

## Asda response to Zero Waste Scotland call for evidence: feasibility of a Deposit Return System for Scotland

25 June 2015

### Introduction and overview

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Asda welcomes the opportunity to respond to Zero Waste Scotland's call for evidence on the suitability of a Deposit Return System (DRS) for Scotland.

Asda is Scotland's second largest supermarket and second largest private sector employer. We employ more than 20,000 colleagues in our 62 stores and depots across Scotland and support a further 10,000 jobs in Scotland through the wider supply chain. We invest more than £1.1 billion a year with Scottish suppliers and manufacturers. Unlike other retailers, our single price structure means our prices are the same at our stores across the whole of the UK, giving our customers access to the same low prices regardless of where they live. We are committed to making great quality goods and services more affordable while delivering investment and jobs across the country.

At Asda our vision is zero waste and we reuse, recycle, redistribute or recover as much as possible. We have completed Courtauld Commitments 1 and 2 and we are currently working towards Courtauld Commitment 3. We have also signed up to a number of industry standards and initiatives, including the IGD's Waste Efficient Consumer Response (ECR). We run a range of litter prevention initiatives in the communities around our stores, working with local schools, Keep Scotland Beautiful and other partners. We also support recycling by giving space in our stores and car parks to local authority recycling facilities. We have an ambitious and effective food waste prevention programme and we send zero food waste to landfill.

We agree that more can be done to tackle litter and improve recycling in Scotland, by all stakeholders including government, public bodies, industry, the third sector and the public, and as a responsible retailer we stand ready to play our part.

**It is our view, however, that the introduction of a DRS would be a regressive step that would penalise people on low incomes and cause serious inconvenience for shoppers, many of whom play an effective part in recycling. Having not consulted with retailers, the Eunomia feasibility report has significantly underestimated the potential costs for businesses of the introduction of such a scheme.**

**We have undertaken customer insight to garner the views of Asda shoppers on a DRS and we would be happy to share the findings of this research with Zero Waste Scotland.**

In addition to the impact on our customers and the business costs, we note concerns around the lack of a substantive evidence base to support the introduction of a DRS. There is a notable lack of data to support the proposition that such a scheme would either improve recycling rates or reduce litter. There has been no public consultation to ascertain whether individuals would prefer a DRS over existing recycling and litter infrastructure, nor any detailed engagement with key stakeholders such as industry and local authorities. Given the scale of the investment that would be required to roll out a DRS, it is essential that proposals are founded on a robust evidence base.

We have responded below on points of key relevance to Asda and our customers. We endorse the submission from the Scottish Retail Consortium.

## **Customer impact**

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### **Price**

At a time when our shoppers tell us they are continuing to struggle with the high cost of living, and we are making significant investment to keep our prices low, the introduction of a deposit on packaging would add a significant additional cost to a basket of shopping. It would have a disproportionately higher impact on people on lower incomes. Unlike the single-use carrier bag charge, customers would not have any choice other than to incur these additional costs. Shoppers in Scotland would face higher prices than those in England, Wales and Northern Ireland.

A 20p deposit per item would increase the price of a pint of milk by nearly 50%, would double the price of a box of 30 soft drink cans and would more than double the price of packed lunch-sized fruit juice cartons<sup>1</sup>. A weekly basket of shopping, containing essentials such as milk, fruit juice and drinks for packed lunches, could increase by several pounds. In many cases, a customer would be paying more for the deposit than the original price of the item.

Drinks producers would also be likely to increase their prices to cover the increased labelling and storage costs, meaning prices for consumers would increase further.

For people trying to balance a tight budget, particularly those on low and fixed incomes like the state pension, this additional cost could be punitive. Even assuming that the customer was able to return every item to the shop to reclaim their deposit, it would represent an additional upfront cost that many shoppers simply cannot afford.

Of course, the impact would worsen as the scheme was extended to include more items and we note that the proposed scope of a DRS in Scotland is wider than anywhere in Europe, including drinks cans, bottles, and cartons made of glass, metal and plastic.

## Convenience

Asda serves more than 1.9 million customers every week in Scotland. Around 80% of our customers are women with children. We know that our customers have busy lives, often juggling work with their family commitments, and a quick and easy shopping experience is high on their list of priorities.

