

DEPOSIT RETURN SCHEMES (DRS): WHAT'S IN STORE FOR THE UK?

What does it mean for shoppers
and retailers? What can we learn
from Ireland?



WHY WE SUPPORT DEPOSIT RETURN SCHEMES

By creating Deposit Return Schemes (DRS), governments want to increase the recycling rate of drinks containers and reduce littering. Introducing such schemes will aim to help change consumer behaviour to encourage higher levels of drinks container recycling. While we currently have poor recycling rates in the UK – approximately four billion plastic bottles are not recycled every year¹ – the success of Deposit Return Schemes is proven in other countries. For instance, in Germany, where a mandatory Deposit Return Scheme has been in place for over three decades, an incredible 98% of recyclable plastic, cans and bottles are returned.² Having more of our packaging recycled means we can use more recycled materials in our bottles.

Suntory Beverage & Food GB&I (SBF GB&I) is one of the leading soft drinks businesses in the UK and Ireland, with a portfolio including much-loved brands like Lucozade, Ribena and Orangina. We take our responsibility to our retail partners seriously. We're here to help guide you through the changes and maximise the opportunities that Deposit Return Schemes might create for your business.

The delay to the implementation of DRS in the UK was disappointing, but we are fully behind its roll out for 2027.

Our colleagues in Ireland saw DRS introduced in February this year and the UK can learn a lot from its introduction. We have commissioned further research to understand the real response to the implementation of the scheme in Ireland and visited retailers to see the way the scheme was introduced and how any problems were ironed out. We have learnt some great lessons we can take forward ahead of the potential implementation of DRS across England, Scotland, Wales and Northern Ireland. Included within this report is a look at how Ireland's DRS scheme landed, as well as an update to our initial modelling research in 2022 and how this might impact the introduction of DRS in the UK.

DRS will stimulate a circular economy for soft drinks containers, ensuring precious rPET is turned back into bottles and cans back into aluminium so that food-grade quality packaging can be used again and again. This circularity mindset will ultimately help the whole category to reduce litter and its CO2 emissions. For it to be successful in these aims, interoperability between devolved nations is key.

We know that understanding how DRS will impact the behaviour of shoppers is vital for our customers. Right now, we have a comprehensive understanding of how shoppers are going to react to Deposit Return Schemes due to a major study we carried out in 2022 involving over 8,000 people, along with our recent findings from Ireland. This in-depth research helps us understand what shoppers think about DRS and how they will behave once it is in place. Over the next few pages, we will share some of these thoughts and insights, to help you better understand how you can guide your shoppers through those changes when the scheme is implemented in the UK – taking real life learnings from the introduction of DRS in Ireland.

The impact of DRS on consumers and by extension, you as retailers, will be significant – this will be one of the



"It's important that we understand the impact of one of the biggest changes to shopper habits in recent times. Placing an extra value on drinks containers to encourage more responsible behaviour is going to change the whole relationship between drinks manufacturers, shoppers and retailers. It is going to revolutionise the way people shop and is crucial for driving circularity of our packaging."

"Hopefully this study is something that retailers of all sizes find useful. We will work with you to minimise disruption and maximise value when it comes to the introduction of DRS."

