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Business Foresight For a Multinational Paper Company – Tools for anticipating consumers' media behavior and printed paper consumption in the long run

Project plan

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1. *Introduction*

The aim of this project is to identify foresight methods and tools for anticipating consumer behavior related to media-behavior and printed paper for the foreseeable future. The work is strongly motivated by challenges faced by the global paper industry, as digital media has emerged as a remarkable competitor that is ready to offer solutions for the same media environment that traditionally has been dominated by the paper industry. Tentatively, besides the common foresight tools and methods and processes related to the printed paper, the focus of this project can be addressed to concern common media behavior or industries that have faced somewhat similar changes in their operation environment.

The project consists of two concurrent main activity sets. First, we collect information on foresight methods and processes and try to identify key actors, methods and tools related to foresight in general, printed paper related foresight and future media behavior. Second, we try to identify which of these methods and tools might be interesting from the UPM's point of view and moreover try to define ways of action to benefit from these methods and tools as a part of UPM's strategy. This activity will be carried out by focusing on a certain method or optionally the analysis will be completed on a more abstract level.

2. *Background*

The paper industry has historically been a steadily growing business, where the growth has been proportional to the growth of GDP. However, the revolution of information and communication technologies (ICT), as well as the changing consumption patterns have decoupled the paper demand from GDP growth. An example of this is the declining demand for newsprint paper in the US from 1987 onwards. Even though the development of ICT has only increased overall paper consumption the continuation of this trend is highly dependent on consumer preferences and the development of technology.

Because of the historically constantly growing demand the R&D investments in the paper industry have been directed to production process development and little attention has been paid to consumer needs. Nowadays a myriad of substitutes for printed media are competing for the consumers' time and the advertisers' money, thus knowing the consumer preferences has become a necessity to the paper companies. In the future the ability to forecast consumer behavior will constitute a significant competitive edge, because it's the key to successful demand forecasts and right strategic decisions.

A revolution similar to the one paper industry is facing has already taken place in many other industries. The food industry, for example, has shifted from foodstuff to convenience food and the wood product industry has encountered increasing competition from synthetic substitutes. In addition to changes in the developed markets of North America and Europe, the developing markets of Asia and South America play an important role in the future, because most of the growth potential comes from these markets. However, the development path of these markets may differ from what we have seen in North America and Europe.

In this project we scan and analyze tools for anticipating consumers' media habits for the foreseeable future from the viewpoint of UPM, the world's 7th biggest paper company. For UPM the development of the media sector is of vital importance, because about 67% (in 2004) of UPM's total turnover (9,820 €m) comes from magazine, newsprint and fine papers. Therefore the possible declining trend in printing paper demand constitutes a serious risk for profitable growth. Due to dynamics of the paper industry and very long investment pay-back times (10-20 years) traditional approaches such as strategic market analyses are not appropriate tools for future forecasts. Instead we aim to apply foresight methodologies and exploit them in strategic planning process.

3. *Objectives and deliverables*

As discussed, the motivation for the study stems from the need to understand how consumer's media use might change in the future, and how it might affect the demand for

print media and paper, UPM's main product. UPM seeks answers to the following research questions:

- Which are the most essential factors influencing consumers' decisions regarding the usage of print paper? How and by whom have these factors and related foresight activities been researched?
- Which are the most important research methods used to study changes in these factors on a long time frame, and to analyze the acquired results? How are these methods used?

Accordingly, the objectives of the work include

- identifying relevant foresight methods
- identifying earlier work and processes done in the field
- comparing the identified methods and recommending methods suitable for UPM's foresight activities
- (focusing on a selected method and its applicability to UPM)

The first objective is to identify the relevant foresight methods that could be used to anticipate consumer's media usage behavior and contribute to organization know-how in doing this

The second objective, closely linked to the first one, is to identify relevant earlier work done in the field and to help to build network and contacts between UPM's foresight unit and the outer world.

The third objective is to assess and compare the identified methods from UPM's point of view, and to select the most suitable methods for their foresight activities. This requires knowledge about UPM's existing processes, practices, and available data, and therefore has to be done in close interaction with the project's steering group.

The fourth objective is to select one of the foresight methods and to make a more refined analysis of it's systematic use as a part of UPM's foresight activity and strategy process. This activity is of lower priority, and proceeded to only if time allows.

UPM looks forward to the project to increase their knowledge about different foresight methods and their use as a part of the company internal strategy process. To achieve this, the project will report its results in a written final report document, as well as in a UPM internal seminar presentation. Furthermore, knowledge is shared throughout the project in the steering group meetings.

4. *Tentative approach*

We approach business foresight as both a learning process and a strategic, conscious and continuous activity not merely to provide static reports but to produce, communicate and increase commitment to robust strategies pointing to actions that increase the likelihood of desired future states.

