ASPI NEWS

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Nebel and Hobson Receive ASPI Awards

Randy J. Nebel, President, KapStone Kraft Paper Corporation, has been awarded the ASPI 2015 Customer Ex-ecutive of the Year Award, which recognizes extraordinary effectiveness in working with a range of suppliers to enhance productivity, efficiency and effectiveness. Mr. Nebel was appointed as Vice President and General Manager of the KapStone Kraft Paper Corporation and President of the KapStone's Mill Division in August 2013. Mr. Nebel has over 35 years of experience in the paper and packaging industry, having held leadership positions with Longview Fibre and Weyerhaeuser Company.

Tony Hobson, Mill Manager for Graphic Packaging International's (GPI) West Monroe, Louisiana mill, is the recipient of the ASPI 2015 Excellence in Leadership Award. This award honors unique and creative leadership of employees, company and key suppliers through major projects or ongoing relationships. Mr. Hobson has been managing GPI's large multi-product mill in West Monroe since 2007. He has over 22 years of experience in the industry and held positions of increasing leadership responsibility with Packaging Corporation of America, MeadWestvaco, and International Paper prior to joining GPI.

Both awards will be presented at the ASPI 2015 Spring Meeting in Naples, Florida, February 25-27, 2015. ✦

Randy Nebel

Tony Hobson

ASPI Breaks Record at 2014 Fall Customer Alignment Meeting with International Paper

ASPI hosted its largest meeting to date this past October in Memphis, Tennessee, with 105 supplier executives from 54 companies in attendance. Meeting at the historic Peabody Hotel in downtown Memphis, IP's senior staff shared expectations on how suppliers could meet their needs. Comments from attendees included:

- "I appreciated the candor and openness of IP personnel"
- "I was pleasantly surprised by how open the IP speakers were about sharing information"
- "Very informative with good information sharing by IP team"

Attendees enjoyed ample networking activities, including drinks and dinner at the Skyline Room on the rooftop of the Peabody Hotel, and at the Beale Street Landing, with barbeque from Blues City Café and a bourbon tasting.

Read the detailed article on Page 5 of this newsletter to learn more about what IP shared at the meeting. Presentations are available in the Members Only section of the ASPI website. Contact Colleen Walker at cwalker@aspinet.org if you need your member log-in information. ✦

Returning to Naples, Florida for ASPI 2015 Spring Meeting

ASPI's Spring Meeting is known for informational speakers and informal networking. This program brings in executives from several customers to offer attendees updated perspectives on their customers' needs.

ASPI returns to beautiful Naples, Florida for the 2015 Spring Meeting. Already included in the program are ASPI 2015 Award winners Randy Nebel and Tony Hobson. **Mark Watkins**, recently retired from MeadWestvaco, will be honored with an ASPI Special Recognition Award. Mark championed the ASPI Customer Alignment Initiative when it launched in 2007, and he was instrumental in securing MWV's participation as the first host.

Please plan to join us this February to honor these great industry leaders.

The Spring Venue – La Playa Beach & Golf Resort

The only luxury Naples Beach resort on the Florida Gulf Coast, La Playa Beach & Golf Resort rivals the élan of South Beach and promises an experience of rejuvenation. Guests have many options to relax after the ASPI meeting under a white cabana, by a cascading-falls pool, through the fine cuisine at Baleen Naples, in exotic SpaTerre, out on the Bob Cupp golf course, or simply enjoy your guestroom. Sip a margarita on the sand in front of this beautiful beach resort and discover the breathtaking beauty of the gulf beaches in southwest Florida.

Voted #2 in Condé Nast Traveler's 2014 Reader's Choice Awards for the best 15 resorts in Florida, and Travel&Leisure's 2014 World's Best Hotel Award Winner, La Playa Beach & Golf Resort offers a sophisticated experience for guests.

The Spouse Program

The ASPI Spring Meeting includes a well-attended Spouse Program. For the ASPI 2015 Spring Meeting at the La Playa Beach & Golf Resort, this year's program will be a sophisticated blend of casual beach lifestyle and cosmopolitan excitement. Participants can select to attend the full program, or a la carte items to tailor their experience.

Registration

Registration will open December 8th for the ASPI 2015 Spring Meeting. Members can register at the $885 rate, and nonmembers at $1250.

Visit www.aspinet.org to register.

