

Loop at Fred Meyer Pilot: Insights Report



About Kroger and Fred Meyer

Kroger serves over 11 million customers every day at more than 2,700 stores in 35 states and the District of Columbia. We operate across multiple banners, including our Fred Meyer division in the states of Oregon and Washington.

Sustainable packaging is a core tenet of Kroger's zero-waste vision. Product packaging is important for preserving food and product safety, quality and freshness; at the same time, we recognize its potential to impact our planet. As a result, we focus on reducing unnecessary packaging, reusing where we can and striving for greater recyclability and recycled content.

We have ambitious [sustainable packaging goals](#) for Kroger's *Our Brands* products, including a goal for all product packaging to be 100% recyclable, reusable or compostable by 2030. We conducted a reusable packaging pilot with Loop in order to learn and obtain specific consumer insights for our private-label business and national brand partners, as well as more broadly for Kroger as a retailer.

About Loop

Loop is a proven prefill reuse platform that operates globally across three continents. After announcing Loop at the World Economic Forum Annual Conference at Davos in 2019, the platform launched in the U.S. with Kroger as a founding retail partner in that region. Since then, Loop has expanded with other U.S. retailers in late 2022 and continues to build scale in Europe and Japan.

The Loop platform helps brands and retailers to successfully move from single use to reuse. To start, consumer packaged goods (CPG) brands develop the right durable packaging, working with Loop to: 1) define the right business model based on their business priorities; 2) develop technical specifications for the durable packaging (e.g., materials, shape, durability); and 3) define standards for reverse logistics.

The CPG companies and brands own their business and packaging decisions, and the Loop team provides expertise as needed to ensure optimal reusable packaging design. Then Loop works with retailers to consider how to distribute products in reusable packaging and deploys operational and promotional support on the ground to support the program.

Loop also manages the reverse logistics operations for empty packaging collected from customers at retail locations and ultimately returned to the CPGs for use and refill. The logistics include designing the drop-off collection bins; management and maintenance of the collection bins; and check-in, sorting, storing and cleaning (when desired by the brand) of the empty packaging.

Pilot Overview

Kroger was the first U.S. retailer to introduce the innovative Loop reusable packaging platform in brick-and-mortar retail stores. We began working with Loop in 2019, with an initial plan to launch a Loop pilot in 2020. However, we shifted the timeline for the pilot due to the COVID-19 pandemic and related retail and supply chain constraints. In the meantime, Kroger promoted the Loop e-commerce program, through which Loop offered products in reusable packaging for sale online and handled product distribution and reverse logistics for direct-to-home delivery.

In February 2022, Kroger launched the first in-store pilot for Loop in the U.S. at 25 Fred Meyer stores in the Portland, OR area. This pilot included the highest number of retail stores in a Loop launch to date. Some other key factors in the Fred Meyer-Loop pilot:

- The in-store Loop assortment included 21 items representing popular brands, including Arbor Teas, Cascade, Clorox®, Gerber, Nature’s Heart, Nature’s Path, Pantene, Seventh Generation and Stubb’s®, as well as Kroger’s own Simple Truth® brand.
- Through the in-store model, customers purchased Loop products in pre-filled reusable packaging, just like buying single-use packaging that consumers are accustomed to, with the addition of a fully refundable deposit on the reusable package.
- After using the product, Fred Meyer customers could return their empty reusable packaging to a collection bin at the front of store. Upon return, customers were refunded the original deposit paid at the time of purchase. Returned packages were collected by Loop for cleaning, refill and resale — effectively “closing the loop.”

We successfully completed the six-month pilot in the fall of 2022, gathering valuable insights on the program and consumer engagement to inform future plans to scale reuse across the U.S. These insights are shared in this report below. After concluding the planned six-month pilot, Kroger converted the shelf space to traditional holiday merchandising activities.

Geography

Kroger selected the 25 stores in the Fred Meyer division in the greater Portland, OR area as the location for the Loop pilot because of higher concentrations of environmentally-conscious customers in the Pacific Northwest; larger Fred Meyer store footprints and available display space; and city officials who expressed early interest in being the host city for the pilot.

Kroger and Loop determined that 25 stores would create more beneficial economies of scale for Kroger, Loop and brand partners and provide sufficient data to gauge success. Kroger prioritized stores located in more urban areas to provide sufficient foot traffic and exposure for Loop.

Assortment

Kroger and Loop invited a range of CPGs to participate in the Fred Meyer store pilot. The assortment ultimately included multiple brands and product categories—both food and non-food— from well-known national brands to smaller, more “green” brands to give customers an array of options to try. Kroger appreciates and commends the brands that have invested in the development of “Loop-ready” packaging to date to help trial and scale reusability.

