



**behavioural
analysis**

insights | design | innovation

Business decisions about signing up to the Australian Packaging Covenant

May 2020

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Many businesses have signed up to the Australian Packaging Covenant – a document that sets out how governments and businesses share the responsibility for managing the environmental impacts of packaging in Australia. But others remain non-signatories. For Australia to meet the Covenant's ambitious aims for packaging sustainability, governments and the Australian Packaging Covenant Organisation (APCO) need more businesses to agree to the kind of shared commitments and joint responsibilities outlined in the Covenant.

Packaging accounts for a significant amount of waste in Australia. There were 5.5 million tonnes of packaging on the market in 2017-18. But only 2.7 million tonnes of this was actually collected, sorted and reprocessed back into usable products. The Covenant brings stakeholders together to reduce this waste and encourage a more circular economy.

This report provides insights into the motivations and barriers for different types of businesses when they consider signing up to the Covenant. It summarises the key findings from qualitative interviews undertaken by the Behavioural Analysis Team in the Commonwealth Department of Agriculture, Water and the Environment.

This report offers the opportunity for both governments and APCO to understand the issues businesses face in their decision making, as well as the experiences they have in interacting with the Covenant.

If you would like to discuss this project in more detail, please contact Amy Arbery, Peter Collis or Cale Hubble from the Behavioural Analysis Team.

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Executive summary





Key motivations

Some businesses sign up if it makes good sense to do so

Protecting the business or enhancing the brand

Businesses that have an 'eco' branding element to their products spoke about the value that the Covenant can offer in adding to their eco credentials.

Businesses that are in the packaging industry want to protect their business and are keen to be able to influence the shape of things to come as well as be informed about any potential changes.

Seeing opportunities to gain credibility and value

Businesses see value in having a good reputation. Some businesses have signed up to the Covenant with an awareness of how it might be used to show others (suppliers, peers, customers) that they were acting appropriately.

Saving money through sustainability

Often reducing waste means reducing costs. Businesses are thinking about sustainability, both in terms of environmental sustainability as well as business sustainability. They will take action where there is a business case that makes financial sense.

Understanding and influencing the future

Businesses want to know about upcoming opportunities and threats so they can adjust their operations in time. Some have signed up to the Covenant as a way to hear about – and hopefully influence – upcoming changes in the packaging industry, such as new regulation.

Responding to customer needs and legal obligations

Businesses spoke about assessing their options in terms of what is needed to continue operating and grow business.

They referred to other certifications and memberships being specified in contracts. They also spoke about their desire to do the right thing legally and will comply with regulations they need to.

Being a leader in their field

Many businesses want to be leaders, and are looking for ways to prove they operate at the "pointy end". The Covenant can be seen as a way to demonstrate leadership in an area of increasing importance: environmental sustainability.

Key barriers

Businesses perceive many barriers to signing up to the Covenant



A lack of identified business value from joining

Non-signatories are often unsure what the Covenant is and what their obligations are.

Many non-signatories couldn't articulate a sense of value from being part of the Covenant. Some were unsure of what they would get from joining, while others felt sure that what they would get would not justify the membership fee.

Confusion about the Covenant and negative experiences

Initial interactions with the Covenant left many businesses with questions about its purpose and credibility.

Some interviewees spoke about experiences of disagreement and conflict with the Australian Packaging Covenant Organisation (APCO).

The perception that those who should be involved, aren't

After hearing about the Covenant, many businesses check with others in their networks.

When others in their industry, similar business, industry bodies, accountants or business customers haven't heard of the Covenant, it reduces the perceived need to get involved.

Time and resource constraints

While sustainability is something that businesses are interested in, the products that they offer are the focus of their attention—not the packaging they are delivered in.

Many see packaging as a lower priority when they have multiple demands on their time and many potential initiatives to join (such as ethical accreditations or industry bodies).

The perception that they are already doing all they can

Many businesses believe they are in the middle of the supply chain and have little influence with packaging. Many believe they are already taking all the actions they can.

They largely see suppliers, manufacturers and business customers as the ones who can control the packaging.

They think others with more influence should be doing more

Businesses often referred to the need for the big supermarket chains to be doing more and for governments to be investing more in improving recycling infrastructure.



So what could be done to increase Covenant sign-up?

In the short term

Some barriers identified in this research could be partially addressed with relatively simple changes to the way APCO and regulators work together to approach potential signatories. These could include:

- **Emphasising the less obvious, long-term benefits** that businesses are likely to see from signing the Covenant, to counteract the evident short-term costs
- **Tailoring communications** to the specific industry and supply chain position of the business being approached, perhaps with case studies showing the Covenant's relevance
- **Co-branding communications** from both APCO and regulators, and ensuring messages about obligations and responsibilities are consistent between APCO and regulators
- **Making the cost-benefit decision easier** for businesses by clarifying APCO's service offering and the consequences in their jurisdiction if they do not sign up
- **Engaging more comprehensively** with non-signatory businesses, where possible through two-way interactions that encourage a constructive, collaborative tone
- **Developing clear, shared protocols** for how to discuss obligations with businesses that question their liability, such as distributors who only own a small proportion of their brands

In the longer term

More in-depth substantial changes could be explored in co-design workshops involving regulators, APCO and businesses. These discussions could be based on three key questions:

How might we demonstrate that signing up to the Covenant makes good business sense?

How might we make signing up to the Covenant an industry norm?

How might we help businesses see that there's more they can do?

Further insights to inform next steps could be gained by:

- Running a **survey** to identify how common different barriers are for different types of business in different jurisdictions
- Facilitating **co-design workshops** with businesses to devise realistic, desirable solutions that have the greatest chance of effectively improving sign up rates
- **Piloting** and evaluating one idea from a co-design workshop before roll-out

Background and research approach



Background

The Behavioural Analysis Team was approached by the packaging waste section of the Department of Agriculture, Water and the Environment to conduct research into business barriers to signing up to the Australian Packaging Covenant.

The Covenant sets out how governments and businesses share the responsibility for managing the environmental impacts of packaging in Australia. The Australian Packaging Covenant Organisation (APCO) is the entity in charge of managing and administering the Covenant. It operates under a co-regulation model, bringing together industry and government to find the best possible solutions for packaging efficiency and sustainability in Australia.

APCO undertook an extensive brand audit in 2018 which identified a large number of relevant businesses across Australia that have not signed up to the Covenant. While a number have become signatories to the Covenant following this audit process, APCO has referred about 1,900 businesses to state and territory environment agencies for follow up.

The Government Officials Group has subsequently discussed what may be done (from a business behaviour perspective) to encourage sign up, in light of the current focus on deregulation and the burden and costs entailed in enforcing compliance.

The aim of the research was to gain insights into what barriers businesses perceived in deciding to sign the Covenant. The results of the research may be used to shape a behaviourally informed strategy to increase business participation in the Covenant.



Research approach

To understand business decisions about the Covenant as well as their underlying motivations and barriers, the Behavioural Analysis Team conducted a series of semi-structured interviews with businesses.

