

THE BUSINESS CASE FOR PACKAGING SUSTAINABILITY

Metcash

A progressive approach to sustainable packaging across business divisions and operations



Australian Packaging Covenant

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Summary

Metcash is a wholesale distribution and marketing company in grocery, fresh food, liquor, hardware and automotive parts and accessories. Metcash's customers are independently owned retail stores, including those which operate under the Metcash portfolio of brands. Metcash brands include: IGA, Mitre 10, Cellarbrations and Autobarn.

This case study describes the company's progressive approach to applying sustainable packaging principles across its business divisions. It also examines how Metcash has utilised the work of sustainability champions to improve internal recycling rates across its operating sites.

Lessons from this case study

- Changes in business structure can present opportunities to share experiences, build staff awareness and ownership of packaging improvements, and help to refine packaging review processes.
- It is important to conduct packaging reviews early in the product development and procurement process so that suppliers have sufficient lead time to modify packaging designs.
- In a diverse business with multiple divisions, individuals that are given responsibility for identifying and implementing change (called sustainability champions at Metcash) can play an important role in addressing stakeholder concerns, establishing efficient systems and processes and keeping managers informed of the benefits of packaging sustainability.



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About the company

Metcash began as a family owned corner store in 1920. Today, it is an ASX Top 100 company. In the 2012/13 financial year Metcash generated \$13 billion dollars of sales. This included around \$500million of sales for its own private label brands such as No Frills and Black & Gold. Metcash services independently owned retail stores which operate under a portfolio of brands including IGA, Mitre 10, Cellarbrations and Autobarn. Metcash supports retail store owners through activities that include buying, merchandising, marketing, brand building, distribution, logistics and warehousing.



Approach to packaging sustainability across the Metcash business

Improving the packaging review process with the Mitre 10 division

To deliver on its Australian Packaging Covenant (APC) commitments, a central strategy for Metcash is to undertake product reviews that incorporate the sustainable packaging guidelines (SPG) as products are renewed or as contracts are retendered.

In 2010 Metcash acquired a share in the Mitre 10 hardware wholesaling business; the business was fully acquired in 2012. At the time of the acquisition, Mitre 10 was a signatory to the APC and was in the process of actively implementing its own APC Action Plan.

When the two companies came together, a working group was formed to determine the most effective way to progress APC commitments in a consistent and integrated way. The working group members included the Metcash Sustainability Manager, the Mitre 10 APC contact officer, marketing representatives and the head of risk at Mitre 10.

Regular meetings were held over a period of six months to determine the most effective approach. These provided an opportunity for each of the working group members to share their experiences, concerns and new ideas. Exploring the specific interests of each team participant helped the team to establish a shared goal for the working group. That is, to achieve the Metcash APC action plan commitments efficiently and effectively while at the same time drawing on the strengths and perspective of each of the working group members.



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The meetings also served to upskill the team in sustainable packaging principles and applications, for example by showing photographs of improved packaging. The sustainability manager addressed concerns about the additional workload by showing how reviews would be supported by the sustainability team and integrated into existing procurement processes.

It was determined that the private Mitre 10 label 'Buy Right' should be reviewed first. Together with the Gard&Grow and MiPro brands, the Buy Right brand makes up the second largest proportion of Metcash's corporate branded product sales. In 2012/13 these brands accounted for product sales of \$30,000,000 or 6% of private label sales. It was agreed that the process should be similar to the packaging review approach taken within the Food and Grocery Division of Metcash. At the time of writing, these reviews were in progress. It is expected that by conducting the reviews early in the product supply process that there will be more opportunities for improvement than have been identified when packaging reviews have been undertaken in the past. The key steps are:

1. At the time of product renewal or retendering, suppliers are required to complete the Metcash Product Specification form. The form includes questions that address the SPG as well as other procurement requirements.
2. The sustainability team then reviews the form and product packaging against the SPG. Following the review a letter is provided to the supplier with recommendations for the actions they could take to improve the sustainability of their packaging.
3. Suppliers are required to respond within 10 days outlining what actions they will take to improve the sustainability of their packaging.
4. These responses are recorded in a Packaging Register which is maintained by the Sustainability Team.
5. Supplier responses are discussed at monthly Quality Assurance meetings, involving representatives from Corporate brands, Consumer Support, Food Safety and Sustainability.

"The earlier in the product review or retendering process that packaging sustainability is considered, the better the outcomes for all of the stakeholders involved."

Louise Rhodes, Group Sustainability Manager, Metcash

Improving recycling rates across all operations

The stakeholders that can influence waste and recycling within Metcash are quite different to those involved in packaging reviews. Typically they are operational staff involved in packing and repacking of products as they are distributed across Metcash operations.

To target operational improvements the Sustainability Team had established green teams made up of volunteers, with the aim of one team at each worksite. The Sustainability Team supported each of the green teams by coordinating meetings and maintaining records of the plans and achievements of each green team. However, this approach involved a lot of administration and there was limited staff engagement within each of the main business divisions.