Registration for the full spouse program is $335. It includes all receptions, dinners, lunches, and breakfasts. A la carte prices are available on the ASPI website. If you have any questions about the Spouse Program, please contact ASPI Meeting Planner Marilyn Jeans at 770-209-7296 or mjeans@aspinet.org. ✦

ASPI 2015 Spring Meeting Preliminary Program

Wednesday, February 25, 2015

3:30 – 5:30 PM	ASPI Board Meeting (invitation only)
6:30 – 9:30 PM	Welcome Dinner and Reception

Thursday, February 26, 2015

7:00 – 8:00 AM	Continental Breakfast
8:00 – 12:00 AM	Morning Presentations
12:00 – 1:15 PM	Lunch
1:15 – 5:00 PM	Networking Session or Golf Outing
6:30 – 9:30 PM	Dinner and Reception

Friday, February 27, 2015

7:00 – 8:00 AM	Continental Breakfast
8:00 – 11:30 AM	Morning Presentations, ASPI Business Meeting
11:30 – 12:30 PM	ASPI Board Lunch Meeting (invitation only)

Georgia-Pacific to Host 2015 Fall Customer Alignment Meeting

ASPI is pleased to announce that Georgia-Pacific (GP) will host the ASPI 2015 Fall Customer Alignment meeting, October 12-14, 2015 in Atlanta, Georgia at GP Headquarters.

GP will be the eighth customer host of ASPI's Customer Alignment Initiative (CAI), which was launched in 2007 to assist suppliers in aligning their procedures and products with the evolving needs and requirements of their customers.

Customer Alignment meetings give ASPI members an excellent opportunity to network with their customer's senior executives. With a program focused around strategic directives, discussions go beyond day-to-day issues and provide a better understanding of broader customer issues and priorities.

Registration Limited to Members

Once again there is limited seating capacity at the venue. The ASPI Board of Directors has again approved limiting attendance to the fall meeting to ASPI Members Only. In addition, the number of representatives from each member company will also be limited according to the following criteria:

- $2,500 Dues Level – One Registrant
- $3,000 Dues Level – Two registrants
- $3,500 Dues Level – Three registrants

If additional capacity remains as the meeting date nears, the above levels will be increased by one registrant each. If additional space is still available, then nonmembers will be allowed to register.

Registration will not open until April 2015. Please watch the ASPI website for details. ✦

ASPI 2015 Fall Customer Alignment Meeting Preliminary Schedule

Monday, October 12, 2015

3:30 – 5:30 PM ASPI Board Meeting (invitation only)
6:30 – 9:30 PM Welcome Dinner and Reception

Tuesday, October 13, 2015

7:00 – 8:00 AM Continental Breakfast
8:00 – 12:00 AM Morning Presentations by Georgia–Pacific
12:00 – 1:30 PM Lunch
1:30 – 5:00 PM Afternoon Presentations by Georgia–Pacific
6:30 – 9:30 PM Dinner and Reception

Wednesday, October 14, 2015

7:00 – 8:00 AM Continental Breakfast
8:00 – 11:30 AM Morning Presentations by Georgia- Pacific
11:30 – 1:00 PM Lunch
1:00 – 2:00 PM Koch Economist
2:00 – 2:30 PM ASPI Business Meeting
3:00 – 4:00 PM ASPI Board Meeting (invitation only)

IP Shares How Suppliers Can Support Strategic and Business Objectives

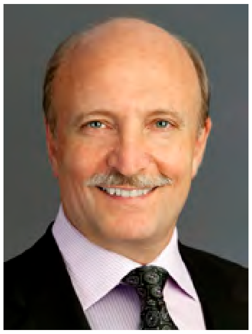
International Paper made the most of their opportunity to share how they needed the supplier community to support their strategic objectives at the 2014 ASPI Customer Alignment Meeting in October.

IP presenters were candid in their remarks, suggesting ways suppliers could improve their interactions with IP to achieve results more quickly and efficiently. Presenters also directly addressed many of the questions submitted by the ASPI membership.

While changes in senior leadership resulted in some last minute adjustments to the program, International Paper was fully committed to seeking the supplier community's support.

Focusing on the Fundamentals

David Liebetreu, VP, Global Sourcing for International Paper, kicked off the meeting with his presentation at the opening dinner. Liebetreu spoke on the topic of "Focusing on Fundamentals" and counseled the many suppliers in the audience to "think safety when you design new products."



David Liebetreu

Liebetreu said that IP today is running better than ever, and that they need the help of their suppliers in order to do even better. "Our goal is 3% year over year improvement," said Liebetreu, who also pointed out IP needs its suppliers. Like other companies, IP is preparing for a workforce turnover as about one half of its workforce will be eligible for retirement in 10 years.

Regarding capital projects, Liebetreu said capital effectiveness is very important as IP has "a mature asset base that needs to be upgraded. In the bid process, we want to be more transparent and work with suppliers to share value."

