Potential threats towards publication and catalogue papers

GÜNTER SCHNEIDER

The new media will live alongside each other and benefit each other symbiotically.

We are living in a transition period between paper and paperless communication, something like the coexistence of horses and cars in the period 1900 to 1950. Like the bronze age, the iron age and the ice age, paper could have a youth, middle age, maturity, and decline. Consumers do not want paper, they want information. Our children are learning on computers, playing on computers, asking for them as Christmas presents. In their future, when they are adults, it is likely that delivering communications on paper will be viewed as quaint. Thirty years ago, the vision of a paper-free office was the greatest desire of the computer industry and the biggest nightmare of the paper industry. In reality, the new office-machine inventions created an enormous demand for photocopy machines, computer printers, and fax machines. The installation of personal computers in households initiated the publishing of many PC-magazines and computer-manuals. The same happened with the introduction of color-TV. Pessimists forecasted the death of magazines. In the area of mail-order catalogues, the invention of the CD-ROM caused fears for the disappearance of catalogues. All these "horror-visions" did not materialize. I think we should not be too pessimistic about the future of our products. Experience has shown that electronic communications have been a great blessing to the paper industry. New techniques are not replacing the print media, but both media have a stimulating effect on each other.

Before I come to different end-use areas of publication and catalogue papers, I would like to point out the importance of advertising.

Importance of advertising

The driving force for the consumption of publication and catalogue papers is advertising. In the 1980s, the big threat to advertising came from TV. The great theme was the deregulation of television. Unlike many had feared, TV advertising did not prevent press advertising from expanding. Instead both grew and the total advertising expenditures increased dramatically. Overall, press lost market share to TV, but only at a slow rate. Figure 1 shows the importance of advertising revenue as a percentage of total revenue of newspapers in 1993. In the United States, 78% of the revenues are from advertising, in the United Kingdom 64%, and in Germany 64%. The importance of advertisements and inserts for newspapers has recently been pointed out by a German publisher. According to his statement, without advertising revenues the price per copy would have to be increased by 300%. In 1993, advertising expenditures in Western Europe by medium were as follows:

Table I shows that the biggest part of TV advertising is in Greece with 56.6%, followed by Italy with 54.2%. The smallest part is in Switzerland with 8.5%. On the other hand, Switzerland and Sweden lead in newspaper advertising with 55.1%, while Greece and Portugal with only 13.5% and 11.1% have the lowest share in newspaper advertising.

From 1980 to 1994 the television share in Western Europe rose from 19.5% to 36.9%, whereas newspapers fell from 36.5% to 27.7%, and magazines from 31.3% to 21.8%.

German advertising agencies are now facing the phenomenon of decreasing interest of the TV consumer in advertising blocks up to 10 minutes, creating the so called zapping effect, i.e., switching from one TV channel to another. The advertising agency McCann Erickson found that the potential consumer is attracted by a maximum of 3 out of 100 TV ads, and very often the spot is confused with a competitor product. *Reader's Digest*, Germany, analyzed that 84% of women switch off their mind during TV commercials. Whereas the average TV viewing time in Germany increased only 18% per day from 1986 to 1993, TV ads in all channels increased in the same years by 430% (Fig. 2).

Companies in Germany with an advertising budget in the region of DM 3 million are returning to print media, as they do not achieve the right impact in the "TV forest" with their relatively small budgets where they must pay DM 100,000 for a 30-second spot.

According to a study of the well-known German Allensbacher Institut, the high purchasing power segment of viewers, the upper class, watches TV less and less. The tendency points to TV becoming a lower-class medium. J.C. Penney, the U.S. retail and mail-order company, told me some years ago that when sales are soft, the company energizes its sales with fast-moving advertising and TV promotion programs in order to