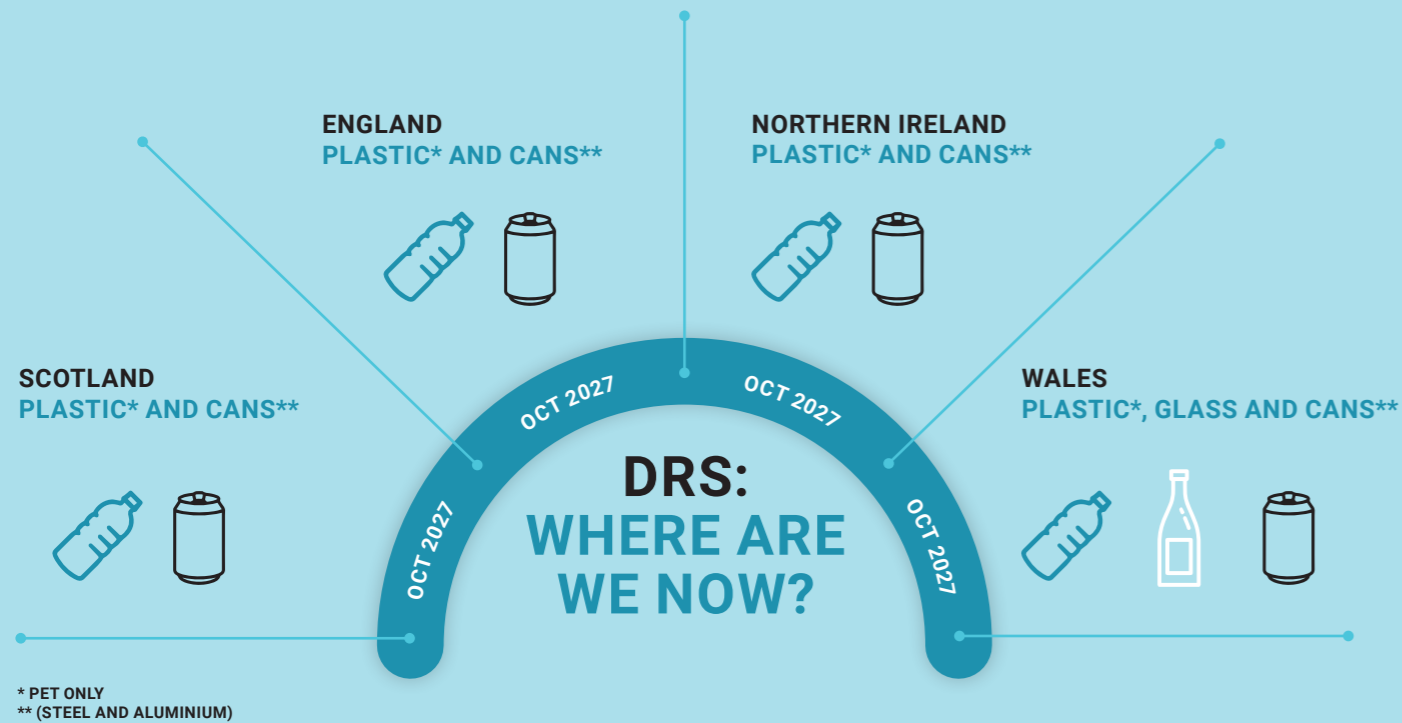
ALPESH MISTRY, SALES DIRECTOR, SBF GB&I

biggest changes in shopper behaviour in generations.

While there are still many unanswered questions – and much of the practical detail around Deposit Return Schemes and its implementation is subject to change over the coming months and years – we know preparation is key. This study aims to give you an early steer and reassurance on how your business can embrace and thrive through the introduction of DRS and how you can play your part in securing a better future for generations to come.

Suntory Group's global purpose is to inspire the brilliance of life, by creating rich experiences for people, in harmony with nature. Our company value of Growing for Good inspires us to use our position in the soft drinks industry to drive positive change.

¹ Impact assessment: Introducing a Deposit Return Scheme on beverage containers (defra.gov.uk)
² Germany: Wie funktioniert das deutsche Pfandsystem? | Wissen & Umwelt | DW | 17.11.2021



OUR SHOPPER RESEARCH

To understand how stores can manage the implementation of a Deposit Return Scheme, SBF GB&I conducted an in-depth analysis of potential consumer behaviour.

THIS RESEARCH ENGAGED ALMOST 8,000 PEOPLE IN TOTAL AND HAD FOUR ELEMENTS.

FIRST RESPONSE

The first pulled together a micro community of 25 people over a two-week period to look at how consumers reacted to a Deposit Return Scheme. The community was made up of 13 women and 12 men, spread across the UK, and split to ensure there was a mix of people aged 18-70, with and without children, from rural and urban locations and with varying buying habits split across “drink now” drinks and “drink later” behaviours.

25

IN-STORE BEHAVIOURS

The second used Virtual Reality technology to analyse how people shopped the soft drinks category with the addition of a 20p charge on drinks. More than 5,500 people were tracked as part of this research segment.

