WHITE PAPER

How to enhance your brand value and do good for the environment

THE PAPER BAG CO

CONTENTS

Introduction

Today's consumers are much more socially conscious and environmentally aware than they were a few years ago. This is also reflected in their rising expectations that brands treat the environment in a way that does not compromise the life of future generations. To be successful, brands must not only convince with a unique profile, but also respond to the growing demand for the responsible use of resources and sustainable consumer lifestyles.

This white paper looks into recent studies on how the modern consumers' lifestyles and expectations have influenced their preferences and their shopping behaviour when choosing products and brands. It gives examples of brands that have successfully integrated sustainability into their brand profile. A special focus is put on the role of a product's packaging as an important brand ambassador that influences consumers' decisions at the point of sale. Finally, the White Paper examines why sustainable packaging choices are an important part in the consumer's shopping experience and how you can enhance your brand value by making paper carrier bags an integral part of your customer experience.

Management summary

- Being increasingly concerned about the environment, consumers have started to adopt more sustainable lifestyles and value responsibly sourced and produced products.

- They acknowledge their own responsibility in making this world a better place by making informed purchasing decisions and using their consumption behaviour to achieve positive changes.

- One important aspect in consumers' consumption decisions is the ethical conduct of a brand. They want a brand to support them in being sustainable themselves.

- With the ascendancy of millennials and generation Z, corporate culture must align with sustainable development goals and social calls for action, as these two generations are particularly committed to both.

- Brands that have implemented sustainable development goals in their mission and conduct see an overall growth.

- In their efforts to reduce their environmental footprint, consumers especially pay attention to sustainable packaging, valuing the recyclability and reusability of packaging as the most important aspects.

- Plastic waste is one of consumers' major concerns. Apart from the legislation following the EU Plastic Strategy and the Single-Use Plastics Directive, consumers try to avoid and reduce their use of plastic packaging.

- Paper packaging is a sustainable alternative to plastic. It is not only favoured by consumers but also has high credentials in terms of sustainability: It is recyclable, reusable, sized to fit, compostable, made from renewable sources and easy to separate for disposal.

- In Europe, the raw material of paper bags is sourced from sustainably managed forest areas. Sustainable forest management is an important element in the value chain of the European paper and paper bag industry. It maintains the forests' biodiversity, productivity and potential to fulfil relevant ecological, economic, social and cultural functions, and contributes to climate change mitigation.

- Being an important part of the shopping experience, paper carrier bags perfectly complete a sustainable brand profile. They are a visible part of corporate social responsibility and in line with a modern and sustainable consumer lifestyle.

- Using and reusing paper bags as often as possible not only gives a clear signal of commitment to the environment and reduces plastic waste, but also creates emotional links between the retailer and their customers.

- Paper bags give brands a trustworthy and sympathetic image: By providing paper bags, brands take their responsibility toward the environment seriously and help consumers to avoid plastic waste as well as minimise negative impacts on the environment and oceans.

1 "Sustainable and green" has reached the masses

Europeans care about the environment. According to the Flash Eurobarometer[1] the environment has gained importance among the top eight topics for Europeans. Whereas in 2012 only eight per cent of Europeans stated that they are concerned about the environment, only six years later in 2018, this number has more than doubled, with 19 per cent of

19 % of Europeans regard the environment as the most important issue.

Europeans regarding the environment as the most important issue. With this increasing concern and awareness, consumers have started to adopt more sustainable lifestyles. Among other things, they value products that are sourced and produced sustainably and responsibly. Whether organic or regional produce, fair trade or vegan products, economy and retail have long since adapted their product offer to meet the rising requirements of the socially aware consumers. With growing sales volumes, sustainable products have moved from the niches of health and whole foods shops to the shelves of discounters.

2 Sustainability gains importance in purchase decisions

Going along with this development is the fact that more and more people recognise their responsibility to actively engage in making the world a better place. They want to use their consumption as a vehicle to achieve positive changes. Thus, they make informed and conscientious purchase decisions by paying attention to sustainability when choosing products and brands or conversely by boycotting products:

- According to an Accenture survey[2], 72 per cent of consumers buy more environmentally friendly

products today than five years ago. This number is expected to rise as 81 per cent plan to buy more environmentally friendly products over the next five years.