The pilot assortment also included items with a range of price points, packaging types and consumption cycles (how long it takes to consume the product) to obtain feedback on different products and deposits. For several products, the brands had already modified the product packaging to be eligible for the Loop assortment (or ‘Loop-ready’); however, the Kroger team developed new reusable packaging for Simple Truth™ hand soaps exclusively for this pilot.

Key Learnings: *The product assortment matters to consumers. Based on insights from other pilots, the Loop team believes having a broader assortment of products in reusable packaging would increase overall awareness and adoption. Highly popular items with fast consumption cycles will increase success as faster replenishment will increase familiarity with Loop. For example, having a wider range of baby food options in Loop-ready glass jars could appeal to eco-conscious parents who engage in this category.*

In the future, retailers should consider building a Loop product assortment that helps meet customers’ most important needs, to maximize adoption and reuse. Additional research and consumer insights may be needed to inform future decisions.

Packaging

The participating brands need to use “Loop-ready” packaging that provides the right value proposition for the customer and their business, including the potential for scalability. The Loop team works closely with participating brands to find the right packaging options for its reuse ecosystem with three main pathways:

- 1) **Loop-ready now:** Based on global Loop platform learnings, items already packaged in durable materials (e.g., glass, polypropylene, etc.) are the easiest and most efficient to integrate into the Loop system as they require few to no changes to the current production set-up (i.e., can run on current production lines, use same case/pallet configuration for transport and storage).
- 2) **Pre-approved durable replacement:** Brands that are unable to leverage existing durable packaging may use an off-the-shelf reusable option already tested and pre-approved by Loop.
- 3) **Custom design:** Brands also have the opportunity to innovate and develop new packaging that addresses consumers’ unmet needs. Such packaging development might take more time but could create premium aesthetics, functionality and value for their category.

Table 1: Traditional v. Loop Packaging Materials and Forms

PRODUCT	BRAND	LOOP PACKAGING	TRADITIONAL PACKAGING
Organic English Breakfast Loose Leaf Tea Organic Crimson Berry Fruit Tisane	Arbor Teas	Stainless steel canister	Stand-up pouch
Cascade Platinum UD	Procter & Gamble	Durable polypropylene canister	Multi-layer plastic film pouch; plastic canister
Clorox Disinfecting Wipes (60 count)	Clorox	Stainless steel canister	Plastic canister
Gerber Baby Foods: 1 st Foods Apples 2 nd Foods Apple Banana Mango 2 nd Foods Carrot Raspberry 2 nd Foods Apple Spinach Kale 2 nd Foods Banana Apple Strawberry	Nestle	Glass jar	Glass jar
Nature’s Heart Crunch: Golden Chai Pecan Crunch Blueberry Lemon Chia Crunch Everything Bagel Cashew Crunch	Nestle	Glass canister	Multi-layer plastic film pouch
Nature’s Path Pumpkin Flax Granola	Nature’s Path	Durable Tritan canister	Paperboard carton with flexible plastic liner
Pantene: Daily Moisture Renewal Shampoo Daily Moisture Renewal Conditioner	Procter & Gamble	Aluminum bottle	Plastic bottle
Seventh Generation: Dish Liquid - Free & Clear Dish Liquid - Clementine, Zest & Lemongrass	Seventh Generation	Stainless steel bottle	Plastic bottle
Simple Truth: Hand wash - Sweet Olive Blossom Hand wash - Lemon Verbena	Kroger <i>Our Brands</i> / Greenology	Glass bottle	Plastic bottle
Stubbs: Original BBQ Sauce Sticky Sweet BBQ Sauce	McCormick & Schmick	Glass bottle	Glass bottle

Merchandising Approach

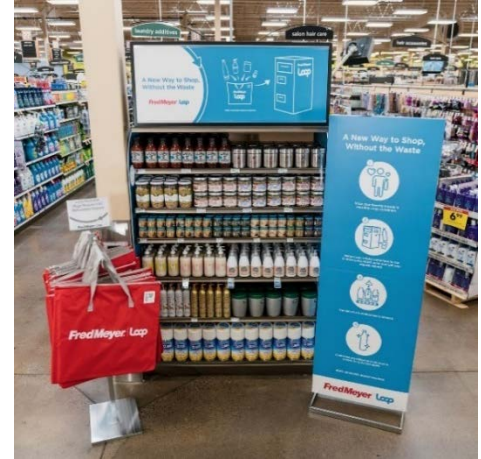
The Fred Meyer team elected to merchandise the Loop items on an endcap display in each of the 25 stores. This was designed to provide the greatest visibility to the Loop products versus integration in the aisles with their traditional counterparts. Fred Meyer included promotional signs and educational materials explaining how Loop works and directing consumers to a website with more information.