5,534

PRODUCT PREFERENCES

Third, we pulled together a nationally representative study of more than 2,200 people to look at whether there were preferences for new SKUs that would appeal more to shoppers. This research segment asked shoppers whether there were perceived preferences for paper bottles and cardboard cans, refill stations, refillable cans, cartons and pods, tablets and gels, among other options.

2,267

HOUSEHOLD HABITS

Finally, a community of 104 people were brought together to form a qualitative “Mini Public” study in a DRS world. The eight-week long project combined the learnings from the shopper behaviour with consumption and household habits and introduced socialising with DRS ‘rules’ in place. This fed into, and refined, an overall model to help predict consumer and shopper behaviour over time.

104

This thorough multi-pronged approach allowed us to forecast how shoppers might behave at every stage of the implementation process through the introduction of DRS. It is thanks to the depth of this methodology that we are able to help predict how shoppers will interact with the schemes, once they are introduced.

WHAT ARE DEPOSIT RETURN SCHEMES?

Deposit Return Schemes help to encourage a circularity mindset for consumers by rewarding recycling. The scheme puts a small returnable fee on the cost of an item of packaging which is given back to the consumer when the item is returned to a dedicated return point. Such schemes have seen widespread success across Europe in countries including Germany and the Netherlands where there are now redemption rates as high as 98%.

Results from Ireland are also incredibly positive. Over half a billion containers have been returned since the launch of DRS, with 2,567 active Reverse Vending Machines across the country³. Our research findings align with the three-stage mental shift that our initial modelling data predicted (more detail on p10-11) showing us that people are willing to adapt and accept change, as habits begin to form based on experience and routines begin to shape. In fact, the Reset phase is in motion, with positive emotional engagement overall, now the scheme has been established for over six months.

Across the nations in the UK, some elements of the planned DRS will remain consistent. However, there is variation across the different countries regarding what container or material types are likely to be included within the scheme.

The elements that we know are likely to form the basis of each scheme are:

- The majority of stores that sell soft drinks will be required to take back used drinks packages. One method used by shops for collection is a reverse vending machine (RVM), which can identify the item being returned and ensure the

THE GOVERNMENTS' DRS AIM TO:

1. INCREASE RECYCLING RATES
2. INCREASE THE QUALITY OF RECYCLING TO ENCOURAGE “CLOSED LOOP” RECYCLING I.E. TURN PLASTIC BOTTLES BACK INTO BOTTLES
3. REDUCE LITTER
4. THE AMBITION FOR DRS IS THAT DRS ACHIEVES A 90% COLLECTION RATE BY 2029 TO REACH EUROPEAN TARGETS⁵

appropriate amount of money is returned. Alternatively, retailers can choose to accept manual returns.

- On return of each used package, the consumer will receive the charge back. The return charge may take the form of a voucher, cash or even an optional donation to charity. The retailer will also receive a commission for every container they accept and process.

In Ireland, the Deposit Return Scheme, introduced in February 2024, offers the consumer the opportunity to return plastic drink bottles and aluminium cans featuring a Re-turn logo. In exchange for their return, a deposit of 15 cents applies to containers from 150ml to 500ml, while a deposit of 25 cents applies to containers between 500ml and three litres⁴.

Online Community Qualitative fieldwork w/c 17th & 24th May 2021
VR Quantitative Test w/c 26th July & w/c 2nd August
Conjoint Test w/c 18th & 25th October 2021
Mini Public w/c 18th October to w/c 6th December 2021

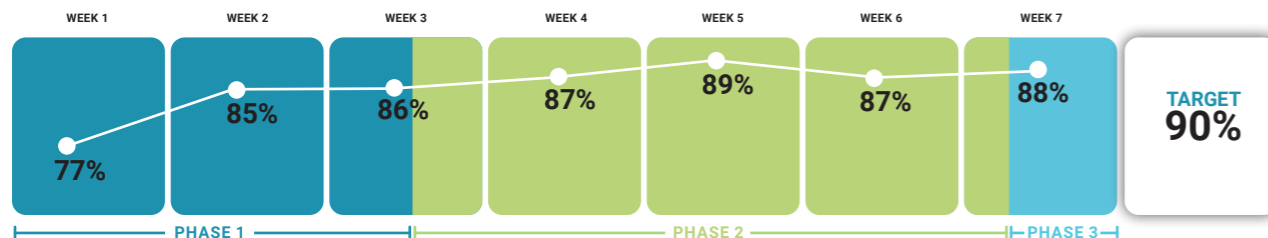
HOW WILL SHOPPERS REACT TO DEPOSIT RETURN SCHEMES?

