

## LESSONS IN DRIVING BUSINESS SUSTAINABILITY

### WASTE NOT, WANT NOT

**Vegware invested in R&D to create new products that would reduce both costs and food packaging waste.**

#### THE BUSINESS

Vegware provides compostable food service packaging to customers across the world. Its range of eco-catering disposables, such as cups, plates and cutlery, which can be recycled with the food waste they've carried, is made from renewable or recycled materials.

Edinburgh-based Vegware is building a global brand with operations in the UK, US, South Africa, Australasia and the UAE. It has a Europe-wide network of distribution partners from Iceland to Portugal. UK clients range from the biggest contract caterers and food distributors through to UK Government offices, NHS units, as well as independent delis and cafés. The company has grown by over 900% in the past five years, and from 2 to 48 employees.

#### THE IDEA

Until Vegware came along, the problem with most food packaging was that it could only be recycled if it hadn't been contaminated by the food it had contained. All contaminated food containers had to go to landfill, incurring costs and increasing their environmental impact. Vegware's big idea was to produce packaging that could be recycled even

if it had waste food inside it. So Vegware's key objective is to enable food service operators to cut their costs, environmental impact and move towards zero waste.

#### THE INNOVATION

Modern consumer habits mean that single-use packaging is a fact of daily life. Conventional packaging uses mixed materials, such as card, plastic, foam, films and metals. These can be recycled if they are kept dry and separate. But when they are combined and contaminated with food, they are generally burnt or sent to a landfill site.

A report by the Waste & Resources Action Programme (WRAP), an organisation that helps firms reduce waste and develop sustainable products, estimates the UK's hospitality and food service sector runs up a waste bill of £2.5bn and generates 2.87m tonnes of waste every year. More than half of this waste ends up in landfill.

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Vegware's innovation aims to change that. Its packaging is plastic-free, low-carbon and made from compostable plant materials, delivered through a sustainable and traceable supply chain. Vegware claims that by investing in the R&D programme it has created nine compostable 'firsts', including a soup container, insulated coffee cup, wine glass and high-heat cutlery. These are innovative products that are better for the environment and for the business bottom line.

'Our high-heat cutlery was the first disposable cutlery in Europe to take temperatures of 85°C and be certified compostable by the Biodegradable Products Institute,' says Lucy Frankel, Vegware Communications Director. 'Similar cutlery before ours was not good at high temperatures, so we have been working against the bad reputation of previous eco-packaging which did not function as well as plastic with hot food.'

'As a result, we've had to battle against these preconceptions of functionality. But by investing in product development and improving the range of materials, we have created many market-leading solutions.'



Vegware cutlery and cups can be recycled with the food waste they've carried as they are made from renewable or recycled materials



The company has grown by 900% in the past five years – from 2 to 48 employees

Apart from providing a growing range of eco-catering disposables that can be recycled with food waste, Vegware's Food Waste Network also helps clients divert used packaging and food waste from landfill sites. 'The Network is a key business development tool championing the recycling industry for organic waste and providing new leads for the business, as well as monitoring client experience,' says Frankel. As part of the Network, Vegware provides a 'free and impartial' matchmaking service for any UK business looking to find its ideal food waste recycling service provider.

## FINANCE FUNCTION LEADERSHIP

When a high-growth company is reaching for the sky it is important that it also keeps its feet on the ground, especially when it comes to financial matters. So Vegware's finance function has played a critical role in ensuring the company takes the right financial decisions. For example, the finance team guided the company to invest in R&D which led to the production of food packaging which is not only a very marketable high quality product but will reduce waste and costs for their customers. 'We invested smartly at the correct times in product development and resources to ensure we were ready for each growth phase,' says Frankel.

At the same time, it has exercised watchful budgeting to ensure that it operates within its cash flow. 'Rapid growth in the current economic climate has meant very careful management of our sales ledger to avoid the risks of bad debt,' says Frankel. 'The risks of growing too fast, particularly in the current economic climate, are that businesses don't have sufficient working capital to fund growth properly.'

So the finance function has provided support and guidance to the product development, marketing and other functions in the business during the rapid growth period.

## POSITIVE LONG-TERM IMPACT

Vegware expects its product development to increase the sustainability benefits it delivers in the future. Its eco-audits put hard numbers on the environmental benefits of zero-waste packaging. In 2014, the company's customers saved 2,500 tonnes of carbon, 790 tonnes of virgin materials and 1,900 tonnes of waste which could be diverted from landfill sites.

They cite two examples which show the environmental and financial benefits that disposable packaging can deliver. The Royal Bournemouth Hospital has reduced its catering waste management costs by 70%. In 2013, it composted 13 tonnes of used packaging, returning nutrients to the soil. Also in 2013, oil producer Total E&P UK saved 7.3 tonnes of carbon, six tonnes of virgin materials, and diverted 17.5 tonnes of used packaging from landfill. Used catering disposables with food waste are turned into compost in just five weeks and Total E&P UK uses the compost to feed its flower beds.

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## LESSONS FROM THE CASE STUDY

Vegware's success has three key lessons for other start-ups that plan to jump on the green bandwagon. The first is that it is not enough to be green – the company has to produce something that people need and want to buy. In that respect, the normal rules of business apply.

The second lesson is that making an impact means focusing on the mainstream. Vegware's products may be green and compostable, but the food containers, glasses, and cutlery all follow classic and familiar shapes. This makes them a highly desirable contender with the mainstream's non-sustainable alternatives. And, as Frankel points out, it makes it possible to sell them not only on their sustainability but on other features – such as their ability to keep food crisper and hotter than regular products. 'We want people to have lots of reasons to want our products,' she says.

The third lesson is to ensure that the green story stands up. Customers buying sustainable products tend to want more information about the provenance and supply chain, points out Frankel. 'If you're setting up a green company, you have to be absolutely water-tight in all of your processes,' she adds.