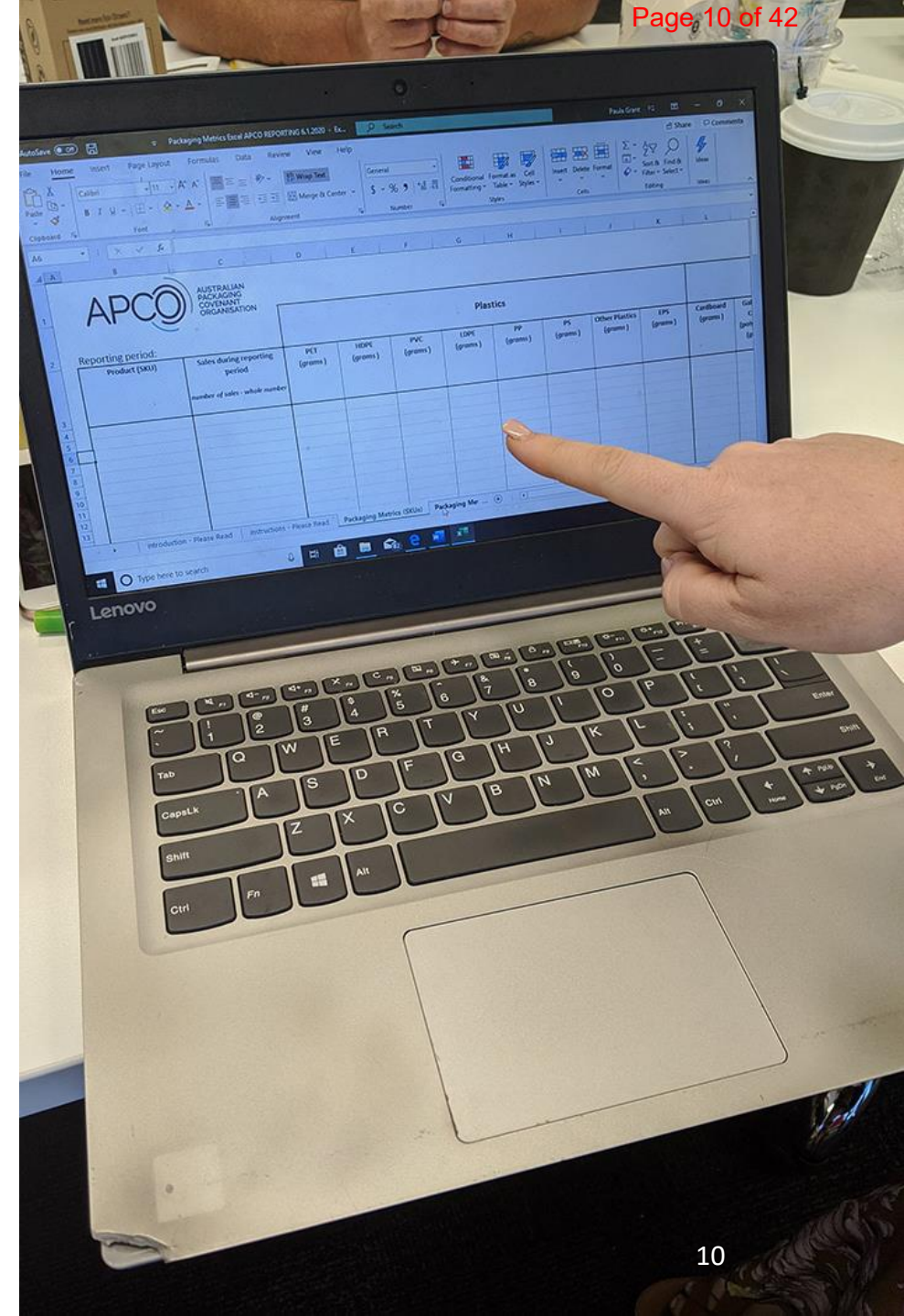
Semi-structured interviews are useful for uncovering the 'why' behind choices that are made, as they allow the interviewer to dig into the nuance and detail of decision making. By engaging with participants in depth, this method allows key themes and challenges to emerge and be well understood from a relatively small number of interviews, with confidence that the main concerns will be found.

The Team invited 99 businesses to participate, and 21 businesses agreed to interviews. These businesses had head offices in Sydney, Melbourne and Brisbane and varied in terms of their status with the Covenant, industry, business turnover and their position in the packaging supply chain.

See the next page for a breakdown of participating businesses.

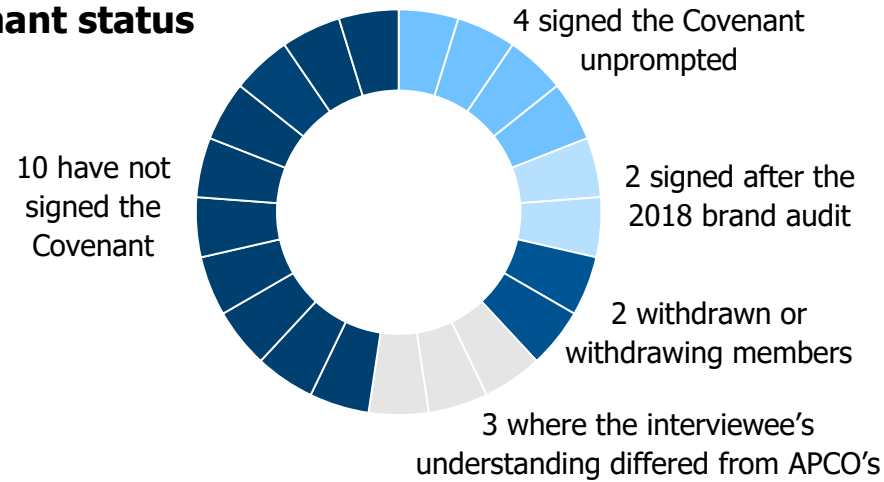
Our research focused on barriers to sign up, so we sought primarily to speak to non-signatories. But we decided it would also be useful to understand the motivations of those that had signed, and those that had withdrawn from the Covenant.

To better understand each business's context and their relationship to packaging, these interviews were primarily conducted on site at the businesses' premises. Four were conducted by phone.

