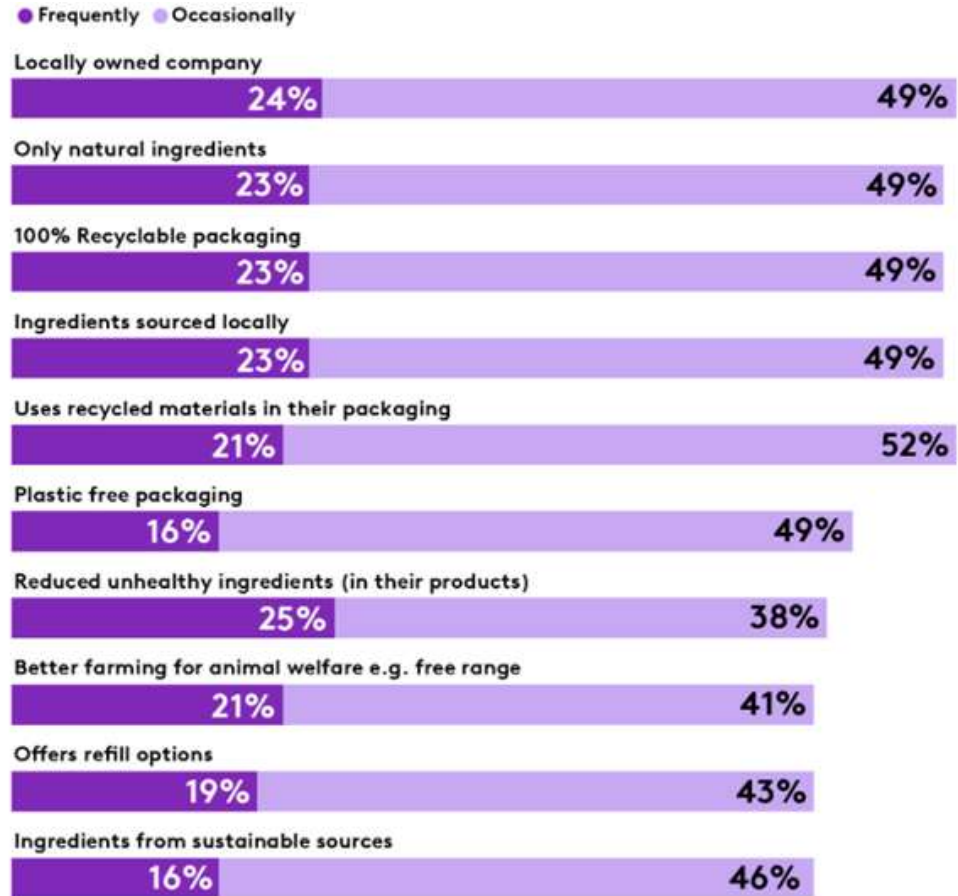
Figure 2: Substrates have different characteristics that need to be factored in when assessing the environmental properties of a specific application



Sources: Smithers; Wrap (2010); Bain analysis

Top 10 Claims

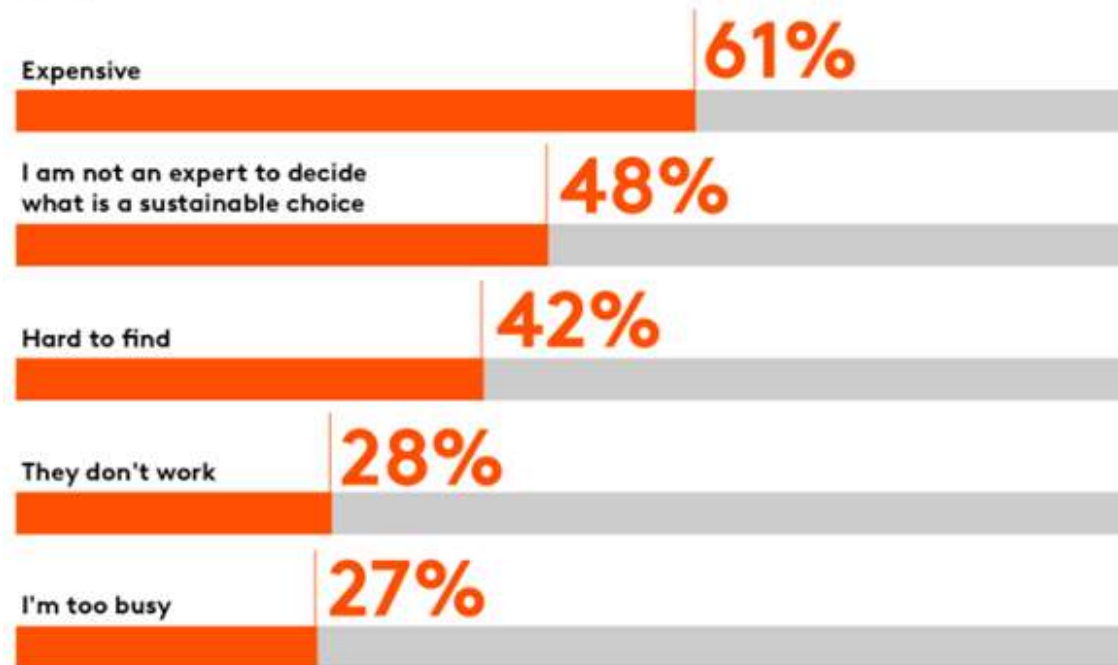
- So many claims
- Consumers lack expertise
- Concern that eco-claims may be greenwashing



