



Henkel & SIM Case Study – Sustainable Packaging

Final presentation

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Project scope and approach: To derive an integrated marketing strategy for Henkel, a 5-step methodology was applied

Expected end product

1 360° Assessment/ analysis

Goal: Provide a critical view on current strategy and exploring leverage opportunities



2 Marketing & communication strategy

Goal: Provide an integrated marketing strategy/ framework with specific, actionable recommendations

A clear positioning in the sustainability race, fully leveraging Henkel's USPs

Targeted communication to drive consumer awareness and mindset shift

Our approach and methodology – 5 key steps



The ecosystem: The three key challenges of the circular economy can be tackled by finding the right partners

Key challenges for the circular economy



Volume of recycled plastic: Demand of recycled plastic is strongly imbalanced



Recycled plastic performance: Performance of recycled plastic is inferior to the one of a virgin material



Lack of infrastructure: Infrastructure in emerging countries lags behind the one in developed countries



Regulation evolution: Regulations evolve constantly and all the stakeholders must keep abreast of them



Consumer awareness: Consumers must be educated to reduce their environmental footprint and contribute to the recycling industry

The key challenge for the circular economy is having a performing/ usable plastic product at a competitive price for potential customers

Source: The New Plastics Economy Report (Ellen MacArthur Foundation), 2017

Key challenges for Henkel



Profitability: Recycled plastic is more expensive than the virgin one due to its limited supply



Product performance: Technical characteristics of recycled plastic are not the same as the ones of virgin plastic



Operation scope: Developed and emerging countries have different recycling infrastructures

Relevant stakeholders for Henkel



Corporates: Partnership opportunities from product design (e.g. Amcor) to material recycling (e.g. Veolia)



Academia: Partnership opportunities with leading German universities to tap into their research potential in the R&D phase



Public institutions: Participation in the continuous evolution of regulations represents a competitive advantage over laggards



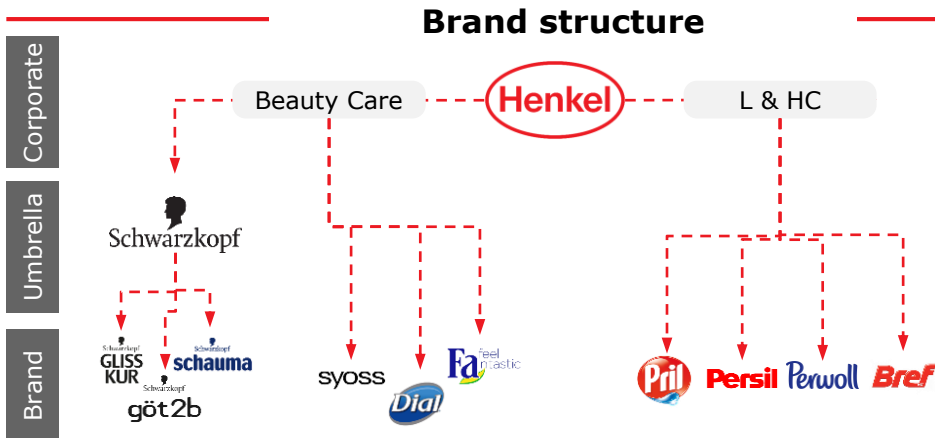
NGOs: International NGOs are important networking platforms and are an important indicator of the opinion of the civil society



Most relevant for Henkel

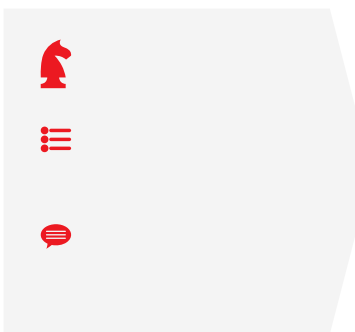
Henkel's sustainability strategy: A strong internal identity and culture sets the foundation for external communication

