



KIMBERLY CLARK CASE ANALYSIS



AGENDA

Rewarding Consumers for Recycling Packaging: Kimberly-Clark Seeks Shared Value

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INTRODUCTION

Kimberly-Clark, founded in 1872 and headquartered in Dallas, Texas, is a global leader in disposable products, known for iconic brands like Huggies, Kleenex, and Pull-Ups. As an innovator in consumer goods, the company introduced the first facial tissue and disposable training pants, demonstrating a commitment to convenience and quality.

However, with a focus on sustainability, Kimberly-Clark faces the challenge of reducing the environmental impact of its packaging, particularly single-layer flexible plastic film (SLPF). This lightweight, cost-effective material is efficient but difficult to recycle due to limitations in many recycling facilities.

To meet its 2022 sustainability goal of diverting 150,000 metric tons of waste from landfills, the company has explored strategies like consumer education and rewards programs to encourage recycling.

This case examines the balance Kimberly-Clark must strike between enhancing the sustainability of its packaging and addressing consumer behavior and cost considerations.

Key Packaging Concern:

- Flexible plastic film (SLPF): lightweight, cost-effective, environmentally efficient.
- Recycling challenges due to limited processing capabilities at facilities.

DID YOU KNOW? —



Every year, enough flexible plastic ends up in the ocean to circle the Earth four times if laid end-to-end.



STRENGTHS

- **Flexible Plastic Film Advantages**—The packaging material is lightweight, cost-effective, and more economically efficient than alternatives.
- **Sustainability Goals Established & Proven Track Record in Waste Diversion**—By 2022, Kimberly-Clark has set a goal to recycle 150,000 metric tons of product and packaging waste after consumption from landfills, showing its commitment to sustainability.
- **Recycling infrastructure**—Collaborating with the retail drop-off programs, such as Trex recycling programs, makes the best use of the existing infrastructure leading to optimization of costs
- **Innovative initiatives**—The partnership with How2Recycle educates consumers about drop-off recycle locations and labels products with clear instructions for recycling.

WEAKNESSES

- **Low Recycling Rates**—The recycling rate of Flexible plastic film is only 4% compared to the more rigid plastics and metals. The reason for the same is limited municipal infrastructure and contamination challenges making them economically less viable to recycle.
- **Limited Control Over Recycling Outcomes**—Retailers and Municipal Recycling Facilities (MRFs) deal with collecting and processing. Kimberly-Clark leads to fragmented accountability. This dependency makes it difficult to track and achieve diversion goals.
- **Consumer Participation Issues**—The success of This program mainly depends on the consumer's willingness in cleaning and storing films for drop off. which discourages active participation
- **Contamination Risks**—High level of contamination in collected films increases recycling costs

OPPORTUNITIES

- **Build a Greener Brand Image**—Consumers already see the company in a positive light when they notice How2Recycle labels on products. Expanding this well through proper campaigns can strengthen the reputation as a greener brand.
- **Unlock Consumer Insights**—Imagine if the data collected by Kimberly-Clark via rewards program not just to recycle but know their customers better. This is such a powerful data to personalize campaigns and innovate products.
- **Collaborate for Greater Impact**—The company doesn't have to do it alone. Partnering with recycling facilities, retailers, and groups like the Closed Loop Fund can lead to synergy. This creates value for everyone involved.
- **Motivate Consumers with Rewards**— A well-thought-out rewards program could nudge consumers to recycle more. Models like Box Tops for Education or bottle deposit programs have proven that people respond positively to incentives, & Kimberly-Clark could adapt this for their recycling goals.

THREATS

- **Consumer Perception of Plastic**—With the growing regulations on single-use plastic and the ban on plastic shopping bags in some regions, there is a potential risk of backlash from consumers against products with flexible plastic packaging.
- **Regulatory Risks**— Compliance costs for Kimberly-Clark can increase if recycling targets are not met in key markets with stricter environmental regulations.
- **Competition**— In regions with environmentally conscious consumers, if competitors adopt sustainable packaging faster they may gain a competitive advantage.
- **Stakeholder Resistance**—Resistance from recycling companies and retailers to invest in new infrastructure and recycling processes.