Our research into the shopper reaction to Deposit Return Schemes shows that behaviour can be split into three distinct phases. Each phase is short, but impactful, and it won't take long for shoppers to change their behaviour once they get accustomed to a DRS world.

In the controlled mini-public study of 104 people living with DRS rules, we discovered that people changed their relationship with drinks containers in just **SEVEN WEEKS**. Shoppers were incentivised to return their empties and redemption rates hit 88% in this time.

If retailers can get their shopper story, range and DRS messaging right at every stage, they can make DRS work for them – as well as the planet. We have broken the phases into three parts.

OVERALL REDEMPTION RATES



DELVING DEEPER: SURPRISE, REVIEW AND RESET.

We used Virtual Reality technology to track in-store behaviours of soft drink shoppers when DRS is introduced. Here is some more detail on each stage.

1. SURPRISE



The first phase lasts around three weeks. Shoppers who aren't already aware of the legislation will be surprised at a potential increase in price at the point of purchase, and that they are being asked to return their container to earn back that increase.

To ensure shopper surprise doesn't result in lost sales opportunities, and that DRS helps to encourage the right behaviours, communication is crucial.

We strongly advise that communication from retailers must start around **six weeks** ahead of DRS going live and needs to be crystal clear. Regular shoppers need to be aware that they will see a returnable deposit added onto the price of their favourite soft drinks from a specific date, so that the new pricing doesn't come as a total surprise.

Retailers should ensure their own shop is a **return hotspot**. They need clear signage around return points, directions around how the process works and reassurance to shoppers that the scheme is to help the planet and not simply to make money from them. To encourage responsible behaviour, retailers will benefit from a Retailer Handling Fee (RHF) to help manage the collection process whether it is via a machine or through manual collection. All retailers who operate return points and take back in-scope containers from consumers, will be paid handling fees.

Our research shows us that it is at this stage that shoppers need absolute clarity on the mechanics and aims of the DRS scheme. This ranges from the purchase, through to storage, collection and redemption.

The questions that specifically need addressing – and that were raised in our research – centre around:

- How exactly is the fee applied to the drinks that I buy (especially for multipacks)?
- How do I transport the empty bottles/cans and where will they go?
- When do I redeem and how long will this take (fear of slow or faulty machines)?
- How do I encourage collection by the whole household (housemates, kids etc)?
- How do I manage the integrity of the containers and where to store them?
- How do I get my deposit back into my 'wallet' and in what form?
- Can I still use my kerbside service?
- What happens to my deposit if I don't redeem the fee?

★ TOP TIP

Start talking to your shoppers at least six weeks ahead of DRS going live about what is coming. Let them know why it is being introduced, how they can interact with it and how it will impact them.

2. REVIEW



The 'Review' phase lasts around three-four weeks. Initially it overlaps with the 'Surprise' phase, but then plays out over time as the full implications of DRS become clearer.

Shoppers will learn new routines and make adaptations. Some consumers will learn how to manage the scheme to maintain their usage. For others, the dynamics of category usage will change as they adapt to new shopping habits.

We know that for most consumers, learning is fast. Consumers will quickly learn that regular returns of their drink-at-home formats will avoid too many empties cluttering up their homes. Similarly, shoppers who are on the move will want to return their empty on-the-go containers quickly and conveniently wherever they are, to avoid having to take empties home with them at all.

For those retailers that have primed their customers and made their store into a "destination" for DRS, the 'Review' phase will be much simpler to navigate. Driving

a dialogue in advance can help prime shoppers – navigating them towards potential solutions for them.

