

International Symposium on Bioplastics, Biocomposites and Bio Resin

We Can't Forget the Consumer

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GUELPH ONTARIO

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The Consumer is About Choices



Caution / Warning

I’m not a scientist…

- It was suggested to me back in 1974, that my prospect for success at University might improve if I avoided studying any form of science….

Nor an academic…

- I marvel at your ability to solve complex problems with logic and disciplined thinking

Just a businessman.

- Who has served consumers and customers for more than 40 years.



Presentation Objective



To provide the ISBBB insights into other parts of the Circular Economy from a company that has encountered challenges in some of the stages. My hope is the design and manufacture stages, which is the focus of most of your innovative work, can find solutions that work.

Three issues are being called out for additional focus and I hope these insights help you in your research:

1. How we educate the Consumer.
2. How is the recycling sector funded properly?
3. The single use plastic discussion has brought awareness but… these could be lost if we are careful with the implications of greenwashing, to our collective efforts.

And the Consumer RULES

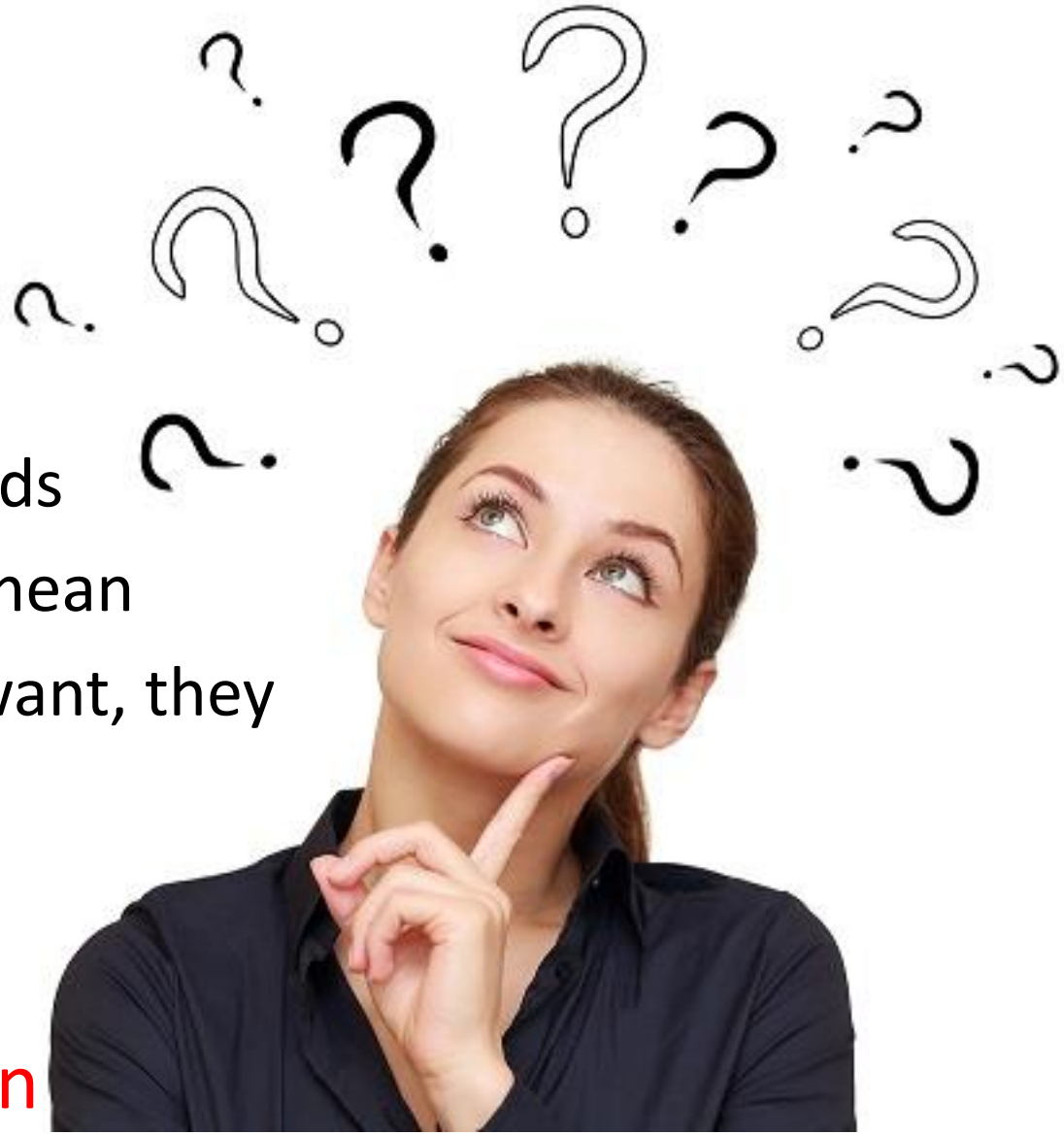




They make the decision to take a product off the shelf
or click on the box to create an order