Liebetreu also said that technology drives quality and that when suppliers deal with IP, they need to "think Life Cycle cost (Total Cost of Ownership) and be patient as we don't just want a cheap fix." Liebetreau said that everyone needs to speak the same quality language (Six Sigma), and that if suppliers are not there yet, they need to spend some time getting there.

Describing the company's sourcing strategy, Liebetreu said that IP has 100,000 suppliers, including 40,000 wood suppliers in India alone. "We don't have many supply gaps" he said, "But sometimes it is the little things that delay us, for example when a supplier of core plugs burned down and they happened to provide 80% of the world's supply.

When asked about the future of the company, Liebetreu said "it is hard to envision a world that isn't fiber based. Paper as a medium that carries ideas may suffer, but paper as a packaging medium that carries product will be around for a long time. We need you to be part of our journey."

Suggestions from the audience at the end of the session included the need for a formal methodology for suppliers to deal with IP, that can be replicated, and the need for better specifications.

Safety First

David Kiser, VP, Environment, Health, Safety & Sustainability for International Paper, began his presentation by saying that "our goal is to be a zero injury workplace. We have zero tolerance for rule violations.

David Kiser

"Inherently safe design is absolutely essential," said Kiser. "Products need to be safe and reliable."

Kiser discussed IP's "It's about LIFE" program (Life changing, Injury and Fatality Elimination) which began four years ago. It is a multi-year effort to identify and mitigate the potential hazards

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IP Shares How…

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and risks that lead to serious injuries and fatalities.

"More IP employees work safely today than ever before," said Kiser, citing the company's 70% improvement in TIR (Total Incident Rate, which is regulated by OSHA) since 2000. In 2014, IP's TIR was 0.86 and its lost work incident rate was 0.17 which, according to Kiser, is "significantly better than all pulp and paper companies." Since 2009, injuries have been reduced by 65%.

When evaluating where most accidents occur, machine safeguarding is the largest category (37%). Others include: falls, motorized equipment, harmful substances or environments, and driver safety. A couple of recent fatalities have prompted an all day meeting of top managers to discuss and find solutions.

Kiser said that IP's LIFE strategy focuses on equipment conditions and processes, employee engagement and leadership. He also noted that TAPPI's TAPPI*Safe* program is "very valuable and adds a lot to our safety program."

What Drives R&D at IP

Chris Read, IP's Director, Global Technology, speaking on the topic of R&D, said that there are four reasons for doing R&D: safety and security, health and well being, natural curiosity, and profit or preservation. "We all have to aware of disruptive technologies," he said.

Chris Read

According to Read, IP has cut back on R&D in the past, for which he cited a number of reasons.

"We operate $50+ billion of assets designed to do one thing, which are expensive to convert to something else," said Read. "We also sell into mature or declining markets which are generally oversupplied. We also focus on commodity products, differentiated by our service offering and product range. This is not necessarily fertile ground for profit-driven R&D."

Referring to the future of the paper industry, Read cited a 3% decline in printing and communication papers globally. Growth in other product lines or regions include growth of 9% in India; a 2-3% growth in industrial packaging and a 0-2% growth in consumer packaging; and a 3-4% growth in fluff pulp demand. ("The southern U.S. seems to have the ideal fiber for making fluff pulp, but we aren't sure about that with recent announcements in Brazil and China.")

Read said that mills in U.S. are not going away so it is critically important for IP to maintain and grow these assets going forward, and that IP will spend its money on mostly small- to medium-size projects.

Read said that IP participates in academic R&D, supports 10 research consortiums at universities in the U.S. Sweden and France, and funds practical research, primarily to reduce manufacturing costs. Funding emphasizes core pulp and paper processes, while keeping an eye to nanocellulose, biofuels, and bioproducts

IP doesn't think nanotechnology is directly relevant to them but according to Read, "we may play in it." More appropriate academic research should relate to new product classes – value added using existing assets, to core pulp, power, paper and environment.

IP's current R&D model includes: Product Development, driven by businesses, and Process Development, driven by manufacturing. According to Read, supplier involvement is critical in both cases for ideas, trials, and success.

"We don't see a revolutionary product or process coming, although we continue to monitor," said Read. Pointing at the audience he said that "you guys can give us a 'revolutionary change' in individual unit operations, but you need to get better at getting them in front of us, vetted, trialed, and implemented. We do want to influence increased R&D funding for core processes."

According to Read, what IP needs from suppliers include:

- Relationships and trust
- Understanding we are driven by cost reduction while maintaining quality
- Good ideas, products, and processes
- Technical help to run trials and to move quicker to implementation
- Help to implement quicker across multiple mills when we find success.

