

HOW THE PANDEMIC RAISED THE DEMAND FOR SUSTAINABLE AND INNOVATIVE HYGIENE PRODUCTS, AND MAY HELP POWER FUTURE TISSUE GROWTH

WEPA didn't just think outside the box when the Covid-19 crisis hit, it created new boxes, says CEO Martin Kregel. Report by TWM Senior Editor Helen Morris.

'Perform & Transform' was the title given to WEPA's strategy programme – it is also a response to challenges such as the extraordinary demands of the Covid pandemic. Given the European tissue giant's proven status in the industry, 'Perform & Transform' was in fact a continuation of an ethos already ingrained in its DNA ... geared up even further.

As Europe's entire retail business was impacted, and panic buying, especially in Germany, challenged the supply chain, WEPA was – as Chief Executive Martin Kregel puts it – able to "assert ourselves as a reliable partner and successfully fulfil the demand of our customers. We will keep working to pursue our vision to be the most sustainable and agile first-class partner for personal and professional hygiene solutions."

WEPA operates through two European business units, WEPA Consumer and WEPA Professional. It has five production sites in Germany, three in France, two in Italy, and one site in Poland, the Netherlands and also the United Kingdom. Headquartered in Arnsberg, Germany, it has a total of 21 paper machines and more than 90 automatic processing machines for rolled and folded tissue paper. It claims a market share of 25% in Germany and around 8% in Europe. Some 80% of its revenue is generated by its Consumer business unit and 20% by its Professional business unit.

The full title of the strategy programme is 'Perform & Transform – WEPA 2023', attesting to the vision. So towards 2023 where will the transformation be?

In Consumer, growth will be organic, but also through investments in profitable markets. One example: in the UK investment is going into a paper machine to meet the growing demand.

In Professional, investment will go into equipment and machinery especially in the plants at Swalmen in the Netherlands with new converting lines and Piechowice



WEPA's Arnsberg headquarters: The company claims a market share of 25% in Germany and around 8% in Europe.

in Poland with a new paper machine. Investment even in difficult times towards higher penetration in home markets and growth in new strategic markets such as Central and Eastern Europe, the UK and France.

Product offering will be diversified: "In our Professional business unit we want to go beyond the paper category and expand also in adjacent categories. The launch of hand hygiene products mark a first step. Furthermore, we want to strengthen our service offering."

"Proximity to our customers has proved essential: we reacted towards increased hygiene needs in new application areas outside the washroom, for example by launching a low-cost dispenser made fully out of cardboard."

"We are also convinced that in the future, new usage occasions for hygiene paper will play a role, such as for the disinfection of shopping trolleys."

"The launch of our hand disinfection range is a reply to the increased hygiene demands of our customers."

"Diversification also plays an important

role in our newly founded business unit 'New Business Areas' which is led by Andreas Kregel, Member of the Management Board of the WEPA Group from the third generation of the entrepreneurial family. It also plays an important role at WEPA Ventures, the corporate venturing arm of the WEPA Group through which the business coordinates cooperation with start-ups. WEPA Ventures invests in start-ups that focus their business model on sustainable hygiene solutions and/or offer solutions in the area of alternative raw materials and sustainable packaging. In addition, it also builds its own start-ups."

Sustainability will play an essential role, says Kregel: "We are the number one player for recycling qualities in Europe with more than 35 years of experience and we have further invested into the technology of recycled paper fibre preparation. Recycled fibres are ideal for the production of hygiene papers, as the products cannot be returned to the cycle after use."

Hybrid and recycling strategies will be advanced across Europe. In Consumer, the "mach ml" recycling brand is

well established in Germany, and the recycling brand "Feel Good" is newly launched in the UK.

"Our approach is to inform consumers about the high qualities in recycling paper and the positive environmental impacts of these products."

"Additionally, we convince more and more consumers of our hybrid paper, for example the products of the brand "Comprami" in Italy: a mix of recycled fibres and cellulose. More and more retailers are listing hybrid products in their assortment.

