

**INTERVIEW WITH DR KJELL A. NORDSTRÖM (PART 1 OF 3)**

CPG: Kjell, thank you for taking your time to answer a couple of questions. You have just held a presentation at our innovation forum Inspiration Days. What do you think of this forum and the topics we have chosen as focal points?

Dr Kjell A. Nordström: When I think back 25 years ago when we saw this format emerging, it was not only the technology that was usually very bad, it was also the speakers. In most cases such events were nothing more than a lot of mumbling about numbers. To the present day, events like this have evolved to mega productions being held in concert halls with sometimes more than 1'000 people attending presentations and getting entertained by famous artists. What has been missing out lately, however, is content. Everything has become very impressive: the technology, the speakers, the catering, the artists – everything except the content.

When I look at the Inspiration Days, I appreciate the content focus you have chosen. I also think the content was very well thought through. If you use events like the Inspiration Days in the right way, they are very powerful management tools – both for you and your partners.

We had many paper companies and paper-consuming companies attending the Inspiration Days. Which are the trends that in your opinion will affect these businesses most?

What we should keep an eye on first is that paper and pulp (and the related industries) are together with aluminium some of the most energy-intensive industries of the world. There is no doubt that energy will be a big topic in the future. What will happen is that we will try to make ourselves independent of oil – and of the dictators and magnates that are in command of the oil supplies. To do so will have to accept higher energy prices.

This in turn will put additional cost pressure on energy-intensive industries – which means that there will be even more pressure to innovate on companies like Cham Paper Group and to create greater value. Moreover, new energy sources and new ways of distribution will affect the business.

Second, I think there will be a shift in the markets. Due to an ongoing trend towards urbanisation customers and buyers will increasingly concentrate in cities so that markets will become more regional and fragmented. Your future market is likely to be made up of larger cities all around the world.

Third, what will certainly affect companies like yours is the availability of talent. In order to be able to stay at the forefront of innovation, it will be indispensable for you to enter into partnerships with external experts, to collaborate with universities and open up for talents from all over the world.

During the Inspiration Days, we had two workshops where participants framed out their understanding of sustainability. We have chosen this topic because we believe that there is a certain need for clarification. What we found was that the two workshop groups chose different approaches: One of them focused on social responsibility and value-orientation whereas the other narrowed sustainability down to economic terms in the sense that it developed out of the will to survive. What is sustainability for you?

On the one hand, whenever I hear the word sustainability I think of the word footprint. Sustainable behaviour to me is about making the footprint of whatever you do as small as possible. The question is: How can we minimise the impact on our scarce resources? In other words, sustainability is basically about managing scarce resources as effectively and efficiently as possible. On the other hand I think of social sustainability.

However, social sustainability does not mean that companies should donate money to welfare organisations. In my view the social responsibility of companies is restricted to being profitable and paying their taxes, which can then be used for good purposes. We need more integrity in business management.



INTERVIEW WITH DR KJELL A. NORDSTRÖM (PART 2 OF 3)

I am convinced that there will be an ethical debate in our lifetime about tax evasion of multinational companies. One important thing we can learn from this debate is that to pay one's taxes is a decent way of being a good citizen. The other thing is that consumers will show less readiness to accept wrongdoings of companies.

Just look at the banking sector. Already today banks are suffering from a massive loss of trust, which has a negative impact on their business. The good news for your business is that I think consumers are going to develop a readiness to pay more for a really sustainable engagement.

We as consumers have developed a readiness to pay more for bio products. Do you see a readiness to pay for sustainability in whatever form it may be offered, e. g. in a product or in a service?

Yes, we will definitely pay. However, the problem we have to face is the differentiation between good and bad, so to speak. Take farming for example: The problem is that locally grown bio vegetable looks more or less the same as vegetable that is not bio. No need to say that this opens the door for cheating. What we need on the supplier side is approved standards to enable consumers to take the right decisions.

You talked about the goal in business strategy which is to create a temporary monopoly that customers perceive as a unique selling proposition. Comparing business with biology, you then described two ways one can achieve a temporary monopoly. One is by being the fittest, the other by being the sexiest. Do you sense potential for more sexiness in a b2b environment?

Yes, I absolutely think that there is a huge potential for sexiness in b2b marketing. It is a pity you did not ask this question in front of the group. There is one episode I remember well: When I was working with Siemens some time ago I had a meeting with someone from Siemens VDO (Siemens branch supplying the automotive industry) who had just had a meeting with a delegation from Ferrari that utterly confused him. When I asked him why he was so confused he told me that all the people from Ferrari wanted to know was if he could offer something that could help them to make their Ferrari sexier.

In other words, they just asked for something that could make their end product more attractive in the market. In such cases, price is not necessarily the big issue. The big issue is this: If you can make my end product more attractive, then I am willing to pay.

This example shows very well that there is huge potential for sexiness in a b2b environment, because it is an explicit customer want. Think about this, too: Today, you can no longer sell a power plant that does not look good. As it will be part of the landscape, it will have to fit in. Beauty and the fact that something looks good is part of the deal today for a supplier of industrial products.

In which industries and companies do you invest your money – today and tomorrow? Would you invest in companies of our industry? Do you see value in paper?

Firstly I invest my money outside those dictatorships like Russia, the Middle East or China because the systems there are totally corrupt and you do not have a guarantee for anything. The legal system does not function properly so that for you as an investor everything boils down to being lucky. You never know whether they have a coup and unrest again. To speculate in that is absolutely uninteresting for me.

I am not a day trader, which means that I look for stability and long-term investments. What I invest in usually is companies where I do understand what they are and roughly what they do and which are based in well-functioning countries and democracies where the legal system is stable (Western Europe and the US).

INTERVIEW WITH DR KJELL A. NORDSTRÖM (PART 3 OF 3)

Moreover, I invest in products that I at least vaguely understand. So I end up in cosmetics, for example, particularly in cosmetics for men. This combination of skin care and medicare is such a success! It is almost pharmaceuticals but it is cosmetics at the same time, it is a combination which opens up new perspectives.

Back to your question: Yes, I definitely see value in paper. Especially when you look at speciality paper companies, there are some that are very successful – not based on volume but rather on applications. They live very close to the end-user and are almost part of the end-user's value chain. I would certainly consider an investment, because your industry has a long tradition. If you look at the trends in food packaging, for instance, chances are that the future will be equally promising.

Thank you very much for taking your time to explain some of the major trends affecting today's business activities in more detail and to show us how to leverage them.