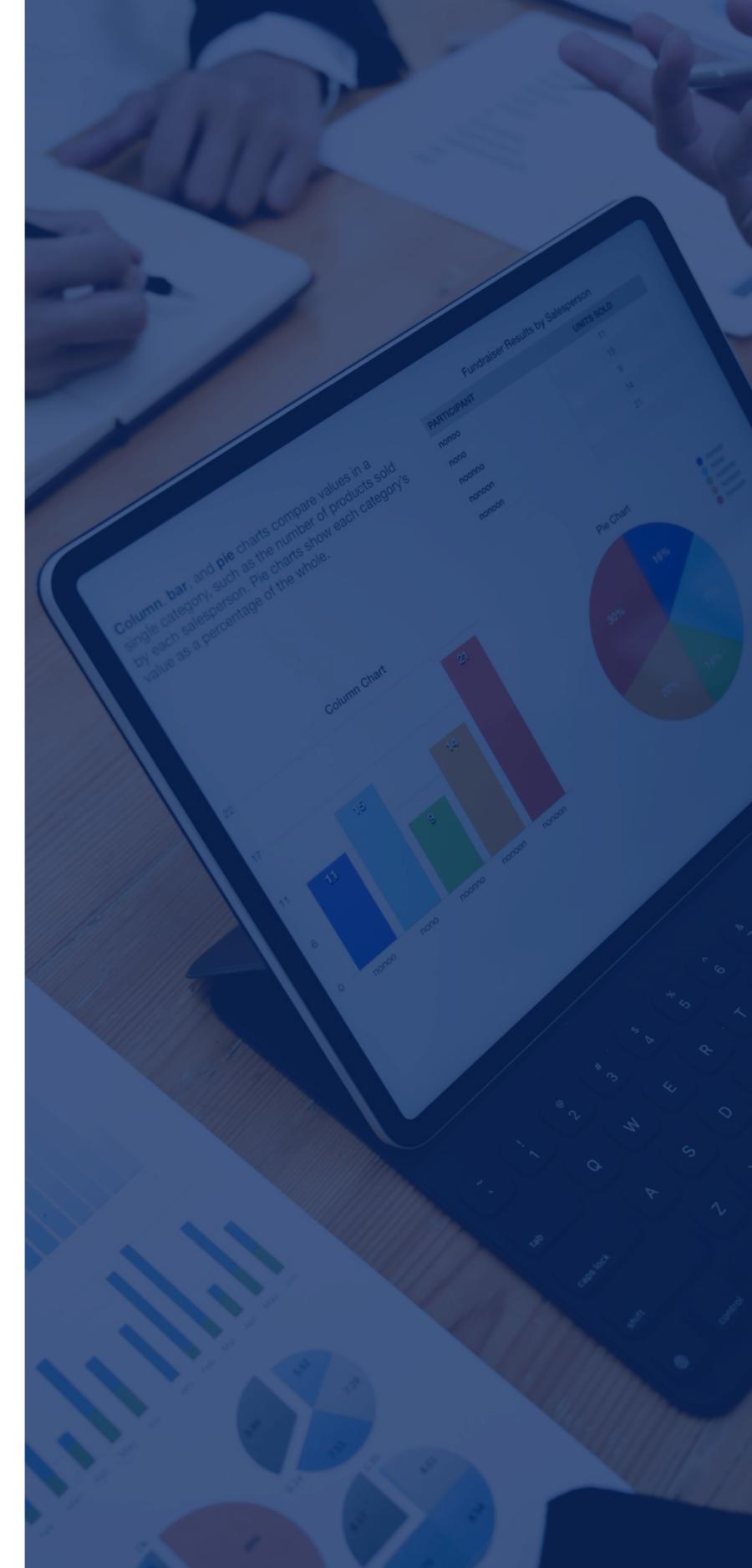


1. When it comes to meeting Kimberly-Clark's post-consumer product and packaging waste goal, what are the **critical challenges** facing John Opsteen, Daniel Locke, and the company?