The Consumer is Complicated

- They want things they can't have
- They have things they don't need
- They crave uniqueness, yet follow trends
- What they say is often not what they mean
- However, when they want what they want, they usually want it now
- And they want it… for the right price
- Marketing addresses these challenges but the *driver for change* is Innovation



Innovation Requires…



An unmet consumer need



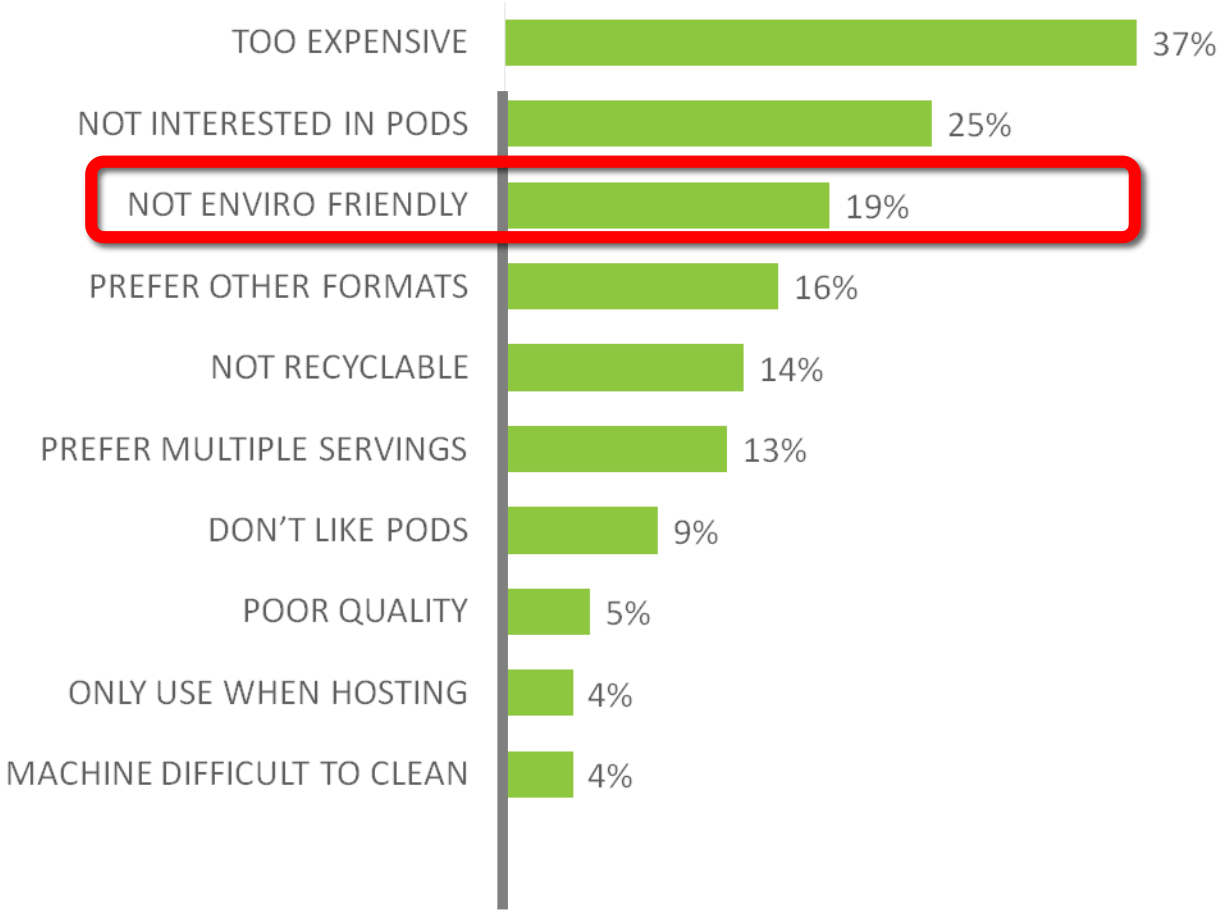
IP (invention) that can be commercialized



Multiple partners to get to market successfully

Environmental Concerns are a Key Factor to Avoiding or Using Pods

TOP REASONS FOR INFREQUENT AND/OR NON-USE OF POD MACHINES



AC Nielsen Survey: Q16. You mentioned that currently you infrequently/never use or you do not own a single serve pod/capsule brewer at home for tea and/or coffee. Why is that? BASE: TOTAL P6M TEA AND/OR COFFEE CONSUMERS WHO INFREQUENTLY/NEVER USE POD MACHINES, n=3148