Henkel inside-out: Brand structure and corporate culture

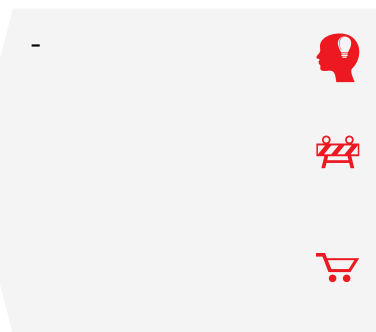


Corporate (sustainability) culture

External communication



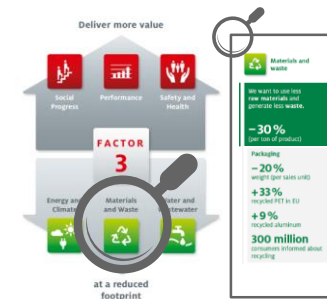
Inside-out assessment



This part is withdrawn due to confidentiality

Sustainability strategy, targets and structure

Factor 3 (20 year goal till 2030)



- Strengthen the foundation**
- Boost engagement**
- Maximize impact:** Two goals tackling global challenges

Sustainability organization



- 1** Steers sustainability initiatives
- 2** BUs drive sustainability with portfolio
- 3** Local implementation strategy
- 4** Bringing expertise and needs to council

Source: Henkel Sustainability Report 2017

Where Henkel stands: -

Beauty Care (BC)

Laundry & Home Care (L&HC)

Consumer communication

Packaging



TV / Print



Facebook



Henkel



Website





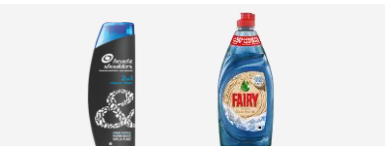
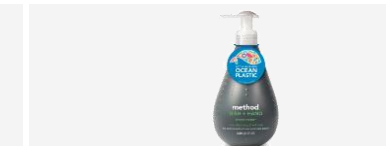