- **Municipal Recycling Facility (MRF) Limitations** - The majority of the MRFs are not adequately equipped to handle flexible plastic films. These facilities are designed to handle heavier, rigid plastics, glasses, or metals. Leading to inefficiencies and additional operational costs.
- **Accountability of Consumers** - According to draft estimates from the closed loop funds, "3.2 billion pounds of flexible plastic film are disposed of by households each year in the U.S". The real challenge is how to make the consumers more accountable.
- **Confusion About Recycling** - Many consumers are not aware that the flexible films, like those used for Kimberly-Clark products, can be recycled at designated drop-off locations. This leads to improper disposal.
- **Negative Perception of Plastics** - In certain regions, there is increasing awareness about the need to stop using plastic shopping bags. While flexible packaging is efficient in many ways, it is perceived to pose similar risks.
- **Funding Challenges for Recycling Programs** - Opsteen believes that the recovery value of the film itself is too low to fund rewards substantial enough to encourage consumers to return films to a store. For example, store drop-off programs primarily benefit retailers and recyclers, not Kimberly-Clark.

2. What challenges are facing **retailers and recycling** companies?

- **Consumer Participation:** Encouraging customers to recycle SLPFs is challenging, as many are unaware of proper recycling methods or lack the motivation to return films to stores.
- **Contamination:** Contaminating the recycling streams through consumers placing non-recyclable items or poorly cleaned films results in diluted material value and increases processing costs.
- **Infrastructure Limitations:** Most municipal recycling facilities are not designed and fitted to process SLPFs because of the lightweight material that wraps the sorting equipment, causing an operational shutdown.
- **Economic viability:** Plastic films have a low scrap value, and competition at cheap virgin plastics-oil prices recently having lows outside of historic ranges-dramatically impact the economic viability of recycling operations.
- **Material inconsistency:** The inconsistency in the composition of films to be recycled is one challenge arising during the maintenance of quality and performance in end-use applications.
- **Consumer Education:** Actually helping consumers know what and what cannot be recycled, and where to take recyclables is an ongoing problem.



3. Evaluate Kimberly-Clark's idea to develop a program to reward consumers for recycling SLPF packaging. What are the potential benefits? What are the potential downsides?



Potential Benefits:

- **More Recycling:** Rewards will incentivize consumers to participate, hence increasing the volume of SLPF being diverted from landfill.
- **Consumer Data:** Data collection on recycling behavior can further develop Kimberly-Clark's understanding of customer habits and tailor its sustainability initiative.
- **Positive Brand Perception:** Associating the brand with environmental responsibility can enhance its reputation with the consumer.
- **Supply Chain Collaboration:** A well-designed program might inspire and encourage the cooperation of retailers and recyclers in investing and having a shared value system.

Potential Downsides:

- **Costs and Sustainability:** Designing and maintaining such a reward system is expensive, with no clear picture of its long-term economic sustainability.
- **Risk of Contamination:** New entrants may be unaware of what constitutes material for recycling, and such risks could increase contamination.
- **Dependence on Incentives:** If the program ends, consumer behavior might revert, undermining progress.
- **Complexity in Execution:** Designing effective kiosks or collection mechanisms and integrating rewards with loyalty systems could introduce logistical challenges.



4. Is a consumer reward program necessary for Kimberly-Clark to reach its waste and recycling sustainability goal? Why or Why not? Consider the three-step Fogg Method described in the case.

YES, A CONSUMER REWARD PROGRAM NECESSARY FOR KIMBERLY-CLARK TO REACH ITS WASTE AND RECYCLING SUSTAINABILITY GOAL.

WHY A REWARDS PROGRAM COULD WORK?

Clear Behavior (Step 1 of Fogg Model)

KC wants to keep 150,000 metric tons of product and packaging waste out of landfills by 2022. One big challenge is getting people to recycle flexible plastic films (SLPFs), like the packaging for many KC products. These are hard to recycle because there aren't many places that accept them, and people don't always know what to do. A rewards program could make it clear what KC wants people to do: take their packaging to a drop-off location.

Make It Easy (Step 2 of Fogg Model)

A big reason people don't recycle SLPFs is that it's inconvenient. They have to take them to a store instead of just putting them in a curbside bin. A rewards program could make it worth their effort by offering small rewards, like coupons or points, to motivate them. If KC also adds things like easy-to-use kiosks at stores, it could make the process smoother and encourage more people to join in.

Reminders (Step 3 of Fogg Model)

People often need reminders to take action. A rewards program could provide regular prompts, like messages from apps or emails, to remind them to bring their packaging back. KC could also put signs in stores near the drop-off spots. Programs like How2Recycle have already shown that clear instructions help people recycle more, and adding rewards could push them to follow through.