The Unmet Need in 2014

4 Million K Cups per day in Canada go into the waste stream



Placed end to end, each days usage would extend 175 Kilometers

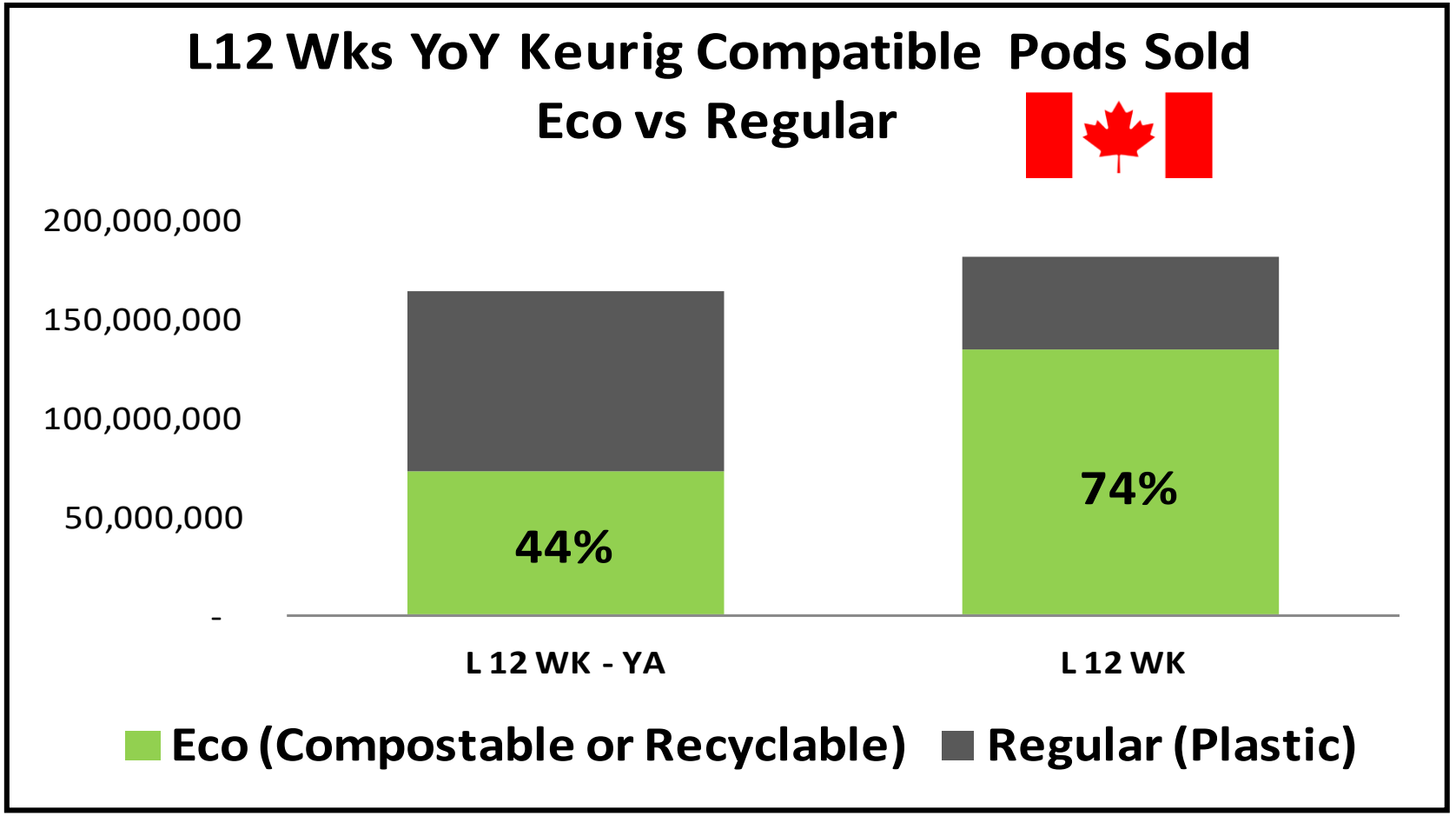


The distance between Toronto's Union Station and the University of Guelph and back to Union Station