- 42 per cent of Europeans state that they have stopped buying products due to environmental concerns.[3]

But a product's sustainability is not the end of the line regarding the consumers' expectations. Research on a global and European level shows that in their purchasing decisions, today's consumers also **consider if a company has implemented sustainability in its philosophy, conduct and supply chain**.

- According to global consumer research by Futerra[4], 98 per cent of consumers affirm that brands have a responsibility to make positive changes in the world.

- In Europe, a recent survey by IRI[5] concludes that 71 per cent of Europeans prefer to buy products from companies which demonstrate fairness, transparency and integrity.
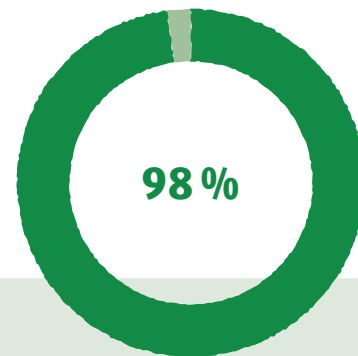
98 % think that brands are responsible for making positive changes in the world.

3 In the consumers' view: the ethical values of a brand

In times when sustainability is almost on every brand's lips, it is very difficult for consumers to judge how green or sustainable a brand and its products really are. They look for a brand's ability to demonstrate its ethical values. Not just by expressing it, but by living up to their responsibility and following a social purpose. There has been much research around

this and 70 per cent of consumers state that they are most interested in hearing about the sustainability impacts of the products they buy[6]. In another study, three out of four global consumers agree that they feel better about brands which make changes to achieve better environmental outcomes.[7]

Also with regard to the whole supply chain, consumers prefer a company's commitment towards the environment. Some 91 per cent of European consumers say they'd choose to spend their money with a supermarket or shop that was proactively encouraging suppliers to adopt more environmentally friendly forms of packaging and policies.[8] But they go even further with their expectations. Nowadays, consumers also want a brand to help them be sustainable themselves and make their own positive difference in the world. This means a brand should think about how it can support consumers to be more environmentally friendly or ethical in their daily lives.[9]

What could this look like? Of course, this support can be provided in several ways. Whether a brand provides clear labelling on their products, transparency about their social and environmental standards in the supply chain or uses environmentally friendly packaging – these are just some examples of how a brand can influence consumers' behaviour for the better. It is important to understand that consumers want more support and guidance from the point of sale to the point of disposal. They do not want to feel guilty about a product they bought or its packaging when it turns into waste. In fact, they want companies to consider the whole life cycle of a product during its development phase. Some 83 per cent of consumers believe it is important for companies to design products that are meant to be reused or recycled.[10]

Besides the environmentally friendly product design, consumers also believe that it is a company's responsibility to support them with the correct disposal and recycling of products. An Ipsos study reports that four out of five people around the world think manufacturers should be obliged to help with the recycling and reuse of the packaging that they produce.[11] This indicates a desire for clear labelling, instructions or best practice examples that consumers can follow easily.

83 %
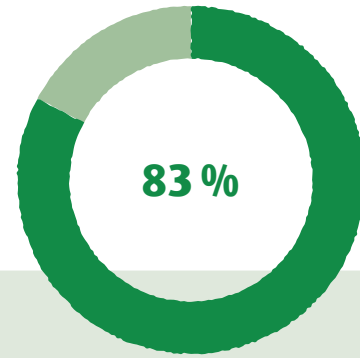
83 % want companies to design reusable or recyclable products.

4 The purchasing power of today and tomorrow: millennials and generation Z – or why sustainability and purpose is a must for successful businesses

Let us have a short look at today's and tomorrow's consumers: millennials (or generation Y) is the name given to the generation born between the early 1980s and the late 1990s. They make up around 30 per cent of the world population. The succeeding generation is referred to as generation Z, born between the mid-to-late 1990s and the early 2010s. Having grown up facing the consequences of climate change, such

Millennials and people from generation Z engage themselves to promote sustainable development in society.

as extreme weather conditions, rising sea levels or the threat to biodiversity and the extinction of species, both generations state climate change/protecting the environment/natural disasters to be their top personal concerns.[12] It is therefore quite obvious that these generations are particularly committed to promoting sustainable development in society, also by actively engaging themselves.