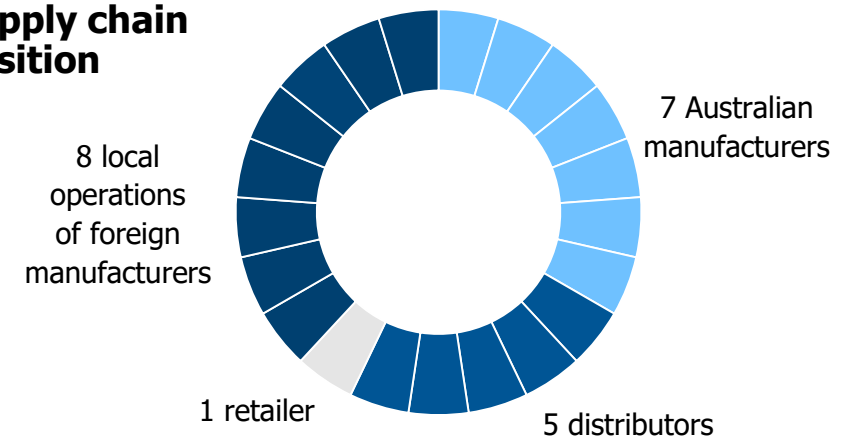


21 interviews

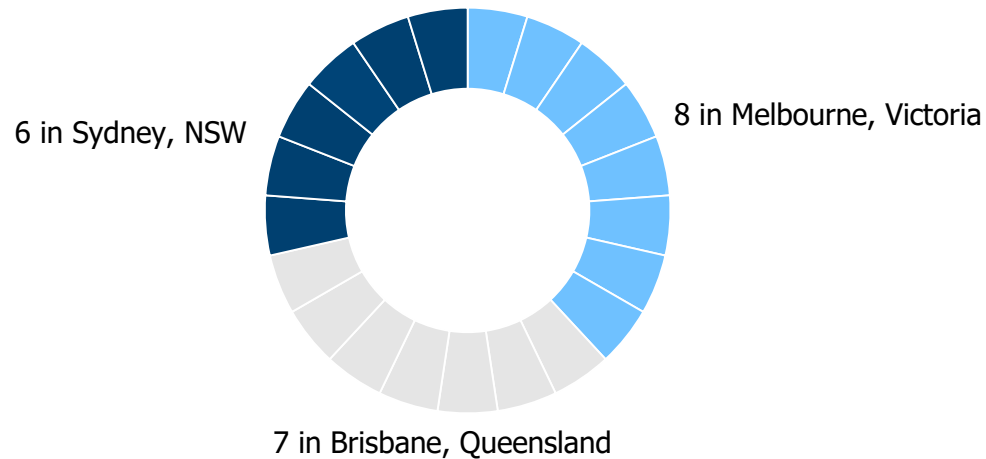
Covenant status



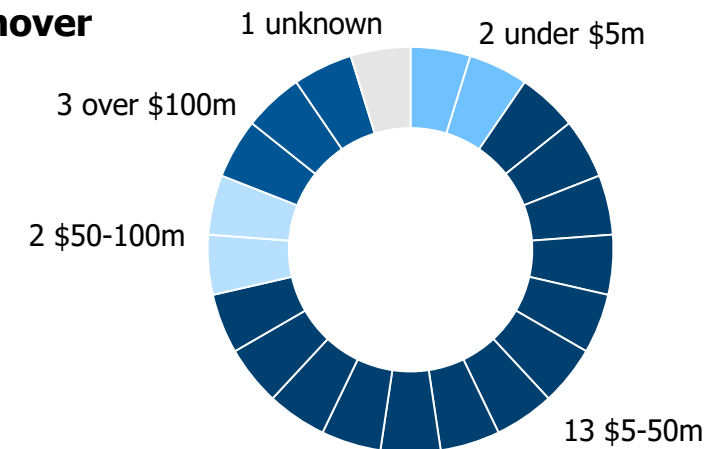
Supply chain position



State with head office



Turnover



Detailed findings

- What motivates businesses to join the Covenant and similar initiatives?
- What barriers do businesses perceive to signing up to the Covenant?
- In what context are businesses making this decision?
- How should we think about non-compliance?



What motivates businesses to join the Covenant and similar initiatives?



Protecting the business or enhancing the brand

Businesses spoke about joining initiatives and groups when there was a clear alignment to the needs of their business. Often these were industry bodies.

Packaging manufacturing businesses had signed up to the Covenant as they perceived a need to, in order to protect their business interests.

Other businesses had signed up as they had a strong 'eco' element to their brand and could see opportunities to leverage being part of the Covenant.

Some joined for specific features of membership, such as getting access to the Australasian Recycling Label.

"There's an undercurrent of demonising plastic. We need to do something about it or fade to grey."

Opportunities to gain credibility and value

Businesses seek certifications or join initiatives where it provides credibility and the opportunity to be seen in positive light by others—a badge they can display to prove legitimacy to existing and potential customers.

Some businesses had signed up to the Covenant with an awareness of how it might be used to show others (distributors, peers, customers) that they were acting appropriately.

"(Covenant membership) gives credibility with distributors, shows we are doing the right thing"

Understanding and influencing the future

Businesses want to know about upcoming opportunities and threats. Where businesses were members of organisations or industry bodies they would make reference to doing so in part to be aware of, or influence, industry changes.

Businesses also spoke about understanding that there are changes to legislation over time. They expressed a need to be notified as early as possible to both avoid negative consequences and adjust their business as needed.

"Need to know where the legislation is going to be in 6, 12 months hoping to get those kind of answers"

"Want to be a driver within it (the Covenant)"

Following what peers are doing

Businesses spoke about taking actions because others in their industry had taken them.

When businesses see their competitors or the "big players" in their specific industry getting involved, they are motivated to be involved too. They can perceive that it becomes dangerous to their business not to be involved if it is the industry norm.

Some businesses had signed the Covenant as they were aware that their competitors had signed up.

"Enough peer pressure that if you don't sign up you are in trouble"

"Our nemeses were members of APCO"

What motivates businesses to join the Covenant and similar initiatives?



Sustainability can save or make money

Businesses often have an interest in actions that increase environmental sustainability. Waste reduction was frequently mentioned in this context, particularly as there is the opportunity to save money through being 'lean' and minimising waste.

A number of interviewees talked about actions their business had taken to reduce waste or reuse packaging for increased efficiency.

Many spoke about the market increasingly demanding environmental sustainability. Some went on to see signing the Covenant as a way to demonstrate their environmental stance and profit from this market shift.

"To be brutally honest, to grow sales"

"Passionate about lean manufacturing and reducing waste"

Being a leader in their field

A number of businesses spoke about being the leader in their field, and a desire to prove they were operating at the "pointy end".

The drive to be a leader is a motivation for businesses to join industry groups. For some who see sustainability as an emerging market, the desire to be a leader in sustainability was a factor in their decision to sign up to the Covenant.

Others thought that they'd have to sign up to the Covenant eventually anyway, so decided it is better to be a leader instead of a follower.

"We are a leader, how can we be a leader in the (sustainability) conversation?"

"An opportunity to be a leader more than a follower"

Responding to customer needs

Businesses spoke about the need to respond to their customers and largely see change as driven by this demand.

When customers ask for change, the effect of this varies depending on the amount of business the customer does with them. At times customers demand change, such as through requests for tender or through contractual obligations, which seems to have more impact on business actions.

Requests for tender can drive businesses to persevere through arduous certification processes in an attempt to be successful.

"we are losing business...our hands being forced (to get an environmental accreditation), it's a good thing"

Complying with legal obligations

It's important to businesses to be complying with the law.

When something is assessed as a 'have to', they'll undertake the actions required to meet their obligations under relevant legislation, whether it be related to food safety, workplace health and safety or the environment.

A number of businesses perceived the Covenant as mandatory and signed up due to this. But this led to confusion and difficulties when they later realised it was voluntary.

"Don't want to be an illegal business...and don't have time to fight it"

"Looked through the prism of 'what do we need to do?'"



Signing up to the
Packaging Covenant
can make business
sense for some

What barriers do businesses perceive to signing up to the Covenant?



Confusion about the Covenant and whether they have to be involved

Non-signatories are often unsure what the Covenant is and what their obligations are.

In the absence of clarity, businesses make assumptions about the Covenant, for example that it is compulsory, about recycling, plastic bags, an annual audit, or simply a fine.

Some interviewees stated that they were unaware of the Covenant prior to receiving the brand audit letter. Others stated they had never heard of it, despite their business being contacted in the brand audit.

A number of interviewees had sought clarity from APCO or their state regulator and had not had questions resolved about their need to be part of it.

"reuse packaging...I assume that's what the Covenant's about?"

A lack of perceived relevance to their business

Many businesses that identify as being in the middle of the supply chain, such as distributors and wholesalers, don't believe that they "fitted the criteria" and that it is a "waste of time" for their business to be involved. They believe that the Covenant is only relevant for (brand owning) manufacturers.

Many see themselves as simply sending packages in and out, with little interference. This leads them to believe that there are very limited actions that can take to change the sustainability of the packaging they interact with.

"Is largely a forum for manufacturers and packaging suppliers"

"We don't touch it...we just send it (packaging) out"

Questions about the credibility and power of the Covenant

Some of those businesses whose initial interaction with APCO was through the brand audit letters questioned the nature of the organisation. They weren't sure if it was legitimate as it wasn't from the relevant regulator and wondered if it was a way to prey on fear to make money. It was in stark contrast to the types of interactions that are a usual part of business, which are based on relationships, trust and credibility.

Others question the authenticity of the Covenant's aims and perceive that membership may be done to "pay lip service" to change. In interviews, a number of businesses questioned APCO's financial motivations and thought it was largely a way to generate revenue.

Some businesses question if there would be any consequences from declining to be involved.

"Seems a bit dodgy"

The perception that those who should be involved, aren't

When businesses heard about the Covenant they tended to check with their peers, networks or advisors. When others hadn't heard about it or weren't members, this reduced the impetus for the business to become involved.

Some businesses spoke about their perception that there is a lack of members in their own industry as well as more broadly—particularly given the large number of businesses that would cross the \$5 million threshold for obligations.

There was also the perception from some that the big supermarket chains should be members (even though they already are).

"None of them had even heard of APCO"

What barriers do businesses perceive to signing up to the Covenant?