I. Share of estimated display advertising by medium (percentage of total)–1993

	Television	Newspapers	Magazines	Radio	Cinema	Outdoor	Total
Austria	24.4	38.5	18.2	11.5	0.5	6.9	100.0
Belgium	30.5	19.4	28.7	8.3	1.1	12.0	100.0
Denmark	24.8	51.7	17.1	2.3	1.0	3.2	100.0
Finland	22.7	57.0	10.8	5.7	0.1	3.8	100.0
France	33.8	21.3	22.0	8.2	0.6	14.0	100.0
Germany	32.1	25.0	22.0	8.2	0.6	14.0	100.0
Greece	56.6	13.5	18.2	7.1	n/a	4.7	100.0
Ireland	30.5	49.1	4.0	9.7	0.7	6.0	100.0
Italy	54.2	17.2	20.3	4.0	0.3	3.9	100.0
Netherlands	18.3	44.8	19.8	3.3	0.4	13.4	100.0
Norway	14.5	60.2	15.0	5.1	1.8	3.4	100.0
Portugal	53.5	11.1	16.2	8.6	n/a	10.6	100.0
Spain	40.3	22.3	23.9	7.4	1.4	4.7	100.0
Sweden	20.0	55.6	16.4	0.7	0.8	6.5	100.0
Switzerland	8.5	55.1	18.4	3.0	0.9	14.0	100.0
UK	42.5	31.4	17.8	2.8	0.7	4.8	100.0
Europe	35.6	28.0	22.8	5.9	0.9	6.9	100.0
Scandinavia	20.7	55.7	15.3	3.0	0.9	4.4	100.0

Source: Carat

attract the customer quickly into the store. Simultaneously, the campaign is supported by print advertising. I am convinced that this will also be the right media-mix for the future. In general, TV is stimulating in the short term, and print motivating in the long term.

Threats toward publication and catalogue papers

The newest threat to newspapers and magazines is from electronic publishing. The U.S. refers to this system as the "Communication Highway," which is a result of team work of the computer industry, communications industry, consumer electronics, entertaining and information industry, and publishers.

After decades of predictions by publishing executives and futurists, electronic newspapers and magazines are arriving on personal computer screens across the country. But most of these ventures are not merely electronic versions of the printed page. Rather, the newest of them could be considered supplements to the newspaper. They offer a "read more about it" assortment of background readings and past articles of the reader's choice, as well as opportunities to communicate via computer with a newspaper's reporters, editors, and some of the people they write about.

The new rush toward newspaper personal computer services ends a long period of inactivity that followed some major failures of projects in the mid-Eighties. Those "videotext" systems did not draw subscribers and were abandoned after multimillion-dollar losses.

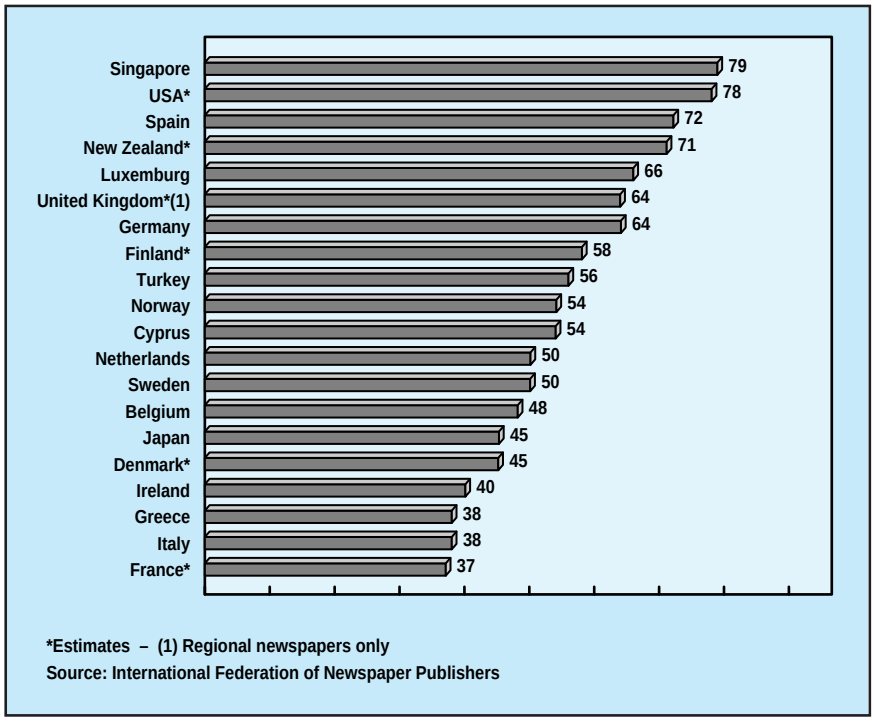
Skeptics predict a similar fate for electronic newspapers. But true believers say there have been enough changes since those business disasters for the current efforts to succeed.