Being born as "digital natives", technology and the internet make these generations very informed consumers – most of the information they want is easily available. On the one hand, millennials and generation Z are active on social media channels, trying to influence businesses and brands to make more sustainable and ethical decisions. On the other hand, the internet and social media allow these generations to connect and mobilise on a mass level.[13] One prominent example of this is the Fridays for Future movement.

5 Brands with a sustainable profile grow faster

Today, 82 per cent of business executives see sustainability as a long-term investment, rather than a cost.[14] There are many brands that have implemented sustainable development goals in their mission and conduct, striving to achieve a change of behaviour among consumers. Adidas, for instance, developed a collection of sportswear and trainers that is based on recycled plastic waste, collected from beaches and coastal regions, and that replaces virgin plastics. By using recycled material, Adidas wants to prevent waste, conserve resources and save the ocean, as the company states on its website. It also gives examples to customers of how even small changes in their everyday lives can have a big impact.[15] With its collection of refurbished clothing, Renewed, the outdoor outfitter The North Face wants to reduce waste and shift from a linear to a circular model where people share, resell, repair and recycle clothing.[16]

These examples show that brands can act as engines leading to a more sustainable world. When creating products and packaging that are relevant to consumers and help them to live in a more sustainable manner, brands will not only positively influence the environment, but also their own business.[17]

One example of a company which has successfully implemented sustainability in their brand purpose and thus accelerated growth is Unilever. After market research in 2016, the company estimated an opportunity of sales growth of 966 billion euros for brands that make their sustainability credentials clear.[18] In 2018, 28 of Unilever's brands – among them Dove, Knorr, Rexona and Lipton – were what the company defined as sustainable living brands, meaning that

these brands take action to make sustainable living commonplace in a way that is relevant to their product, good for society and motivating to consumers.

On its website, the company indicates that those 28 brands grew 69 per cent faster than the rest of Unilever's business in 2018 (46 per cent in 2017). They also delivered 75 per cent of Unilever's overall growth. And in the period between 2014 and 2018, they exceeded the average growth rate of Unilever.[19] Of course, every brand has to define its own sustainability profile, and engage itself in an authentic way to reduce its impact on the environment while having a positive impact on society.
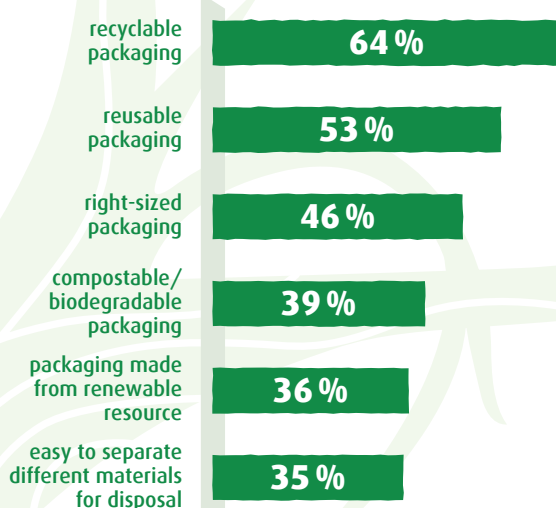
6 The role of sustainable packaging

To reduce their environmental footprint, consumers also pay attention to sustainable packaging options. According to the IRI European Shopper Survey,[20] 72 per cent of Europeans prefer products with environmentally friendly packaging. And another study found that they are increasingly willing to put their money where their mouth is. The number of global consumers who say they would be willing to pay more for sustainable/eco-friendly products grew from 49 per cent in 2011 to 57 per cent in 2018.[21] This is a remarkable development against the assumption that price always plays a big role in purchase decisions.