Shortly after the pilot started, Fred Meyer decided to add in-aisle product placement to address feedback that customers would also like to shop for Loop items in aisles with the single-use items. This change created a notable lift in engagement and sales.

Key Learnings: *It's important to create maximum visibility for items in Loop packaging. Retailers will determine the best approach for their stores. For the larger-format Fred Meyer stores, the endcap – placed in the high-traffic 'racetrack' of the store – was the best way to showcase Loop products in one destination with signs and key information. Loop Ambassadors were also present at peak times to explain the program and encourage customer engagement.*

At the mid-point of the pilot, Fred Meyer updated endcap signs to emphasize reusability based on our customers' feedback that we needed to more clearly highlight Loop's value proposition. After placing Loop displays in aisles – essentially cross-merchandising the products in two store locations – this created a sales lift of about 25% for the eight weeks after intervention vs. the eight weeks prior.

Customer feedback collected through the Loop Ambassador program also indicated that shoppers preferred to see Loop items integrated in the main aisles. Ultimately, having the assortment in multiple places could be the best way to maximize visibility. Kroger notes that this option may be more challenging in smaller-footprint stores.



Pilot Mechanics

Packaging Deposits

To make it easy for customers, Loop designed its reusable packaging model to be nearly identical to the experience of shopping for items in single-use packaging. In the Loop model, each brand assigns a fully-refundable deposit amount to its product package as it travels from brand to retailer to consumer, then back to Loop for cleaning and sanitizing and to the brand for refill.

When customers buy a Loop product, they pay for the item plus a packaging deposit, which is fully refunded upon return to a Loop collection bin. Deposits vary widely in amount based on the value of the packaging material (glass, off-the-shelf option, custom design, etc.). If customers do not return the Loop package, the deposit is not refunded. This protects the package owner (the brand) for losing the higher-value Loop package.

In brick-and-mortar stores, there are two key priorities pertaining to Loop deposits. Customers should be able to clearly see: 1) the deposit amount on the shelf tag when browsing Loop items, and 2) the cost breakdown between the product and the packaging deposit on the receipt at point of sale. This helps mitigate the perception that Loop items are more expensive. Loop insights across several global markets

indicate acceptance of deposit amounts among consumers who report understanding that deposits will be fully refunded.

Return Process

Reuse models are designed for materials to be returned multiple times, reducing the environmental impacts of each use. The Loop system encourages and motivates consumers to return packaging by charging deposits, making returns as convenient as possible, and issuing refunds promptly.

To do this, Fred Meyer placed collection bins at the front of each participating store to accept all Loop reusable products and the Loop reusable bag, which customers used to return multiple items at the same time. The pilot return process worked like this:

1. Customers used items at home and kept the empty package for return at a designated Loop collection bin during their next shopping trip.
2. Customers returning multiple Loop items in one trip were encouraged to use a Loop reusable bag with a unique pre-labeled QR code. For single-item returns, the collection bin dispensed QR code stickers to be applied to the item before placing in the bin.
3. Customers used the Loop app on their smartphone to scan the QR code sticker on the item or Loop bag.
4. After successfully scanning the returned item(s), customers placed it into the collection bin.



Loop then manages the process of collecting the returned packaging, as well as the cleaning and maintenance of the collection bins. Loop also accommodates different methods of deposit reimbursement, if preferred.

Key Learnings: *During the six-month pilot, the number of returned packages across the 25 stores increased each month. This is consistent with Loop's global insights that return rates increase over time as products with longer consumption cycles (e.g., shampoo, dish soap, hand soap) are used and packaging is returned.*

Two key packaging factors appear to influence individual Loop item return rates:

1. **Prominent communication on pack about reusability:** *This helps remind consumers to return Loop items after use and differentiates reusable packaging from single-use counterparts. This is particularly helpful if products are similar in design but used by different household members.*
2. **Level of differentiation compared to a single-use package:** *Products with highly differentiated packaging compared to their single-use equivalent tend to see higher return rates. The more intuitive the Loop package, the easier it is for consumers to remember to return it. Packaging design changes that create greater differentiation include new label artwork, different materials or new shapes. Loop insights show a combination of these changes result in the highest return rates.*

The ideal Loop SKU for optimizing return rates during pilot stage is a product with a short consumption cycle, with clear package labeling about reusability and high differentiation compared to single-use packaging. Consumption cycle could eventually become less of a factor if a pilot moves to scale, though in the early stages it has a significant impact.

