



HARD TIMES... OR GREAT EXPECTATIONS

Being able to read tomorrow's environmental demands is perhaps the most critical challenge facing businesses today. Get it wrong and the industry will be shunned for its dirty habits; get it right and print can look forward to a bright, clean future. Industry analyst, Tony Duncan, has some sound advice on how to manage this transition including knowing what to say and who to say it to...

The environmental debate is around semantics and timeframes, whereas it should be about innovation and trust. The term 'environment' is continually being hijacked and re-defined according to specific agendas—usually a combination of contexts and timescales important to the person making the definition. And generally the conservative approach will be taken by those with traditional business models, trying to protect their revenue stream. Hence we often get scenarios where short-term decisions are embraced as being 'good for business' (and hence society), although any rational observer can see the probable negative longer term consequences.

The difficulty in arguing a longer term position is that the future is a vaguer reality than the present, with fewer objective facts and more variables to be managed and interpreted. But that doesn't make it a less important consideration when making decisions, whether it's a capital expenditure decision or a decision to invest in training. Or in an environmental management system.

The primary concern of any industry or enterprise is to meet medium-term market expectations without adding unsustainable costs and losing competitiveness. In the case of print and paper, this means other media. One of these market expectations for print and paper suppliers is the 'environment', and here there are some good and bad indicators.

KNOW YOUR FACTS

Currently, there are too many customers who cringe at the thought of using paper as a communication/promotional medium; they see print and the use of paper as negatively impacting on the environment, and a fair number, supported in some instances by government, actively discourage the use of print on paper because it is apparently contributing to environmental degradation. Whether the concern is real or simply a cost-cutting measure wrapped in green (plastic) packaging is immaterial; it is said often enough and, in some quarters, people have started to believe it.

Being able to provide a factual rebuttal to these claims is crucial. Print and paper people generally lack knowledge about the industry's impact on the environment, both in absolute terms and relative to competing media. It is critical we provide our own people with the tools and knowledge to discuss the issues confidently—not only with their customers but also at home, at barbecues and with their children's teachers. We

"PRINT AND PAPER PEOPLE GENERALLY LACK KNOWLEDGE ABOUT THE INDUSTRY'S IMPACT ON THE ENVIRONMENT, BOTH IN ABSOLUTE TERMS AND RELATIVE TO COMPETING MEDIA."

still see intra-industry turf wars on the so-called benefits of EMAS vs ISO or FSC vs PEFC, by organisations attempting to gain a short-term marketing advantage. This information is then re-presented to print buyers. The end result is a confused marketplace and a loss of trust in the industry by its customers.

Test yourself: explain to your customers/staff/children the difference between an environmental management system (ISO14001/EMAS) and a forest certification scheme (PEFC/FSC). Or discuss the relative benefits of virgin and recycled papers. If the industry's employees do not have the confidence or capability to address these questions, how can we expect our customers to commit to paper as a medium?

TIME TO TAKE CHARGE

We knew this was coming. Over the past couple of years in Australia we have seen the eTree's etc developing their niches. Overseas there have been even greater campaigns against paper-based communications under the guise of environmental responsibility.

What's next? Most of the paper mills you directly or indirectly purchase paper from can give you data on their CO₂, SO₂, NO_x and AOX emissions this year and trends over the past four to five years. They can also supply data on water usage and waste per tonne of paper made. And while you may not need to develop this level of understanding about your business's externalities, some of your competitors are doing just that. They perceive it is important to their customer's customer, and their own long-term business prospects.

Do not become blindsided into believing your ultimate customers are not interested in this stuff. You »

LEAD US NOT INTO EXTINCTION

A current fad is to merge environment and sustainability, both of which are either good or potentially bad for business depending on the timeframe you are considering. Any manager looking at a timescale longer than three years (and everyone who employs more than 20 people should be spending a lot of their time focused out there) understands that business sustainability is a complex issue that needs the development of specific strategies if the business is to survive.

The pressure now coming on to business to be seen to be acting environmentally responsibly is adding further complexity, particularly as it cannot be defined with any certainty. Industry is having to deal with an expectation from society, and that is more difficult than dealing with a bank repayment expectation or a customer delivery expectation.

No one actually knows the answer to what is going to happen to this argument in the future, but some companies do seem to have a knack of guessing right, regularly, over the long term. It's not all serendipity.

In the debate around the environment we can hear this organisational (read: leadership) capability manifest itself. Listen to the discussions at forums and workshops—or even media interviews. Some large corporates are obviously struggling with what it all means, and how the recent swings in public mood will impact future profits of current product and service offerings. Other companies appear to have second-guessed the swings, and are developing innovative products and services to meet these new market expectations. ("More than 50 percent of the companies in the Global 500 have seen their world changed by threats to their core business models."—Chris Zook, *Beyond the Core*.)

The first group are focused on addressing something they woke up to yesterday; the others are exploiting opportunities recognised two to three years ago. (The speed of fright vs the speed of insight). Inevitably these differences relate to the capability of the senior leadership team in these organisations.

