

By MONICA SHAW, Editor

Doing well by doing good

For Office Depot, sound environmental policy is a business strategy that attracts corporate customers and consumers, and a tactic that can also bring value to paper suppliers

When Tyler Elm joined Office Depot as director of corporate environmental affairs in 2003, his objective was to help the company promote environmental performance as a business strategy. "Doing well by doing good" is how Elm describes the office supply mega-chain's efforts to attract business from the "ethical" consumer by improving its own environmental and social performance. And Office Depot has focused much of its environmental strategy on paper and paper-based products, since it sells more of those than any other single product category.

"The majority of our paper, probably three-quarters, is sold to small and large businesses, and about 40% of such organizations in the U.S. have policies on sourcing environmentally preferable products," Elm

describes. "While the remainder may not have policies, they're many times involved in recycling initiatives. But regardless of whether a business is active or passive in their approach to environmental performance, they have very, very high expectations of Office Depot's approach, which is a primary motivator for us."

According to Elm, Office Depot is the world's largest reseller of recycled paper and paper products, but post-consumer wastepaper (PCW) recycled content is not the sole consideration, a fact that led the company to develop the Chain of Custody System for its marketing insert papers with PricewaterhouseCoopers and NorskeCanada highlighted in the April issue of *Pulp & Paper*, p. 45.

"Many of the grades we provide, in particular coated papers, have very real technologi-

cal limitations for the use of recycled content, so you cannot define environmentally preferred paper just on its amount of recycled content," says Elm. "It is just as important, and, in fact, I would say even more important, that the original fiber used in these paper products comes from a responsibly managed forest."

With annual sales of more than \$12 billion, Office Depot conducts business in 23 countries and employs nearly 50,000 people. In North America, the company has 923 retail stores, as well as a national business-to-business delivery network supported by 22 delivery centers, more than 60 local sales offices, and 13 regional call centers. In addition to the success of its retail and contract delivery businesses, the company accesses customers through catalogs and e-commerce, where it is the world's number three online retailer, generating \$3 billion in sales for 2004.

Office Depot's efforts to attain transparency in its fiber sourcing, along with bumping up the PCW content in its copy papers, introduction of a *Green Book* catalog for environmentally conscious customers, and encouragement of recycling for a variety of products, like toner cartridges, cell phones, and batteries, have gained positive notice from the business community and watchdog non-governmental organizations (NGOs). Moreover, Office Depot has attracted large customer contracts with its stance on environmental responsibility.

Building paper policy

When Elm joined in 2003, Office Depot already offered many recycled paper products, such as its branded 35% PCW content EnviroCopy, but its environmental and social policy had not yet solidified. With activist groups bringing issues such as the environmental performance of paper products to the company's attention, Elm led the charge to connect such performance to business strategy.

"Regardless of whether a business is active or passive in their approach to environmental performance, they have very, very high expectations of Office Depot's approach," says Tyler Elm, director of corporate environmental affairs.



"I think environmental leadership is connecting with customers that value environmental performance, identifying common values, and differentiating our company based on its performance," Elm describes. "You can't reach everybody all the time, but the idea is to connect with those who share your beliefs and provide them services and products based on those."

In 2003, Office Depot ultimately centered its environmental initiatives on three guiding principles: recycling and pollution prevention, sustainable forest management, and issue awareness and market development. Transparency of the fiber source has become a key aspect of the company's paper products policy, as evidenced by the independently-audited Chain of Custody System developed first for Office Depot's own marketing inserts (*P&P*, April 2005).

"Customer needs have evolved from the early days when an individual certification scheme was embraced," Elm says. "For example, if I get FSC [Forest Stewardship Council] paper, I am interested in the total certified content that goes into that paper, not just FSC content. So, if I rely on an FSC chain of custody system, I cannot get the full picture of that paper's environmental performance, because it only tracks the FSC content, not the total."

Elm sees Office Depot's independent Chain of Custody System as the future for such systems.

"We took a fiber in versus fiber out approach," explains Elm. "For example, if 50% of a mill's fiber is certified content, we don't want them to tell 100% of their customers that they're getting 80% certified content because that would be selling more of it than they actually ever had. An independent verifier such as PricewaterhouseCoopers can make sure that volume in is equal to volume out and those customers that are told they are getting it are given credit for having it."