Influencer



Initiatives

External analysis: -

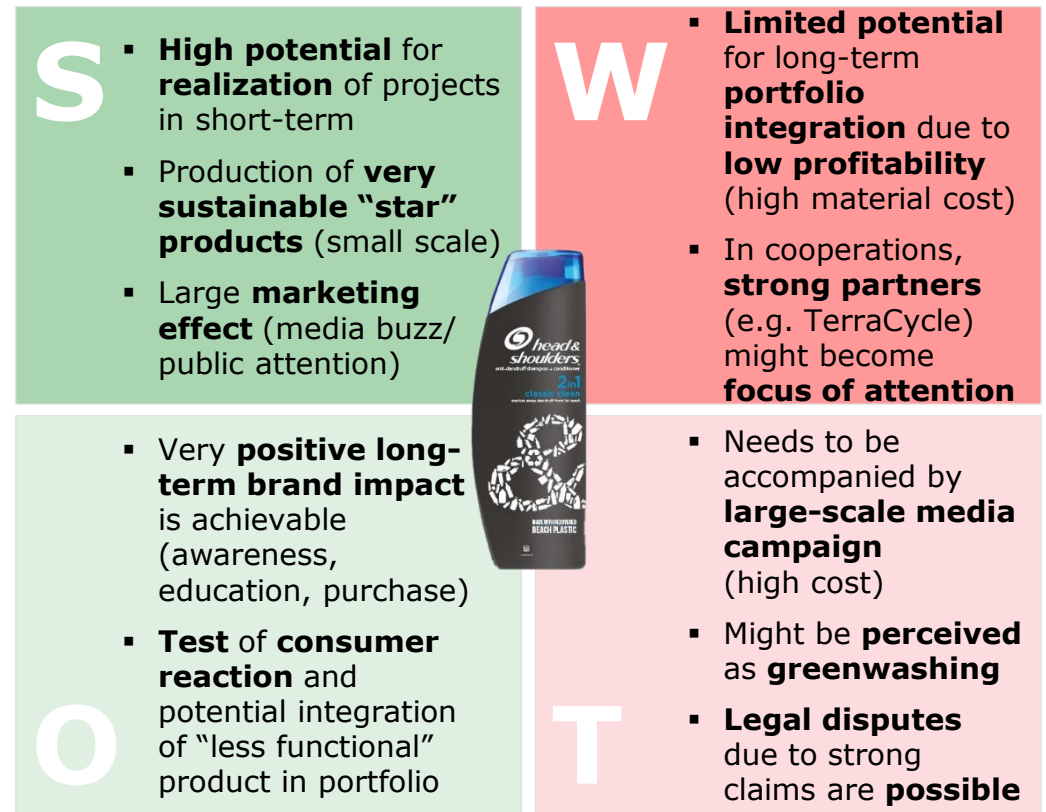
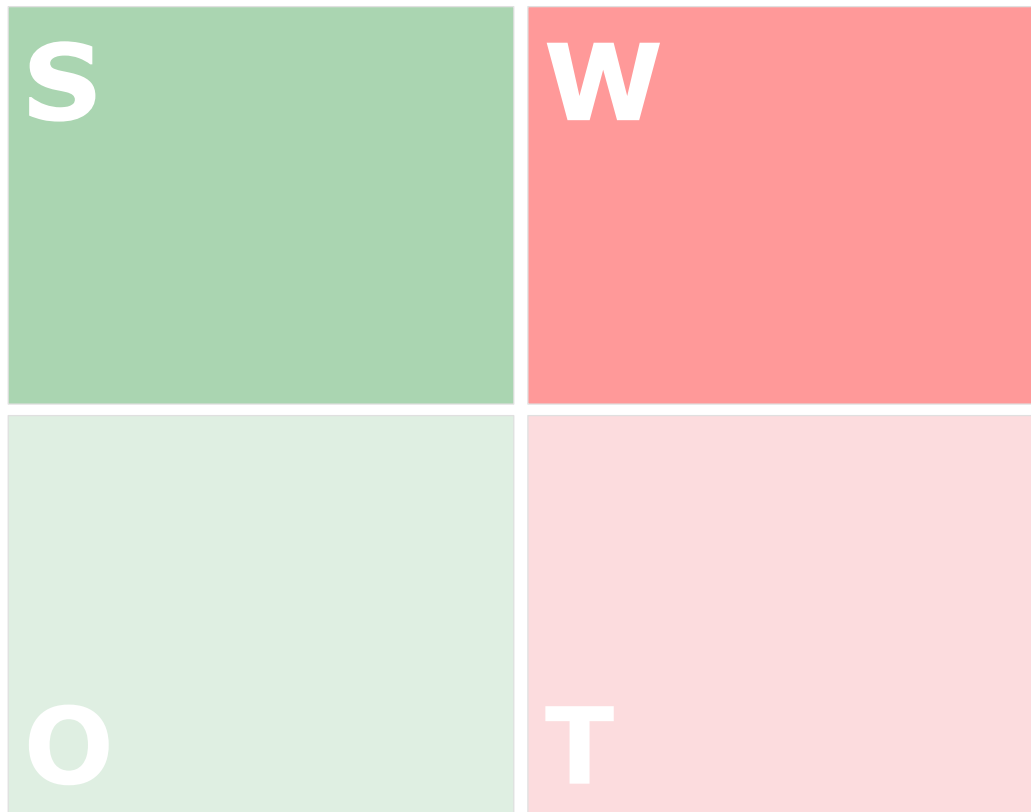
	Leading competitors			Niche brands	
	Henkel	P&G	Unilever	L'ORÉAL	method.
Goal setting <i>Recycled vs. recyclable</i>		<ul style="list-style-type: none"> ▶ % of recycled materials doubled (by 2020) ▶ 90% recyclable materials 	<ul style="list-style-type: none"> ▶ 25% recycled materials ▶ 100% recyclable materials (by 2025) 	<ul style="list-style-type: none"> ▶ 100% refillable, recyclable or compostable materials (by 2025) 	<ul style="list-style-type: none"> ▶ "Closed packaging loop is our ultimate goal"
Portfolio-wide					
Lighthouse			n/a	n/a	
Consumer communication		<ul style="list-style-type: none"> ▶ Bold communication through paid media and on packaging 	<ul style="list-style-type: none"> ▶ Sustainability is actively communicated, but sustainable packaging not 	<ul style="list-style-type: none"> ▶ rPET packaging (even 100%) is not actively communicated 	<ul style="list-style-type: none"> ▶ Communication focuses on 'natural' formula and sustainable packaging
Reception		<ul style="list-style-type: none"> ▶ High consumer awareness & good sust. perception; small effect of court trial 	<ul style="list-style-type: none"> ▶ Awareness of sustainable brands; few are aware of sustainable packaging 	<ul style="list-style-type: none"> ▶ Consumers seem not to be aware of sustainable packaging used 	<ul style="list-style-type: none"> ▶ Consumers value the holistic sustainability approach