Benefits of a Rewards Program

- More Recycling: Deposit programs show that financial incentives boost recycling. A similar system for SLPFs could help KC reach its goals.
- Useful Data: A rewards program could provide insights into customer habits, helping KC improve its products and marketing.
- Better Brand Image: Showing commitment to recycling could build customer trust and loyalty.

Challenges and Risks

- Costs: Since recycled SLPFs have low value, KC would need cost-sharing with partners like retailers and recyclers to keep the program affordable.
- Keeping People Interested: Rewards must be enough to motivate but not too costly. Ending the program could hurt progress.
- Wrong Items in the Bins: Increased participation might lead to contamination, making recycling harder.

A rewards program could help KC reach its recycling goals by encouraging people to recycle more and making the process easier. It could also strengthen KC's reputation and provide useful data about its customers. However, the program will need support from partners like retailers and recyclers, and KC will have to manage costs and risks carefully.

5. If Kimberly-Clark proceeds with developing a rewards program, what can it do to encourage other entities in the plastic-film lifecycle to help fund such a program?

If Kimberly-Clark (KC) wants to launch a rewards program for recycling flexible plastic films (SLPFs), it'll need help from others like retailers, recyclers, and local governments. Here's how KC can bring them on board:

Show What's in It for Everyone

- **Retailers:** The program can get more people to visit their stores, even those who usually shop online. Once there, they might buy more. Linking recycling to store loyalty programs could also keep customers coming back.
- **Recyclers:** Cleaner, better-quality plastic from the program would make their jobs easier and cheaper. Plus, KC could work with them to share recycling data and track progress.
- **Municipalities:** Less plastic in landfills means cities spend less on waste management. KC could team up with them to run campaigns teaching people about recycling.

Share the Costs

- **Retailers:** KC could split the money made from selling recycled plastic with stores, helping cover the cost of the rewards. In return, stores would host drop-off points.
- **Recyclers:** Since the program would save recyclers money by providing cleaner materials, they could help fund it.
- **Municipalities:** KC could ask cities to chip in, showing how the program would save them money. Grants or government funding for waste reduction could also help.



Use Data to Sweeten the Deal

- **Retailers:** KC could give stores anonymous data about how often their customers recycle. This could help stores improve their sustainability programs.
- **Investors:** Showing real progress on recycling could attract funding from groups that focus on eco-friendly projects.