TABLE 1.

Changes to Office Depot's branded paper lineup in 2004 raised the company's average post-consumer recycled content by 146%.

Paper	Previous % post-consumer recycled content	Current % post-consumer recycled content
White	0	10
Inkjet	30	35
Laser	30	35
Color laser	10	30
Color copier	10	30

In addition to chain of custody efforts initiated with marketing inserts, Office Depot improved the performance of the standard 20-lb copy paper it sells, the 35% PCW EnviroCopy, raising its brightness from 84 to 86 so that it is higher than Office Depot's entry level paper, which is now at 85 brightness and 10% recycled content.

The amount of recycled content in Office Depot's branded papers increased across the board, as Table 1 shows, raising the company's average

PCW recycled content by 146%. Also, all Office Depot brand papers are elemental chlorine free.

Working with paper suppliers

Office Depot has worked closely with its suppliers to tailor its branded paper to fit corporate environmental strategy. The now-brighter EnviroCopy is primarily manufactured by Weyerhaeuser. Georgia-Pacific and International Paper supply the branded copy papers described in Table 1, which received boosts in PCW content.



Office Depot made its standard 20-lb copy paper, the 35% PCW EnviroCopy, brighter than its entry-level white paper at 10% PCW. The company's inkjet paper also bumped to 35% PCW content.

Instead of solely pushing recycled content, says Elm, Office Depot would rather focus on transparency of fiber sourcing as a goal with its suppliers.

"We're not interested in any particular minimum threshold for recycled content; we desire full transparency," Elm counters. "The value of chain-of-custody for copy and print papers is similar to that for marketing papers. Office Depot wants third-party confirmation that rigorous controls, management and environmental reporting systems are in place. Eventually, the market will demand that companies monitor, verify and report the overall environmental performance of their paper. Office Depot will be well positioned to meet that market demand."

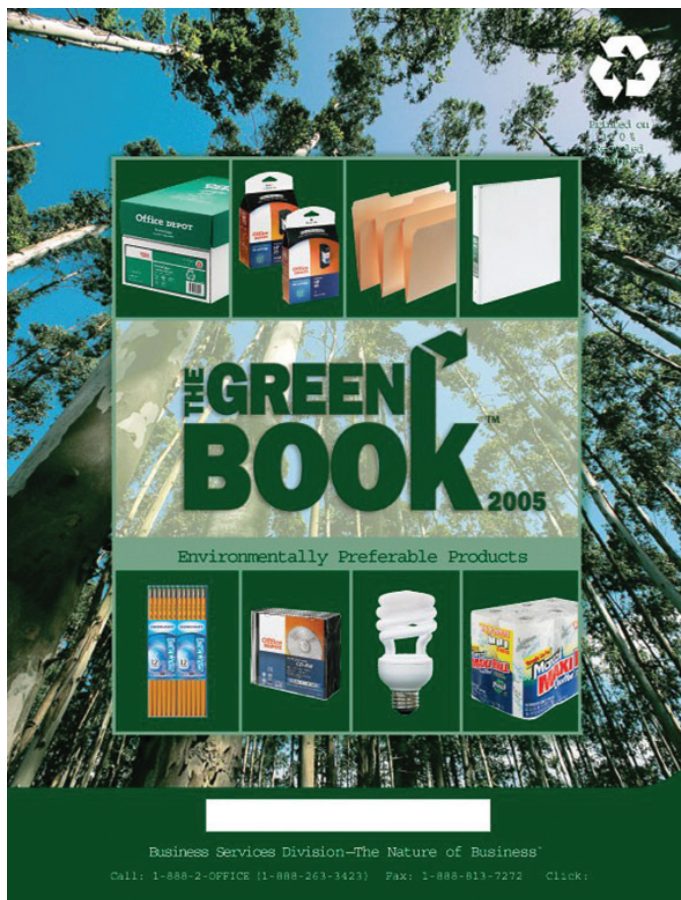
In a quote from an Office Depot press release, Steve McCormick of the Nature Conservancy said the strength of the company's paper procurement policy "lies in its emphasis on implementation, and on their willingness and ability to influence the actions of their suppliers." According to Elm, Office Depot has "not come across a lot of resistance" from its paper suppliers in response to its emphasis on increased recycled content, in particular, because it is realistic with its goals.