Being able to analyse trends and uncertainties, develop them into a business strategy, then execute, is not a skill everyone has. Which company would you prefer to work for? Which company is more likely to attract and hold talented staff?

The logic underlying all of this is that it is people who make or break the business, not machines or markets—or the environment. ●



Tony Duncan

HARD TIMES... OR GREAT EXPECTATIONS

might be selling to intermediaries (eg designers, brokers, agencies) who do not necessarily reflect where your customers are positioned on sustainability, and keep focusing on price only. The continued uptake of ISO14001 in recent times by business is a good indicator.

However the good news is also out there. We know the benefits new technology has brought the industry. New equipment has meant less water used, less paper used for make-ready, less energy used, recycling of printroom chemicals etc. ISO and Lean Manufacturing have led companies to re-assess their processes and adopt continuous improvement practices that have reduced waste in materials and time. New papermaking technologies drive for less fibre per tonne of paper.

“THE IRONY OF ALL THESE ‘ENVIRONMENTAL’ IMPROVEMENTS IS THAT VERY FEW ARE IMPLEMENTED FOR ANYTHING OTHER THAN PRAGMATIC COMMERCIAL REASONS. INEVITABLY THEY SAVE MONEY.”

with food scraps and garden clippings, these consumers have to dispose of this vast amount of requested and un-requested print and paper. They are the ones we need to ensure are comfortable with the product and its environmental credentials.

Kerbside recycling remains a major component of Australia’s waste recovery infrastructure. With the exception of key recycling contracts with printers, converters and large retailers, kerbside will continue to underpin the recovery of paper fibre for the foreseeable future.

EVERY DAY IN EVERY WAY...

As a proactive and concerned industry, the print and paper sector can offer its customers:

- global forestry practice transparency (through PEFC/FSC),
- production within internationally recognised environmental guidelines (ISO 14001/EMAS),
- mills generally utilising up to 50 percent renewable energy, and
- recycled fibres making up about 50 percent of all production.

Not everyone involved reaches these standards but more and more are doing so as they recognise that these are becoming their licence to overcome hurdles. Few industrial sectors anywhere have this level of performance. And it gets even better.

In Australia, *commercial* (ie not including conservation) forests



THE BUCK STOPS AT HOME

The irony of all these ‘environmental’ improvements is that very few are implemented for anything other than pragmatic commercial reasons. Inevitably they save money. Is Rupert Murdoch’s carbon neutral policy for News Ltd purely philanthropic? I doubt it. He is making a bet on what News Ltd customers will be demanding in three to five years time when the price of energy and water is likely to be considerably higher than now.

We then get led to another issue. Who actually are the customers for print and paper? While most print is sold to businesses, we rarely identify who is the consumer—who uses the product? Does this matter? Yes it does, if we are to ensure the industry remains sustainable.

The evidence suggests that probably more than 60 percent of all print ends up in a home, not a business (but probably more than 95 percent is ordered by a business). The numbers for addressed mail are currently running about 50:50, while an overwhelming amount of unaddressed mail is homebound, as is a huge percentage of the 300 million magazines sold in Australia, 90 percent of which are sold in retail shops. As

While many major CBD buildings have recovery systems for paper, there appears to be considerable weakness in the system when it comes to collecting from smaller offices in suburban areas. Sending trucks out to collect small quantities of paper waste is generally uneconomic and needs new business models if it is to be sustainable. We know that waste collection charges will be continually fought by businesses who themselves struggle to make ends meet.

Unfortunately there are some in the waste industry who believe the answer is to ban paper from landfill, believing this would ensure it is recovered and recycled. However, for the paper and print industry, this would simply see further pressure on the demand for paper as organisations look to avoid increasing waste charges and reduce the amount they use in the first place. Fortunately, with demand for recovered fibre very high, we are also seeing new entrants trying new approaches to collection, as they struggle to fill orders from China and elsewhere. While this demand cannot continue forever, it may well support the establishment of technologies and business models that can last through a downturn.

and plantations remove more than 43 million tonnes of carbon dioxide from the atmosphere annually—equivalent to almost 80 percent of the combined emissions of South Australia, ACT, Tasmania and the Northern Territory.*

But sitting around back-patting, scrapping for minimal intra-industry gains or complaining that the customer base does not really understand the industry is pointless. Sustainable businesses and industries need only two things—to be cost competitive and meet society’s expectations.

There is clear evidence that as a country’s GDP increases so do environmental expectations. If paper and print are going to remain attractive for investors and new employees, it needs to be seen to address these expectations.

For a suggested starting point, develop an awareness of your business’s environmental impact. At the very least, it will save you some money. ●

* From a recently re-published booklet, *Forests, Wood and Australia’s Carbon Balance*. Originally published last year, it is a summary of work undertaken by the Australian CRC for Greenhouse Accounting, looking at the contribution forests and wood products, including paper, have on the carbon balance in Australia—both in service and post-use. Available from either the *Printing Industries* or Paper Round.

Tony Duncan is CEO of Paper Round, a Product Stewardship consortium of major companies who supply print and paper to Australia’s Offices. Contact: (03) 8541 7333 <info@paperround.com.au>