Consumers Demand Eco-Friendly Solutions in SS



- "Eco-pods" ~74% L12wk sales
- Compostable Pods up 30% YoY

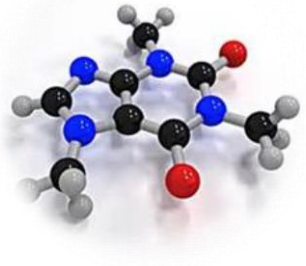
THE CONSUMER IS $PEAKING AND MANUFACTURERS ARE RESPONDING

Our Job at Club Coffee

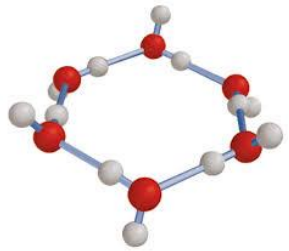
Getting her → To enjoy → More of this







Caffeine



Water

Our Journey; Complexity, Adaptation and Resilience

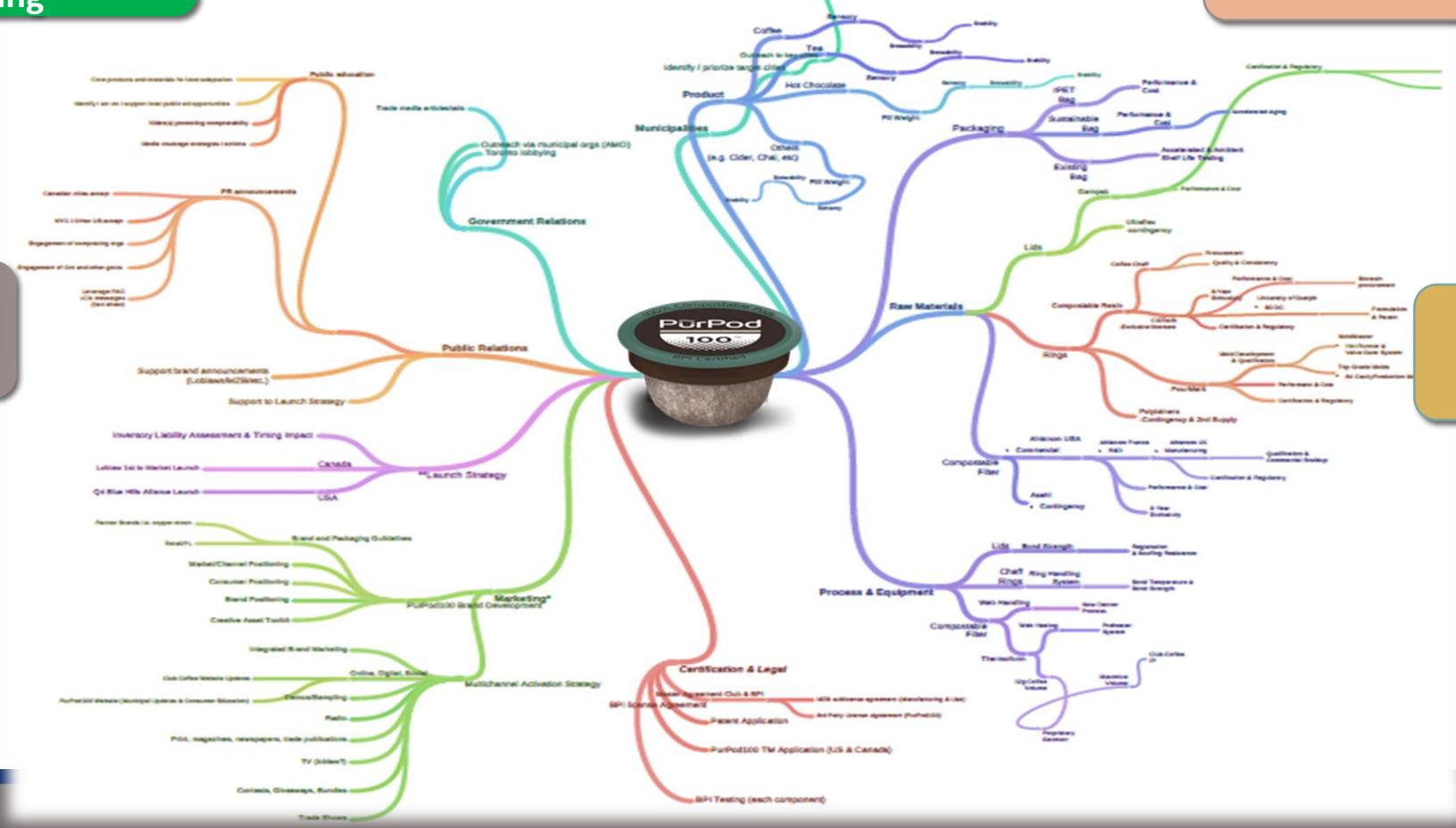
R&D, 3rd Party Testing, Certification, Patent

Municipal and Alternative Collection Testing

Communication, CSR, Marketing

Association, Industry and Government Support

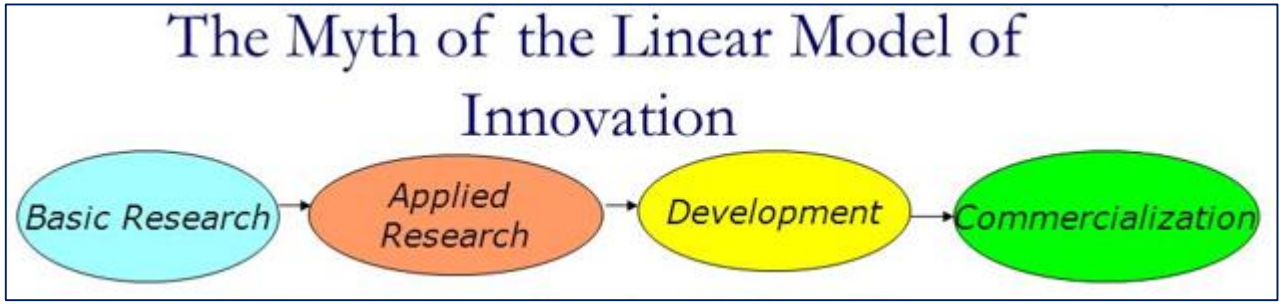
Brand/Product Launches, Packaging, Regulatory