A lack of identified business value from joining

Some businesses were unsure of what they would get from being part of the Covenant, while others felt sure that what they would get wasn't enough. Many non-signatories couldn't articulate a sense of value from being part of the Covenant.

This is in contrast to other industry bodies or initiatives they become involved in, where they would speak to the features and benefits of being involved.

Some spoke about the membership fee as a barrier.

A number of interviewees mentioned that they thought the Covenant would only gain large scale traction if it was mandatory.

"Important environmentally...but no added value"

The perception that they are already doing all they can

Many businesses feel they have limited influence over packaging. Many perceive that their suppliers are the ones that make choices with regards to packaging and some have unsuccessfully tried to influence them. Others spoke about international packaging obligations they need to comply with.

Many businesses spoke about the kinds of actions they are already taking to reduce waste, and reuse of recycle in their place of business, including with packaging that products are transported in.

Others spoke about sustainable actions not making business sense, including changing packaging when they perceived customers wouldn't cover the higher cost.

"We have no input into the finished product"

"Didn't understand what benefits it would bring...already recycle, reuse"

They think others with more influence should be doing more

Businesses that had a stronger international footprint conveyed the view that there are larger systemic problems around waste and sustainability in Australia.

They perceive actions they could take as relatively pointless within a context where we have been "misled and hoodwinked" about recycling and where we have a "long way to go", compared to other countries.

They often spoke about their perceptions of the lack of action being taken by the large supermarket chains and place blame at their feet.

Some would like to see more public investment in recycling infrastructure and others conveyed the view that tougher political action was called for.

"Recycling in this country is a joke"

Time and resource constraints

Businesses are also time and resource constrained, limiting their ability to thoughtfully consider something seen as a 'nice to have'.

Instead, businesses focus on what they need to do to deliver their products and grow their business, with little time for secondary issues, such as those relating to packaging.

Decision makers are often juggling many competing demands. A voluntary initiative may be easily missed or passed up for alternatives if its relevance, credibility and value is not perceived clearly and quickly.

A number of businesses put their decisions about which memberships to be part of, and which to let go of, in this context.

"I've got bigger fish to fry than this"

What barriers do businesses perceive to signing up to the Covenant?



APCO feels bureaucratic and inflexible

Many businesses consider APCO's approach to be overly rigid. They felt that APCO staff were unwilling to have a constructive conversation about the specifics of their businesses, and what that meant for their packaging obligations. Instead, they felt that APCO was stubbornly applying a single framework to everyone they spoke to.

Some businesses were particularly frustrated by this approach because they believed that APCO did not fully understand or was not correctly interpreting the National Environment Protection Measure.

"Impersonal... trying to put every business into one bucket"

"Another level of bureaucracy to deal with"

The language and tools can be off-putting

Many businesses' primary interaction with APCO has been the 2018 brand audit letters. Many were confused about what they were saying, and felt threatened or intimidated.

Signatories similarly find the tools APCO provides to members, such as reporting templates and the PREP tool, to be difficult to understand and use. They were not always clear on what the terms meant and how they worked.

Some signatories believed that the PREP tool was not technically accurate or could produce perverse outcomes (such as increasing the amount of a certain plastic type just to make the packaging 'recyclable').

"Communication was very complicated and unclear"

"Need to understand the question to give the right response"

Reporting can seem onerous and difficult

Before signing, many businesses do not know how much work is involved in reporting to APCO. For many packaging is a new thing to think about, which can be exciting, but also daunting.

Among those that do sign, many find the amount of work involved in collecting and reporting the data to be overwhelming. Some devote substantial resources to the task, such as hiring someone specifically for their experience with APCO. Others end up guessing or reporting inaccurate numbers. The difficulty can also be a motivation to withdraw.

"Time draining... very expensive... labour intensive"

"I wasn't aware of the level of reporting required. I thought it would be like (other certifications)"

"I have no way to measure materials and all that type of shit"

Reporting is experienced as burdensome and time consuming unless there are dedicated staff to do it



In what context are businesses making this decision?



Environmental sustainability matters

Businesses are aware of environmental issues and can see that they are collectively on the 'mind' of society.

Some businesses have philosophies related to being environmentally friendly and many interviewees expressed personal care.

Some can see that their customers are more concerned with environmental issues and that sustainability offers a market to be explored.

"Everybody is becoming more and more (environmentally) conscious"

"I'm extremely concerned about the environment"

And packaging is an issue

Businesses are aware that there are issues with the amount of packaging in society and broadly think that something needs to be done about it.

Businesses also largely seem to agree with the aims of the Packaging Covenant and perceive that as a business they need to be environmentally responsible.

"everybody needs a box"

"The Covenant could be a good thing...help everyone move forward"

But they are busy and have limited resources

Businesses are dealing with a number of issues on a daily basis.

People in decision making roles wear "many hats" and spoke about constraints on their time as well as finance and resource constraints on the business more broadly.

"I have a million things every day and have to make quick decisions"

So core business is the priority

They spoke about making decisions based on what they need to do to keep operating.

This means that the focus of their attention is the products they make and not the packaging they are delivered in.

Actions taken towards sustainability tend to be done when they perceive it will either save or make money for the business.

Businesses are keen to comply legally as this relates to their capacity to trade, so where they have to do something they will.

"It's tough out there...don't want to get too far ahead of ourselves"

Despite their movements towards environmental sustainability, as the Covenant is voluntary and not perceived by many as relevant or offering clear business value, many businesses decide not to sign up.



Businesses would like to see more being done about recycling infrastructure



How should we think about non-compliance?

This research focused on Covenant sign-up, not broader compliance. But some businesses spoke about the broader regulation.

Often it's not wilful non-compliance

Signing up to the Australian Packaging Covenant is one way for liable businesses to meet regulatory obligations under the National Environment Protection (Used Packaging Material) Measure 2011 (NEPM).

Those who do not record or report their packaging at all are often seen as 'free riders' with a commercial advantage in the market. But this term implies a wilful non-compliance that is not consistent with this research.

"We don't want to be an illegal business."

Many are confused or unaware

Only one or two of the 12 non-signatories spoken to for this project could be characterised as wilfully non-compliant with the NEPM.

Businesses were confused in different ways about what APCO was about and what their obligations were. Many non-signatories knew of the Covenant but had little or no understanding of the NEPM.

"Never heard of it."

"I'm a little vague about the whole thing."

And others have reasons not to be compliant

Even non-signatories who understood the NEPM did not see themselves as shirking obligations.

Some believed they were already doing a good job at reducing their packaging waste, such that they would be deemed compliant if a regulator ever came to check.

Others questioned whether their unique business genuinely fell under the definitions provided by the NEPM, their regulator, or APCO.

Others claimed that they wanted to comply but were waiting on clarifications from their regulator or APCO before taking any action.

"We understood that 70% of the stuff that came in we had to reuse. We believe we're already doing that."

"Is this something I absolutely have to do?"

So the term 'free riders' may not always be apt

Few of these non-compliers saw themselves as getting a 'free ride'. Many genuinely felt that the regulation may not (or should not) apply to them, or that they were already doing their bit to address the environmental problem.

"I didn't believe I fit the criteria of someone who does packaging."



How should we think about non-compliance?

The below table categorises compliant and non-compliant businesses, drawing on research findings.

	Aware of the Covenant only	Aware of NEPM obligations only	Aware of both the Covenant and NEPM obligations	Aware of neither
Complying with the NEPM	Some businesses have signed up to the Covenant, either because they see business value in signing, or they misperceive the Covenant as mandatory.	Some businesses have gotten confused and forgotten about the Covenant option. Some may have missed APCO messaging but separately learned about the NEPM.	Some businesses may have weighed up their reporting options and chosen either the Covenant or their regulator. Some businesses are instead part of industry arrangements that produce equivalent outcomes.	N/A. Businesses cannot report on their packaging if they do not know they have to.
Not complying	Some businesses do not appreciate their NEPM obligations and have elected not to sign up to the Covenant, for reasons that include: <ul style="list-style-type: none"> • Being unsure what the Covenant is about • Seeing no need to join or no value in doing so • Thinking packaging is someone else's responsibility • Disliking the membership fee or costly reporting obligations • Being busy with other priorities 	As above and to the right.	Some businesses understand the requirements but do not meet them, for reasons that include: <ul style="list-style-type: none"> • Believing their actions already make them 'compliant' • Doubting their business really is liable • Waiting for clarity from APCO or a regulator • Purposely evading costly obligations (as implied by the term 'free rider') 	Some businesses are ignorant to any kind of packaging regulation.