During the Q&A period, Read cited Eastover as "our

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IP Shares How…

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best example of a world class mill in the U.S.," and said he couldn't answer the question about whether IP would grow in fluff pulp.

Sustainability in the Supply Chain

Tim Kean

Tim Kean, Director, MRO & Procurement Operations, Global Sourcing for International Paper, spoke for Donna Doss who was not able to attend. Tim is responsible for sourcing $1.2 billion in maintenance, repair and operating materials. He began his presentation on sustainability with a video that itemized some of IP's facts and figures including:

- IP was founded in 1898
- 65,000 employees worldwide
- Two core businesses: Industrial Packaging and Papers
- $25 billion in sales (2013)
- Passionate about safety operations
- 3.2 million trees planted every day
- 71 million tons of wood and OCC in 2013
- 35% of fiber third party certified (has added 4 million tons of certified fiber since 2010).
- IP is one of world's most admired companies (11 years in a row) and 2013 worlds most ethical companies.
- Uses 64% recovered/recycled and is the largest buyer of recycled fiber in the U.S.
- Is helping combat illegal logging through leading support for the Lacey act
- Owns 200,000 acres across 8 states
- 72% of energy produced at mills by renewable methods
- $380 million spent on environmental projects since 2010
- 25% energy intensity reduction
- Has a supplier code of conduct–commitment to conduct business legally and ethically throughout the supply chain.

IP's five phases to responsible sourcing:

- Supplier conduct expectations
- Potential risk assessment
- Sourcing process and procedures
- Response protocols
- Check and adjust

The War for Talent

Tom Plath

Tom Plath, VP, Human Resources Manufacturing Technology EHS&S and Global Supply Chain has been with IP for 20+ years and runs HR for entire manufacturing operation including safety, environmental, and supply chain. In his presentation he discussed the "war for talent."

"IP has 43 paper mills globally, with 30,000 employees including 20,000 hourly. In ten years, only 10,000 of those employees will still be here," said Plath who said that the trade jobs are the most difficult to fill.

Plath said that as a result of retirements, IP is having a lot of "green on green" training, whereby a relatively new person trains a very new person, as so many people at the top are leaving.

IP has undertaken a Manufacturing Training Initiative that includes:

- Recruitment and selection – hire the best people we can find, regardless of experience.
- Training systems – uses a 5 week new-hire integration program
- Organizational design – redesigned maintenance organization, targeted hiring, workforce plan-ning
- Qualifications and performance – uses a rigorous, expansive certification process

"If done right, we can move this attrition from threat to opportunity," said Plath who calculated that if IP can save only 1%, that it equates to about $100 million per year.

During the Q&A period, Plath said that IP uses the REACH program that goes to the best engineering

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IP Shares How…

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schools, and that 80% of IP's hiring above entry level, is filled from within.

Being the Best

Michele Vargas, IP's Director Investor Relations, posed the question of why people should invest in the company. She said that IP is positioned in attractive markets with low cost assets that can generate strong cash flow and returns that can exceed the company's cost of capital. She quoted CEO John Faraci who said, referring to paper and packaging, "I want to win gold medals in a few events."

Michele Varga

Vargas said that IP is the recognized leader in industrial packaging, uncoated papers, and coated paperboard, citing the fact that consumer boxes are only about 2% of the total market.

IP's sales include:

- North America -- $22.5 billion
- Brazil -- $1.4 billion
- EMEA & Russia -- $3.1 billion
- Asia -- $1.9 billion
- India -- $0.2 billion

In 2013 IP has a 9.1% Return on Invested capital (8.7% since 2010), an average free cash flow of $1.7 billion since 2010, and has been meeting or exceeding its cost of capital since 2010.

Each year the company spends about a billion dollars on non-discretionary spending and has increased dividends over the last 3 years.

IP's long term investment plan includes: high return capital projects, profitable growth in emerging markets, continued optimization of strong North American platforms, and strategically consistent, accretive M&A.

Vargas concluded by saying that "shutting down Courtland was a hard decision, but we are on track to realize what we expected."

IP Global Demands for Standards and Quality

Don Forst, Director – Global Sourcing, and **Tim Kean**, Director- MRO and Procurement Operations, Global Sourcing, presented IP expectations for suppliers of capital equipment and manufacturing services (Forst) and MRO and Raw Materials (Kean).

Don Forst

When it comes to meeting standards and quality, "our suppliers normally get it—eventually," said Forst and Kean. Both felt that more IP engagement with suppliers is required in the form of increased monitoring of supplier's fabrication process, and Factory Acceptance tests

Regarding design, the pair said that IP has global standards for safety, and that for new innovations, suppliers should inform IP early and "expect to us to adopt slowly."