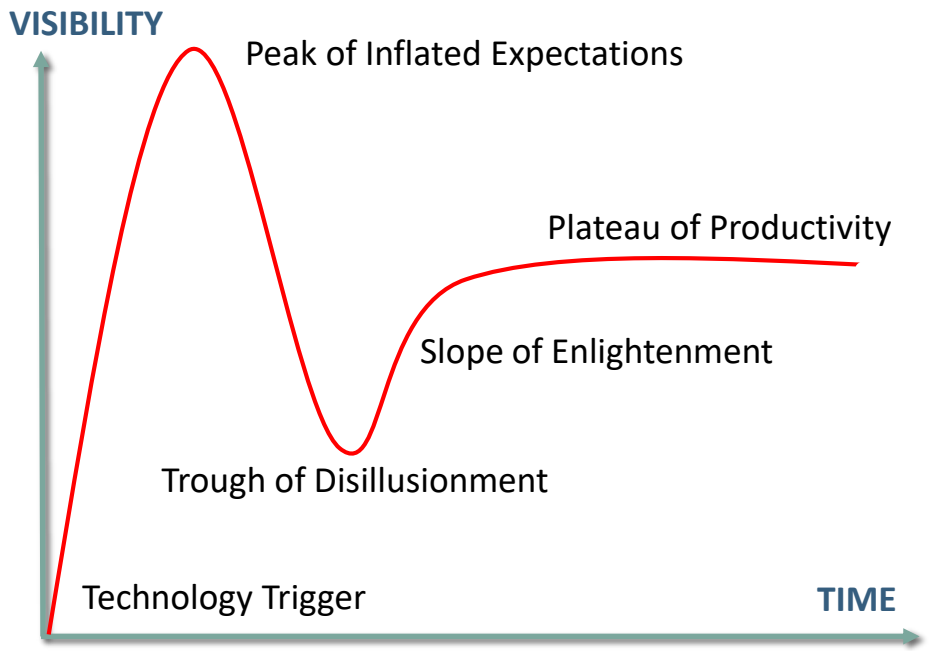
Commercialization; Our Role In The Innovation Process

The High Risk Part of the Innovation Process

- The market is competitive and rarely forgiving
- Scaling up is expensive and can be capital intensive in a low margin business
- Often there are forces at play that were not recognized during the research and development stages



A Perspective on our 2014 – 2018 Journey



Innovation – Leading Edge *vs* Bleeding Edge

- We saw the potential early.
- We did not anticipate the degree of difficulty in fully commercializing the innovation, which moved us to bleeding edge for a period.
- We have paid the price of the market disrupter.

Increased Awareness Is Helping

PROTECT OUR HOME.
IT'S THE ONLY ONE WE HAVE.

A turtle and the power of social media made a major impact on the general population's understanding of the issue of single use plastic in 2018.

We now have the consumer paying attention and asking for solutions.





We need to watch out for the Icebergs….

- **Honest Solutions**: if the Industry or some participants resort to Greenwashing could endanger consumers confidence in our solutions
- **Fear of Health Consequences:** the plastic beverage containers and heat question
- **Proper Funding:** for all the stages in the process

What Does The Consumer Want / Unmet Need

To make sure we were listening to the consumer, Club Coffee conducted consumer research in the spring of 2018.

We focused on single serve coffee but we picked some insights that I would like to share with you.

In particular, I would like to mention some of the outcomes of several focus groups.



Core Elements of Consumer Demand for Single Serve Coffee

1. Convenience
2. Consistent taste
3. Value



Focus Groups: Path to Purchase Single Serve

NICE TO HAVE



MUST HAVE

Single Serve Drinkers

ENVIRONMENTALLY FRIENDLY

DESIGN OF POD/CONVENIENCE

PRICE

BRAND

ROAST / BEAN TYPE/ AROMA

TASTE AND FLAVOUR INTENSITY

Compostable Pod Drinkers

DESIGN OF POD/CONVENIENCE

BRAND/ PRICE

ENVIRONMENTALLY FRIENDLY

ROAST / BEAN TYPE/ AROMA

TASTE AND FLAVOUR INTENSITY

Focus Groups: Recyclable K-Cup Experience: Its Not That Simple

A simple 3 step recycling process is not as simple as advertised according to the vast majority of respondents.

Respondents ran into many problems while attempting to recycle the K-cups, some of which included:

- Extreme temperatures, too hot to touch.
- Messy break down/ rinsing experience.
- Difficulty peeling the lid of the pod.
- Difficulty separating all plastic from the top of the lid and the filter basket from the plastic cup.

