

## COMMENT

## EPPs offer a value-added market



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Innovation and market development have never been more important for the pulp and paper industry. Price competition with cheap Asian suppliers has limited profitability, pigeonholing office paper as a low-value commodity. North American suppliers are looking for a way out. Yet, instead of innovating, diversifying product lines, and gaining competitive advantage, the industry seems to be falling back into the same commodity mindset—retrench and wait for opportunities to increase capacity or resort to trade wars to protect domestic markets. Unfortunately, this doesn't seem to be helping the industry build a dynamic future.

The environmentally preferable paper (EPP) market offers great potential for both growth and value-added product development. Despite consumer interest, lobbying from environmental organizations, and the success of some corporate leaders, the paper industry has mostly ignored this market, treated it as a threat, or regarded it as a small niche with little potential. By doing so, the industry is creating and perpetuating the market barriers that keep this sub-sector from growing.

**MARKETING ENVIRONMENTAL BENEFITS.** The Aurora Institute and Reach for Unbleached! Foundation of Vancouver, Canada, recently completed the study *Following the Paper Trail: Towards a Healthy Environmentally Preferable Paper Sector*, which identified many barriers to development of this industry sub-sector<sup>1</sup>. One study finding is that a lack of marketing and market development has impeded growth for EPPs. Companies are carrying EPPs in greater numbers but are not marketing their quality and environmental benefits to consumers. As a result, consumers are unaware of product types and availability, thus keeping demand flat. Also, unclear and contradictory messages from both industry and environmentalists about what environmental values should be linked with paper purchases has confused existing demand.

Some companies are bucking the trend and positioning themselves to gain market advantage from the added environmental value of their products. Hewlett-Packard and Cascades Fine Paper Group are two market leaders not bound by a culture that discourages innovation.

Paul Quickert, the international paper lead for Hewlett-Packard, comments on the company's business strategy: "Although demand for EPPs has been flat, we believe it will significantly grow over the long term. Up until now, EPPs have not been clearly explained or promoted at the retail level. We are working with industry and environmental partners to get better information out, and

help consumers make good paper choices."

When asked how else he sees demand increasing, Quickert replies, "Companies are under increasing pressure by consumers, shareowners, and environmental groups to show greater transparency and responsibility in their actions. We believe that making the paper switch is an easy and logical choice for companies wanting to demonstrate their environmental performance."

Cascades Fine Paper Group also plans to capitalize on EPP growth as the paper industry changes.

"We believe that demand for our products will continue to rise in the long term," says Bob Zbikowski, general sales manager for Cascades. "In the past, the market has suffered due to a lack of clear, consistent marketing at the consumer level. We are working closely with environmental groups to alleviate this information gap and provide the public with good communication on product types and availability."

Cascades' positive working relationship with environmental groups has also helped grow its business. "Our environmental partners have spread the word about our papers around North America," says Zbikowski. "We are confident that this will continue as these groups continue to align themselves, reach new consumer groups, and pressure the retail sector to carry more EPP products."

**BUILDING A BALANCED FUTURE.** This trend of environmental organizations (ENGOS) working with EPP manufacturers to educate consumers will increase. The development of *A Common Vision for Transforming the Paper Industry*, released at the February 2003 Paper Week in Montreal, solidified broad ENGO agreement on minimum standards for EPPs, and set the stage for ENGO/manufacturer partnerships that will build new markets.

Growing the market for EPPs doesn't mean shutting down all virgin fiber mills. It means diversifying, innovating, and building a balanced future for the paper industry. One step manufacturers can take is to pitch their recycled, endangered forest-friendly, and chlorine-free papers first when marketing products to publishers and printers. With combined corporate and ENGO efforts to educate consumers, increase product availability, and work proactively with manufacturers, demand for EPPs is poised to grow. Companies prepared to take advantage of this growth will reap rewards. ■

1. The study, funded by the Office of Consumer Affairs (Industry Canada), employed a national consumer survey administered by Ipsos-Reid to explore the paper-buying patterns and motivations of 1,000 Canadians. In addition, 139 institutional paper buyers completed an extensive online survey, and 55 interviews were conducted with industry stakeholders and experts.