Offer Perks

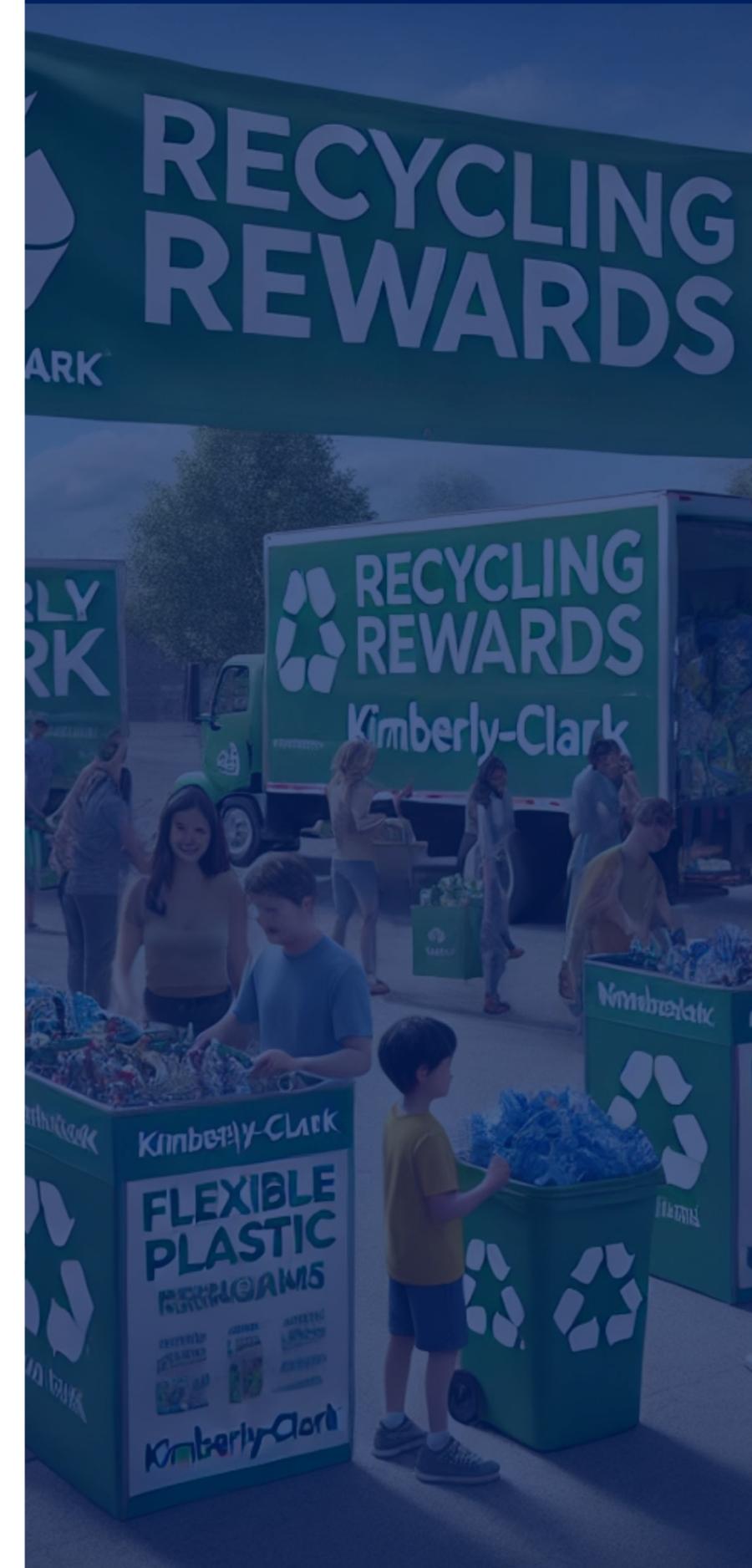
- **Retailers:** KC could team up with stores to offer special deals or discounts for people who recycle.
- **Recognition:** KC could highlight its partners in ads or sustainability reports, showing customers who are helping the planet.

Start Small, Then Grow

KC could test the program with a few partners to show how it works. If it's successful, more partners would want to join.

Conclusion

For the program to work, KC needs to show that it benefits everyone involved—more store visits, lower recycling costs, and better sustainability. Teamwork, data, and good rewards will be key to making it a success.



6. If Kimberly-Clark does not develop a reward program, what should it do to meet its waste and recycling sustainability goal?

Enhance Consumer Education and Awareness:

- **How2Recycle Initiative Scaling:** Increase visibility/exposure and usage of How2Recycle labels to educate consumers on properly disposing of the products and communicate that store drop-off recycling bins exist.
- **Social Media:** Storytell and develop campaigns that urge consumers to recycle plastic films and understand their impact on the environment through social media.
- **Strengthen Retailer Partnerships:** Third-Party Programs: Collaborate with retailers on programs that raise awareness and increase access to in-store drop-off bins. Joint Communications-Demonstrate convenience and value to consumers and retailers through joint communications/campaigns.
- **In-Store Signage:** Standard, Easy-to-Understand Signage for Retail Drop-off Locations, Consumer Confusion on What to Recycle.

Invest in Recycling Infrastructure:

- **Fund Technology Development:** Developing advanced recycling technologies, or upgrades of municipal recycling facilities that can handle SLPF more efficiently.
- **Closed-Loop Systems:** Engage value chain players like Trex or Novolex to increase the processing capacity of recycled films for the manufacturing of new materials



Optimize Product Design for Recyclability:

- **Redesign Packaging:** Emphasize the design of more recyclable or biodegradable SLPF materials without impacting product quality and cost efficiency.
- **Material Innovation:** Fund research in the usage of bio-based plastics or any other sustainable material for packaging

Increase Corporate and Community Involvement:

- **Community Collection Drives:** Collect recoveries through workplace, school, and community drives.
- **Corporate Social Responsibility Campaigns:** Make Kimberly-Clark an industry leader in sustainability by visibly taking part in initiatives such as the WRAP campaign

Enhanced Data Collection and Reporting:

- **Track Progress:** Improve active data collection on consumer recycling behaviors through surveys or partnerships with data-driven organizations.
- **Refine Metrics:** Leverage actual data to estimate diverted waste and adjust strategies for optimum impact



THANK YOU

