



KSH CONSULTING

A CONSULTING CONCEPT

Product Management and
Marketing Services





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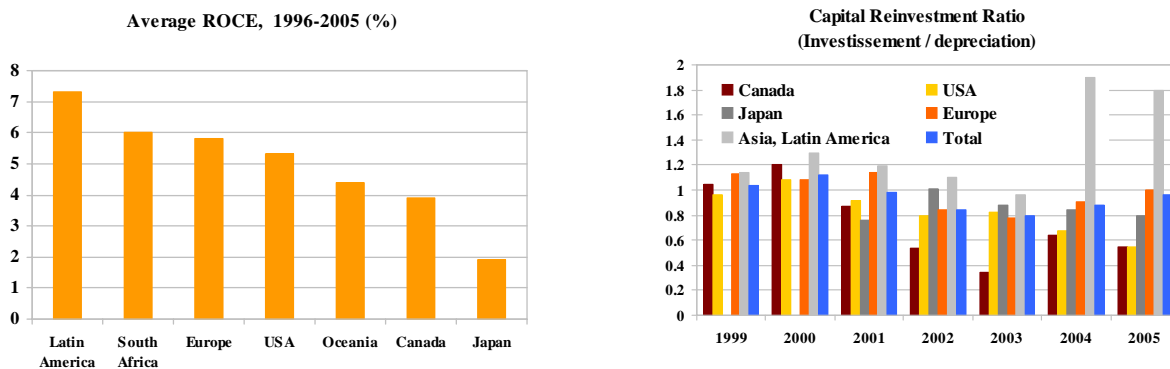
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BACKGROUND

The forest products industry, particularly its pulp and paper segment, is recognized as being one of the most capital intensive in the world. Risks associated to such capital intensity should be rewarded by better financial returns than average, but they are not. As depicted in the chart below, the forest products industry has provided very low Return on Capital Employed (ROCE) over the last decade, well below the weighted average cost of capital (WACC) and that in all regions of the world. Even in a region such as Latin America, which is blessed with very competitive regional factors, the ROCE is below the WACC.

Despite this poor financial performance, the global paper and paperboard capacity increased by 70 million tonnes or 4.5% per year over the 2000-2005 period to reach 408 million tonnes. It should be noted, however, that such capacity has been installed in low cost manufacturing regions and fast growing markets such as Latin America and Asia. Capital investment in developed countries does not match the depreciation of existing assets.



This poor financial performance is forcing industry executives, particularly those in the developed and more mature markets, to focus on building value rather than assets. It led many companies to significantly redesign their organization over the last few years (IP, Georgia Pacific, etc.).

In *The Practice of Management*, Peter Drucker wrote: “The business enterprise has two and only two basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.” In the forest products industry, mill configurations (economy of scale) and regional factors (cost of wood, power and labour) are the main drivers of cost performance. Some companies are repositioning themselves in low cost regions and fast growing markets with state-of-the-art assets. Will it be enough to generate the required value to achieve the expected financial returns? The average ROCE in Latin America over the last decade, the best among the various regions, seems to indicate that it will not.



It appears that the forest products industry has yet to reap to the full benefits that *marketing* and *innovation* have to offer, namely greater value and improved financial performance. However, to be efficient and to attract the attention of CEOs in an industry recognized to be production driven, marketers must break away from the tactics of the four Ps – Product, Price, Place, Promotion, and become more strategic, cross-functional and focused on the bottom line.

They must lead transforming initiatives across the organization and focus more on strategic segments where a network of values can be developed. Giving customers solutions rather than products requires a broader set of skills, the willingness to take greater responsibility for performance at the customer's site, more flexibility in operations and organization and the ability to manage numerous partnerships with suppliers and competitors.

KSH Consulting has designed its consulting services to meet these new challenges and support its Clients properly. KSH Consulting's expertise integrates the various business functions, so its marketing experts evolve on a day to day basis with specialists in the area of fibre supply, process, operations, logistics and economics. This enables a cross-functional approach and a greater emphasis on the bottom line.

OBJECTIVES

As part of its practice, KSH Consulting offers services in the area of product development and management and market/marketing management. As the famous hockey player, Wayne Gretzky, used to say, the key of winning is getting first to where the puck is going next. The same could be said about succeeding in business: KSH marketing services have to help Clients skate to where the money will be. The specific objectives targeted by these services are as follows:

- to better anticipate and capture market opportunities;
- to assess risks associated to market demand and capital projects;
- to match technical and innovation opportunities with market requirements and jobs consumers need to get done; and
- to adapt quickly to changing markets and competitors' strategic initiatives.