Business personas and journeys

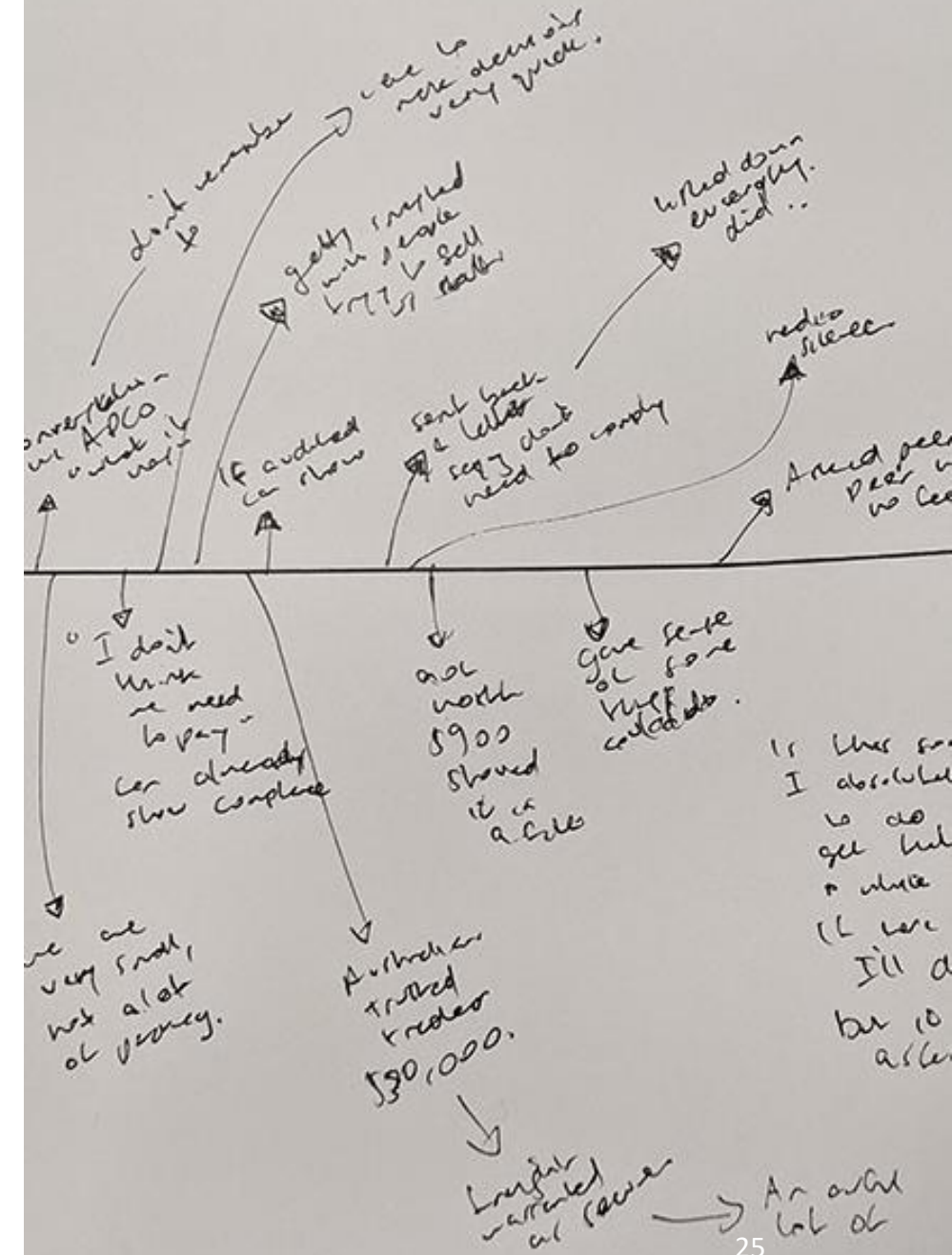


Business personas and journeys

The business personas and journey maps in this section have been created from a blend of interviews and do not represent any one business. Instead they provide a sense of the context and experiences of different types of businesses.

These personas can be used as tools to help design solutions to overcome the barriers identified through the research.

While the personas and journeys are based on a blend of experiences across interviewees, the quotes are actual statements from participants.





Paula, the eco-driven manufacturer

Covenant Status: Signatory

Paula's business context

Paula owns her own small manufacturing business (\$5-10m turnover), producing consumer goods that are sold through retailers.

She personally cares about the environment and genuinely wants to do something about the waste problem in Australia. She has made being eco-conscious part of her company's philosophy and branding – her logo includes a green tree. She can also see the market changing, and reckons promoting green credentials is good business.

Paula decides how her products are packaged so can clearly see her place in the problem of packaging waste. But, by her own account, she's not a packaging expert and hasn't really thought much about it before.

"I'm extremely concerned about the environment and I want everyone else to be."

"People are becoming more aware – less packaging, less plastic."

Perceived influence



Eco motivation



Clarity about APCO



How Paula sees the Covenant

Paula sees signing the Covenant as a way to show she's serious about reducing her environmental impact. She's had consumers call in the past asking why her packaging is plastic when she's apparently an 'eco' company. Being part of the Covenant is just one thing she's doing to protect her business from that kind of criticism.

Paula knows her big retail customers are part of the Covenant. Joining will get her access to the Australasian Recycling Label, which they've been asking for.

The Covenant seems directly relevant to Paula's business. She sees it as a chance to learn about how to help the environment in a new way. She hopes APCO can give her practical guidance on how to improve her packaging.

"We're an eco company so we need to join."

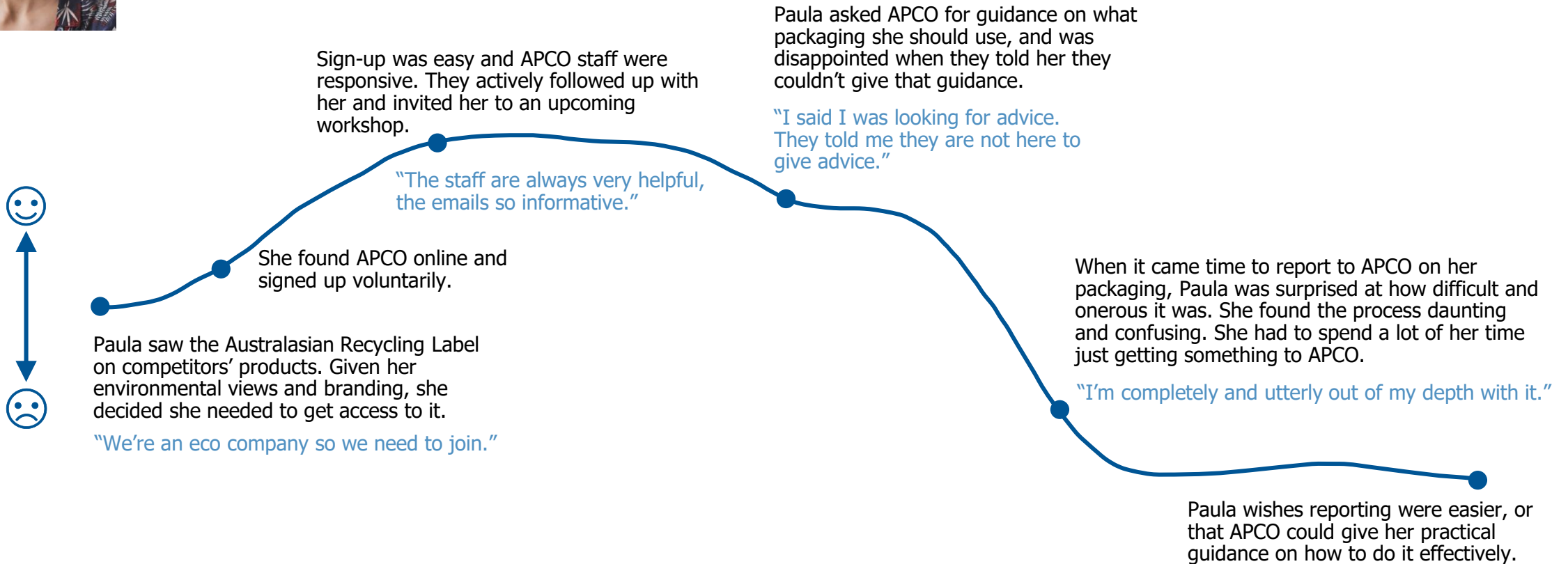
"APCO gives credibility with distributors and shows we are doing the right thing."