In the last years, the majority of U.S. large newspapers and magazines have experimented with on-line services. The main question is to what extent the consumer will be interested in the new services, which are becoming available using the new technologies. There is absolutely no guarantee that the consumer wants to buy the offered services. What are the final costs? What are consumers willing to spend? Customers do not buy new technology, but contents and use. In Europe, Bertelsmann warned in an article against overestimating the consequences of the new technology. According to Bertelsmann, not every technical possibility creates new markets. Because of legal restrictions and the many languages involved, U.S. developments are transferable to Europe in only a limited way.

Other experts doubt that private households, with the exception of some technical enthusiasts would accept the new possibilities. For them, the fantasy of the industry is higher than the practical use for the customer.

The initial use of interactive media will be dominated by movies on demand. Reading magazines and catalogues on the TV screen are seen as secondary uses and will complement rather than displace. Also the use of screen-based newspapers is at least another generation away. Some experts even doubt that video on demand will change viewer habits in TV. Television

1. Dailies: advertising revenue share as a percentage of total revenues in 1993. Source: International Federation of Newspaper Publishers.



is still a passive entertainment for the majority of people who like to watch the popular programs that their neighbors and colleagues watched the night before. According to Carat, research in the United Kingdom has shown that television programs are the most popular topic of conversation. It is unlikely that television viewing will become as fragmented as some experts are claiming. The majority of viewing will still be the big generalist channels.

The new technique is also revolutionizing the retail business. The two leading U.S. TV shopping companies QVC-Network and Home Shopping Network reached turnovers in 1994 of more than US$ 1 billion each. The well-known U.S. department store and warehouse chain, Macy's, announced its own 24 hour TV-home-shopping-channel. The ultimate vision: a sort of video mall, where shoppers browse through channels as through individual stores, ask for information and advice, order, and pay—all without leaving the comforts of home. TV home shopping could enable retailers to cut their advertising budgets sharply, as they consider this medium to be capable of selling and advertising simultaneously.

Other threats for publication and catalogue papers worldwide are bans on tobacco and alcohol advertising, e.g., Australian publishers lost 20% of their advertising because of this ban. Several French newspapers went out of business, losing between 15% and 40% of their advertising income because of this ban.

Further threats to paper are the increasing legal environmental restrictions and the awareness of consumers regarding environmental issues. In these fields, the paper industry must cooperate with publishers.

What can publishers do against these threats?

Newspapers

Newspapers are a quality medium with high credibility, reaching a comparatively high target group, i.e., a well educated, attentive readership. In order to compete successfully with other media, publishers should point out much more aggressively the advantages of newspapers, thus increasing their appeal to the readership and advertisers. Local and regional newspapers should create a system of cooperation to draw advertising on a national basis. To provide more specific information, newspapers should increasingly look for greater use of special supplements at different times of the year with topics such as Holidays, Health, Education, Fashion, Homes, or Gardening. Local and regional newspapers should identify more strongly with local community needs. Readers feel more confident about their area if they understand what is going on around them.

Newspapers should get new "faces." They should move away from large, monotonously gray areas of type to generously shaped pages with color, photos, graphics, and illustrations. The visual approach will be the key to success.

A good example is the rise of *USA Today* which, with a circulation of 1.8 million and 6.6 million readers, is now the U.S.A's largest newspaper. The concept of *USA Today*, aimed specifically at the TV generation, borrows as much as possible from television and transfers it to the printed page, using color, graphics, and also the weather map.

In the future, newspapers should target specific groups by publishing special interest editions of newspapers. Some newspapers should also change their size. Recently, an airline passenger wrote to Lufthansa and complained about the width of the middle seat. On his right a gentleman was reading the *Frankfurter Allgemeine*, and on his left another gentleman was reading the *Financial Times.* Under those circumstances, every 5 minutes he was discomfited by an "air-fight" around his shoulders to such an extent that it prevented him from reaching for his cup of coffee.