Regarding fabrication, supply chain transparency is needed along with defined and early communication expectations to avoid surprises.

For project commissioning, the pair said that final contract terms, construction services and post start-up support and post-project critiques were important.

Regarding manufacturing services, both Kean and Forst stressed zero safety tolerance, increased reliance on the expertise of suppliers, the supplier's footprint relative to IP's footprint, and a Total Cost of Ownership (TCO) focus.

In addressing low cost country sourcing (LCC), such as in Asia or India, Kean said, "If something is going to be built in another country, the outsourced supplier needs to meet the same standards (or notify IP)." There also needs to be frequent "hold points" along the way of a project, and suppliers need to be aware of and be there if problems occur."

Being global is an advantage, said Kean and Forst, although almost all contracts are regional. The pair advised suppliers to provide a single point of contact and to communicate openly, honestly and in a timely manner.

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"We've got a net out there," said Kean. "We are going to find out."

IP's Containerboard Business

According to **Jay Wilson**, Manager, Technical Services, Containerboard, Division East, "How goes containerboard … so goes IP" referring to the company's 34% share of the 163 million ton US market. Wilson referred to containerboard as IP's earning engine and said that in the U.S. they are a clear leader, but not in other regions. He said that capacity is being added in the US, "there are a million tons built, a million tons coming, and a million more rumored."

Jay Wilson

In North America, IP has 17 mills that produce 13.1 million tons. Of IP's capacity, 80% goes to its own box plants (93 percent in the U.S. and 7% non U.S.) and 20% to the open market (45% domestic, 55% export). Ninety-five percent of IP's containerboard mills reside in the first or second cost quartiles.

Wilson referred to IP mills as Global Manufacturing Facilities that feature heavy recruiting and training programs, aggressive best practice sharing, focus on reliability and year over year improvement, and audit programs. "We stress manufacturing excellence in all we do," he said.

Wilson, who says IP is "fairly risk averse," believes that what suppliers should be offering IP should include: innovation, dependability, value, and expertise.

During the Q&A period, Chris Read said that "IP doesn't have a lot of small machines that they can change economically. But we do our homework and I'm not saying we might not have a serial 001 product one day."

IP's Coated Paperboard and Printing and Communications Papers Business

Chris Read discussed IP's Coated Paperboard business (folding, commercial printing, cupstock), Foodservice Business (quick service, specialty coffee, theater, convenience and hospitality), and Printing and Communications Papers (Fluff Pulp, Copy Paper, Printing Papers).

Read described cup demand in the U.S. and how IP is working to replace foam and plastic cups with paper. "Every 1 billion foam and plastic cups converted to paper equals 15-25 thousand tons of coated paper demand," he said.

Referring to IP's global footprint in papers, Read said that IP produces 4.4 million tons including 2 million in North America, 1.1 million in Brazil, 0.7 million in Europe, 0.4 million in Russia and 0.2 million in India.

Read said the Uncoated Freesheet Market has become more consolidated since 2010 and that in 2014 IP has 19% of the North American market.

In discussing the closure of IP's Courtland mill, Read said that they "absolutely had to close it, but that the capacity reduction has already been sucked up by the market which is even worse than we expected."

Courtland's capacity of commodity and specialty papers has been moved to Eastover, Riverdale, Ticonderoga and Georgetown mills. On the positive side, Read said that when Courtland closed, the company did an excellent job of working with the community and was able to offer every single person a job in another location, although not everyone accepted it.

In North America, IP's printing papers and pulp mill system has 3.4 million tons of capacity.

According to Read, 95% of IP's UFS capacity is in first or second cost quartiles. He also said that the UFS market will hopefully stabilize soon with a chart that showed that global consumption is starting to level off.

Read said that in Latin America, IP has 35% of the UFS market, and that he feels India, where IP has 2 small mills and 9 machines, will become the #2 global market for UFS.

Describing Fluff Pulp, Read said that global demand has grown at a 3.6% rate since 2013, from 5 million tpy to 5.8 million tpy, the greatest growth being in Asia. "The industry needs to be adding a new machine every few years," said Read.

Some of the questions and challenges facing paper, according to Read, include:

- U.S. rate of decay
- Ability to manufacture needed grades with smaller fleet

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IP Shares How…

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- Export strategy
- EU and Russian outlook
- Innovations to reduce cost
- Long term regional growth estimates and matching regional opportunities
- India growth options

According to Read, IP's future growth opportunities are in Fluff pulp and India.

Capital Allocation at IP

Glen Faulk, Director Global Capital and Facility Analysis COE, who addressed capital expenditures in IP, defined Capital Effectiveness as delivering business results in the most effective manner. He said IP does this through strategic and cost reduction projects, which are discretionary, and maintenance and regulatory projects which are non-discretionary.