Barriers to More Sustainable Shopping

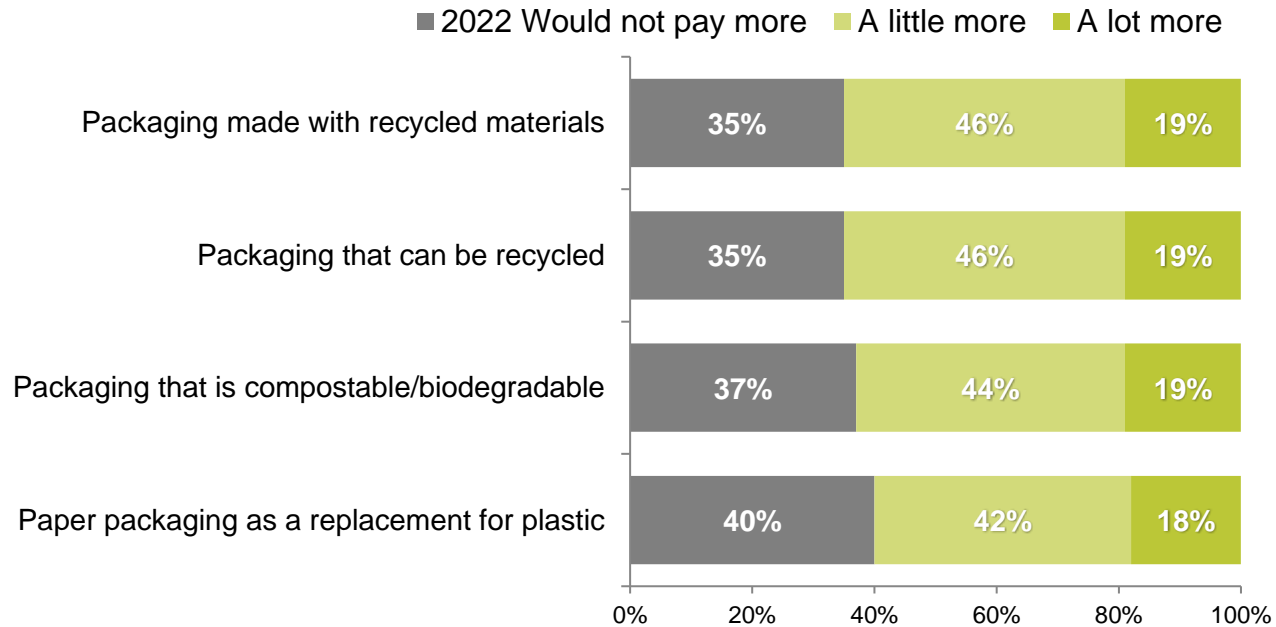
What barriers do you face to shopping more sustainably?

Global



Pay More for Sustainable Packaging?

- Between 35-40% will not pay more – but almost half will pay a little more.