Source: Henkel, P&G, Unilever, L'Oréal, Method, Der Spiegel

Portfolio vs. Lighthouse projects: Approaches differ in marketing effect, credibility, realization potential and risk

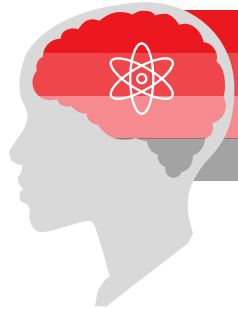
i **Portfolio-wide** integration of sustainable packaging: Implement sustainable packaging across entire product portfolio with lower share

i **Lighthouse projects** in packaging and sustainability: Choose few products but make them outstanding and leverage in media (sometimes limited edition)

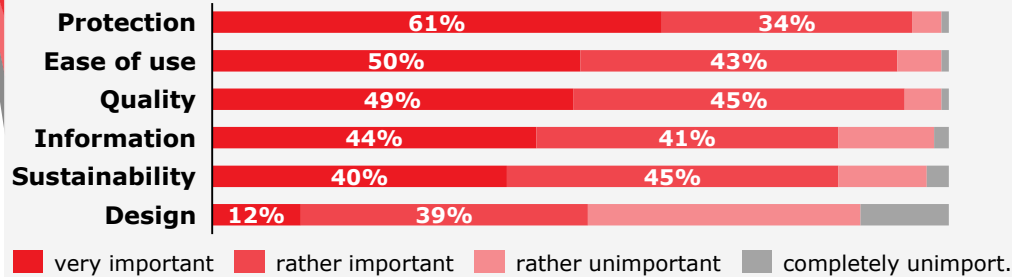


Source: Own analysis

End-consumer perspectives: Credible and engaging messages can tap into the potential increasing sustainability interest



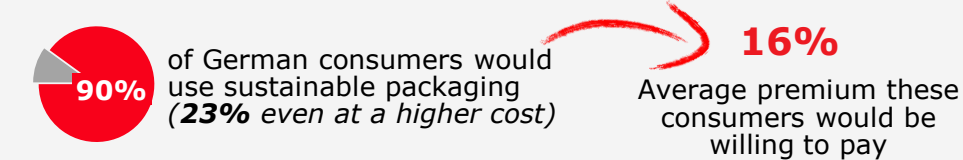
Which aspects of packaging are important for you?



How could packaging be changed to reduce waste?



