

## THE BUSINESS CASE FOR PACKAGING SUSTAINABILITY

# Kathmandu

# Unlocking business value through packaging sustainability



# Australian Packaging Covenant

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## Summary

Kathmandu designs and sells clothing and equipment for travel and adventure in Australia, New Zealand and the United Kingdom. This case study describes three packaging redesign projects that are delivering multiple business benefits for Kathmandu, their suppliers and customers. The first project, redesign of packaging for thermal clothing, illustrates how Kathmandu has partnered with a supplier to achieve Forest Stewardship Council (FSC) certification. The second project emphasises the 'in-store' benefits of a redesign in footwear boxes. The final example, removal of a cardboard swing tag, shows that even relatively simple packaging changes can deliver multiple benefits for business and the environment.

## Lessons from this case study

- **Changes in packaging can have a 'ripple effect' across a business – delivering multiple business benefits.** If packaging improvements are examined in isolation, then the full benefits across the business are unlikely to be identified. It is important to engage with and involve internal and external stakeholders early in a project in order to maximise the business benefits.
- **Business changes can present an opportunity to redesign packaging from a business and sustainability perspective.** When Kathmandu rebranded its products, this created an opportunity to improve packaging from a sustainability as well as a marketing perspective.
- **Suppliers are more likely to support a packaging sustainability project if they understand the benefits to their own business.** When Kathmandu sought FSC certification for packaging of its thermal underwear range, it worked in a collaborative way with a key supplier rather than changing to a supplier that had already achieved certification. To engage the supplier Kathmandu emphasised the benefits of a long term relationship and the opportunity for the supplier to use FSC certification to win new business.
- **Relatively simple innovations can help to promote the benefits of packaging sustainability internally.** Removing swing tags on water bottles reduced costs and helps Kathmandu to meet its sustainability commitments. A focus on achievable projects can provide the evidence needed to justify investment in more ambitious and complex packaging redesign projects.



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## About the company

Kathmandu Holdings Limited (Kathmandu) is a brand owner and retailer. Kathmandu designs and sells clothing and equipment for travel and adventure in over 150 stores. Its first store opened in 1987 in Melbourne. In November 2009, Kathmandu became a publicly listed business on the Australia and New Zealand Stock Exchanges. Today over 2100 staff service Kathmandu stores, distribution centres and offices in Australia, New Zealand and the UK.

Kathmandu has its own design team and over 95% of all sales are Kathmandu-branded products. Since 2008 Kathmandu have used their *enact* brand of clothing to drive innovation in the use of recycled fibres and other environmentally preferable materials.

## Approach to packaging sustainability

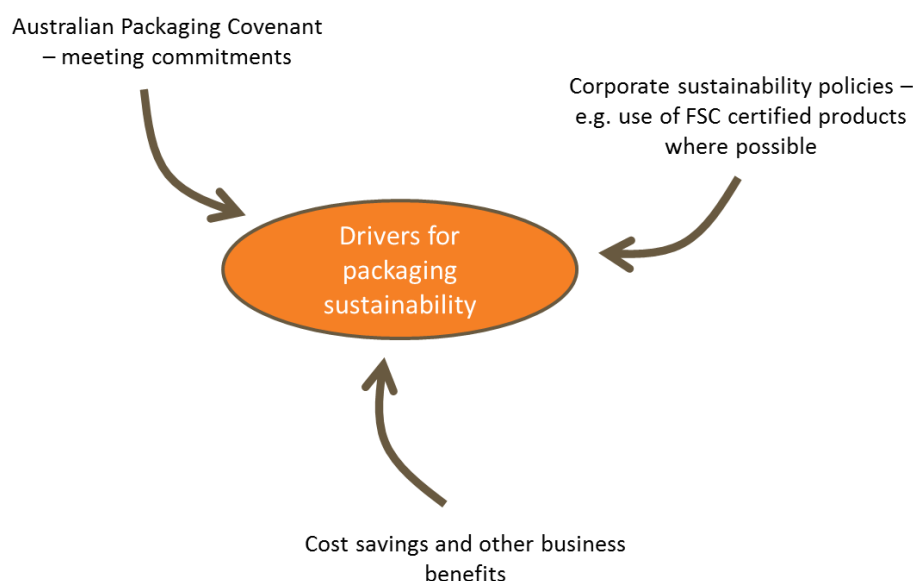
### Developing a cross-divisional perspective

The traditional approach to packaging at Kathmandu was focused on marketing and protecting the integrity of products. As the company has grown, and through its involvement in the Australian Packaging Covenant (APC), the approach to packaging has shifted to align more directly with Kathmandu's corporate commitment to sustainability.

Three key drivers influence Kathmandu's approach to packaging sustainability (**Figure 1**).

1. Meet corporate sustainability commitments. For example, in 2012 Kathmandu committed to transitioning all paper-based packaging to Forest Stewardship Council (FSC) certified products. The FSC label certifies that forest products are sourced from responsibly managed forests.
2. Deliver on Kathmandu commitments made under the Australian Packaging Covenant (APC).
3. Achieve cost savings and related business benefits.

**Figure 1: Drivers to improve packaging sustainability at Kathmandu**



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Packaging sustainability is managed by the team that design and source products (the product team). Since early 2013 however, Kathmandu has involved staff in other divisions in packaging redesign processes. This approach has helped to ensure that a focus on sustainability delivers benefits for internal and external stakeholders as well positive environmental and social outcomes. Three packaging redesign projects are described below to illustrate the benefits of a business-wide approach:

1. thermal clothing packaging
2. footwear boxes
3. removing swing tags from water bottles.