Paula, the eco-driven manufacturer

Covenant Status: Signatory

Paula's journey





Tony, the pragmatic plastic packaging producer

Covenant Status: Signatory

Tony's business context

Tony manages a medium-sized business (\$30-40m turnover) that manufactures plastic packaging. His packaging is used for food products that are sold in major retailers.

Tony has keenly felt society radically shift its views on plastic in the last few years. He's worried about the future of his business. He knows he needs to show that he understands the problem of plastic waste, but he thinks there'll always be a role for plastic packaging – after all, keeping food fresher for longer helps to minimise food waste.

Tony is a technical expert when it comes to plastic types and their recyclability. He is upset that Australian facilities aren't able to recycle material that technically can be recycled.

Tony relies on a few big customers for a lot of his business, so feels he has to listen when they request certain kinds of packaging.

"There's an undercurrent of demonising plastic. We need to do something about it or fade to grey."

"Australia is very behind on recycling."

How Tony sees the Covenant

Tony sees the Covenant as a must for his business. He feels exposed to changing views about plastic and is nervous about what that could mean for him.

Tony sees signing as a way to get early indications about how Government might approach packaging in the future. He hopes it might even give him an avenue to influence Government decisions.

Tony has a hunch that it might become mandatory to sign the Covenant one day, so he figures he'll be better off getting in early.

Tony believes signing the Covenant establishes credibility with his customers. It helps him to mollify their concerns about plastic, by proving that he understands the environmental issues and is actively trying to address them.

"We have an interest to protect."

"I need to know where the legislation is going to be in six or twelve months. I was hoping to get those kinds of answers from APCO."

Perceived influence



Eco motivation



Clarity about APCO

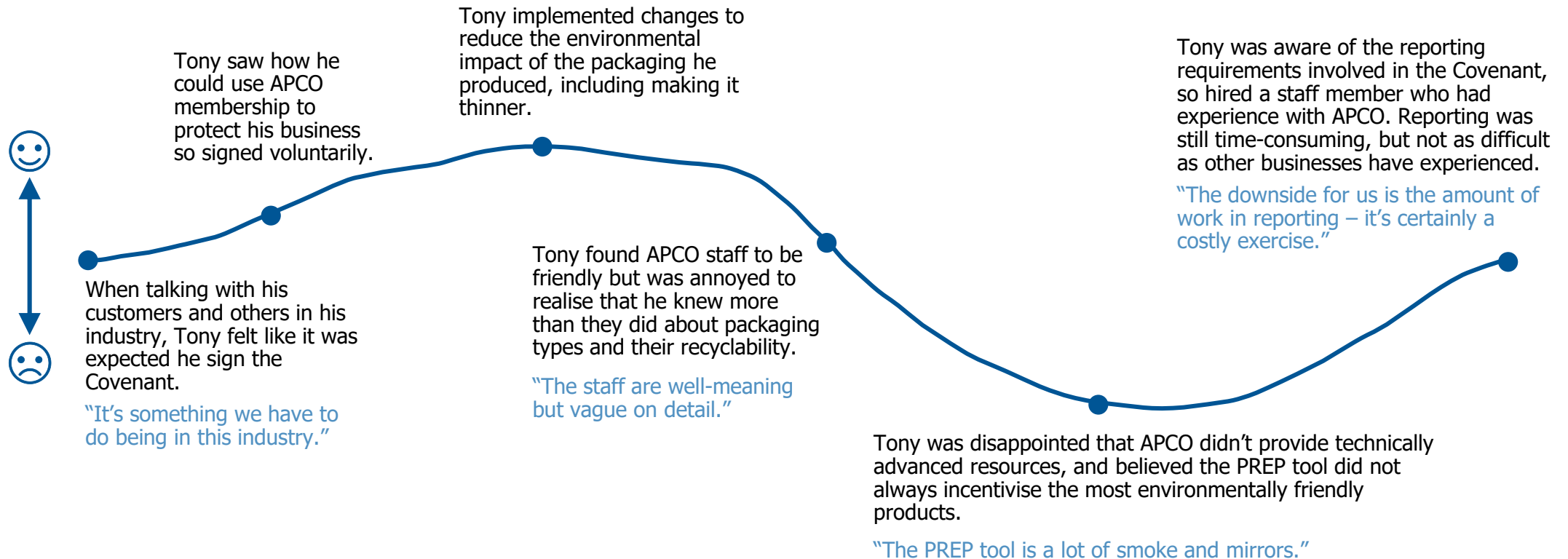


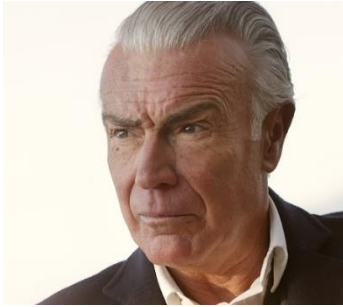


Tony, the pragmatic plastic packaging producer

Covenant Status: Signatory

Tony's journey





John, the global business sceptic

Covenant Status: Non Signatory

John's business context

John manages the Australian operations of a large foreign manufacturer. His turnover is \$100-150m. His business involves importing products from his parent company in Germany and distributing them to business customers.

John is rarely the final decision maker. He takes instructions from head office, and when he wants to make changes, he needs to put a business case to the board in Germany.

John will attempt changes if he can clearly see how they will save him money or bring in customers.

The environment is not front of mind for John and does not come up often in his workplace. He knows his younger staff care about the environment but it does not inform his business decisions. His parent company operates under its own environmental requirements.

"Board members have to sign off on most things. They want me to cut back."

"We want to do all the right things, but still be commercially viable."

How John sees the Covenant

John doesn't think the Covenant is relevant to his business. He doesn't want to join and isn't convinced he has to.

Positioned between his parent company and his customers, John does not see himself as having much influence over packaging. He claims that the responsibility for addressing any environmental problem lies elsewhere: with the big supermarkets, or with government.

John is sceptical about the purpose of the Covenant and wonders if it's just a money-making exercise. He had never heard of APCO before being contacted and this makes him suspicious. Furthermore, no one in his networks of customers or industry partners knows about APCO.

"I've got bigger fish to fry than this."

"Government is not really putting their money where their mouth is when it comes to recycling."

"No one would care if we decided to join."