Glen Faulk

Faulk said that Capital Allocation is driven by facility plans, and IP's Project Delivery Process which includes: business analysis (why), technical analysis (what), execution (how), and implementation. Suppliers usually get involved at the technical analysis stage, he said. But sometimes they get involved during the business analysis.

Final Questions

The IP portion of the program concluded with an open panel discussion. Panelists included:

- Tim Kean – Director, MRO & Procurement Operations, GS (*Mill Manager at Augusta*)
- Glen Faulk – Director, Global Capital and Facility Analysis COE
- Luis C. Pereira – Director, Manufacturing Excellence COE (*Mill Manager at Mogi Guacu Brazil and Svetogorsk Russia*)
- Chris Read – Director Global Technology (*Mill Manager at CHH-New Zealand, Eastover and Pensacola*)
- Jay Wilson - Manager, Technical Services, Containerboard, Division East

Are you concerned about wood suppliers?

Yes. The situation began to change in 2010. We are now competing with demand from bio groups, and are working on long-range agreements.

How about quality of million+ tons of containerboard new capacity as much will come from conversions?

The quality of conversions will vary. Generally quality will improve with the size of the investment.

How does IP convince young people to come into the industry?

IP has been pleasantly surprised by the attitude of some applicants at REACH seminars. The company is using more interns and coops. REACH takes them into a hot environment to see how they will act. About 80% of REACH applicants are offered jobs and about 50% of them accept. And a high percentage of them are still here after 5 years. Different things matter to newer people compared to those from years ago. We just need to recognize and react to the difference. Need to constantly reinvent our ways to attract young people.

Hurdle rate for a project?

Depends on type of projects and how much budget there is. Cost reduction projects at 30% IRR are likely to be approved. Maintenance projects will normally go through. The most difficult to get through are "strategic" projects.

How many approved projects meet their intended targets?

"If we follow our Project Delivery process, we will get the results we expect." Projects that don't succeed normally have varied from the process somewhere.

Fear of basis weight reduction?

This hasn't really come to be. We have reduced some and we've been able to manage through it. To get down to the 23# basis weight takes a lot of investment. It is currently not a problem.

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IP Shares How…

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Final Thoughts

IP invested significant time and effort in preparing their remarks for the ASPI 2014 Fall Customer Alignment Meeting. Presenters were candid in expressing how the supplier community could improve their interactions with IP, but also how IP could improve some of their processes in interacting with suppliers. Overall, IP "raised the bar" and hosted the best Customer Alignment Meeting yet.

ASPI wishes to sincerely thank IP as a corporation, and all of the people involved in preparing and participating in the meeting. IP's commitment to the concept of the Customer Alignment Meeting is what is needed to continue to the competitiveness of the US pulp and paper industry. ✦

Mega Trends Shaping the Industry

On the second day of the Customer Alignment Meeting, Soile Kilpi, Director, Pöyry Management Consulting, North America, discussed some of the "mega trends" affecting the markets.

Positive Mega Trends

The growth in ecommerce, the desire for more "convenient" lifestyles, more single-person households, increasing health/wellness awareness, an aging population, sustainability, and more "smart" consumers are all mega trends that have a positive impact on the paper and packaging industry.

Quite unexpectedly, ecommerce is a positive contributor. Kilpi shared that nearly 7% of retail sales today are from ecommerce. Amazon has just announced that they are opening a warehouse in New York City to meet demand. There is steady growth in ecommerce, which drives the need for more containerboard and shipping containers.

Changing lifestyles are also influencing trends. More people are looking for a more "convenient" lifestyle. Also, 27% of households are people living alone. Both of these trends result in more food packaging, from more ready-to-cook options, to new packaging needs due to the single person household.

Trends in health and wellness are also impacting the industry. Fewer people are smoking – 17% of adults down from 21% in 2008 – and growth in yogurt sales as sales in breakfast cereals declining are affecting paper demand. She also noted that 50% of adults now say that sustainability influences their buying decisions. The growth of private labels is increasing with more consumers preferring private label brands.

Negative Mega Trends

Kilpi noted three negative trends impacting the global paper and packaging industry: digital media, increasing health/wellness awareness, and sustainability.

Negative impacts to the industry, as expected, are still being felt by the growth of digital media. Print media is down 10-12%. Gaming and social networking have moved many activities online, again reducing demand for paper-based packaging and products.

Soile Kilpi

Sustainability can also have a negative impact. Packaging is reduced due to sustainability demands, and lighter weight grades reduce fiber usage. For example, Europe has the lowest basis weight, and North America the heaviest.