Q. Would you be willing to pay more than the usual price for more sustainable, environmentally-friendly packaging?

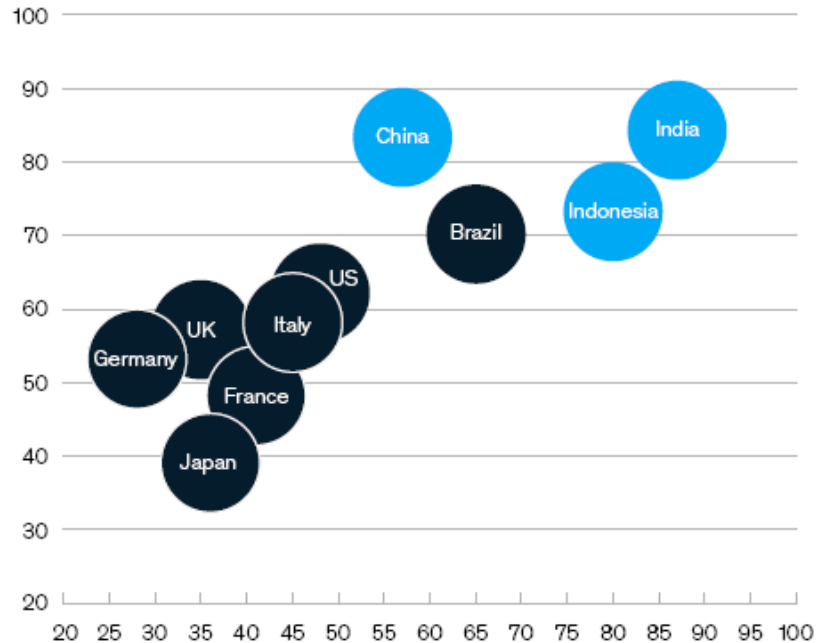
Consumers in Asia...

Willingness to pay for sustainable packaging, %

To what extent would you be willing to pay more for sustainable packaging [in packaged food]?

Share answering a "little" or a "lot more"

- Asia: even more concerned that packaging be sustainable.
- Willing to pay for sustainable packaging.



Concern about packaging sustainability, %

How do you currently perceive the importance of packaging sustainability compared to the time before COVID-19?

Share of more concerned

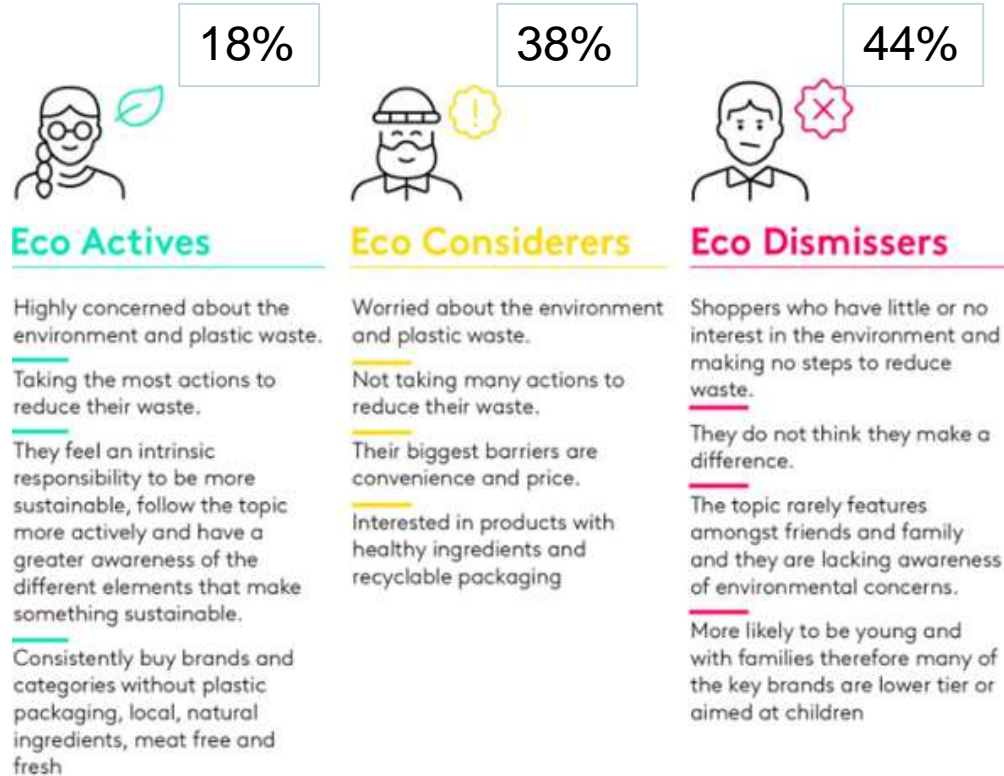
Segments: Motivations Vary

- US & Europe
- On average, 23% buy sustainable products, will pay a premium
- Driven by:
 - High-income households (37%)
 - Gen Z (30%)
 - Millennials (27%)



Global Sustainability Segments

- Eco Actives: Expected to grow from 18% in 2022 to 27% by 2028



Conclusions



- Brand owners are making changes to consumer product packaging
- Based on attitudes, the importance of sustainability and sustainable packaging is growing for consumers everywhere
- Reality: Consumers are not knowledgeable about what is sustainable
- Some consumers prioritize sustainable packaging and will pay more, but cost – and convenience -- are issues for many



Thank You For Your Attention



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