- The need to queue is the complaint most frequently raised through our customer satisfaction surveys. For all of our customers to return their volume of packaging to our stores would cause significant queues and inconvenience. On soft drink volumes alone, if customers returned 80% of all soft drinks cans or bottles they bought from Asda back to Asda, an average store would be required to process 15 cans or bottles per minute every day of the year. Notwithstanding the cost of the machines, our stores do not have the space, in foyers or car parks, to host the number of machines that would be required to manage the volume of packaging returns.
- Even without queues, the machines take time to process each individual item returned and print the vouchers, adding time to a busy customer's shopping experience. Returning packaging would cause particular inconvenience for customers with children, who would face practical difficulties in using machines located in car parks while keeping their children safe.
- For customers without private transport or those with mobility problems, such as people with disabilities or older people, returning packaging to a shop would be at best difficult and at worst impossible. By contrast, kerbside recycling is a form of recycling accessible to everyone.
- Unlike regular kerbside recycling, a DRS would require customers to have the storage space at home to keep all their packaging until their next trip to the shops. For customers who shop fortnightly or monthly, this could pose practical difficulties. Some households store their recycling outside in their gardens, but with a value attached to the packaging under a deposit return scheme, this would put them at risk of theft.
- Many customers purchase items from supermarkets which they then consume outside of the home. For example, many customers buy a large box of individual drinks cartons or cans for their children to take to school. Under a deposit return scheme, parents would require their children to carry the dirty cartons or cans home in their school bags in order that they can be stored and eventually taken back to store.
- A paper voucher or coupon system is inconvenient for shoppers and restricts their ability to spread their spending across different stores. It would be very difficult to produce vouchers that would be redeemable online without a high risk of fraud.

## **Fairness**

Our customer insight showed that many people feel it would be unfair for them to face additional costs and inconvenience as a result of littering by a minority of other people. They also feel that a DRS would penalise households that already recycle their packaging. Several respondents noted that they pay council tax towards an accessible and efficient household recycling service and should not have to bear additional costs. Customers also question why shoppers in Scotland should face a higher cost of living than those south of the border.

## **Changing shopping habits**

A DRS would not take account of rapidly changing shopping habits: customers choosing to shop around in several stores to find the best deals, the shift to smaller format stores and the growth of home shopping and click and collect.

- Grocery home shopping now accounts for a significant proportion of total sales in Scotland and the category experiences double digit percentage growth year-on-year. The IGD predicts that online will be the fastest growing channel over the next five years, with sales more than doubling by 2019. Customers usually choose online shopping because they are either time-poor or they are physically unable to travel to stores. Time-poor shoppers who choose to have their groceries delivered to their home will not have the time to return their empty packaging to shops. Customers that choose online shopping because they are physically housebound, or have caring responsibilities that make it difficult to get to the shops, will not have the opportunity. Both will pay a substantial premium on their shopping.
- The suggestion has been made that home shopping delivery vans could collect empty packaging and return it on behalf of customers. Asda believes this proposal would be wholly unworkable, adding business costs and doorstep transaction time. It would require a new, complicated payment system to provide customer refunds, or it would require delivery drivers to carry cash and receipting equipment, which they do not currently, to calculate customer refunds on the doorstep and print receipts. To comply with food safety standards, it would also require a new fleet of larger delivery vans with the capacity to keep used and dirty packaging separate from fresh groceries. Alternatively the current vans would need to be retrofitted with separate compartments and make fewer deliveries per trip, adding significant business costs and road miles.
- Currently we deliver across the border, with products for some Scottish deliveries coming from English stores, and vice versa. We would be required to restructure our delivery methods to ensure that customers living close to the border in Scotland would not be at risk of receiving packaging that would be non-refundable in Scottish stores.

- Asda is seeing rapid expansion in our click and collect service, where customers order their shopping online and then drive into a collection point where their shopping is loaded directly into their car. This service means that customers can collect their shopping in only a few minutes, without even leaving their car. The value of click and collect to busy shoppers, or those with mobility problems, would be undermined by a DRS, which would require customers to drive to a supermarket, park and carry their empty packaging into the store to be returned. Asda is also rolling out click and collect self-service lockers, which allow customers to collect their shopping from a convenient location at the time of their choosing. This is of particular value to people living in remote and rural areas, who often live many miles from a supermarket or central recycling points.

## **Business costs**

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We are very concerned that detailed engagement has not taken place with industry and local authorities to establish the resource implications of a DRS and examine the practicalities of its implementation. The costs involved for producers and retailers would be very substantial – likely to be far in excess of those estimated in the Eunomia report – and would run contrary to the Scottish Government’s better regulation ambitions.