Willingness to use and pay for more sustainable packaging



Best practices of end-consumer communication



Authentic and credible communication to establish trust



Consumer engagement through **emotional triggers**



Backed by positive **impact** and **value added**



Fostering a **social currency** to scale effect



1 Say-do gap

Interest of consumer does not always translate into actions

2 Competitive environment

Communication of competitors influences consumer perception

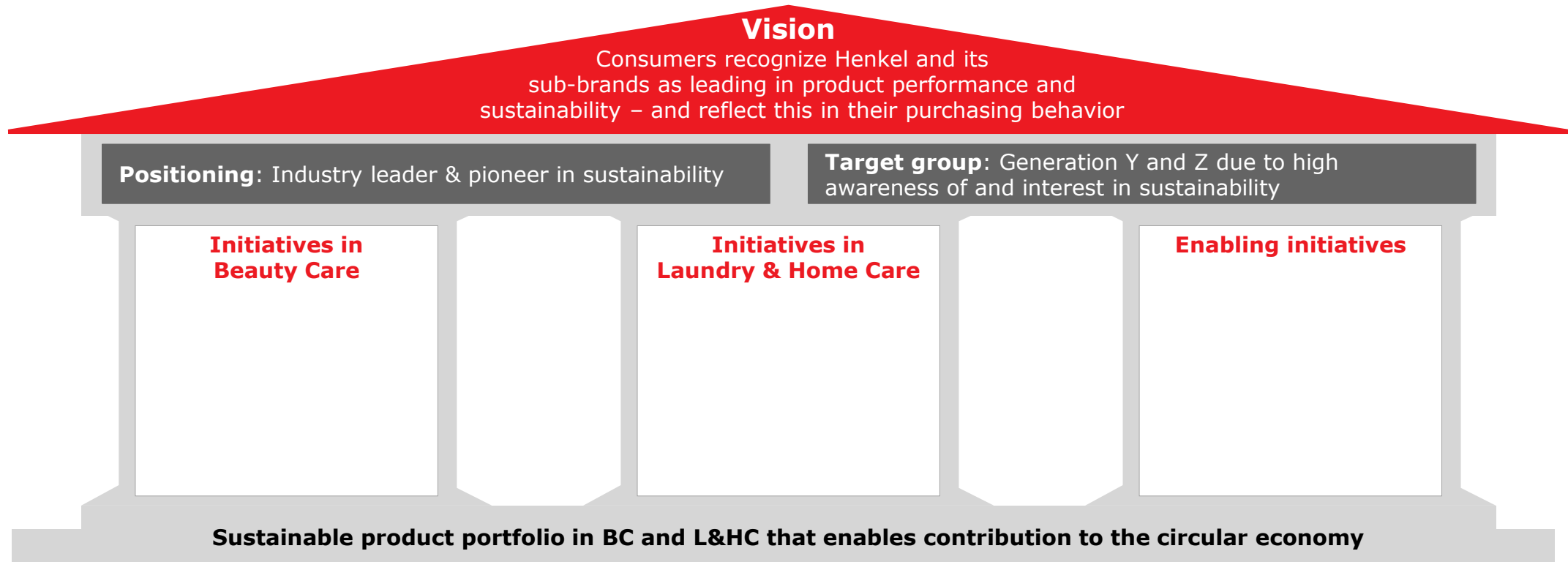
3 Limited consumer knowledge

Risk of public critique & misunderstandings, affects reputation

The **majority** of consumers **values sustainable** packaging and is ready to adopt new ways of packaging. 45% see the **producers** being **responsible** for action and today still have a limited willingness to pay a premium

Source: PWC Verpackung im Fokus 2018

Strategy overview: The recommended marketing & comm. strategy is based on 3 pillars and comprises all relevant factors



Communication approach

Bold communication of sustainability efforts; see communication as an opportunity rather than as a risk

Communication channels

Reach consumer groups that are most receptive to sustainability topics through relevant communication channels

Partnerships

Partnerships critical to create unique products and special stories as attention catcher and credibility enhancer

Source: Own analysis

Consumer target group: Our strategy targets generation Y and Z consumers due to high awareness and interest in sustainability