An alternative approach was developed that focused on individual sustainability champions. These champions were nominated by the General Manager (GM) in each division in each

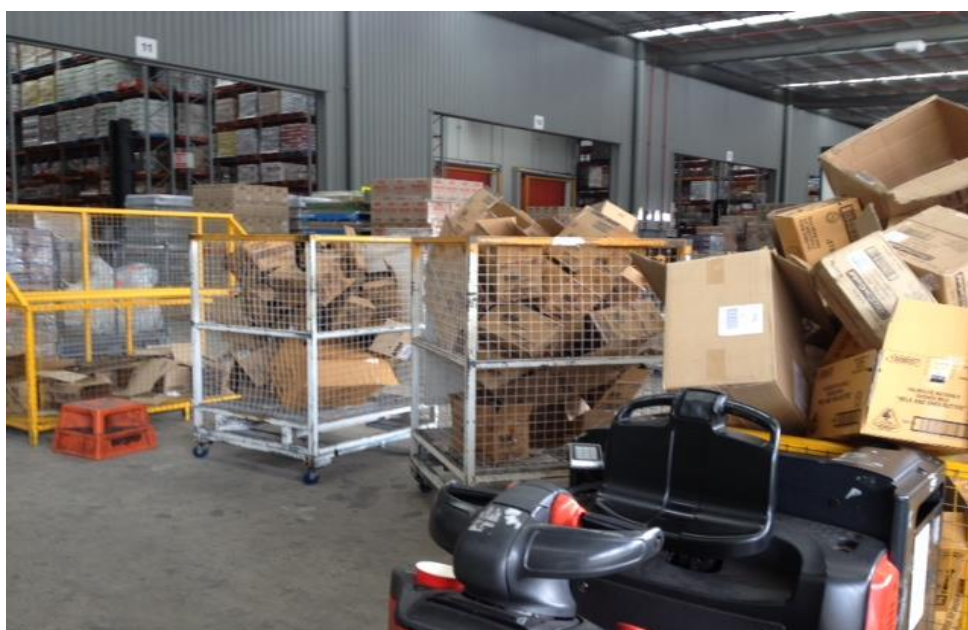


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state. The professional and technical background of the individual was not considered important. Rather, the GMs were encouraged to select individuals who demonstrated excellent leadership and influencing skills. Those selected have varied experience including in property, finance, risk and compliance. This approach meant that many new ideas were identified and the ideas were shared across divisions and regional operations. It has also brought in new perspectives on the strategies needed to implement the organisational changes required.

One packaging project that has emerged from this approach aims to standardise cardboard boxes used in distribution and reuse them wherever possible (Figure 1). The sustainability champions had found that cardboard boxes are purchased from multiple suppliers and box sizes vary between states. They also discovered that some sites were reusing boxes for distribution to smaller stores.

Figure 1: Metcash sustainability champions aim to standardise the different box types used as secondary packaging



Cost savings in procurement and waste disposal are expected to be achieved by standardising boxes and ensuring that they are more completely filled and re-used wherever possible (i.e. where picking is not automated). To progress this idea, sustainability champions are contacting the warehouse managers in each state, obtaining data on box procurement and observing the way that packing is undertaken on each site. Data is also being collected on reuse rates and associated savings where this is occurring. Champions will then come together to share their data and to identify the sites where improvements can be implemented.

An important part of the change strategy is to highlight the successful practices on sites that are doing this well. By highlighting the benefits and showing what is possible, it is expected that this approach will make it easier to convince warehouse managers on other sites to adopt new practices. The Sustainability Team plans to document how re-use of cardboard boxes was established, the steps taken, who was involved, and results into a results memo. This will be shared amongst the Sustainability Champions and discussed at their monthly



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meetings, with the request that information be shared and action encouraged at each champion's own worksites.

Outcomes

Examples of the benefits of the inhouse recycling efforts include that Crestmead Distribution Centre increased recycling rates, have reduced the frequency of waste services from a 5 day to a 4 day service, delivering a saving of over \$10,000 per annum. At IGA Fresh Pooraka, improved recycling rates are delivering a saving of around \$100,000 per annum.

Procedures to evaluate and reduce the environmental impacts of packaging are being improved to ensure that this occurs earlier in the procurement process.

An additional and unexpected benefit for Metcash is that the lessons learned through the packaging review process have been applied to other business activities. The APC action plan included projects that delivered outcomes through new business processes at minimal or no cost. Learning from that approach, Metcash is currently delivering energy cost savings and greenhouse gas reductions with little capital outlay by modifying operational practices across its sites.

Additionally, reviewing packaging processes with a new business division (Mitre 10) and leveraging the work of sustainability champions, is helping to build new and constructive relationships between managers across each of Metcash's four business divisions.

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

- **Use changes in the business structure to engage with stakeholders across business divisions.** While restructuring and changes in business ownership present potential conflicts due to different management systems and business priorities, these changes can also provide an opportunity to share good practices and establish new and improved business processes. Draw on the experiences of those involved, seek to understand their concerns and build ownership for a new or modified approach. This can help to overcome resistance and deliver benefits to all of the business divisions involved by establishing constructive relationships that learn from and value different approaches.
- **Use 'champions' with varied backgrounds to promote the benefits.** At Metcash green teams were developed to progress sustainability initiatives across the organisation. However, when it was found that the approach was overly bureaucratic and didn't have support at the business division level an alternative approach, based around individual champions, was developed. In part, the success of this approach is that GMs nominate individuals and it is clearly explained that leadership skills are the most important attribute of these individuals. Additionally, the different backgrounds of the champions mean that benefits are more likely to be communicated in language that is most appropriate to each particular stakeholder.