## Reviewing packaging of thermal wear prompts collaboration with a supplier

Thermal clothing ('thermals') such as leggings, underwear and tops, are flagship products for Kathmandu. They are a high volume category and around 50,000 units are sold each year. An update to the corporate brand in 2012 provided Kathmandu with an opportunity to review the packaging of thermal products and deliver on its APC Action Plan. An early priority that was identified was to minimise the costs associated with sourcing FSC certified cardboard.

To obtain FSC certification a packaging material must be tracked from source and through the entire production process (the so called "chain of custody"). Kathmandu had been sourcing FSC-certified cardboard from Australia, which was shipped to New Zealand for printing. The packaging would then be transported to the garment factory in China to be packed.

As part of the packaging review Kathmandu examined the possibility of having its packaging supplier in China obtain FSC certification. This can be challenging, with a significant investment required on the part of the supplier. The first step was to convince the supplier that their investment in certification would be worthwhile. Two main arguments were put forward:

1. Globally the outdoor retail industry is proactively trying to improve the environmental performance of its packaging. FSC certification could improve the competitiveness of the supplier and broaden its customer base.
2. Kathmandu is one of their largest customers in the Asia Pacific region and were offering a long term relationship with the supplier.

Certification was obtained over a 6 month period. It involved frequent communication between the Kathmandu team and management at all levels within the supplier company. While obtaining certification involved considerable time and resources on the part of Kathmandu, it means that they now have a value proposition and process that other suppliers can follow to obtain FSC certification. This means that Kathmandu is able to have a positive influence on the environmental performance of its suppliers while reducing the supply cost of sourcing FSC-certified products.

Kathmandu managed to offset the additional costs of FSC certification by making other changes to the design. For example, the new packaging uses less cardboard and less printing on the box, and both of these achieve financial and environmental saving. Other benefits of the new packaging include:



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- Reduced environmental impact by using soy based inks
- Improved retail display
- Improved sales by making the thermals more accessible to customers (an open 'window' in the box means that the customer does not have to remove the product from the packaging to touch and handle it).

From a marketing and sales perspective this final point is of considerable benefit. Since thermals are often worn directly on the skin, customers are able to more easily access the product to feel its texture – which is a key selling point for these products.

## Reinventing the shoebox

The benefits achieved through redesigning the thermal clothing packaging were widely promoted within Kathmandu. This helped build support for conducting other comprehensive packaging reviews. One example is the redesign of footwear packaging.

The starting point for the review was to look across the value chain to identify the impact that a packaging change has on different stakeholders. By examining the impacts, these stakeholders were more engaged in the process and it meant that the multiple benefits of the project were apparent to all involved from the start of the process. The APC sustainable packaging principles provided useful guidance to the process.

This informed the criteria that were established for the box redesign. Criteria were based on the perspectives of each stakeholder:

- Customers:
  - Make the design attractive to encourage re-use
  - Ensure that it can be easily recycled
- Retail team in stores:
  - Reduce the space required for storage by creating 'retail ready' packaging that forms part of the shop floor display
  - Facilitate easy identification of shoe size
  - Provide an opportunity for the store to reuse boxes left behind by customers
- Transport and logistics team:
  - Reduce overall weight and size to improve transport efficiency
- Marketing team:
  - Ensure the brand values and guidelines are maintained.

After obtaining input from stakeholders across the business the existing box was compared with packaging used by other major footwear brands. This benchmarking activity considered the relative size and weight of other cardboard boxes and also examined alternative packaging approaches.

One of the most significant opportunities to achieve environmental and cost savings was to reduce the amount of printing on the box. Print coverage was reduced from 86% to 8% without compromising appearance and the brand values. To facilitate access to the boxes by retail staff colourful stickers with sizing information were used as an alternative to printing the sizes on boxes. This provided greater flexibility in terms of where the stickers were placed (to facilitate access in storerooms) and allowed boxes that customers left at the store to be reused by rationalising box sizes and providing stickers to re-label the boxes. The boxes



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were also able to be used as an in-store display which reduced back room storage needs in the retail stores.

*“When you think about packaging in a silo you don’t really create much value for the business, but when you think of it holistically across all functions then you open up opportunities to deliver significantly greater value.”*

Tim Loftus, Sustainability Manager, Kathmandu

## Removing swing tags on water bottles

Kathmandu has also identified a number of relatively straightforward packaging changes that have delivered significant benefits. One example is the removal of swing tags from water bottles.

This project came about as the team responsible for meeting the APC commitments considered how they could gain some easy but high impact wins. This involved questioning the need for packaging associated with water bottles. The team found that the main purpose of a paper swing tag was to provide a bar code to facilitate inventory management and sales. However, it was quickly determined that in most cases the bar codes could be printed directly on the bottles and added using a sticker.

The removal of swing tags provided a relatively easy and high impact ‘win’ due to the reduction in the need for the paper packaging and associated printing costs and environmental impact. Some water bottles do require additional information – for example those that are BPA-free or for which there are particular cleaning requirements. An improvement on stickers has been to use a silicon material that reduces the need for glue and has an added benefit in reducing the risk of sticker removal due to changes in humidity throughout the shipping process.

## Selling the benefits of a project to stakeholders: keys to success

- **Begin the stakeholder engagement process by exploring the interests of different stakeholders - before exploring sustainability benefits.** Kathmandu found that stakeholders would be more engaged in projects when the impact of packaging redesign was examined *from their perspective first*. This helps staff to focus on the relevance of the change to them and it helps to overcome the tendency for staff to think that packaging sustainability is not relevant to what they do.
- **Identify and measure the commercial benefits.** At Kathmandu packaging projects that achieve a financial return on investment are prioritised. If the achievement of an environmental goal adds to the cost (e.g. FSC certification), look for other strategies that can help offset the increase (e.g. reduced size or print coverage).