Magazines

Magazines, worldwide, are the largest consumer of coated mechanical paper. In the United States almost 52% and in Western Europe 42% of total production is delivered for magazines. In Europe, and here mainly Germany, the main

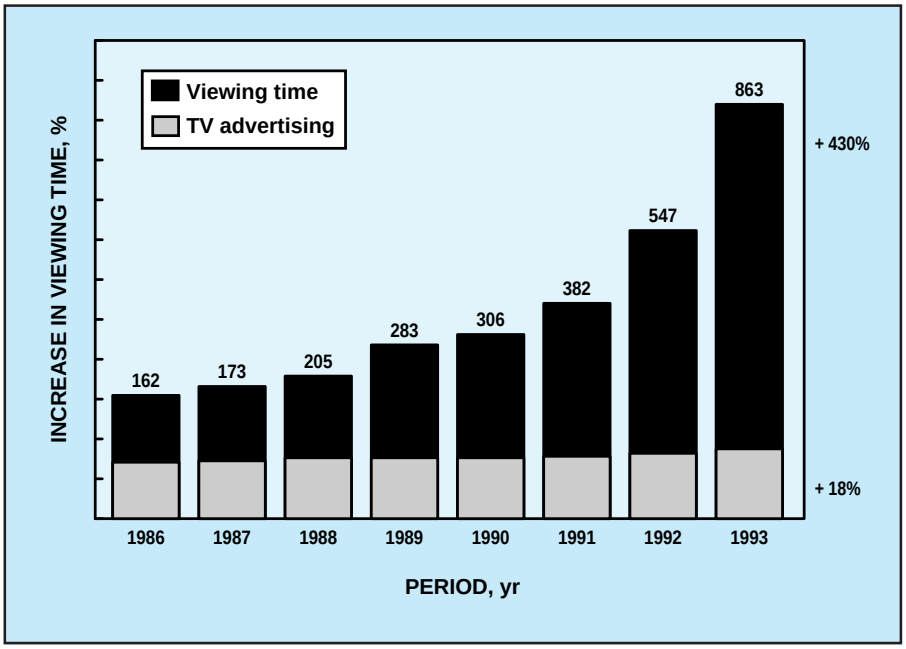
consumers of SC magazine paper, 79% of total deliveries are absorbed by magazines. Almost half of the European SC consumption goes into the German market because almost all the general interest magazines are printed on SC. In the United States, SC magazine paper amounts to 9% of total production.

In the magazine area, it will be essential to create closer targeted publications. Leisure time is playing an increasingly important part in the lives of the readership. They tend to spend less time reading untargeted mass titles and prefer to spend more time reading those relating specifically to their interests.

Advertisers also want to reach niche groups in more fragmented markets. They want to target sophisticated consumers, where special-interest magazines offer a clear advantage. Print runs per title might be shrinking, but that will be compensated for by an increasing number of titles. One of the unique values of magazines for advertisers is the fact that the average reader reads the magazine several times with the effect that the same advertisement is seen again and again.

Moreover magazine publishers should try to create magazines for the upscale segment of the population that is not watching TV.

2. Increase in average TV viewing time and TV advertising in Germany in the period 1986-1993. Source: Quelle:Nielsen S + P/ Kabel Satellit 2/94.



Catalogues

After magazines, catalogues are the second largest consuming area of coated groundwood qualities. In the United States, they absorb 25% and in Western Europe 21% of total deliveries. Deliveries of catalogue SC magazine paper amounts to: U.S. 20%, Western Europe 7%.

95% of the worldwide mail-order business is concentrated on the triangle of the United States, Europe, and Japan. The five biggest mail-order markets are the United States, Germany, Japan, France, and Great Britain. These five countries alone make 90% of the total turnover.

Mail-order—mainly specialized mail-order business—continues to be the fastest growing sector in retailing. The main reasons are increasing efforts for more leisure time and the fact that more housewives are bound up in the working process, having less time to follow their normal shopping habits. The baby-boom generation in the United States (age groups born 1946–64), where about 80% of females are working, is the best example. This generation is "income rich" but "time poor."

As in magazines, it will be important to focus catalogues on more targeted groups. Even main catalogues should be launched in different versions. One of the European market leaders, Quelle, has for example nine different editions of the main catalogue. For certain customers, Quelle adds 100 pages with fashion for men or reduces 100 pages with fashion for children.

According to World Color, the U.S. printing company, the future looks good for catalogues in spite of the growing competition from electronic media. People like to hold a catalogue in their hands. They like to see the color of a blouse or to see what a garden looks like.

How can paper suppliers overcome these threats?

Acceptance of the media paper

We must improve the image and acceptance of the media paper. We must make clear to the public that paper is environmentally friendly and consists of mainly renewable raw materials. The main components of wood are lignin and cellulose, which are formed by photosynthesis, the only ecological process in the world that basically uses solar energy to transform carbon dioxide and water into wood. When paper products enter the waste stream, carbon dioxide gets back to the atmosphere and will be absorbed again by the trees. Therefore paper is neutral concerning carbon dioxide, and part of the so-called forest circle.

