

**Forest-Based Sector**

Technology Platform

4<sup>th</sup> Conference, 15-16 May 2007, Hannover, Germany



# **The Role of Paper in Future Information Society**

## **European Forest Industry Foresight: critical change forces on the horizon**

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# Recent changes

- **Decoupling of publication paper demand and GNP in developed markets**
  - Increasingly difficult to envisage the future consumption growth of publication papers
  - The products of short life have moved from print to electronic
- **The most rapid demand growth has taken place in developing markets where the major part of new production capacity has been built** - driven by a good cost-competitiveness.
  - New products to new markets
- **The direction of trade flows has changed /is changing from east to west**
  - Overcapacity in traditional production areas e.g. in some magazine paper grades.
- As a result **when  $S > D$  the trend is that prices decrease.**

## Recent changes (cont.)

- **The prices of raw materials are now increasing, energy in particular.**
- **The risks of building new capacity have increased.**
  - The price of a paper machine has almost doubled in 10 years.
  - To benefit from the economies of scale has required a narrow product range - so limited flexibility exists.
- **The competition from outside the forest industry is intensifying**
  - Competition for fibre
  - Competition for human resources

## Recent changes (cont.)

- **Consumer has become KING!**
  - Print media is under threat: it competes for "cost effective" contact with the consumer.
  - Today's consumer values interactivity and is channel independent.
  - Information value chain now functions in two directions:
    - From publisher to consumer
    - From consumer to other consumers with the same interest: tools for self-publishing exist

# The Consumer is KING!

*"Digital is the next step for our industry.  
Granted, it is the biggest step we have had to take  
in the last 100 years.*

*Why?*

*For the first time since the dawn of newspapers the  
consumer is now in control".  
It is evolution - not revolution.*

Katie Vanneck & Annelies van den Belt, Telegraph Group, UK  
WAN Annual Meeting in Moscow, June 2006

# Current situation

- There are more simultaneous challenges now than there have been for the last 30 years.
- **The 1st challenge is to improve profitability.** This can be done:
  - by utilizing more efficiently existing production capacity, raw materials and energy
    - access to main raw materials and energy has become a key strategic issue
  - by optimizing production between production lines in large companies
    - further consolidation of the industry will reveal existing potential
  - by improving procurement practices
  - by simplifying business models and organizational structures
  - by focusing more on customer interface to really clarify what adds value to a customer
  - by streamlining the value chain through utilizing e.g. RFID technology.

## Current situation (cont.)

- New simplified business models are needed.
- There are EU-level and country-level programs and plans to improve competitiveness of the Forest Industry and to help creation of new businesses.
- **Real actions should be started immediately** before it is too late.
- A lack of knowledge of how to manage a network-type of working and a real will to work in networks may be obstacles to fast implementation.

# Critical change forces on the horizon

- **Climate change**
  - Huge demand for renewable energy has resulted in competition for wood-biomass between forest and energy industries
  - Availability of water
  - The price of good environmental performance.
- **Eco-efficiency demands in material and energy use**
  - Waste management and recycling at the mill site:  
-> the main process + several side processes
- **Logistics**
  - The pressures are increasing for both inbound and outbound logistics.

# Critical change forces on the horizon (cont.)

- **Abundant bandwidth**
  - the number one challenger for print media
  - Information transfer capacity will not be a problem.
- **Consumer's media behaviour**
  - Younger generations future media behaviour?
  - Mass products such as A4 for on-demand printing (technology-driven development)
  - Smaller target markets such as special interest magazines, need for specialised products will increase (content driven development)
- **New advertising models**
- **Increasing importance of service industries**

# Implications

- **No one is now predicting the death of print media.**
- **Restructuring of media ownership is on-going:** technological change offers an opportunity for an investor from both inside and outside the media.
- **New streamlined, more economical production technologies** are needed for mass products to be able to compete with electronic media.
- **Potential exists for differentiated, functional paper grades** for special purposes through utilization of nano- and bio-technologies and printed/coated intelligence.
- **New competences are to be developed** in the corporations to answer the new challenges.

# The role of paper in the future information society

- **Paper will have a role in the future information society but this role will be different from today:**
  - Clear division between
    - Economical mass products (cheap printing surface) and
    - Special papers with functional properties.
  - **Sensory properties** such as touch, feel, sound and odour **will be used for brand building.**
  - **Paper can have a personality!**
  - Publishers continue to develop existing printed products
    - from traditional newspapers towards newsmagazines  
*but also actively create new products*
    - from special interest magazines to magazinebooks  
such as 'Monocle' by Tyler Brûlé.

# The role of paper in the future information society (cont.)

- + Advertiser driven paper end-uses will grow** driven by
  - The change in marketing mix from advertising to direct marketing
  - Increase in on-line printing.
  
- +/- Consumer driven paper end-uses will continue to grow at the present speed**
  - Copies are/will be made at home.
  
- Circulation driven end-uses will diminish** driven by:
  - Digital distribution of magazines and newspapers
  - Consumers spending both more time and money on-line.

# The role of paper in the future information society (cont.)

- Papers for books and special interest magazines will flourish.
- Label papers will flourish despite increasing competition from folio.
- Papers for catalogues will have a future in those applications where the printed catalogue is a part of the brand.
- The future of traditional newspapers is under threat as is newsprint. Newspaper as a product will be developed further and more value added paper grades will be used for that purpose.

**Paper will have a role in the future information society but different from today.**

**The empowered customer will sit on the driver's seat.**

**Print and electronic media will co-exist but the roles will diversify:**

- PRINT will build on comfort, mobility, flexible design and environment**
- ELECTRONIC will rely on effective delivery and interactivity.**



# Thank You!

A. Haarla 15.05.2007