"In Germany the share of recycled products is about 20%. If we take a look at consumers who buy WEPA products, we see that already around 50% of them buy environmental-friendly toilet paper: 27% buy 100% recycled paper and 25% choose our hybrid paper. We are optimistic that these numbers will grow further due to the fact that sustainability plays an increasingly important role for consumers in Germany and across Europe, and that nowadays consumers can hardly tell the difference between a pulp and a recycled product."

In terms of tissue sectors, Germany is a unique market: high private label development and use, dipped only because of panic buying at the height of the pandemic, and yet a strong preference and loyalty for brands.

Krengel outlines WEPA's portfolio: "In the AfH market, in the last two years we have developed away from being a private label and brand manufacturer, towards a clear brand focus. Our brands "Satino by WEPA" and "BlackSatino" will play an essential role in driving our growth objectives and our brands play leading roles in sustainability. For example, "BlackSatino" is the only hygiene paper brand in Europe used in the Professional sector which has been awarded with the Cradle-to-Cradle silver category."

These brands are aimed towards growth beyond the home markets in DACH (Germany, Austria and Switzerland) and BNL (the Benelux countries of Belgium, the Netherlands and Luxembourg) towards other countries in Western and Eastern Europe.

"We want to strengthen our service offering. For example, we are starting to take back used hand towels also in Germany and use these as a source of fibres to create new hygiene paper."

"In the Consumer market we're present in the main European countries at most of the retailers. As number three in the market, we are one of the top suppliers in the European hygiene paper market and a reliable partner



WEPA Group CEO Martin Krengel, left, and his son Andreas Krengel, CSO, and who leads "New Business Areas"

for the retailers. Besides the supply of standard assortments, we are also aiming to implement and enlarge a sustainable assortment at our customers. A clear goal is to bring our hybrid and recycling strategy forward in each region. Our recycling brand "mach m!" is very well known in the German market. Our UK recycling brand "Feel Good" shows consumers that ecology and comfort isn't a contradiction, and in Italy for example, we offer hybrid products of our brand "Comprami".

"Besides our recycling and hybrid brands, we consider ourselves experts in the production of private label products. Due to the pandemic-related panic buying in Germany last year, the private label share decreased for the first time for many years. We see this as a one-time effect due to the fact that private label products were temporarily sold out in shops and we expect further growth in the private label business in Germany as well as in other European countries in the upcoming years."

"The growth strategy for WEPA Professional focusses on the growth of our brands "BlackSatino" and "Satino by WEPA". The brand strategy will allow us to serve our clients in the future with the most sustainable and most hygiene-oriented product portfolio and hence support our customers and end-customers in pursuing their ambitious targets towards hygiene and sustainability. Some product and service concepts can only be offered under a strong branded offering, such as our hand towel return service."

A cross-sector recovery from the pandemic, he is convinced, is a certainty,

but the timeline is likely to differ sector to sector: "With the recent re-openings, we also see a surge in demand coming from HoReCa and tourism-oriented clients. However, business travel will need some more time to come back to pre-pandemic levels."

"Home-office regimes are also likely to continue in the future which will lead to a softer demand situation from office clients."

"A further factor driving market growth for hand towels is the fact that it has been proven to be the most hygienic way to dry hands. This has led many authorities, organisations and washroom operators to dismantle hot air dryers and replace them with paper hand towel dispensers. Our end user research has shown that paper hand towels are by far the most preferred option to dry hands: 94% of end users prefer hand towels over cotton or hot air dryers."

The key challenges and opportunities, then, going into 2022? "Currently, the commodity price situation causes challenges for all tissue mills. Especially in situations like these, great partnerships between manufacturers and retailers are important to overcome the obstacles together. We understand that sustainability, delivery reliability and high product quality are important to our customers. In the end, it's not just the lowest price."

"Sustainability and innovation are two of the main aspects we focus on as a company and we continue to focus primarily on recycled paper and recycling processes. We see significant growth potential here and will continue to invest in sustainable concepts and innovations."