The majority of respondents reported that their overall experience with the K- Cup recycling process was painstaking.

- 9/10 respondents graded the experience as a D or F on a letter grade scale.



"Its tortuous."

"Screw it and throw it right into the garbage. You get lazy, I won't do that, I have a million things to do. That's what everybody will do. "

"Too messy. The only way I would purchase it, the cost would have to be phenomenal, almost free."

"You want me to stick my finger in there, with the hot beans that's just had boiling hot water on it in order to recycle it?…"

=



Focus Groups: Recyclable K-Cup Experience: Plastic is Bad

Overall respondents showed minimal levels of awareness regarding EVOH and it was not seen as a top of mind issue.

When probed, respondents agreed that avoiding contact with EVOH plastics or simply plastic in their daily routine would be beneficial.

Respondents quickly associated the full technical name with negative health implications such as toxicity.



"Plastic is Bad for You."

"I don't feel good about ingesting chemicals"

There is no competition between the appeal of aromatic natural looking pods
vs plastic K cups: compostable wins!!!

Focus Groups: Compostable Pod Experience: Wake up and Smell the Coffee

Respondents were pleased with the overall experience that the compostable pods offered.

Seen as directly comparable to current plastic offering in must have attributes of a coffee pod. (Taste, Roast Type, Brand).

Respondents mentioned a preference for the aroma and natural feeling of the compostable pods. No perceptions of drinking chemicals or exposure to plastic in their coffee!

Aromatically, the compostable pods stood out to respondents and enriched the coffee experience.

The ease of 1 step composting was a clear cut step above the current K-cup recycling process and aligned well with the desire for effortless compliance with environmentally sensitive disposal.

- It eliminated the messy and painful experiences that were associated with K- Cups and also kept coffee machines clean.

"This is easy, you are groggy, you want to make your coffee and get out of the house."

"Not messy, it's convenient, in the morning you don't want to do a bunch of things."

"… you feel good about not throwing it in the garbage."

"Smells so much better!"

"I want to add the taste and quality is a perfect blend of coffee, not too strong, not too weak. Perfect."

"Especially when you wake up in the morning the aroma that comes in the air, especially the dark roast. It jolts you."

"Even before it brews you can smell it."

Take Aways for Design and Manufacturing Stages

- Keep it simple - make it natural.
- Price/value relationship is critical.
- Remember it’s the product, not the packaging that the consumer is buying. Taste is very important.
- And the consumer doesn’t really understand what is behind the product but, don’t try to fool them.



Consumer Education Challenges

- Confusion over terminology
- Lack of understanding from impact of contaminated waste
- Little appreciation for how end-of-life process is paid for
- Doesn’t link greenhouse gases to packaging



Finding the Right Solution to Single Use; Words & Process

Biodegradable?



- No standardized testing & certification
- “Biodegradable” claims are not accepted by government regulators, however they are not always enforced

Recyclable?



- Consumers are required to separate pods → not convenient and potential coffee contamination
- Only 10% is theoretically recyclable → too light and small to be processed

Certified 100% Compostable



- 100% compostable claim
- Convenient and consumer friendly solution, no separation/easy clean up
- Diversion of food waste from landfill

The Consumer Challenge; Understanding the Product End-of-Life Cost



- The consumer has adapted well to the use of recycling / composting systems
- Has little or no understanding of the true cost of end-of-life segment of a circular economy
- Puts little value on it, thus will not likely pay a premium for it on the shelf
- Are also taxpayers and voters, so they want to avoid paying for it directly

The Consumer Challenge – Packaged Goods as a Source of Greenhouse Gases









- The Consumer links energy production and consumption to greenhouse gas emissions
- They are not yet linking the impact of packaged goods, especially from landfills
- They do not yet see value in reduction via composting
- Our challenge is to get them to understand this

Climate Change & Waste Reduction Benefits

- Club Coffee will divert 100 tones of coffee chafe waste back into packaging in 2017
- Single serve delivers 23% fewer greenhouse gas emissions than drip-brewed
- Making all single serve coffee compostable – same as cutting the GHG emissions of 33,000 Canadians
- Compostable Pods will help divert over 100,000 tonnes of pod waste from landfill each year, in US & Canada



Who Funds This Stage in The Circular Economy

The consumer wants a sustainable solution but doesn't want to pay for it

The end-of-life stage is outside their view point

Green house gas reduction provides no economic value to the consumer other than "it's a nice benefit"



The Facts about the Recycle Stage In Canada

Recycle

- Funded in part or in whole by producers and retailers; Extended Producer Responsibility (EPR)
- Lowest cost to municipalities



Garbage / Landfill

- Funded by local government
- More costly than recycle, less than organic waste stream



Organic Waste

- Funded by local government
- Most expensive process
- Local government would like to see it funded by producers and retailers