"We don't push things on our suppliers; we collaborate with them to build value into the product that carries through the supply chain," Elm emphasizes. "We do not promote adding recycled content in grades where it doesn't make sense. For our Office

Depot print and copy papers, adding recycled content increases the performance of the product, both in terms of its general printability and in terms of our customers'

internally focused on production and cost minimization," Elm describes. "It is only just now looking at marketing forest products beyond its own concerns. The industry

Targeted at Fortune 500 companies, government, and higher education markets, Office Depot's Green Book 2005 is a "magalog" that provides information and products for green customers.



needs to turn inside out and base marketing on the customer's needs. For example, track those attributes through the supply chain that will help differentiate the paper products and help meet customers' needs as opposed to the producer's needs."

Tapping "ethical" markets

Why does Office Depot think that doing "good" in its environmental policy will translate into doing well financially? For one, says Elm, 40% of current customers have environmental policies, and this group is mostly made up of Fortune 500 companies; state, federal, and municipal governments; and higher education institutions.

According to Elm, another reason Office Depot sees environmental policy as a way to grow business is that consumer concern for corporate social responsibility is on the rise, according to various media sources (see sidebar, p. 35). This spending, Elms notes, is growing much more rapidly

than the general market. Making that connection between the actual manufacturer and the customer adds value to the product."

In addition, Elm thinks the paper industry can benefit from efforts to reach out to consumer needs.

"I used to work in the forest and paper industry, and the industry is very much

than the general market.

"Once price, quality, and service expectations have been met, environmental performance becomes a key differentiator," claims Elm. As an example, he describes how JPMorgan Chase began buying Office Depot's 35% recycled content EnviroCopy paper instead of virgin paper in 2004 as a mechanism to implement corporate

environmental policy. This change helped the company reduce its dependency on forests for paper by 35% while simultaneously cutting green house gas and haz-

ardous air pollutants emissions associated by 13-32%.

To tap into the requirements of Fortune 500, government, NGO, and educational

institutions for environmental products, Office Depot created its *Green Book* in 2004. Printed on 100% PCW content paper, the 2005 version now has 2,500 products and

corporate responsibility

Do "ethical" consumers have determination and deep pockets?

Ethical consumerism, environmental procurement policy, socially conscious investors - whatever the terms and whether or not these are the latest buzz words or a true trend - a wealth of information is flying about around corporate responsibility and its impact on consumers. What began as a murmur may have found a voice, according to many media sources, and forest based companies and their products are often targets of scrutiny.

According to a March article in *The Boston Globe*, a growing number of mutual funds, fund managers, and individual investors are pressuring big corporations about social issues or environmental issues like global warming, especially in this post-Enron era of greater boardroom accountability. Rather than "camping atop giant redwoods," the article said, "investor activists use shareholder resolutions at the annual meetings...to leverage change. While shareholders may never vote to approve a social measure, large minority support sends a strong signal that can bring management to the table."

European activities track this trend, with implications for North American companies doing business there. In the U.K., the annual Co-operative Bank Ethical Purchasing Index (EPI) published in December 2004 showed that consumers spent an additional \$6.7 billion in line with their ethical values, an increase of 16% from the previous year, while household expenditures only rose 4%.

The EPI also noted that sales of Forest Stewardship Council timber increased by \$428 million. In addition, it indicated that lost U.S. sales stemming from boycotts of certain products, particularly those with poor environmental performance or unacceptable labor practices, more than doubled to reach \$3.45 billion.