Our research shows us that new routines will emerge quickly, so the window of opportunity will be short.

Some potential outcomes in this stage might see behavioural shifts, such as:

1. Some will buy more cordial, squash and other dilutes
2. Some will think about refillable options, using no 'disposable' packs at all
3. Some will buy less plastic
4. Some will buy less bottled water

★ TOP TIP

Learning will be fast as consumers don't want to store used containers at home or carry them with them. Ensure you let everyone passing your store know they can come in to return their empties in your store.

3. RESET



The 'Reset' behaviour will consist of both new routines and new choices.

Our research shows that the key to these new routines is disruption, excitement and the optimisation of ranges, and a focus on pack sizes that will see less impact as the return fee is more "hidden".

If the 'Surprise' phase (and the lead up to it) is all about education of shoppers and marketing stores as a DRS destination, the 'Review' and 'Reset' phases are real opportunities to capitalise on changing behaviours commercially.

To keep shoppers coming back to store, it is about making consumers "happy" about the new systems that are in place, getting their buy-in to the role they are playing in making more sustainable choices. We call these enthusiastically engaged consumers "Happy Doers".

From the next section it is worth noting that when we surveyed shoppers, almost two thirds (65%) were not happy with their personal sustainable 'efforts', suggesting there is a majority desire to become more sustainable.

The combined "forced effort" of DRS will create more of these "Happy Doers" by the end of the initial seven-week phase following the implementation of DRS. These "Happy Doers" are consumers who say they are content that they are "doing enough" towards becoming more sustainable.

DRS will help them introduce another sustainable habit, to help them feel more like they are doing enough. The numbers of "Happy Doers" will increase threefold from Week One to Week Eight, showing the speed of the consumer learning curve and shoppers' appetite to play their part in being more sustainable by interacting with DRS.

In Week One, 13% of consumers can be identified as "Happy Doers"; by the end of Week Seven, this rises to 36%. DRS is set to change consumer perceptions – and convenience retailers are ideally placed to help shoppers feel happy about using their store as a DRS location.

★ TOP TIP

Win credit with your sustainability-minded shoppers by showing them how they can play their part in DRS in your store.

CREATING A WORLD OF "HAPPY DOERS"

As we know, not all consumers will react in the same way when DRS is implemented. In this section, we show the shopper profiles that consumers can be grouped into. The key aim of DRS, and the work of suppliers and retailers as part of that, is to move as many people as possible into the "Happy Doers" phase. To do this, consumers need to be engaged in DRS and know how they can play their part, and where they can return their used soft drink containers to.



UNHAPPY OR HAPPY NON-DOERS	2%
These people take 'no actions' towards sustainability	
Half (1% of total) of whom feel that they 'could do more'	

UNHAPPY DOERS	50%
These people take 'some actions' towards sustainability but feel they 'could do more'	
They are very likely to collect bottles / cans to get deposit back (62%)	

HAPPY SUPER DOERS	10%
These people take 'many actions' towards sustainability and are content that they are 'doing enough'	
Along with unhappy doer segments, they say 'a drink pack has to be resealable' so that they don't need to drink it all at once (88%)	

UNHAPPY SUPER DOERS	13%
These people take 'many actions' towards sustainability but feel that they 'could do more'	
Most interested in buying alternative packaging (89%) (with unhappy-doers) & to collect bottles / cans to get deposit back (65%)	
Online return is very appealing to current online shoppers (92%)	

HAPPY DOERS	26%
These people take 'some actions' towards sustainability and are content that they are 'doing enough'	
More likely to be male (56%) and buy a product that did not attract a DRS deposit	

DID YOU KNOW?

UNHAPPY DOERS ARE MORE LIKELY TO BE FEMALE
SUPER DOERS HAVE AN OLDER AGE PROFILE

DRS: INSIGHTS AND LEARNINGS FOLLOWING THE IMPLEMENTATION IN IRELAND

Following the implementation of Ireland's new DRS in February 2024, SBF GB&I wanted to build on its initial modelling research and behaviour studies, conducting further research to understand the actual, real response to the introduction of DRS in Ireland.