- Asda has a single price file and a single operating model, through which we achieve major efficiencies and economies of scale. Our prices are the same in every store across the UK, and our IT systems, labels, point of sale and advertising are standardised for one single market. Introducing a DRS would require Asda to break our long-established business model in order to price, label, warehouse, market and retail certain products separately for Scotland. Our business in Scotland would have to reflect these costs.
- Changing product labels is expensive. For a DRS on the scope described in the report, we would be required to change labels on all drinks cans, bottles, and cartons made of glass, metal and plastic. This would represent more than 1,000 products. Indications are that this could later be extended to include cardboard and other packaging. In time, a DRS for Scotland could require new labelling and barcoding for nearly every one of our own-label products, nearly all of which are produced and sold UK-wide. A UK-wide label that was applicable only in Scotland would be confusing for customers and would present significant opportunities for fraud. The Eunomia report does not state who would carry the liability for fraud.
- It would require costly and time-consuming IT systems changes. As an example of possible costs, to change our prices to prepare for minimum unit pricing for alcohol in Scotland cost more than £1 million and took more than two years. This was for one category only, whereas a DRS would require changes across every category that includes beverages.

- With the high risk of fraud, we would be required to establish separate bonded warehouses for Scottish products and additional security for our delivery trucks.
- The capital cost or hire of the reverse vending machines would be significant. The Eunomia report says TOMRA charges a minimum of £30,000 per machine and £2,000 for installation. Asda has 61 stores in Scotland, so to provide even one basic model machine per store would cost nearly £2 million. Of course, one machine per store would be insufficient to serve our 1.9 million customers every week.
- We do not have space available in our foyers or car parks for the machines, which would require a power supply and surrounding space for customers to queue. Particularly in our smaller-format stores, the machines would take up a substantial proportion of the overall floor space. Space could be created only by restricting our commercial selling areas and product range or restricting parking for customers, both with a negative impact on customer service. In some stores the machines would use up space that we currently make available to local community groups or charities for fundraising or customer advice services. For machines located in car parks, we would be required to lay new power cables, at significant expense.
- It is unclear who would have responsibility for servicing and emptying the machines and backhauling the packaging. If this responsibility were to be borne by the retailer, we would be required to set up new distribution processes, run more delivery trucks and employ additional colleagues. It would undermine the significant and successful efforts we have made to reduce carbon emissions from our logistics operations. We can expect that the machines would require very regular emptying, particularly to avoid food hygiene concerns around dirty packaging being stored close to fresh food. There is no space available in stores to store the expected volume of packaging, which would have to be handled and held separately from our other waste and which would require additional security due to its monetary value.
- We can expect a sales impact in Scotland due to our customers facing a significant price premium on a range of everyday items. We would also be required to fund an ongoing customer education marketing programme to explain the inflated prices and how refunds can be claimed.
- A DRS would penalise smaller suppliers, who would find it difficult to absorb the additional costs and would struggle to compete with big brands on price. With each Scottish product line requiring separate barcoding, storage and a place in a Scottish distribution network, there would be a disincentive for retailers to extend their range of products, particularly for small suppliers with limited sales potential.
- Asda donates all our surplus food to charity FareShare, to be redistributed to good causes. A DRS would allow the deposits on these products to be refunded without the original payment

having been made. A DRS would also put further burdens on FareShare and other charities in how they manage the packaging waste that is created in their operations.

## Conclusion

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Asda does not believe that the introduction of a DRS would be an effective or proportionate response to Scotland's littering or recycling challenges. Our customer insight shows that it would be very unpopular with our shoppers, who cite in particular the inconvenience and cost of such a scheme. We support a partnership approach, which brings together government, public bodies, industry, the third sector and the public to find evidence-based and impactful initiatives to reduce litter and improve recycling. We look forward to engaging in constructive discussions with Zero Waste Scotland to find a solution which does not penalise responsible businesses and Scottish customers.

For further information, please contact:

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Item	Current price	With 10p deposit per item	With 20p deposit per item	With 30p deposit per item	% price increase
1lt carton of orange juice	65p	75p	85p	95p	46%
1 can of soft drink	55p	65p	75p	85p	55%
Pint of milk	49p	59p	69p	79p	61%
2lt bottle of soft drink	42p	52p	62p	72p	71%
4 330ml cans of soft drink	£1	£1.40	£1.80	£2.20	120%
30 cans of soft drink	£6.97	£9.97	£12.97	£15.67	130%
2lt bottle of water	17p	27p	37p	47p	177%
3 small cartons of fruit juice	40p	70p	£1	£1.30	225%
6 small bottles of water	75p	£1.35	£1.95	£2.55	240%
8 packed lunch-size bottles of flavoured water	£1	£1.80	£2.60	£3.40	240%