Grade Trends

Kilpi also provided industry trends for uncoated freesheet (UFS), containerboard and the cartonboard segments. Kilpi shared global

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Mega Trends

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capacity, market share by company in each category, and trends. The UFS global market is still very large, but the North American region can expect strong industry consolidation and capacity management.

For containerboard, this is again a very large market dominated by virgin fiber supply from the US and recovered fiber based supply in China. Kilpi noted the new containerboard machines coming on line in 2014-2016, and that the focus of investments has shifted to capacity additions, cost savings, and quality ramp up.

For the cartonboard segment, Kilpi shared the market segmentation and that China is leading capacity growth. New machines are mostly in Asia, with growth in the North American region centered around foodservice opportunities.

Kilpi noted that equipment suppliers needed to understand the impacts of these megatrends and regional developments. Quality improvements are key, as driven by the growth in private labels and print quality demands. Scale and converting investments are also important to understand.

ASPI members can access Soile Kilpi's presentation in the Members Only section of the ASPI website. ✦

Making Things Better at Work

By Scott Hunter

Only thirty percent of Americans are satisfied with their jobs. According to the latest Gallup poll, 70 percent are either "checked out" or "actively disengaged." According to the same poll, Gallup estimates that workers who are actively disengaged cost the U.S. as much as $550 billion in economic activity yearly.

Stress-induced depression is on the rise and predicted to be the leading occupational disease responsible for more work days lost than any other single factor.

And poor communication in the workplace is a leading cause of job dissatisfaction.

If everyone would like to work in a thriving, enlivening and nurturing environment, why is it that almost no one loves being at work? Why is it that most of us simply acquiesce when confronted by the drudgery and suffering that, according to seemingly every statistical measure, characterizes life within many companies? Why is it that given the possibility of real fulfillment and satisfaction, we tolerate the gossip, petty jealousy, personal undermining and adversarial communication that seem to pervade many offices, assured of the inevitability of this condition?

Is this condition inevitable? Are we destined to an environment where the most we have to look forward to is Friday afternoon? Not at all. There are specific steps that can be taken to begin to reclaim some of the enthusiasm, some of the celebration and some of the fundamental respect for individual human dignity that is apparent within flourishing business organizations or on championship teams:

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Making Things Better

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1. Don't take it personally

Given the dysfunctional communication strategies demonstrated by most adults, repressed anger and upset are frequently brewing just beneath the surface within many individuals. Their angry and offensive outbursts have little or nothing to do with any occurrence in the present moment. Some unresolved upset from the past has simply been triggered and bursts forth in an inappropriate manner.

Under such circumstances does it make sense to take another's outburst personally? Logically, the answer is no. Taking someone else's anger personally is insane because it simply never is a personal phenomenon. This is not to say, however, that it is easy to remain calm in the face of another persons' anger, recognizing that it is not personal. It is never easy, but armed with this insight you can begin to develop an ability to stand firmly in the face of another's upset without taking it as a personal attack.

2. Listen with compassion

Life is a difficult and challenging enterprise for everyone, and this fundamental truth goes largely unrecognized. Given this knowledge, rather than reacting to someone's anger or upset, it is possible for you to deeply appreciate his or her feelings and experience. Rather than reacting to someone's anger or upset, it is useful and necessary for you to demonstrate empathy. Remember, there but for the grace of God go I.

3. Just hear the communication

In order to lessen tension within the workplace, it is necessary to provide a safe environment for open, honest communication. Get people to talk about what is going on with them, to describe their present experience, and then just listen. Don't respond. Don't offer advice. Don't try to console. Just listen with compassion and understanding. In the vast number of cases, quiet and attentive listening will allow the upset to disappear.

4. Give up the need to be right

For most human beings, the necessity to be right, the unconscious desire to win is all important. This drive is expressed with employees, coworkers and even with family. Individuals are reduced to objects, and friends and family are sacrificed simply to preserve an egocentric point of view. We would rather be right, would rather win the argument than coexist happily, but being right and being happy are mutually exclusive.

5. Look for the best in people

Attention on oneself caused by one's own sense of insufficiency drives people into competition with one another and creates a bias toward critical, negative analysis of another in order to enhance one's own social standing and appearance. We literally look for the worst in others in an attempt to conceal or dilute our own self-perceived shortcomings by comparison.

In order to counter this seemingly natural tendency, learn to look for and expect the best in all coworkers and become everyone else's greatest fan. What is it about each individual that makes him or her a valuable contribution to the company? Who are these people really, and what are their best attributes and strengths?