The modelling research found that people will adapt, so SBF GB&I put this to the test to see if that was really the case in Ireland.

Several months after DRS was introduced, SBF GB&I representative Philip Hennessy visited multiple stores across Newbridge, Ireland to speak to retailers on the front line about how their shoppers are interacting with the scheme. Responses have then been compared with the predicted behaviours and attitudes from the findings of the first two research waves: **Surprise and Review.**

The results reveal a deeper understanding of challenges and provide insights that inform activity in future markets.

SURPRISE: WAVE ONE OBSERVATIONS

PHILIP HENNESSY, REGIONAL SALES MANAGER, SBF GB&I

Speaking to a SPAR retailer, initial teething issues were noted immediately after the implementation around in-scope stock, which caused a few challenges in store. This is something the UK can learn from and prepare for; to ensure suppliers are given enough time to produce DRS-compliant stock and avoid delays. Retailers should also be given a window to sell non-DRS stock before having to introduce DRS-impacted products straight away.

Similarly, retailers reported some shopper complaints around the additional cost, how it showed up on receipts and not knowing what to look for in terms of obvious logos on pack. Some retailers noted that customers faced minor operational challenges with the RVMs at the beginning, given that most had next to no experience of DRS. For example, it wasn't widely known that barcodes need to face upwards for bottles or cans to be scanned correctly and accepted.

In terms of how this was addressed, it was often a case of getting used to the change, but store owners mentioned they communicated with regular customers to notify them of potential changes and what to expect. Posters were also placed at key touchpoints in store, at the entrance, by the till and close to the RVMs.

REVIEW: WAVE TWO OBSERVATIONS

The second phase of research relates to when consumers begin to adapt and learn new routines. In terms of shopper attitudes, the new research from SBF GB&I revealed that most people have established new routines to incorporate DRS into their lives. It appears that experience has brought greater clarity to the DRS process for both shoppers and staff.

Retailers in Newbridge observed that shopper habits were starting to change in line with this prediction, with one store noting that containers were collected once every two weeks at the beginning, but they are now having to empty the RVM every day. Initial teething issues around managing the changeover between old stock and DRS-impacted containers, using the machine, and maintaining it, seem to have been resolved as returns have become an established part of wider shopping missions for many, particularly in supermarkets. People are getting into more of a rhythm, and one retailer reported that Sunday was a popular day for returns – as shoppers find it easier to stockpile empties and return them in one go. Retailers also noted high redemption rates, with most shoppers spending the money from their returns in store as people drop off their containers and make other purchases.



A few of the smaller day-to-day issues were noted by retail staff throughout this phase, such as shoppers discarding rejected containers next to the RVM and the regular cleaning that is required to keep the machine in good working condition. There are certainly opportunities to improve the process even more for shoppers and staff; providing bins adjacent to the RVMs for rejected containers or improving the cleaning process.

RESET: WAVE THREE OBSERVATIONS

The third phase of our research looks at awareness and understanding of the scheme in Ireland from the perspective of both consumers and retailers six months after introduction. The newest wave of research from SBF GB&I revealed the DRS to be entrenched in shopper habits, with drivers for using RVMs growing as awareness and perception have improved. Shoppers noted the positive benefits DRS is having on the community, including a reduction in litter in community parks and on the street.

Overall understanding of the logistics of the scheme has increased, with some families using it to incentivise children while educating on the importance of prioritising

the environment. In store, staff are reporting RVMs have become busier over time, and many shoppers have established shopping routines when depositing containers in store.

Having overcome initial hurdles observed in wave two, retailers have adopted RVM servicing routines to help shoppers' experiences. These include providing a permanent sustainable bin at the site of the RVM for any rejected containers. That said, the research showed there is still opportunity for retailers to drive forward greater experience; ensuring the RVMs are well-cleaned, as well as regularly emptied, and making it easy for shoppers to find a member of staff to help should they need. Overall, the research showed that retailers that manage RVMs well should benefit in the long term.