Developing environmentally friendly production processes

The industry has already achieved far-reaching successes in the development of environmentally sound bleaching processes. Already 20 years ago, long before Greenpeace attacked the industry, chlorine was gradually displaced by chlorine dioxide.

About nine years ago, the average discharge of organically bound chlorine from a European bleached kraft mill was around 8 kilogram of AOX per metric ton of pulp. Today a modern pulp mill using chlorine dioxide (ECF), the level of AOX is below 1 kilogram and, depending an local conditions including natural resources such as wood and water, can be as low as 0.2 kilogram per metric ton of pulp.

For those mills using non-chlorine compound bleaching (TCF) methods, the level of AOX is even lower, less than 0.1 kilogram, although it can never be zero because, in this case, the AOX originates from the wood and not the bleaching process.

Recycling of postconsumer paper

We must make the public aware that paper has already one of the highest rates of recovery and recycling of any material. For the German paper industry postconsumer paper is the most important raw material by volume. In 1994, the use of secondary fiber as raw material input rose to 53%. After Japan, with 56%, Germany is the leading country in paper recycling.

Considering the structure of products, Germany reaches the same level as Japan as the portion of packaging products in Japan is much higher. The proportion of recycled fibers amounts to 93% in packaging, 72% in newsprint, and 62% in hygienic products.

Even with maximum efforts on recycling, however, there will be a surplus of postconsumer paper, where energy recovery is the only viable alternative to landfill. If postconsumer paper were burnt instead of fossil fuels, it would even help to reduce the greenhouse effect which contributes to global warming.

German forest farmers are already fighting against the high recycling quota, as they cannot see any ecological advantage using too much postconsumer paper. They emphasize that wood is a renewable raw material and that the forest cannot be forested as necessary because of missed sales possibilities. The part of German wood within the paper raw materials decreased to 13% and that is, in their opinion, environmentally doubtful. Wood remains in the forest, starts to rot, and consequently the animals arrive and spread out the damages.

Summary

Newspapers remain the prime distributor of news and information. They are the only medium that touches every facet of our daily lives.

Newspaper publishers consider electronic publishing not as a substitute for printing but as a chance to increase their image and to enhance their relationship with their readers. Watch the competition and ambition among publishers to own newspapers all over the world. If this is a dying industry, why are publishers so interested in buying titles?

Magazines will remain the most easily accessible source for entertainment, pleasure, education and enlightenment. An important European publisher spoke of the "ambience" of magazines. Readers identify themselves with their preferred magazine, they cannot wait for the next edition. This is and will be the power of magazines. Magazines will face continuing competition for consumer's leisure time and for advertising. Closer targeting of publications will be essential and lead to more titles.

Catalogues will remain the dominating sales media of mail-order companies. For them, in the future, they will be the most profitable means of publicity.

In general, image advertising will go via electronic media, product advertising will go via print-media or new products will be presented by TV, and continuing brand awareness will be done via print media.

With an increasing standard of living, combined with growing consumption of new products and services, the expense for advertising will increase continuously. Print media will participate in this development with smaller growth rates than the electronic media, but print still will be the backbone of the advertising industry.

According to W. Jaspert, consulting editor for many U.S. magazines, interactive media will "carry on" to demand the support of the printed page. He is convinced that paper and the new media will live alongside each other, and in fact benefit each other symbiotically.

The main point: Print media can be received at any time and any place.

Definition—publication and catalogue papers

Publication and catalogue papers can be divided into newsprint, SC-magazine papers, coated mechanical and woodfree papers in reels.

Newsprint (including improved newsprint) is produced in basis weights from 40–52 g/m^2 (main substance = 45 g/m^2).

SC or uncoated supercalendered magazine paper has substances from 49 to 60 g/m^2. The main substances are 52, 56, and 60 g/m^2.

Coated mechanical reels can be divided into three product segments:

- Ultra-lightweight coated (ULWC) in substances from 35 to 48 g/m^2
- Lightweight coated (LWC) standard in substances from 51 to 70 g/m^2
- Medium weight coated (MWC) in substances from 80 to 115 g/m^2.

Coated woodfree reels are produced in substances from 80 to 170 g/m^2, with the main substance 90 g/m^2. TJ

Schneider is director market research and development, Stora Feldmühle AG, 40001 Düsseldorf, Germany.