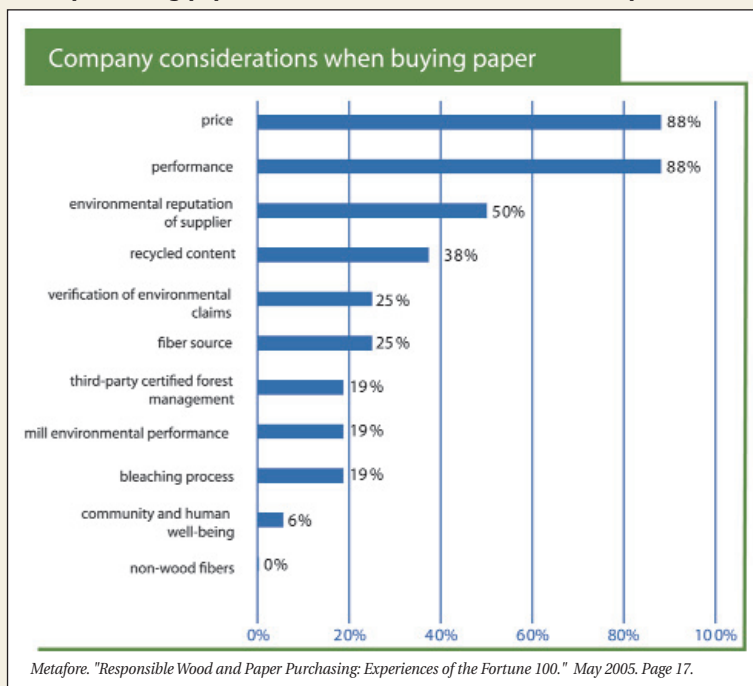
Office Depot's director of environmental affairs, Tyler Elm, says that many of its environmental buyers are large institutions like Fortune 500 companies and medical or educational institutions. Research published in May 2005 by Metafore, a non-profit organization that claims to balance business action with forest conservation, showed that 47 of the Fortune 100 companies post pages on environmental and social activities on corporate Web sites. Paper-related activities are mentioned by half of the companies with environmental policy statements.

The Metafore research also directed Fortune 100 cor-

porate environmental affairs and purchasing representatives to a Web-based survey, quizzing them as to what factors their companies consider when buying paper (see graph below). Price and performance still hold top billing, although environmental issues are well represented.

From the consumer rather than the corporate end, Consumer Reports, the New-York based consumer product testing and rating organization, launched a new website geared at the "green" consumer, greenerchoices.org. Consumer Reports also released a survey showing that while only 5% of respondents consider themselves environmental activists, nearly 9 out of 10 actively consider environmental and health factors when making purchases. The survey also showed that consumers are willing to pay more upfront for choices that protect the environment, public and personal health, and long-term savings.

In a survey of the Fortune 100, price and performance still hold top billing when purchasing paper, but environmental issues are well represented.



runs 126 pages, about 80 of which feature paper products, from paper to boxes to tissue. These products include Office Depot brands, as well as Wausau Paper products, Kimberly-Clark tissue and towel products, Marcal tissue, IP's Hammermill copy paper, and Pendaflex, Smead, At-a-Glance, Acco, Oxford, and other brand name products, most of which have high recycled or PCW content.

In addition to paper products, energy efficient, refillable, and non-toxic items are included in the *Green Book*. New products, like non-vinyl, recyclable binders have been introduced as well. The 2005 catalog is in a "magalog" format, says Elm, where tidbits of

information about Office Depot's environmental efforts are given, as well as tips on how organizations can achieve their own goals.

In 2004, the *Green Book* helped Office Depot customers transition nearly \$1 million of their office supply spend to environmentally preferable products. For example, Johns Hopkins University, Maryland's largest private employer, converted 25 departments to 35% PCW content papers.

Also, Office Depot recently announced that it achieved an average of 26.9% PCW recycled content in the paper it used at its nearly 1,000 retail North American Copy & Print Centers. This marked an increase of

more than 90% over 2003 when the Centers averaged 14%.

Serving existing customers and attracting new ones are just two examples of the benefits from Office Depot's environmental strategy. Company efforts to be "responsible, transparent, and accountable in developing economically viable solutions," in Elm's words, have been recognized by non-profit NGOs like Metafore, Nature Conservancy, Conservation International, and Nature Serve, as well as industry organizations like the AF&PA and Forest Stewardship Council. The company was also the 2004 winner of the U.S. Chamber of Commerce Corporate Stewardship Award.