Perceived influence

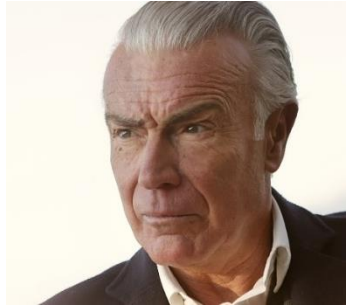


Eco motivation



Clarity about APCO

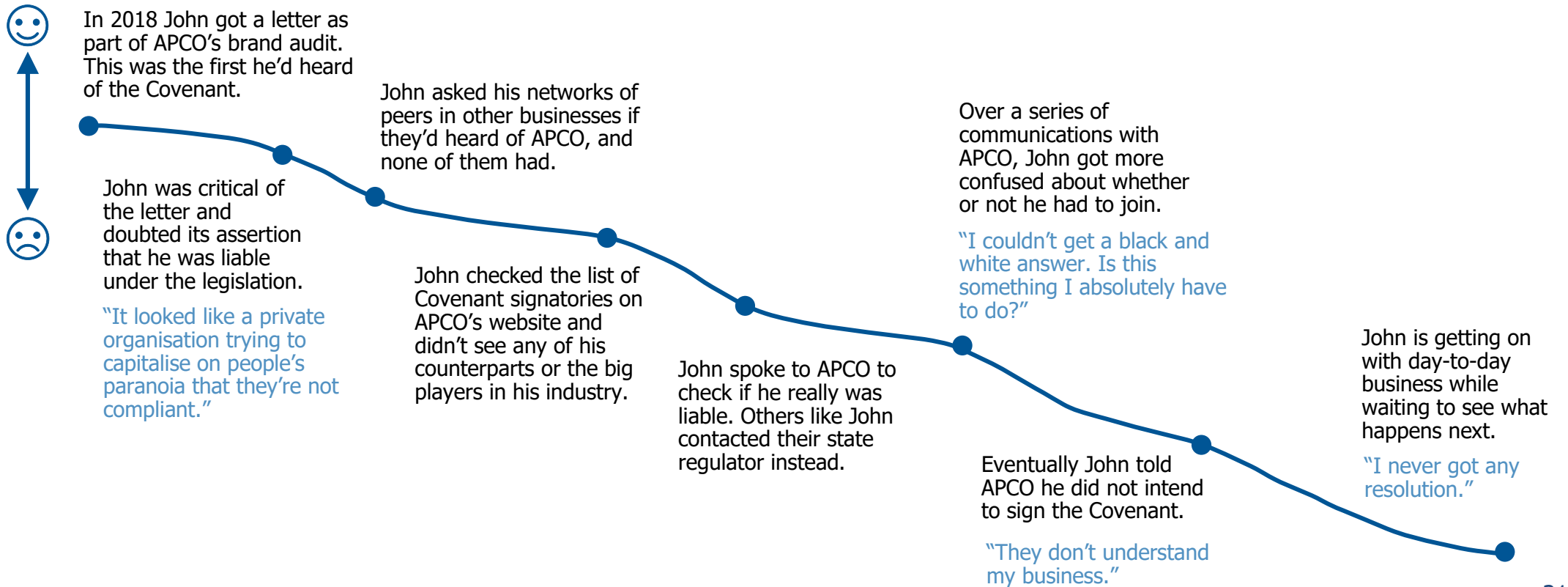




John, the global business sceptic

Covenant Status: Non Signatory

John's journey





Sara, the confused distributor

Covenant Status: Withdrawn

Sara's business context

Sara runs a medium-sized wholesale distribution business (turnover \$80-100m). She handles products from a wide variety of suppliers. She sells some products under her own brand, but this makes up a small portion of her business.

Sara feels wedged between influential suppliers and influential customers. Her profit margins are thin and she does what she has to do to maintain her upstream and downstream contracts. She has invested considerable resources in getting an ISO accreditation because big customers started required it in their tenders.

Sara hates waste, and has always done whatever she can to reduce the amount she sends to landfill. She finds creative solutions to reuse and recycle as much as possible.

"There are things that we can't control."

"I am comfortable we are doing as much as we can to recycle and reuse."

Perceived influence



Eco motivation



Clarity about APCO



How Sara sees the Covenant

Sara sees the Covenant as a forum for manufacturers and packaging suppliers. They are the ones with the ability to make a difference.

Sara does not see her business having any responsibility for packaging. Boxes come in, and boxes go out. She only does a small amount of secondary and tertiary packaging, such as shrink wrapping pallets. And she bales her waste shrink wrap so it can get collected monthly for recycling.

Sara believes in the Covenant's aims and is keen to comply with regulation, but can't see how she can make any further changes to help meet those aims.

Sara has a huge amount of respect for her industry body, whose environmental aims include packaging. She doesn't see the point in committing to the same goals twice.

"The way I see it, if you are not the person making the product you are not responsible."

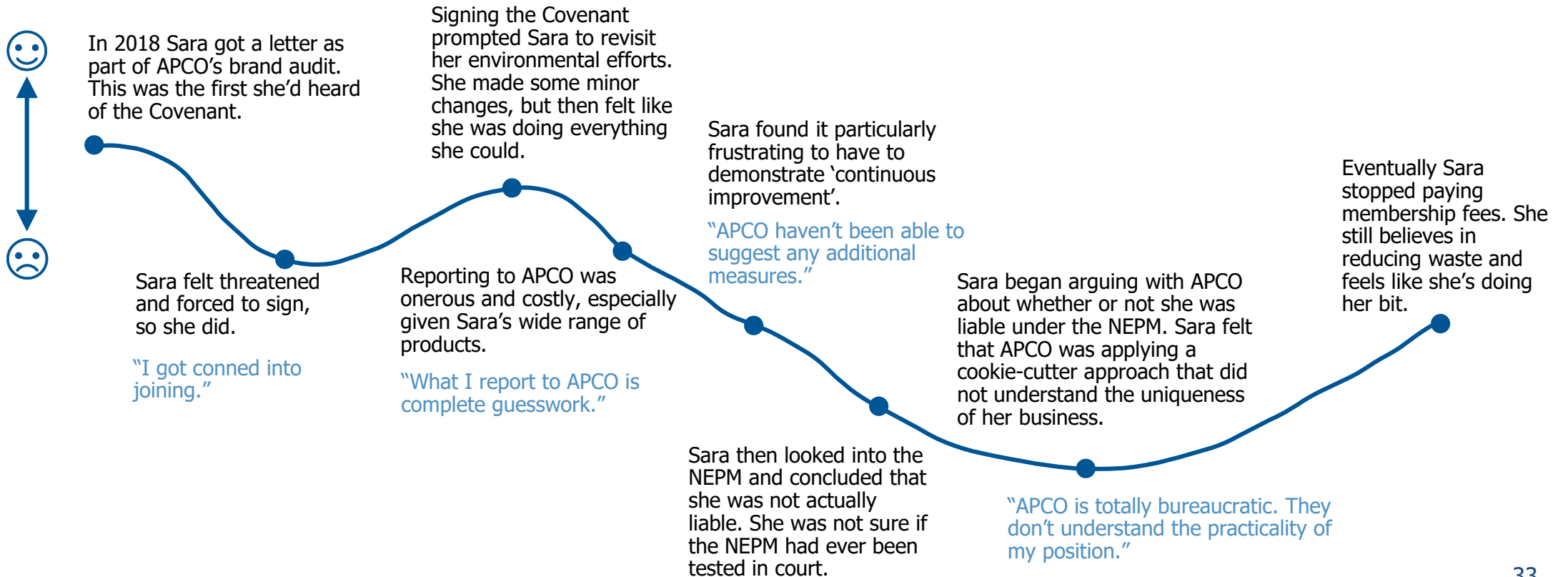
"APCO is important environmentally but gives us no added value."



Sara, the confused distributor

Covenant Status: Withdrawn

Sara's journey



Future directions

- Businesses' suggestions for improvement
- Ideas for the short term
- Questions for the longer term
- Options for further insights



Businesses' suggestions for improvement

This research was not designed to develop robust solutions with businesses. Nevertheless, many interviewees offered their suggestions.



Talk to me to understand my business and what we can do

Businesses often spoke about their desire for APCO or their regulator to better understand the operations of their business. Ideally they'd like face to face communication to be on the same page about their obligations and actions they can take to improve their actions with packaging.