6. Acknowledge people

Everyone craves positive attention, for most individuals live with a sense of insufficiency and of their own shortcomings. Look for opportunities to acknowledge coworkers. What positive impact are they making on the company? Acknowledge people for doing a good job, for making a deadline, for keeping their promises. Acknowledge them for their appearance, for the way they manage their workload, or for the way they treat others. Always remember to keep it authentic and sincere, and look for and find numerous opportunities to thank people for the many large and small contributions that they make to the company.

7. Forgive others

Given the unconscious desire to win at all costs and the necessity to be right, we tend to hold on to every injustice, every wrong, every resentment and every regret. What often goes unnoticed is that unforgiven resentments must always be suppressed, managed or controlled. They arise again and again whenever the person who is the object of the resentment comes into the room or is mentioned in conversation. What makes matters worse is that the suppressed anger also arises whenever any similar instance resembles a past transgression. Resentments divert attention, breed gossip and provoke physical illness.

For your own sanity, it is critically important to forgive others. Forgiveness is a gift you give yourself. Forgiveness does not deny the inappropriate nature of another's acts; it does not condone or tolerate

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future abuse, but in forgiveness, in giving up the resentment and the right to punish, you are left with serenity, freedom and peace of mind.

8. Communicate upsets

Human beings live in the illusion that unexpressed anger, upset and disappointment will simply disappear over time. Nothing could be further from the truth. Like resentments, unexpressed upsets inevitably arise again and again. They divert your attention and sap energy. Moreover, unfulfilled expectations, thwarted intentions and undelivered communications - the stuff of which upsets are made - provide the evidence by which other individuals are tried and sentenced. Only communication can provide salvation for continued viable and productive relationships.

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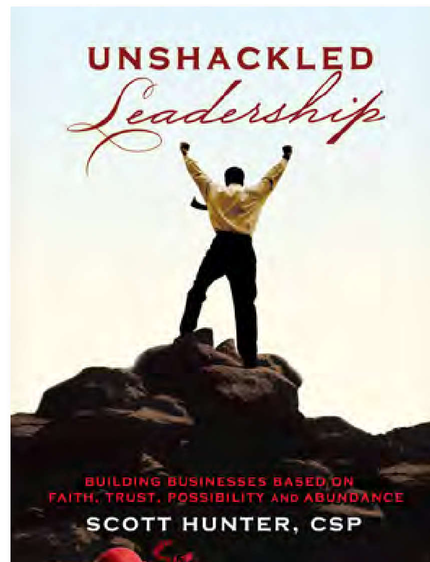
Scott Hunter works with CEO's and senior management teams to create breakthrough outcomes and extraordinary performance by transforming the paradigm within which companies operate. He has created a 15-step program – called Unshackled Leadership - that causes people at the top to shift their perspective on the role of the leader and to redefine the culture of the organization so that everyone on the team is operating from a common understanding and a defined platform built on faith, trust, possibility and abundance. He is the author of the ground-breaking book, *Unshackled Leadership*. He can be reached at scott@UnshackledLeadership.com or call today for your free, no obligation coaching session, 949-388-3774. ✦



ASPI Benchmarking Survey

One of the benefits of ASPI membership is to participate and receive the results from the bi-annual ASPI Performance Benchmarking Survey. This survey assesses trends in bookings and Net Contribution Margin (NCM), a general term to indicate the profitability of a product line. Data is included for both North America and global businesses, for six different sectors: Capital Equipment, Chemicals, Consulting and Field Services, Consumables, Engineering and Construction Services, and Spare Parts.

This survey is conducted every six months by supplier executives. Respondents are primarily in Management (80%) and Sales and Marketing (12%), providing a very high level assessment of industry trends.

All survey responses are strictly confidential. Individual surveys are not shared, and only aggregate data is available to members. Survey results for the January – June 2014 period are available, but only to ASPI Member companies. Please contact Colleen Walker at cwalker@aspinet.org if your company is a member and you would like a copy.

The primary job function area of ASPI member respondents are Management and Sales & Marketing

ASPI Welcomes New Members

ASPI welcomed two of its newest members with membership plaques at the 2014 Fall Customer Alignment Meeting. Doug Renke, Jedson Engineering and Greg Campbell, Seneca Steel Erectors were presented their plaques by ASPI President Mike Gray, Valmet.

Doug Reinke, Vice President of Sales, Jedson Engineering Inc. (left) and ASPI President Mike Gray, Area SVP, Sales and Paper Business NA, Valmet (right).

Greg Campbell, Vice President, Seneca Steel Erectors Inc. (left) and ASPI President Mike Gray, Area SVP, Sales and Paper Business NA, Valmet (right).

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