- Common issue at all levels is contamination, which can impact cost recovery

Responsibility for the Recycle Stage

Multiple Parties

- Three layers of government; National, State/Provincal, Municipal
- Fiscal ability lies with the senior level but, the costs are at the junior level and the regulation is controlled by the middle layer

The consumer doesn't see the true cost; they don't get a bill

- The burden falls to the last stage, seen as a expected local service by the consumer, hidden in their local taxes
- Stewardship programs such as recycling are in theory funded by re-sale of waste material but are often subsided by producers

The real market force is the cost of land

- Lack of land forces local government to look for alternatives

Single Use Plastics are an Increasing Issue for Blue Bins

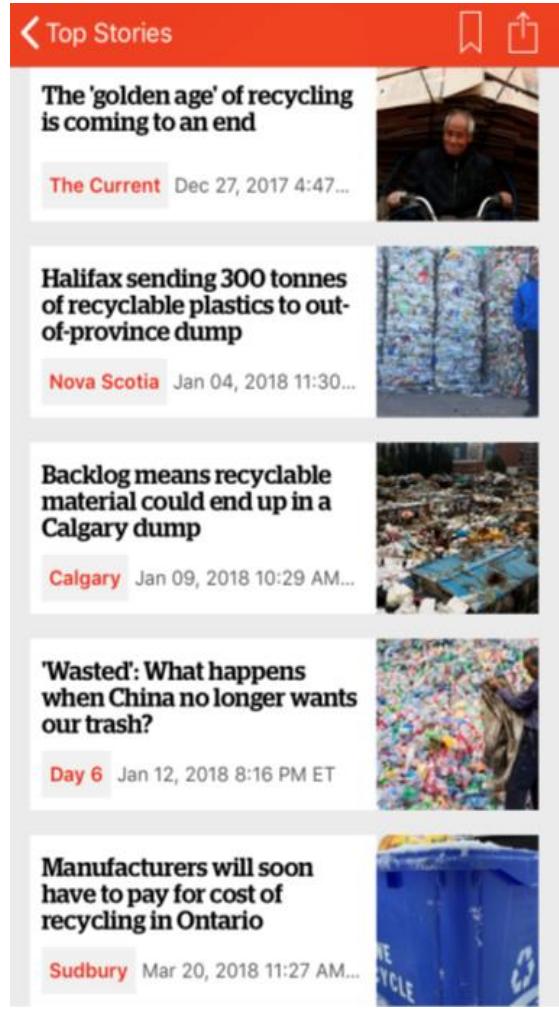


Recycling challenges pile up for consumers, municipalities as buying habits change

Challenges include technology change, demographics, lifestyle trends and a demand for convenience

CBC News · Posted: Mar 28, 2018 5:00 AM CT | Last Updated: March 28





The Retailer & Manufacturer

- Critical part of the Circular Economy
- Under severe challenge from disruptive technologies and already works on very thin margins
- In Canada they pay a large part of the cost for recycling and are not happy about the system and cost structure that is developed
- They dominate the Stewardship Organizations across Canada



Compostable has been Identified as the Better Solution for Coffee Pods and Food Waste Diversion

The Dilemma

- The consumer doesn't appreciate that compostable is the better answer because they don't recognize the real cost of recycling.
- Municipal waste systems are looking for the producer and retailer to pay for the Organic or Green Bin solution in a similar Stewardship model.
- Politicians embrace sustainable solutions but are not driving public policy towards workable models.