Target Group expectations



- ▶ They are looking for companies that **'make an impact'**
- ▶ They expect **accountability along the value chain**
- ▶ They want **sustainability** to be embedded in the **culture**
- ▶ They call for **transparency and measurable metrics** to track progress

Target Group: Generation Y (Millennials) and Generation Z

General demographics & characteristics:

- ▶ Male & Female: 18 – 37 years old
- ▶ Excellent use of digital media, especially by younger Millennials and Generation Z





Saskia Schmaus¹⁾

“Sustainability is becoming a core topic due to new target groups such as millennials and generation Z. In terms of sustainable packaging, the young target groups express the highest interest”

Core sub-groups

Secondary sub-groups (low awareness)

	Generation Z/ Y	Gen Y (long-tail)	Generation X	Baby Boomers
	<ul style="list-style-type: none"> 18-25 years old Digital natives and health-conscious 	<ul style="list-style-type: none"> 23-37 years old Focus on extrinsic values, technology 	<ul style="list-style-type: none"> 38-52 years old Stable user of traditional and modern tech 	<ul style="list-style-type: none"> 53-71 years old Most spending power, adapting to technologies
Channel Focus	<ul style="list-style-type: none"> Social and Human Media 	<ul style="list-style-type: none"> Social Media 	<ul style="list-style-type: none"> In-store 	<ul style="list-style-type: none"> TV In-store

1) Corporate Director Int'l, Strategic Projects SBU BC; Source: Forbes, 2018; World Economic Forum, 2018; Fast Company, 2017

Beauty Care initiatives: A new sustainably packaged product builds the basis for increased communication via human media

Introduce - in sustainable packaging

Use influencer marketing towards end-consumer



Key issue

[Empty box for key issue]



Idea

[Empty box for idea]



Implementation

1 _____ - _____

2 _____ - _____

[Empty box for key issue]

- ▶ **Combat ad blockers.** Especially, as 47% of our target group (18-25 years old) use ad blockers to disable ads
- ▶ **Engage** the target audience via authentic story telling

1 Leverage an influencer in current Schwarzkopf pool

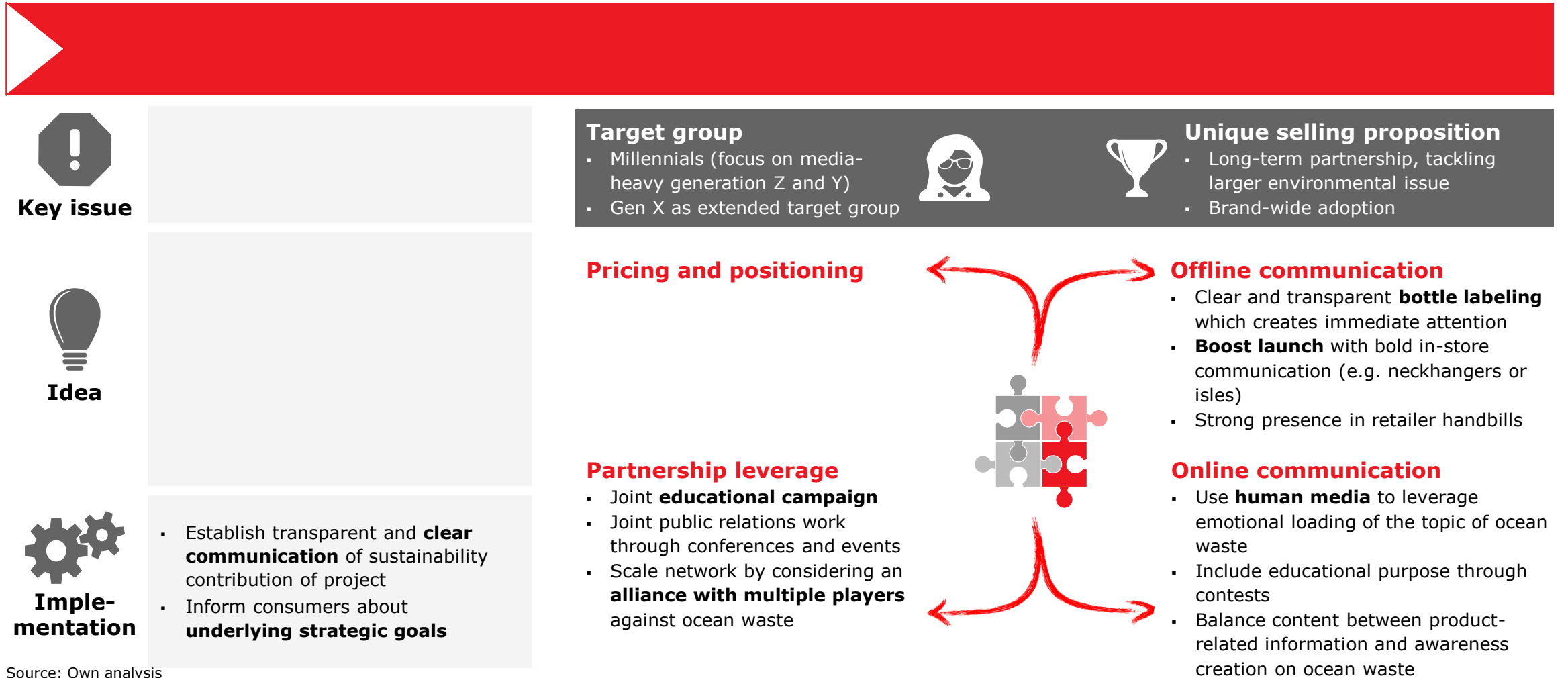
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2 Get sustainable beauty influencers/ retailers on board