SCOPE OF SERVICES

Market/Marketing Management Services

Market Analysis

- End use analysis.
- Demand drivers and trends.



- ✔ Supply/demand analysis.
- ✔ Short-term and long-term price projections.
- ✔ Competition assessment and commercial risk analysis.

Market Research

- ✔ Design of market research programs.
- ✔ Personal, telephone and mail interviews.
- ✔ Focus group research/panel of experts.
- ✔ Customer satisfaction research.
- ✔ Market potential assessment.
- ✔ Product quality benchmarking.

Marketing Strategy

- ✔ SWOT analysis.
- ✔ Marketing plan.
- ✔ Action plan.

Implementation Assistance

- ✔ Team champion / leader.
- ✔ Coordinator / facilitator.

Product Development and Management

Optimization and Rationalization of Existing Products

- ✔ Total product cost and product contribution calculations.
- ✔ Product quality benchmarking and gap analysis.
- ✔ Life-cycle positioning and competitive strategy development.
- ✔ Product-mix rationalization analysis and planning.
- ✔ Product swap assistance.



Product and Manufacturing Process Design

- ✔ Translation of market intelligence into product specifications.
- ✔ Conceptual product and process design.
- ✔ Product development budgeting and planning.
- ✔ Design of bench-, pilot- and full-scale processes and product trials.
- ✔ Interface management: marketing, technology, engineering, production, resources management.

Process and Product Trial Management

- ✔ Coordination of trial and testing activities.
- ✔ Competitive or control products identification and procurement.
- ✔ Interpretation of objective and subjective trial results.

Product Launch Assistance

- ✔ Develop commercial products' specifications and quality programs.
- ✔ Patentability assessment and patent application.
- ✔ Plant and process start-up risk assessment.
- ✔ Assess expectations of product quality during start-up.
- ✔ Development of training strategies.
- ✔ Strategic alliance or technology transfer assistance.

TEAM

A team composed of senior specialists in marketing supported with superior expertise in furnish design, technology, operations, economics and business planning renders the proposed services. All senior members of the team have long-standing experience in product/market management.



COMPANY PROFILE

General

KSH Solutions Inc. (KSH) is a Canadian consulting, engineering and contracting company, founded in 1923 in Montreal, having global reach and extensive experience in the forest products and energy sectors. As part of a major corporation operating worldwide, KSH has built the skills, experience and organisation needed to develop and execute projects of all sizes and complexities, either as a consulting and an engineering services provider or as an EPCM services provider on turnkey or EPC (Engineering, Procurement, Construction) projects world-wide.

The entire group provides access to a vast network of resources and offices, giving KSH the support to evaluate, undertake and execute projects anywhere in the world.

KSH Consulting

KSH Consulting is the consulting arm of KSH Solutions Inc. Our mission is to assist clients in making positive, lasting and substantial improvements in their performance.

We have the global insights, consultants and tools to offer objective and sound solutions to various business problems for companies engaged in the pulp and paper and wood processing industries, governments, financial institutions, investors, lenders and sector organisations.

Our integrated services cover the whole supply chain, from raw material to end-use markets, and focus particularly on the following areas:

- ✔ ***Resource, Energy and Environmental Management:*** studies pertaining to resource supply, demand, cost, and end-use; regional resource comparisons; audits and benchmarking of forest, environmental and energy management practices; development of corporate strategies for sustainable development; development of regional resource management and master plans; and, government policy advice on sustainable developments.
- ✔ ***Product Management:*** rationalisation and optimisation of the existing product-mix; product and manufacturing process design; process and product trial management and product launch assistance.
- ✔ ***Marketing:*** market analyses, market research, development of marketing plans and market launch strategies, customer satisfaction studies and introduction to key buyers.
- ✔ ***Logistics:*** distribution logistics planning and optimisation.
- ✔ ***Mill Development:*** performance audits, benchmarking, optimisation programs and long term development plans for existing assets and mills. Operations, maintenance, and plant management assistance.



- ✔ **Technology Management:** assistance in R&D activity planning, technology assessment and selection, strategic alliance/technology transfer assistance and technological risk management.
- ✔ **Investment Analysis:** opportunity and feasibility assessments, due diligence, asset valuations, business plan development, financial analysis and planning, lender's consultant, owner's consultant, strategic alliance identification, as well as economic and sector studies.