"Understand my business as an entity rather than a revenue stream"

Clearly and accurately communicate with me

Businesses would like the communication with regards to their packaging obligations to be less bureaucratic, simpler, more concise and easier to understand. They'd like to have clear, direct and accurate directions on what it is they need to do.

"More user friendly"

"Clear differences in definitions"

Give me relevant training, information and practical support

Participants suggested that it would be appealing to be provided with training, information, distilled research and technical advice on packaging. Businesses that are existing signatories spoke about the desire for practical support to meet reporting obligations. Case studies were repeatedly mentioned as a useful tool.

"A specialist to come and sit with you"

"Case studies work really well"

Businesses' suggestions for improvement

Make reporting easier for me to do

Businesses that had signed the Covenant often spoke about the difficulties they faced with reporting. For some it was a potential reason to withdraw. Businesses would like practical assistance to understand and complete their reporting requirements. One interviewee suggested that it could be helpful to scale the reporting requirements depending on the size or complexity of the business.

"Info that made it simpler to do reporting"

"They scale how you pay a fee, they should scale how you do reporting"

Increase uptake and visibility

Businesses spoke about the desire for the Covenant, its work and its outcomes to be more widely engaged with and known about. This would increase the credibility and business value for being involved. One business suggested that using peer group pressure to be involved could be effective.

"We do this and we're proud"

"We want to be able to demonstrate our end to end sustainability to customers"

If I'm doing everything I can, cut me some slack

A number of businesses believe that they are already doing everything they can with regards to packaging sustainability. The suggestion was made that requirements could be retracted if there was little more they could do.

Relatedly, others spoke about different models for inclusion in the Covenant so that fees were reduced for those that have less influence on packaging.

"Harder and harder to continuously improve"



Businesses' suggestions for improvement

Highlight the value that is discovered over time

Some businesses find new benefits that they weren't aware of when deciding to join.

Some found that paying attention to packaging in a structured way helped them to better understand and improve their operations.

Finally, some found that this regular schedule of reporting kept the packaging issue on their radar and helped them ensure their executives continued to take it seriously.

"Get it right at home... challenges our own thinking as well"

"APCO is our conscience... gives us a point of reference"

Consider making the Covenant mandatory

A number of businesses questioned the voluntary model of the Covenant trying to facilitate compliance. They suggested that mandating action might be more effective at producing genuine outcomes.

"When the cost of not complying exceeds the cost of complying...will comply"

"Better to not give anyone an option"

Let me know well in advance of any changes

Businesses understood that the obligations on them were likely to change over time.

They spoke about the benefits of being made aware of upcoming changes well in advance, so they have the time to respond and adjust their business practices in a way that is commercially viable.

"These regulations are going to kick in...going to have to report"

"(Then we know) we need to put this on the agenda and have time to respond"



far
WARNING
doubt

"need to know
where the legislation
is going to be in
6... 12 months hoping
to get those kinds
of answers from
APLO"

SB3a

"as of the
date..."

Businesses want to
help shape changes
that affect them

Ideas for the short term

Some barriers identified in this research could be partially addressed with relatively simple changes to the way both APCO and regulators work together to approach potential signatories. Below each suggested idea we have introduced the behavioural bias it is designed to draw on or address.

Emphasising the less obvious, long-term benefits that businesses are likely to see from signing up to the Covenant, to counteract the evident short-term costs

Behavioural bias: Future discounting

Immediate costs and benefits weigh more heavily on our decisions than those further into the future.

Tailoring communications to the specific industry and supply chain position of the business being approached, perhaps with case studies showing the Covenant's relevance

Behavioural bias: Self-reference effect

We encode information more deeply when it is related to ourselves.

Co-branding communications from both APCO and regulators, and ensuring messages about obligations and responsibilities are consistent between APCO and regulators

Behavioural bias: Authority bias

Our perceptions of the messenger (including their authority) influence our reaction to the message.

Making the cost-benefit decision easier for businesses by clarifying APCO's service offering and the consequences in their jurisdiction if they do not sign up

Behavioural bias: Ambiguity bias

We tend to prefer an option when we know the probability of a favourable outcome.

Engaging more comprehensively with non-signatory businesses, where possible through two-way interactions that encourage a constructive, collaborative tone

Behavioural bias: In-group favouritism

We are more likely to listen to those with whom we have developed a common in-group identity.

Developing clear, shared protocols for how to discuss obligations with businesses that question their liability, such as distributors who only own a small proportion of their brands

Behavioural bias: Selective perception

We see what we want to see, and pay particular attention to evidence that supports our preferred choice.

Questions for the longer term

Following the upcoming review of the NEPM, the Government Officials Group may consider more substantial changes to the co-regulatory framework. The most effective and efficient solutions would probably emerge out of collaborative discussions involving regulators, APCO and businesses – such as co-design workshops.

The following three questions could be used as a basis for these idea-generating discussions. They are based on **three of the main barriers** to sign-up.

**A lack of identified
business value from joining**



**How might we
demonstrate that
signing up to the
Covenant makes
good business
sense?**

**The perception that those who
should be involved, aren't**



**How might we make
signing up to the
Covenant an
industry norm?**

**The perception that they are
already doing all they can**



**How might we help
businesses see that
there's more they
can do?**

The Behavioural Analysis Team has generated some speculative ideas that could be used as a framework to guide discussions. Please contact the Commonwealth Department of Agriculture, Water and the Environment if you would like to see this companion document.

Options for further insights

Further insights could help inform discussions and decisions about next steps. Some options include a survey, co-design workshops and a pilot. The Behavioural Analysis Team could support any of these options.



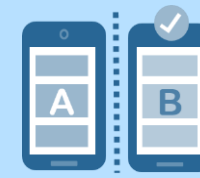
We could run a **survey**

- + Understand how common different issues are for different parts of the supply chain
- + Segment non-signatory businesses into different categories more precisely
- + Learn about jurisdictions and regional areas not covered in this research
- Waiting for results would delay actual action to address the issues
- Not the best way to generate solution ideas
- Businesses may feel consultation fatigue
- May raise expectations of change with many businesses



We could hold **co-design workshops**

- + Devise changes to the co-regulatory framework together with the businesses who perceive barriers to sign-up
- + Discuss and refine potential next steps with all the people involved
- + Establish what ideas are feasible for all stakeholders
- + Collaborative not just consultative
- May be most useful after the upcoming review of the NEPM



We could do a **pilot**

- + Take one idea from a co-design workshop and see how it works in practice
- + Test and evaluate how the idea works for a sample of non-signatory businesses
- + Identify unforeseen issues on a small scale before roll-out
- + Could make a difference quickly
- Could backfire if the piloted idea is designed without involving all stakeholders (businesses, government and APCO)

Business decisions about signing up to the Australian Packaging Covenant

Conclusion

In doing this work a number of things have become apparent.

Businesses are operating in resource constrained environments and are juggling many priorities. Whilst sustainable packaging is on their radar as an issue, amongst all their obligations and pressures it tends to move down the priority list. Businesses' focus revolves around their products and making decisions that support their business. Given the co-regulatory and voluntary nature of the Covenant, many businesses do not feel obliged to sign. Their decisions therefore vary depending on a number of factors. A key factor is the perceived relevance of the Covenant to their business.

Many businesses expressed a preference for constructive, in-depth conversations with APCO and their regulators, to help them understand what their obligations were, and what they could do to assist the waste problem in Australia. This approach could increase sign-up, especially if paired with consistent, tailored communications that clarify the long-term value of signing the Covenant for each type of business.

Bigger changes could explore ways to demonstrate the business case for signing up, to make signing up an industry norm, and to help businesses see what steps they could take to make a difference. These questions could be explored in co-design workshops with businesses, APCO and regulators. Such collaboration would help ensure that any changes have the greatest chance of improving the sustainability of the packaging supply chain in Australia.