The first two activities in the project are gathering relevant information both about business foresight processes, methods, studies, examples and about sources providing these, and about outcomes of the foresights conducted are as well recorded. Informal brainstorming is conducted concurrently with the material survey in order to discover new sources of relevant information and to set focus on promising ones. For the project staff is partially unfamiliar with essential tenets of both business foresight and foresight in general, material survey serves also as an introductory phase. The extent of the survey phase is determined ultimately by schedule.

The information acquisition is began by collecting relevant information from the Internet about business foresight in general, business foresight studies relating to paper industry and media, customer behavior studies, media studies, data communications studies, development studies, cultural anthropology and pedagogics. Since metal and food industries have already gone through a similar maturation process that the paper industry is now entering, analogies in these industries might prove useful. Information is classified

under foresight methods, business foresight processes, key persons & organizations and outcomes of conducted foresight work. Outcome of the activity consists of both a listing of the relevant issues and project staff's increased understanding of the field.

In the third activity, after gathering adequately information of the field, the information is analyzed and processes, methods, sources and outcomes suitable for UPM's needs are identified. The suitability of a foresight process is determined by its' feasibility, applicability and suitability into UPM's particular needs, which are specified and identified in collaboration with the project steering group. The outcomes provided are the results of the suitability screening and the suitability criteria established in order to carry out the screening.

In the fourth activity, after identifying relevant foresight methods, processes and sources, one or some of them are taken into further study in order to develop an example of a foresight process satisfying organizations needs. The applicability of the process is analyzed as regards to the strategy process and the strategic objectives of UPM. Integrating or embedding the activity into organizations present foresight and strategy process is briefly studied. Due to objective definition, the foresight process addresses a narrow problem, wherefore special attention must be paid to the complementation of the process. Outcome of the activity is not only a further analysis of the method studied but also a more defined scope for the foresight, corresponding interfaces and guidelines of integrating the foresight activity into processes of the organization.

After the fourth activity, the project is closed and conclusions of the results and project success are made. The project outcomes are communicated to the steering group and relevant stakeholders in UPM at steering group's initiative.

5. *Project participants and tentative schedule*

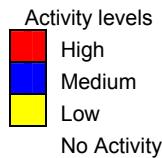
The project staff consist of M. Sc. and Doctoral students of the Helsinki University of Technology (TKK) and the project steering group is assigned by UPM.

The TKK students constitute the project team responsible for planning and implementing the project. The project manager of the team is Mr. Ville Brummer and other members are Mr. Erkka Jalonen, Mr. Ilkka Kujamäki, Mr. Timo Smura and Mr. Anssi Käki.

The steering group, led by Mrs. Aino Maija Haarla, consists of experts of UPM and is responsible for supervising the project execution and providing essential information related to UPM. The project is planned in closed connection with the steering group and the project team.

Tentative schedule for the project is introduced below.

Task / Week	4	5	6	7	8	9	10	11	12	13	14	15	16
Project design	High	High	High	Medium	Medium	Medium	Medium	Medium	Low	Low	Low	Low	Low
Method identification	Low	Low	High	High	High	High	High	High	Medium	Medium	Low	Low	Low
Identification of earlier work	Low	Low	High	High	High	High	High	High	Medium	Medium	Low	Low	Low
Tentative analysis	Low	Low	Low	Medium	High	High	High	High	Medium	Medium	Medium	Low	Low
Focus on selected method	Low	Low	Low	Low	Low	Medium	Medium	Medium	High	High	High	High	High



During the project, approx. 3 - 5 meetings are organized between the management team and the project team. At the first meeting (13 February 2006), the objectives of the project were defined. The agenda of the second meeting (20 March 2006) concerns the question if the project team wants to concentrate on one specific issue. Besides these, at least one meeting is organized before the project deadline and after project; the results are introduced to the key persons on the UPM. Below essential milestones are introduced

- 13.2. 1st meeting at UPM
- 22.2. Project plan DL
- 20.3. 2nd meeting at UPM
- 31.3. Intermediate report DL

6. Risks

There are some considerable risks involved in the project. Firstly, even if project team would have experience and knowledge on both paper industry and foresight, they might have no actual knowledge on the consumer behavior foresight. Thus a major concern is that will the project team succeed to identify the essential information resources available.

Another somewhat reverse concern is that even if the topic of the project is focused, it still stays on an unacceptably abstract level and allows a rather wide range of interpretations. Thus, the project team may find difficulties in reshaping the collected information to a clear and understandable form.

Risks related to the schedule and co-operation between the project team and the management team has not displayed signals to be concerned. The objectives are assessed in line with the project team skills and knowledge, and if original objectives cannot be reached in time reserved for the project, the project design allows rather substantial changes both in the objectives and the approach.