KSH Consulting has acquired strong expertise in consulting and strategic planning in the forest product industry with numerous completed studies. Some relevant product/market management mandates involving KSH Consulting team members are described below.

SELECTED EXPERIENCE

Newsprint and P&W Papers

- ✔ Global Review of Newsprint and P&W Markets (2006).
- ✔ Review of North American CGW Markets for the Relaunch of the Chandler Project (2006).
- ✔ Review of the Marketing Plan of a CGW/CFS Producer (2004).
- ✔ Global Review of CFS Paper Markets for a Brazilian Producer (2004).
- ✔ North American Review of High Brites Paper Markets (2004).
- ✔ Assessment of the North American Business Forms Market and Market Research for a UGW Paper Manufacturer (2003).
- ✔ In-depth Review of the European and North American Newsprint Market (2003).
- ✔ Review of a Newsprint Sheet Design as per European Market Requirements (2003).
- ✔ Global Review of Newsprint Markets and North American UGW Paper Markets (2002).
- ✔ Assessment of North American Hi-Brites Market (2002).
- ✔ Modeling of an UFS Substitute Sheet based on Aspen BCTMP (2002).
- ✔ Paper machine conversion from directory to SCA grade including design of paper furnish, product and printing trials at Metso pilot plant in Finland (2001).
- ✔ Global Review of Newsprint, P&W and Pulp Markets (2001).
- ✔ Assessment of North American Coated Groundwood Paper Markets (2001).
- ✔ Modeling of the Furnish of Bagasse-based UFS Grade (1999).
- ✔ Distribution and Converting Study (1998).
- ✔ Assessment of North American Book Paper Markets (1997).



Packaging Papers

- ✔ Review of the North American Markets for Various Packaging Grades (2005).
- ✔ Review of European Markets for Sack and Kraft Papers (2003).
- ✔ Global Review of Containerboard Markets (2001).
- ✔ Global Folding Boxboard Market Review for a Saudi Arabian Customer (2000).
- ✔ North American Review of Folding Boxboard and Liquid Packaging Markets (1998).
- ✔ North American review of Containerboard Markets (1997).

Market Pulp

- ✔ Strategic Review of BHKP Long-Term Trend Price (2007).
- ✔ Global Review of BHKP Markets for an Acacia-Based BKP Project in Malaysia (2004).
- ✔ Global Review of BHKP Markets of a BEKP Mill Project in Brazil (2004).
- ✔ Global Review of BHKP Markets for a BEKP Mill Project in Asia (2003).
- ✔ Review of Asian Markets for Non-wood Market Pulp (2002).
- ✔ Kraft Pulp Market Survey for a BSKP Mill Project in Germany (1998).

Wood Products

- ✔ Global Strategy for the Saguenay-Lac-Saint-Jean Wood Products Industry (2005).
- ✔ Market Research for Aspen-based Wood Products (2003).
- ✔ Marketing Plan for a Large Particleboard Manufacturer (2002).
- ✔ Market Study for Polish Softwood Lumber (2002).
- ✔ Market Assessment for British Columbia Wood Products (2002).
- ✔ Site Selection for a Laminate Flooring Facility (2001).
- ✔ Wood Product Seminar (2001).
- ✔ Review of Urea Formaldehyde Resin Markets (2000).
- ✔ North American Particleboard Market Review (2000).
- ✔ Market Research on Thin MDF Panels (1999).
- ✔ Marketing Strategy for a Large North American Particleboard Manufacturer (1999).
- ✔ Turpentine and Tall Oil Global Market Survey (1998).
- ✔ Market Research for a Large North American Particleboard Project (1997).



Equipment

- ✔ Marketing Strategy for a Chip Quality Control System (2002).
- ✔ Market Research for Chips Quality Control Requirements (2001).
- ✔ Market Research for a New Harvester (2000).
- ✔ Market Research for an Onboard Scaling System (2000).
- ✔ Profile of the harvesting Equipment Industry (1998).

TOOLS AND MODELS

In addition to our global insights, analytical skills and database, the proposed study team has access to various models to support its analytical process. Some of the models that are used are as follows:

- ✔ Distribution Logistics Optimisation.
- ✔ Financial Model.
- ✔ Furnish Optimisation Model.
- ✔ Conceptual Cost Estimating.
- ✔ Cash Cost Curves.
- ✔ Econometric Modelling.
- ✔ Mass & Energy Balance.

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