

COMPANY PROFILE

SCA México: doing well while doing good

China, India and Brazil represent the new frontiers for economic development and growth. But when speaking about business or plans for growth, no one would think of Mexico, a country with a surface area of 1,964,375 square kilometers and a population of 124,000,000 people.

Maura Leonardi

Mexico - or better, the United Mexican States - is an optimal market for tissue paper products, an interesting basin of growth and development. Consumption of tissue products such as toilet rolls, kitchen towels and table napkins is 8.26 kg per capita, with good margins for growth in the next few years, as testified by the presence of the main industry players (SCA, Kimberly-Clark, Georgia-Pacific, Procter&Gamble). We can safely say that it is a market with different needs from north to south, where 55,000 million people live in tight economic resources and with a minimum salary of 45 Pesos per day (equal to 2.84\$ and 3.84\$). A portion of the population purchases tissue products for need, based on price. A remaining portion instead buys rolls based on softness, absorbency, type of paper, number of sheets and plies. And this is the market share that makes the difference.

A STABLE ECONOMIC GROWTH - about 4-5% per year - in the last 5 years, together with a rapid growth of the middle class and a low inflation rate, have created the bases for SCA México - Central America to invest in the new facility of Sahagun, in the state Hidalgo near its capital Pachuca. With the purchase in 2004 of 50% of its commercial partner Copamex - despite difficult market conditions - the Swedish group began a course of growth and expansion of its tissue business in Mexico and Central America.

FROM 2004 UNTIL TODAY, MANY THINGS HAVE CHANGED, and SCA has continued to grow and invest in innovation and technology. With this spirit and the desire to win market shares, in 2008 the group invested 210,000,000 USD creating 500 new jobs. The new facilities will be working at full regime by April 2011 and will produce 60,000 tons per year of recycled paper, converted on 4 Fabio Perini S.p.A. lines, with the new MILE 7.1 rewinders, having a capacity of 40-50 tons per day that varies based on the product being processed. An important operation that will bring this production site to primary importance not only in Mexico but in all of Latin America.

"Our objective is to have a completely integrated facility, from production to the PM to transport of the finished product. We have focused on technology and human resources, the two cornerstones of our philosophy", sustains calmly and firmly Michel Farell Baril, Vice President. With a previous working experience in Canada, Farell arrived in July 2007 at the head of SCA México - Centro America. Present on the territory with 6 production sites, 4 of which are dedicated to the production of tissue paper (Monterrey, Uruapan, Ecatepec and Sahagun), one to the production of feminine hygiene and incontinence pads and one to the production of baby diapers, SCA México employs 3200 people. Leader in the field of products for feminine hygiene, incontinence and baby diapers with the Tena® Saba® and Dry Kids® brands, SCA México is present on the shelves of tissue paper products with the Regio and Lovly brands and holds a market share of 15%.

SCA MÉXICO'S BUSINESS IS DIVIDED INTO FOUR PRODUCT CATEGORIES: tissue, feminine hygiene, baby diapers and AFH products. Passing through the Santa Fe headquarters offices in Mexico City, what strikes us is the international structure of the company. The ambience is young and creative; teamwork among the various departments is clearly visible. At the base of SCA México there are the pillars of Swedish philosophy, i.e., responsibility, respect and excellence. Three values shared by all the people working at SCA - an open structure where communication is one of the fundamental elements. To the question of how Swedish philosophy may be embodied in the context of a company having a Latin culture, Michel Farell answers us clearly and confidently: "SCA is a very flexible multinational with very strong values, appreciated by the people working in our

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company. Respect, responsibility and excellence are fundamental shared elements, just like the policy that SCA adopts in the realm of environmental support. Responsibility transpires from SCA's attention towards the environment and towards its collaborators. Operational excellence is summarized in a company philosophy that permeates every department. Everyone working here is responsible for the process.

