

# Sustainable Packaging Business Case

## Cost, Compliance and Consumers

The packaging supply chain is in a stage of rapid transformation. In the UK, new legislation under the Packaging Reforms incentivises packaging material to be used more than once, with responsibility for the significant costs of this increasingly circular system transferring to producers.<sup>1</sup> These fees will initially cover the running of today's packaging waste management system, but over time will incentivise more sustainable packaging choices.

The drive to reduce material usage in line with existing environmental commitments, for example the WWF Basket and some Net Zero plans calls for innovation in how products are formulated, transported and displayed.<sup>2</sup> How packaging materials are chosen, sourced, used and re-used also needs to evolve.

The underlying infrastructure to support this transition is not sufficiently established however. There are insufficient waste management

facilities in the UK to provide industry with the more sustainable, recycled materials that it needs. Additionally, there is no common scaled infrastructure to support new prefill or refill solutions. Investment is also needed from businesses to develop and adopt more sustainable and efficient packaging materials and formats.

Resource use, including packaging materials, is therefore an increasingly high-profile risk and cost to track and mitigate. This is the case even if packaging represents a small proportion of an individual business's carbon footprint.

The changing environmental disclosure agenda, led by the EU's Corporate Sustainability Reporting Directive (CSRD), will drive increased focus on resource use. This is because a significant proportion of environmental impacts are generated as raw materials are extracted and converted into packaging.

Executive summary

March 2024



**Sustainability** from **IGD**



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Businesses will need to comply with future reporting requirements and be prepared for greater scrutiny from investors and NGOs. This will incentivise a risk-managed approach to the packaging supply chain, offering opportunities to use the emerging compliance requirements as a basis for commercial advantage.

Although consumer interests remain focused on plastic, this can often be the most appropriate material when broader environmental impacts are considered.<sup>3</sup> Moving the conversation beyond plastics to an all-materials perspective is crucial. As consumer understanding of sustainability improves, so will it be their expectation that industry lead and make the right sustainability choices for them.<sup>4</sup>

Sustainable packaging should therefore be a priority for all businesses in order to manage increasing costs from a changing regulatory landscape, comply with new disclosure requirements and respond to an environmental challenge high on the agenda for consumers. Businesses that prioritise packaging can reduce environmental impacts and regulatory costs through upfront investment into sustainable packaging.

- 1 The Collection and Packaging Reforms include Extended Producer Responsibility (EPR) for packaging, Simpler Recycling and Deposit Return Scheme (DRS).
- 2 Packaging accounts for an estimated 2-10% of a UK retailer's carbon footprint, dependent on their business model (for example petrol sold vs not, online vs in-store balance). It can account for 2-45% of a manufacturer's carbon footprint depending on their product.
- 3 See the [IGD Sustainable Packaging Ambition analysis](#) for wider impacts that should be considered, including on water, land, climate change (carbon) and virgin resource use, as well as the need to take an 'all-materials' approach to packaging strategies.
- 4 IGD, 2022. Shopping sustainably in a cost-of-living crisis.





# Halving the environmental impacts of UK packaging systems by 2030

[IGD analysis](#) shows that making the current single-use packaging system as efficient as it can be and removing 20% of packaging volume from the market by 2030 (vs 2019) is required to halve its environmental impacts. This cannot be delivered without scaling reuse systems – prefill (swapping a pre-filled container) or refill (customer brings a re-usable container), in-store or at home. Investment is needed, as well as scalable commercial models.

## Sustainable packaging examples

There are many opportunities to reduce the environmental impacts of packaging that also drive commercial benefit. Using less packaging can lower materials costs, improve pack fill, supply chain and store efficiencies, as well as reduce transport costs and carbon emissions. The following examples illustrate sustainable packaging approaches taken both in-store and via home delivery.



### Major format or material change

- ▲ Sainsbury's mince vacuum packaging



### Product reformulation (concentrates)

- ▲ Neat dilutable cleaning and hand soap refills



### Prefill in-store (customer exchanges packaging)

- ▲ M&S cleaning and laundry products trial



### Refill in-store using existing fixtures

- ▲ Fyllar refill system on trial in Lidl, Netherlands



### Refill in-store using pre-filled packs

- ▲ Aldi trial as part of the Refill Coalition



### Prefill via home delivery

- ▲ Abel & Cole 'Club Zero' home delivery

IGD has also published a full report on the business case for sustainable packaging and calls to action to deliver more sustainable packaging systems. Click [here](#) to download the free report.