

Capitalizing on Emerging Green Demand Trends through Cause-Marketing

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Take Home Points

1. Millennials have the highest rate of pet ownership and care the most about the social and environmental consciousness of a company and its products. They express their concerns most prominently by purchasing products that are deemed more eco-friendly and socially responsible than their counterparts.
2. While millennials care the most about CSR, the trend is present among all age groups and is becoming increasingly global, with the most aggressive growth in countries with some of the highest pet ownership rates.
3. Pet food leaders can use this phenomenon to increase their brand appeal and sales through cause-marketing by linking a positive mission with their products. Presently, natural, organic, and eco-friendly pet foods are leading the industry. While the food itself has rightfully followed the recent eco trend, the packaging, which has incredible marketing potential, has not.
4. Pet food companies can reap additional financial rewards without changing the product itself by making their packaging recyclable. To do so, companies can make changes within their supply chain that follow strict recycling center guidelines or hire another company, like Terracycle, to create product specific ways to recycle their present packing, making it nationally recyclable.

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90% of consumers expect companies to do more than make a profit, but address pressing social and environmental issues. 2017 presents the golden age of cause marketing, especially within the pet food industry, in which those who care the most about CSR compose one of its biggest target audiences. Millennials, 72% of whom are willing to pay more for products and services that come from companies who are committed to positive social and environmental impacts, is the age group with the highest percentage of pet owners, at 58%. Millennials annually spend 1.2 trillion dollars, 1/3 of all retail spending. As they age, they continue to increase their purchasing power. Therefore, investing in this demographic yields long-term growth. While millennials care the most about social and environmental responsibility, concerns over sustainability are high among all other age groups. While consumers' demand for environmentally and socially responsible products, such as those whose packaging is made with recycled materials or are recyclable, or give back to the community, continues to grow. However, the supply curve has yet to meet this overwhelming request. 81 percent of consumers cite availability of these products as the largest barrier to not purchasing more, highlighting an untapped market. The trend does not only encompass the US. While 78% in the US say they feel better when they buy products that are sustainably produced, that number rises to 88% in India and 85% in Brazil. Countries which are within the top 10 of ones with the highest rates of dog ownership.

So, how does this trend play out in the capital market? Consumers show their care for environmentally and socially responsible products in more than one way, but most prominently through purchasing said products over others. A Unilever study revealed that a third of consumers are now buying from brands based on their social and environmental impacts. The other leading ways consumers show their care are donating to a charity affiliated with a company with strong CSR (61 percent) and boycotting a perceived unethically made product (53 percent), as exemplified by the mass media attack on products like k-cups, which have since become recyclable through Terracycle.

The leading products within the pet food CPG industry are those that push a green image: organic, natural, and sustainably sourced. While the pet food itself may be eco-friendly, there has been little innovation towards this trend in their packaging.

As business leaders, the natural next step is configuring how to use the recognition of this market trend to increase sales of your pet food products. The answer

is cause-marketing. Cause marketing combines a social mission with a campaign that increases awareness of a problem, which causes consumers to associate a positive change with a particular brand, thereby increasing brand loyalty and its market share. Some notable examples include the Dove Real Beauty Campaign and the Dawn Soap Wildlife Rescue, both of which have left a sizable footprint in the minds of consumers. Through their campaign, Dove received free Media exposures worth \$150 million. For Dawn, the campaign yielded a 30 percent increase in sales of the specific Dawn Save the Wildlife bottles. Additionally, cause-marketing, such using the recyclability of packaging and environmental benefits to differentiate a brand, allows companies to expand their target demographic without making changes to the product itself.

Now what is different about the pet food industry is that while online sales in most every other sector are growing, from brick and mortar to brick and click, the pet food industry is still greatly ingrained in physical stores, so foot traffic is vital to the longevity and success of stores that sell them. Campaigns, like recycling ones, allows a unique way to increase foot traffic, and works better than other store promotions, like reducing price points or a buy one get one half off deal that decrease profit margins. Cause marketing can take many forms, but in an industry where the incentive for consumers to come back to physical locations is of extreme importance, campaigns that push for such action are vastly desirable. To take advantage of the untapped eco-friendly and packaging related marketing tactic, a pet food company can either increase the recyclability of its packaging or outsource the job to another company.

Contrary to popular opinion, all things are recyclable. In nature, there is no waste, only a circular, closed loop system that continues to create treasure out of the perceived “trash”. Food turns to waste, which turns into a valuable resource for another organism. The elusive aspect of recycling in the modern world is the economics. When the materials extracted from the recycling process are less valuable than the cost to do so, these products and their packaging are deemed non-recyclable by recycling centers. So, to make pet food packaging recyclable, companies must change the composition of their packaging to fit these rigid guidelines or pass the role to another player. By taking such actions, companies can in-return receive tremendous financial rewards.

As mentioned the alternative to changing the supply chain, is transferring the responsibility to another company. Terracycle for example partners with brands to make their preexisting products and packaging that are traditionally non-recyclable recyclable. Additionally, as collection of these products for recycling occurs either in-store or at home, the consumers are incentivized to re-visit stores, increasing the probability of additional purchases. Also, through donations to local schools and organizations, determined by a point system, for collecting and returning these products for recycling a community aspect is added, sparking further conversation about the brand beyond the shelves. Through this type of cause-marketing, a company can trigger that switch from

good product, bad packaging to the two goods and a bonus benevolence factor without making any modifications to the packaging itself.

Cause-marketing therefore offers a unique and innovative approach to differentiating your brand and increasing sales without unnecessary, drastic changes to an already great product.