OUR OPINION

KEITH ALLEN (COMMERCIAL SUSTAINABILITY DIRECTOR)

"There is a great opportunity to learn from the implementation of DRS in Ireland and we are committed to ensuring a successful roll out in the UK. We know people will experience that initial moment of surprise at having to pay more upfront, and then return the container in good condition to reclaim their deposit, but it's promising to see shoppers adapt and form new routines. We are on hand to support retailers on this journey, by sharing these lessons and opportunities that will help them prepare effectively."



MARK AHERNE (GENERAL MANAGER AT SBF IRELAND)

"We are delighted with the success of the Deposit Return Scheme here in Ireland so far and grateful for the commitment that shoppers and retailers have shown in driving forward its adoption. The UK has a great opportunity to learn from our experience. By creating a consistent and straightforward scheme, consumers and retailers can quickly adapt to change, driving up recycling rates and tackling litter in our communities. We are here to help share our insights so together we can make a giant stride towards a circular economy in the UK and Ireland."



A FINAL WORD: HOW WE THINK DRS SHOULD OPERATE

All four governments across the UK are looking to introduce Deposit Return Schemes. We've been working with them to ensure the schemes introduced deliver on our shared ambitions of a circular economy for soft drinks containers. We have been consistent in our asks over the past few years and have set out our thinking below for retailers.

Suntory Beverage & Food GB&I fully supports the introduction of well-designed Deposit Return Schemes across the UK. We believe it provides the opportunity to increase the collection and recycling rates of drinks containers, increasing the supply of recycle in the UK market and helping us to move towards a truly circular economy for plastic.

To be fully effective, we believe any DRS system should be based around the following points:

- ✔ Ideally, there should be a single, UK-wide DRS. At the very least, if there are to be separate schemes in the different nations, they must be fully interoperable – to ensure consistency, minimise consumer confusion, and tackle potential fraud issues
- ✔ The scheme/s should be 'all-in' – covering both 'on-the-go' and drink-later containers
- ✔ At launch, the schemes should include a minimum of PET bottles and metal cans. There should be the option to add further materials at a later date if the evidence suggests they can be collected via a DRS in a sustainable measure. Any drinks containers not included should be accepted for recycling through kerbside recycling
- ✔ The scheme/s should be run by an industry-led, but independent not-for-profit entity
- ✔ Government should set clear collection and recycling targets, and the Deposit Management Organisation / Scheme Administrator should be empowered to set the deposit level/s needed to achieve this
- ✔ All unredeemed deposits should be kept within the system and reinvested to improve infrastructure and consumer communications, increasing efficiency and effectiveness of the scheme/s further
- ✔ Deposits should not be subject to VAT, as there is no obligation on the consumer to return the container. Making them subject to VAT adds unnecessary cost and complexity to the scheme, undermining its long-term viability and increasing prices for consumers
- ✔ Proposed reforms to Extended Producer Responsibility and local authority collections should be brought forward in conjunction with the DRS and implemented at the same time to minimise complexity and consumer confusion
- ✔ DRS is a form of Extended Producer Responsibility, so scheme articles should not be subject to EPR or Packaging Recovery Notes, otherwise producers risk being charged twice for the same material

"We know we have a significant role to play in the UK's net-zero ambition and can help build a circular economy. To accelerate our goals we need a closed bottle to bottle loop system, giving us access to a sufficient high quality, locally sourced material. Delivering a functioning DRS would help achieve this and lower our carbon emissions. We are keenly aware that we cannot achieve "the brilliance of life" without the brilliance of the earth and DRS will help us protect it for future generations."



MICHELLE NORMAN, DIRECTOR OF SUSTAINABILITY AND EXTERNAL AFFAIRS, SUNTORY BEVERAGE & FOOD EUROPE

- FURTHER RESOURCES**
- For more information on the details of DRS, you can visit:**
- THE BRITISH SOFT DRINKS ASSOCIATION:**
<https://www.britishsoftdrinks.com/Position-Statements/deposit-return-scheme>
 - CIRCULARITY SCOTLAND:**
<https://circularityscotland.com/faqs/>
 - ZEROWASTESCOTLAND:**
<https://depositreturnscheme.zerowastescotland.org.uk/faqs>



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