But what exactly is it that consumers expect from environmentally friendly packaging? Which characteristics are important to them? GlobalWebIndex[22] has asked consumers in the UK and the US. They value recyclability as the most important factor (64 per cent), followed by reusability (53 per cent). These top two reflect the consumers' attitudes towards a company's responsibility to provide recyclable and reusable packaging in the first place. The other aspects that consumers say are important to them are that packaging is not oversized (46 per cent), that it is compostable/biodegradable (39 per cent), that it is made from renewable resources (36 per cent) and that it is easy to separate for disposal (35 per cent). With these features determining sustainable packaging as well as the public's growing concern about plastic waste that ends up in nature, endangering wildlife and biodiversity, the industry is being called upon to rethink the use of packaging materials.

Consumers value sustainable packaging options.

Consumers' expectations on environmentally friendly packaging

recyclable packaging	64 %
reusable packaging	53 %
right-sized packaging	46 %
compostable/ biodegradable packaging	39 %
packaging made from renewable resource	36 %
easy to separate different materials for disposal	35 %

7 Consumers pay attention to avoiding plastic waste

We have all seen these disturbing pictures: an island of plastic waste floating in the ocean, beautiful beaches disfigured by plastic waste, dead birds or sea animals with plastic pieces in their stomachs. Adding to that, we read headlines in 2018 about countries such as China and India that refused to import plastic waste. The question arose: What will we do with all that waste in the future? The public's attention has been drawn to a problem that needs to be solved. More than 53 per cent of European consumers consider plastic waste as one of their top-three concerns. For 23 per cent of respondents, plastic waste even presents their single main concern.[23]

In 2018, the European Commission launched an EU-wide plastic strategy with the intent to transform the way products are designed, produced, used and recycled in the EU. According to the EU Plastic strategy[24], all plastic waste must be recyclable by 2030. As a part of this, the Single-Use Plastics Directive bans single-use products made of plastic such as cotton bud sticks, cutlery and straws for which alternatives exist. This Directive follows the Directive (EU) 2015/720 of 2015, which entailed the introduction of charges for the use of plastic bags and changed shoppers' behaviour across the continent.

Apart from the efforts of the plastic industry to improve the economics and quality of plastic recycling, the first companies have switched from plastic packaging to other materials such as paper. Two prominent examples:

- In May 2019, the fourth-largest supermarket chain in the UK, Morrisons, introduced paper carrier bags to remove unnecessary plastic from its stores. This step will remove an estimated 1,300 tonnes of plastic from the environment each year.[25]

- In November 2019, the frozen food supplier Frosta replaced its plastic with paper, saving 40 million plastic packages per annum.[26]

Besides legislation, the consumers' worries and their awareness of the plastic problem influence the way they look at packaging: 46 per cent of Britons feel guilty about the amount of plastic they use, and 82 per cent are actively trying to reduce the amount they throw away. This motivates them to consider changes in their behaviour, including paying more so companies will find alternatives to single-use plastics.[27] A survey from Two Sides[28] found that 48 per cent of European consumers would avoid retailers that are not actively trying to reduce their use of non-recyclable plastic.

Plastic waste among top three concerns for more than half of European consumers.

8 The sustainable alternative: paper

Whether bag or food packaging – why did those companies switch to paper and not another material? Many consumers favour paper when it comes to packaging. A survey conducted by Two Sides[29] suggests that paper and cardboard packaging ranks highest with consumers as a material for sustainable packaging. They value it especially for the following attributes: home-compostable (72 per cent), better for the environment (63 per cent) and easier to recycle (57 per cent). Besides these convincing figures regarding the consumers' opinions, paper is also the obvious solution when looking at the aspects of environmentally friendly packaging that consumers find important[30] (see chapter 4).

Paper fulfils all their demands:

- **Recyclability:** In general, a cellulose fibre from a paper product can be recycled up to six times[31] before it is turned into bioenergy or composted at the end of its life cycle. And the recycling of paper is already a common process. In Europe, the paper recycling rate was 71.6 per cent in 2018.[32] The target for 2020 being 74 per cent.[33] The recycling rate of paper-based packaging (paper and cardboard) is even higher with 84.6 per cent in 2017.[34]

- **Reusability:** Paper packaging is reusable. Just think about the shoebox that you can reuse to ship the birthday gift to your aunt. Another example is paper bags. Paper bags should be reused as often as possible to minimise impacts on the environment.

- **Sized to fit:** Paper packaging can be adapted to any size required. Retailers and brands should make sure they use the perfect size for their product.