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Source: Deloitte, 2017 ; Forbes, 2018

Laundry & Home Care: To leverage the high degree of sustainable packaging, bolder communication should be explored



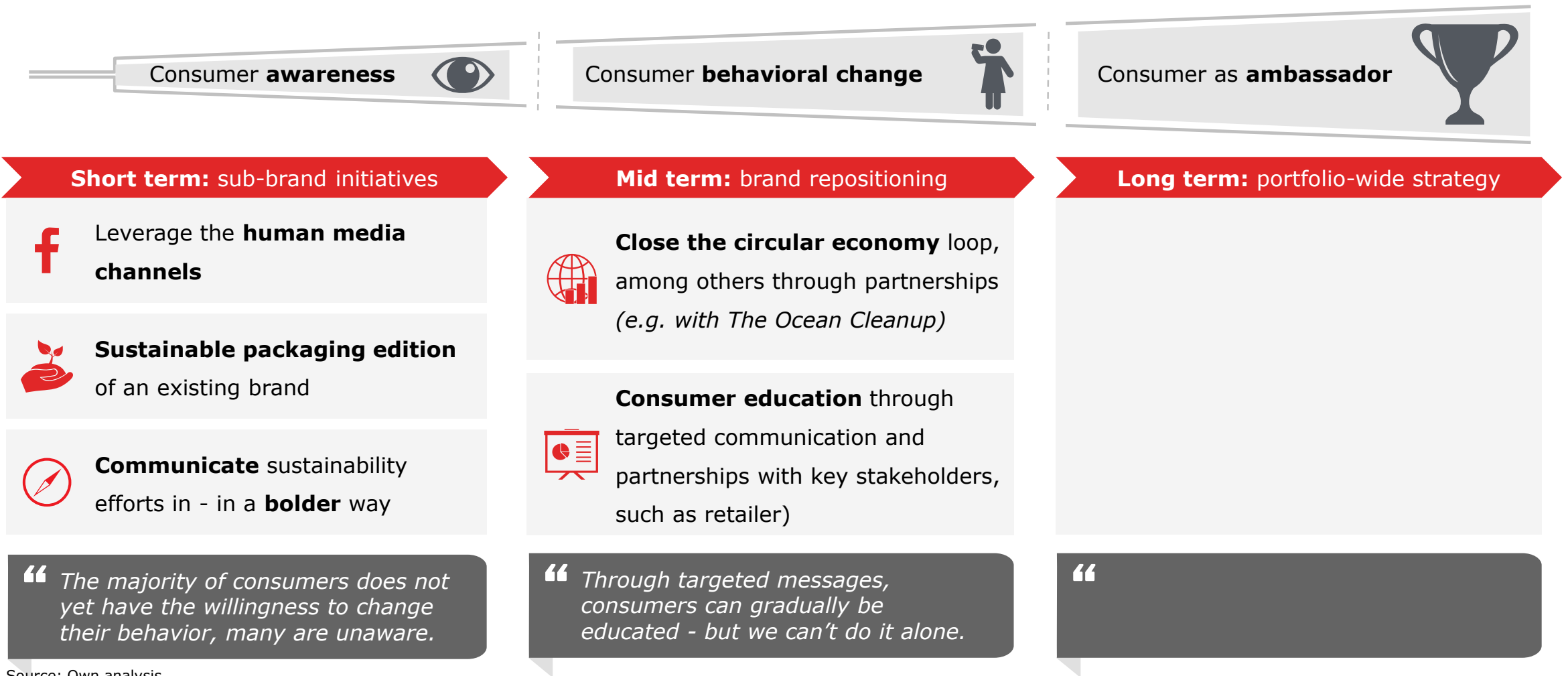
Source: Own analysis

Other enabling ideas: Overarching ideas facilitate the implementation, measurement and unity of comm. strategy

	Sustainability initiative pool	Measurement/tracking	Unified recycled logo on packaging
 Key issue			
 Idea	<ul style="list-style-type: none"> Each business unit sets aside a "sustainability budget" Empower brand managers execution of sustainability projects 	<ul style="list-style-type: none"> Introduce tracking technologies that measure the consumer engagement Ensure an efficient targeting 	<ul style="list-style-type: none"> Make consumers aware of the recycled content in consumer journey: <ul style="list-style-type: none"> Information phase (e.g. online) In-store (e.g. on the packaging)
 Implementation	<ul style="list-style-type: none"> Pitch contest within business units Budget contribution from business units as % of annual mkt. budget Evaluation criteria cover aspects from media potential to financial impact 	<ul style="list-style-type: none"> Track webpages Carry out consumer studies to research the lasting effect of recycled labelling on packaging Pilot in collaboration with agency/Google 	<ul style="list-style-type: none"> Educate consumers by using a unified recycled content logo on all packaging Potentially in the front), including the % of recycled content

Source: Own analysis

Strategic outlook: -



Source: Own analysis

KPIs & implementation plan: Close monitoring of initiatives through KPIs and detailed implementation plan to succeed

	Key Performance Indicators (KPIs)	Goal	Initiative implementation plan							
			2018		2019		2020			
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	<ul style="list-style-type: none"> ▶ Consumer adoption and volume sold ▶ Repeat purchase rate and shelf impression ▶ # of trade partnerships with customers ▶ Target group analysis: to see if the buyer persona reflects the target 	Selling XXX¹ numbers of bottles								
Influencer	<ul style="list-style-type: none"> ▶ Audience quality score ▶ Follower-like-ratio (>5%) ▶ Reach/ use of hashtags ▶ Engagement rate (# of likes, comments and shares) ▶ Sentiment analysis with digital buzz 	Create a digital buzz								
	<ul style="list-style-type: none"> ▶ Assess awareness of the partnership ▶ # of QR code utilization on the product ▶ Track the # - ▶ Assess media attention: # of press clippings 	Increase the # of search for -								

1) To be defined based on realistic scenario; Own analysis

Risks and challenges: -

Risks



Challenges



Source: Own analysis