Bill #173
Ontario



Bill #M206
BC



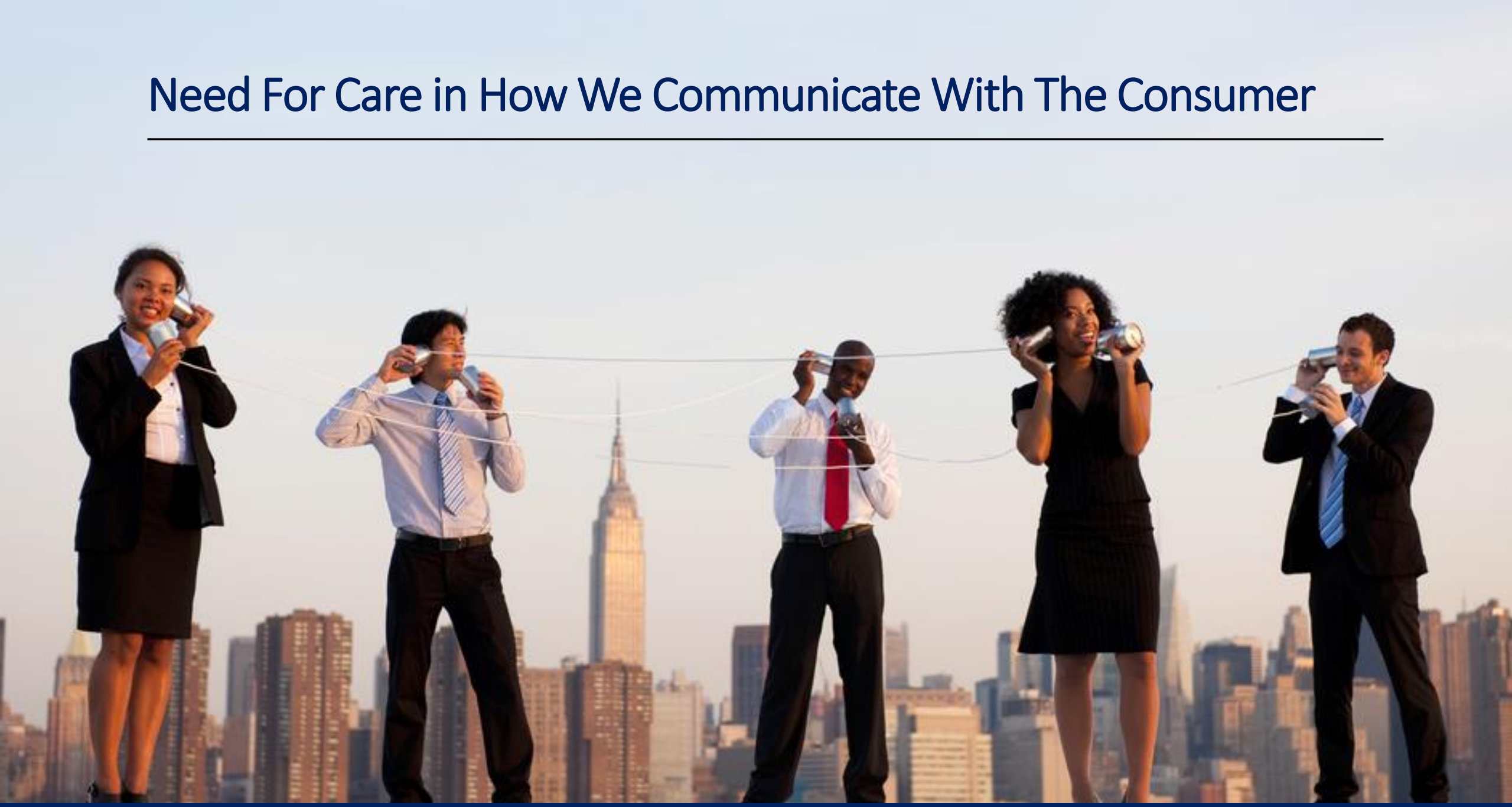
The Question for the Design & Manufacturing Stages

- How do we help these key stakeholders overcome these challenges?



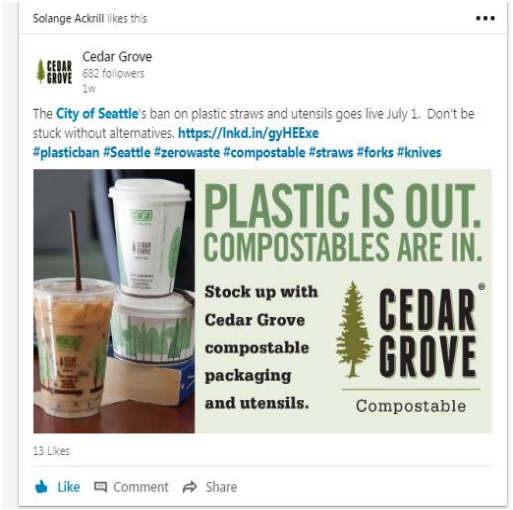


Need For Care in How We Communicate With The Consumer



Anti-Plastics Concerns: Landfills, Oceans and Health

Thanks to great innovation at the design stage and diligent efforts to commercialize we have a solution – compostable products











Design Portfolio

Waste prevention starts when design begins

Overview | Pre-use | During Use | Post Use

These design principles are key to reducing solid waste throughout the lifecycle. The principles can be categorized into three stages of a complete product lifecycle:

Pre-use: involves all the steps from cradle (the origin of the materials) to the customers door; manufacturing/production, distribution and sale.

During Use: the goal of creating a product or package is to fill a need. Effective design will minimize waste during use.

Post Use: the new paradigm of resource recovery prevents and reduces waste by encouraging all materials to re-enter useful life after their first run of production and use.



Club Coffee

High-profile coffee brands are switching to Club Coffee's PurPod100™, the world's first certified 100% compostable pod for the North American single serve market of coffee, tea and other hot beverages. Club Coffee is following up with more innovations to help its many partner brands meet consumer demand for sustainable packaging and zero waste.

Proper Sustainability Commitments





ISBBB

For your research, invention and bringing innovation to this important issue.

All of our great grandchildren will be grateful for the thought leadership in this field in 2018 that, when fully implemented, will have made their planet in 2068 more sustainable.