- **Compostability/biodegradability:** Due to their natural compostable characteristics, paper products degrade in a short period of time (two to five months).

- **Made from renewable resources:** The raw material used in papermaking – cellulose fibre extracted from wood – is a renewable and ever-growing natural resource.

- **Easy to separate for disposal:** Paper packaging does not need to be separated; it is all made from one material and can be disposed of easily.

In Europe, the raw material of paper bags is sourced from sustainably managed forest areas.

Another important aspect: In order to be environmentally friendly, the raw material of the paper has to be sourced responsibly.

9 The role of paper and the paper bag industry in climate protection

In Europe, the raw material of paper bags is sourced from sustainably managed forest areas. Sustainable forest management is a central element in the value chain of the European paper bag industry. It denotes the use of forest areas in a way that maintains their biodiversity, productivity, regeneration capacity, vitality and potential to fulfil relevant ecological, economic, social and cultural functions. Not only for today, but also for future generations, and without causing damage to other ecosystems. Thanks to the continuous replanting of trees in sustainable forest management, Europe has had a positive net change in forest area during the last 25 years. During this period, the forest area has increased by 17.5 million hectares. This corresponds to almost half of the area of Italy.[35]

Trees absorb CO_2 from the atmosphere and emit oxygen. The average annual sequestration of carbon in European forest biomass amounts to 719 million tonnes of CO_2.[36] This offsets the fossil CO_2 emissions generated annually by Germany.[37] Furthermore, as a wood product, paper continues to store carbon throughout its lifetime. This carbon sequestration time is extended when paper products are reused as often

as possible and recycled. Recycling paper means reducing polluting emissions produced by landfill sites. A recent study found that global reforestation is one of the most important measures against global warming.[38] Taking good care of their natural resource for papermaking, the paper and paper bag industry contribute to climate change mitigation.

10 Completing a sustainable brand profile with paper carrier bags

Being an important part of the shopping experience, paper carrier bags perfectly complete a sustainable brand profile. Imagine a brand that promotes saving the ocean. If that brand uses unnecessary plastic packaging for its products – its trustworthiness and honesty will be in question. Retailers and brand owners that hand out bags made from renewable, recyclable and biodegradable resources offer to their customers an environmentally friendly alternative, and contribute to reducing the use of non-biodegradable shopping bags.

Thus, paper bags are a visible part of the corporate social responsibility that a retail brand can develop – not only for the person that carries the bag, but also for passers-by on the street. They are in line with a modern and sustainable consumer lifestyle: Using and reusing paper bags demonstrates a clear commitment to the environment. What is most important for brand owners is that paper bags offer great opportunities to boost other aspects of a brand's image as well.

A paper bag can carry a wide range of products – from luxury, fashion and decorative items to food, pharmaceuticals and electronics. But it does not only function as a means to transport the shopping items from the point of purchase to the home of the consumer. It also enhances the consumers' shopping experience by adding value to their purchase. Many consumers are as fond of attractive paper shopping bags as they are fond of the products they have bought of a certain brand. They like to reuse those bags not only for environmental reasons but because they remind them of a great shopping experience. This way, paper shopping bags create emotional links between the retailer and their customers; they give them a positive feeling when they carry them around.

In addition to this appealing factor, they are an excellent and inexpensive vehicle to project the brand image of retailers. The paper bags' outstanding print quality and colour reproduction allow for great creativity in advertising and the development of the brand image. Moreover, paper bags are very tactile due to their texture and shape.

When using paper bags made from responsibly sourced renewable resources, brands meet two essential requirements of today's consumers: They take their responsibility toward the environment seriously by providing natural and sustainable packaging. Moreover, they help consumers to avoid plastic waste and minimise negative impacts on the environment such as the pollution of land and oceans. As a secondary packaging choice, paper bags are an important piece of the puzzle that completes a brand's sustainability profile and gives it a trustworthy and sympathetic image.

Paper bags are an important part of the shopping experience.

FOOTNOTES

[1] Flash Eurobarometer 472, 2019

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Page 9: GfK with Europanel and Kantar, Who cares who does? Consumer Response To Plastic Waste, September 2019