THE HUMAN FACTOR MAKES THE DIFFERENCE. SCA is investing a lot in operational excellence that entails the participation and contribution of every person involved in the project. Showing respect means receiving respect". Swedish philosophy - very cautious and respectful - perfectly espouses the fresh and proud Latin culture. The attention that SCA dedicates to its collaborators translates into pride in belonging to the Group. "Each one of us is a stakeholder, not only those who actually own company shares. All employees daily contribute to the growth of the company through their work. Cornerstone of the company's philosophy is a very open internal communication that translates into total participation, substantially improving work conditions.

SCA IS A VERY SOLID REALITY WHERE THE KEY WORDS ARE TRAINING, SAFETY, ENVIRONMENT, INNOVATION AND SUSTAINABILITY", states Farell calmly and firmly. And you can concretely touch the concept of operational excellence with the implementation of the TPM¹ (Total Productive Maintenance) program in the SCA México facilities. The TPM is a system aimed at improving efficiency by reducing losses and is applied to all business areas with the participation of all workers. Hence, the objective is maximizing production by eliminating wastes.

"The keyword of the TPM program that we are leading is Zero! Zero accidents, defects and losses. A program that involves all our operators, making them proud to participate. It is a very structured system, a heart-felt path that involves not only an organization of the work but also takes on a social valence, affecting people's work philosophy. The advantages of the TPM will lead us to a more efficient use of the systems and equipment, introducing a maintenance methodology diffused in the entire organization based on preventive-predictive maintenance. The program requires the participation of all company departments, starting with design through to development, from production to maintenance, involving the management and the operators; promoting and improving maintenance activities by focusing on specific autonomous teams.

PARTICIPATION IN THE WORK PROCESS GUARANTEES THE EXCELLENCE OF THE SYSTEM", underscores the Vice President. "Order, honesty, integrity and social responsibility are fundamental values for us. Sustainability for us is not an abstract concept but a precise duty that becomes concrete in many protection, prevention and maintenance activities.

We have integrated sustainability into our company DNA through rules and through our business model. We try to return the resources that we use to the community in the best possible way. Let's take for example the use of water in our production cycle. We have invested in a recycling process for these waters to put them back into the system and make them usable again. A spontaneous economic investment wanted by SCA due to its great sense of social responsibility," highlights Atilano Sánchez, Vice President Sales. With this approach aimed at "diffusion", SCA México stimulates consumers and employees to a conscious view of the importance of environmental protection. A business model that has allowed SCA to witness a constant and gradual growth aimed at conquering new market shares. Mexico, or better, Central America is a large and competitive market where the difference between products is still determined by price to a large extent. Production volumes are high (capacity of 3,809,000 tons estimated in 2010² in Mexico) and consumption is prevalently concentrated in the recycled toilet roll sector.

"INVESTING IN TECHNOLOGY FOR US MEANS INNOVATING IS A SUSTAINABLE WAY, accurately choosing also our commercial partners and suppliers who can guarantee us production performances in full respect of our philosophy, making them participants in our business model. The new Sahagun facility will be an innovative and integrated production platform in all its phases, allowing us to strengthen our presence in the distribution channels, whether these be large surface areas, pharmacies, small shops or service stations. Today, one of the fundamental prerogatives for conquering and maintaining market position is the presence in the retail channel, being near consumers and satisfying their demands - a product demand that varies from north to south. While in the north a 500-sheet roll predominates, in the south, 4-roll packs win (150 sheets in all). In these times of crisis, being competitive is the rule, just like communicating what we are doing on the territory in clear and correct fashion to our consumers," concludes Atilano Sánchez.

Surely we are globally witnessing rapid and radical changes, the need by companies to adopt new business models to contrast the crisis and the challenge of climate change. In this context, we can safely state that SCA México is an example of sustainable operational excellence. •

[1] TPM: evolved methodology of the so-called Preventive Maintenance introduced in the 1950s by Japanese and subsequently western excellence companies.

[2] Source: RISI World Tissue Capacity Report 2009.