Customer Engagement

The Fred Meyer—Loop pilot aimed to understand more about how to introduce new reusable product packaging at retail locations and encourage U.S. customers to try it.

For the pilot, we developed a promotional strategy that combined in-store visual merchandising and in-store and online consumer marketing with local and national media outreach. Kroger developed a new endcap design featuring the Loop logo and color scheme to help promote the platform and concept of reusability. The display also provided information about how Loop works, including a QR code directing customers to a website with more information.

At launch, Kroger hosted an in-store event in Portland and shared it on owned social channels, as did Loop. The combined media outreach resulted in 500 media placements and nearly 2 billion media impressions in the first 60 days.

To increase awareness among shoppers, Kroger and participating brands invested in an in-store Loop Ambassador program. The Loop team hired, trained and managed the Ambassadors, who were stationed at pilot stores during peak times to engage customers about Loop, answer questions and collect insights.

Key Learnings: *All product launches typically require comprehensive awareness and education plans. Immediately following the Portland launch event, Kroger and Loop began an in-store Ambassador program to increase awareness amongst shoppers in-store, and collect insights around consumers' response to the program. Insights from Fred Meyer customers were generally consistent with launches in other parts of the world, according to Loop.*

Of the customers surveyed at the Fred Meyer pilot stores: 1) about 75% said they understand the deposit concept and don't see it as a barrier to trying Loop; and 2) over 60% said they understand reuse is better for the environment than recycling.

We also asked for feedback from Fred Meyer shoppers via a receipt tape survey. Responses indicate that about 20% of customers who were aware of Loop were using the platform, and about 25% of customers who were not yet participating in Loop intended to do so. Of the customers who participated, most said they were very likely to return the Loop packaging and rated the experience high on convenience.

In order to achieve greater scale for reusable packaging, we recommend developing ongoing multi-channel marketing and promotional programs to support customer trial and repeat purchase. This could include integration with loyalty programs, offering rewards or incentives for engagement, or creating more targeted marketing campaigns appealing to sustainability-minded consumers.

Financial Considerations

Kroger financed the pilot with project funding in order to test U.S. consumer readiness and adoption of the Loop innovative reusable packaging platform as part of Kroger's Environmental, Social and Governance (ESG) Strategy, our Zero Hunger | Zero Waste social and environmental impact plan, and *Our Brands* sustainable packaging goals. As with any type of new innovation, profitability was not one of the short-term goals. Kroger tests new models in a controlled and smaller scale environment in order to identify the traits necessary for future commercial viability.

Kroger and Fred Meyer teams invested significant resources in pilot project planning and execution, including brand engagement and consultations; item set-up and deposit structures; customized distribution, fulfillment and store operations processes; visual merchandising and marketing elements; and onboarding resources for store teams and associates to explain Loop and its connection to our mission.

Participating brands invested in Loop-ready package design (leveraging designs where possible from Loop launches at other global retailers); manufacturing and logistics changes to supply, refill and replenish Loop items for the 25 Fred Meyer stores; and promotional support to drive purchases.

Third-party financial modeling commissioned by another Loop retailer and CPG partner shows that reusable packaging models can be as profitable as single-use at scale. During the early pilot stage, retailers, brands and Loop knowingly make an investment in the program to conduct necessary in-market pilots and collect real-life insights about how to successfully scale the platform. The key to economic feasibility for participants is achieving scale and profitability as soon as possible to enable continued commitment.

The growth of Loop's reuse ecosystem could also drive significant efficiency by spreading the enabling infrastructure across multiple sectors and additional local participants – perhaps including quick-service restaurants and other retailers – thereby decreasing the costs for each participating entity. This can only be enabled by Loop's ecosystem of “buy anywhere, return anywhere.” System participants can also analyze which entity owns which part of the process (e.g., cleaning, packaging returns), in case efficiencies can be gained from shifting those roles.

Systems Change

Studies show that consumer awareness of and interest in sustainability is increasing, particularly among younger generations. Kroger aims to provide easy ways for all of our customers to live a healthier and more sustainable lifestyle, including options for more sustainable packaging for popular *Our Brands* and national brand products.

We believe it will take a combination of innovative approaches and new infrastructure to build and scale reuse, recycling and composting systems to manage packaging and shift consumer behaviors. We support public-private collaboration at the national, regional and local levels to help build more sustainable ecosystems and advance transformative changes.

We're pleased to share these insights and lessons learned from the U.S. pilot at Fred Meyer stores with a broader audience to help support future progress.